Report Number : ICRR0020709

1. Project Data

Project ID	Project Name
P111064	TG:Financial Sector and Governance Proj
Country	**Practice Area(Lead)**
Togo	Finance & Markets

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-H4540	31-Dec-2014	12,400,000.00
Bank Approval Date	**Closing Date (Actual)**	
31-Mar-2009	30-Jun-2016	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	12,000,000.00	0.00
Revised Commitment	11,581,853.54	0.00
Actual	11,772,229.51	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The project development objective (PDO) is to improve the financial sector stability by supporting the Government financial sector reform program. Financial sector restructuring will lead to more efficient resource allocation towards poverty reducing and growth inducing sectors. The project will provide technical assistance to various stakeholders to support the financial sector reform program of the Government of Togo.

On January 31, 2013, the first of 3 restructurings occurred. The PDO was modified to "to improve the stability of specific segments of the Recipients financial sector to support the financial sector reform program". Thus, the scope of the project was narrowed from improving financial sector stability to improving the stability of

specific parts of the financial sector. In addition,references to poverty reduction and growth inducing sectors were removed.
A second restructuring occurred on December 3, 2014, when the completion date for the project was extended to June 30, 2016.
A third restructuring occurred on August 11, 2015 to reallocate funds among expenditure categories and to update the results framework to eliminate inconsistencies in the results framework of the first restructuring. There were no changes to the PDO in the second and third restructuring.
The Financial Agreement Development Objective was "the objective of the Project is to improve the Recipients financial sector stability by supporting its financial sector reform program." It did not contain any reference to poverty reduction and growth inducing sectors. The revised Financial Sector Development Objective was "the objective of the Project is to improve the stability of specific segments of the Recipient's financial sector to support the Recipient's financial sector reform program.:" The revised Financial Sector Development Objective was thus identical to that of the PDO.
IEG adopts the PDO as formulated by the Financial Agreement. Therefore, the dropping of the references to poverty reduction and growth sectors did not affect the PDO either in its original form or as it was revised.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

31-Jan-2013

c. Will a split evaluation be undertaken?

No

d. Components

1. Banking sector restructuring: (Appraised US$4.4 million; actual US$2.9 million). This component aimed to restructure 3 Togolese financial institutions; the Togolese Trade and Industry Bank (BTCI); the International Bank for Africa (BIA); and the Togolese Banking Union (UTB). This was to be achieved by providing technical assistance that would strengthen their governance, upgrade the skills of their staff, put in place a low cost and flexible system for the recovery of the very large amounts of non-performing loans,and establish a mechanism for the development of a secondary market for the securities issued as part of the bank restructuring. Technical assistance was also to be provided to the Peoples Savings and Credit Bank (BPEC), the restructuring of which had already occurred but which required further technical assistance to complete the strengthening of internal systems and governance.
2. Microfinance sector strengthening: (Appraised US$3.2 million;actual US$2.6 million). This component aimed to strengthen the microfinance sectorthrough strengthened external supervision and better internal controls of individual microfinance institutions (MFIs). Although the microfinance sector was judged to be relatively healthy and was providing access to financial services to the informal sector, there was a need for improved supervision to prevent possible crises. Therefore, technical assistance would be provided to

the Microfinance Supervision Unit in the Ministry of Economy and Finance (MEF) to disseminate and implement a new microfinance law. In addition, it would assist in strengthening the internal controls of individual microfinance institutions through training, the development of manuals, better management information and audit systems. It also supported the credit rating of microfinance institutions and ensuring that these would bepublically available.

3. Reforming the pension sector: (Appraised US$1 million; actual US$2 million). This component had the objective of reforming the pension arm of the 2 social security institutions, which were financially unviable - the National Social Security Institution (CNSS) and the Togolese Pension Fund (CRT). Both required substantial government subsidies. The project was to provide technical assistance to restructure both institutions through updating and validating the rosters of employers, employees and beneficiaries, undertaking audit and actuarial investigations, providing improved information systems, and undertaking human resource training programs.

4. Support to the implementation of reforms in financial and private sectors: (Appraised US$1 million; actual US$1 million). This component aimed to strengthen the capacity of the Reform Secretariat and Economy Directorate within the Ministry of Economy and Finance to formulate policies in the financial and private sectors. In addition, it aimed to improve dialogue between the public and private sectors. The ICR (page 33) states that when the IDA Private Sector Development Support Project (P122326) was declared effective in December 2011, it took over the public sector private sector dialogue. Note, the IEG ICRR of P122326 rated this project Unsatisfactory.

The project was restructured 3 times, although the ICR (p.11) reports that the main objectives of the 4 project components remained consistent throughout the life of the project.

Project implementation: (Appraised US$0.85 million; reallocation estimate US$1.2 million; actual US$1.3 million)

Project Preparation Advance: (Appraised US$0.95 million; reallocation estimate US$0.85 million; actual US$0.1 million)

During the first restructuring, a reallocation of funds occurred that allowed the financing of components that required additional resources to complete activities to achieve the PDO. The reallocation was as follows

Component 1: Reduced from US$4.4 million to US$3.4 million. The objectives and activities of component 1were not affected by the first restructuring. Funds from this component, however, were reallocated to components 3 and 4.

Component 2: Reduced from US$3.2 million to US$2.3 million. Component 2 was refocused to provide a stronger emphasis on restructuring the supervisory authority of micro-finance institutions within the Ministry of Economy and Finance to further strengthen itability to regulate the sector. Additional assistance focused on improving the supervision authority's capacity to undertake field visits and supervision. An additional part of component 2 was the developing and implementation of a training plan for inspection of microfinance institutions. As part of the restructuring resources from component 2 were reallocated to components 3 and 4.

Component 3: Increased from US$1 million to US$1.5 million. The primary focus of the restructuring for this component was increasing resources available for pension sector reform.

Component 4: The budget allocations were unchanged. The objective of component 4 involved a minor change to focus on supporting the implementation of financial sector and governance reforms through the provision of technical assistance to the Permanent Secretariat and the Economy Directorate within the Ministry of Economy and Finance. The scope of activities related to the private sector was reduced as was the focus on improving public private sector dialogue, as was the financing of the public private sector dialogue process.

In addition, the restructuring reduced the Project Preparation Advance by US$0.1 million and increased the Implementation of Project amount by US$0.35 million.
The second restructuring primarily involved extending the closing date of the project by 18 months to June 30, 2016. The PDO was unchanged. There were also minor changes to some of the components.
Changes to Component 2 involved a stronger focus on the consolidation of the microfinance sector supervisory process and the restructuring of the weakest microfinance institutions.
Changes to Component 3 involved a stronger focus on the investment policy of CRT and the implementation of a capitalization system.
There were no changes to any components in the third restructuring.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The original project was estimated to cost US$12 million. Because of currency fluctuations in the US dollar/SDR exchange rate the grant was reduced to US$10.5 million, of which US$9.9 million was disbursed. Of this amount, US$1.3 million was used for Project Implementation and US$0.1 million was used as Project Preparation Advance.
Financing: An IDA grant
Borrower Contribution: The borrower did not contribute.
The project was approved on March 31, 2009 and scheduled to close on December 31, 2014. The actual closing date was June 30, 2016.
On January 31, 2013, the project was restructured for the first time. On December 3, 2014, the second restructuring was approved. The third restructuring was approved on August 11, 2015.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The project development objective to improve the stability of Togo's financial sector was clearly significant. There is substantial empirical evidence that financial sector fragility has a strong negative effect on long-term growth and that if there is financial sector meltdown the adverse effects on growth can last for many years. A 2006 World Bank Financial Sector Review (FSR) had identified as priorities the need to restructure the banking sector, strengthen the supervision of the micro finance sector, and reform the pension sector as urgent priorities. The FSR had noted that these weaknesses threatened not only the stability of the financial sector but also the long-term development and sustainability of the Togolese economy. The PDO was also consistent with the Interim Strategy Note of 2008 as well as the Government strategy, namely, Strategy for Accelerators Growth and Promotion of Employment. The first restructuring reduced the scope of the PDO but the overall development objective remained unchanged. (ICR page 22).

Rating	Revised Rating
Substantial	Substantial

b. **Relevance of Design**

The ICR (page 23) notes that the design of the operation was linked to the IMF Poverty Reduction and Growth Facility as well as the World Bank Development Policy Operations that supported the restructuring of the banking sector. Furthermore, the program incorporated the experience gained in financial sector reform technical assistance in other countries. In addition, the design reflected the recommendations provided by the 2006 Financial Sector Review. The design of the operation also reflected areas where the World Bank has strengths in analytical and advisory services. Even though there was some reduction in the scope of the project, the design of the operation remained relevant. Furthermore, the causal chain between the objectives, and the intermediate and final outcomes was clearly delineated.
In the first restructuring, the scope of the project, and therefore its design, was reduced and, as the ICR points out, "since the original PDO was quite broad" (ICR page 6) it was modified to focus on specific parts of the financial sector. This suggests that the initial design was overly ambitious. However, following discussion with the first Two Task Team Leaders (TTL) it is acknowledged that the "big bang" approach of the original design could have been justified, the issue was more about how the various aspects and necessary steps in the causal chain were organized in a difficult operational environment. Given this limitation in making the necessary steps forward in formulating a consistent and holistic design during the restructure, the rating is Substantial.

Rating	Revised Rating
High	Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

The project development objective (PDO) is to improve the financial sector stability by supporting the Government financial sector reform program.

Rationale

After the recapitalization of Togolese commercial banks (BTCI, UTB and BIA), the Government will no longer contribute to the absorption of losses, and the recapitalization and liquidity of commercial banks. This was achieved - after 2011 the government provided no budgetary support to BTCI, BIA and UTB.
The Intermediate Results Indicators were:
Starting in 2009 and continuing to the end of the project, BTCI and UTB have gross non-performing loans (NPL) below 5 % of total loans each year. This was not achieved - by project closure the NPLs of BTCI and UTB were 51.25% and 5.27% respectively., with the latter close to the target for NPLs.

By 2009, BTCI and UTB meet key prudential solvency norms and continue to do so until the end of the project. This was not achieved with both banks having negative equity at the end of the project.
Starting in 2009 and continuing to the end of the project, BIA, BTCI and UTB meet a liquidity norm of above 75%. This was not achieved. BIA was dropped in the third restructuring and as of June 2016 the liquidity ratios of BTCI and UTB were 52.1% and 39.5% respectively.
Two out of the four targeted banks (BTCI, BIA, BTD and UTB) have entered partnerships with strategic banking investors by June 2010 and a third bank by 2012. This was achieved with a delay by May 2014 BTD and BIA had entered partnerships and had been privatized and changed their names.
An agency in charge of loan recovery had been created by end 2009 and had become operational by 2013. This was achieved through the creation of the Collection Agency of Togo, which became operational in May 2012.
Outcome indicator 2 for Component 2 of the PDO
The percentage of micro-finance institutions that have outstanding loans over 1 billion CFAF have liquidity ratios and long to medium-term asset to liability ratios of more than 80%. This was partially achieved, with 42%, or 5 out of 12, of the microfinance institutions with outstanding loans more than 1 billion CFAF meeting prudential norms at the closure of the project.
The Intermediate results indicators were
At least 75% of MFIs with outstanding loans of more than 1 billion CFAF have less than 5% of their Portfolios at Risk by the end of the project. This was partially achieved, with 3 of the 12 institutions having Portfolios at Risk of less than 5%.
MFIs with outstanding loans of more than 1 billion CFAF have yearly audited and certified financial statements by West African States Central Bank (BCEAO) registered auditors in accordance with the microfinance law passed in 2008. This was partially achieved, with 6 of the 12 institutions in compliance by the closing of the project.
At least 75% of the MFIs with outstanding loans of more than 1 billion CFAF have undergone at least one transparency exercise by the closing of the project. This was achieved by project closing 11 of the 12 large MFIs had undergone at least one transparency exercise.
By project closing, at least 75% of the MFIs with outstanding loans of more than 1 billion CFAF had report their financial information on the Mix Market. This was achieved, with 9 of the 12 having published at least one of their financial statements over the 2012-2015 period.
The supervisory body of the microfinance institutions (CAS-IMEC) adopts a code of ethics by the end of the project. This was achieved.
The World Bank would fund the institutional development of the MFI sector with at least US$2,500,000. This was achieved, with US$2,758,000 being dedicated to MFI institutional development. However, it should be noted that this is an input and not really an intermediate outcome indicator.
At least 75% of MFIs transmit statistical data in compliance with the new accounting norms. This was achieved through technical assistance provided by the Microfinance Supervision Unit at the Ministry of Economy and Finance. As of June 2016, project closure, all MFIs transmit financial statements in compliance with the latest accounting standards, although the ICR (page 28) notes that the quality of the data is poor.
Outcome Indicator for Component 3. This component will focus on reforming the pension arm of the two social security institutions (CRT and CNSS) to restore their financial viability.
The Intermediate Outcome Indicators were:
The legal framework for the Togolese Pension Fund (CRT) is modified according to established best

practices by 2016. Parameters for contributions and payments are established by decree. This was not achieved because of the complexity of the reform and an unfavorable social and economic context.
The legal framework for the National Social Security Institution (CNSS) is modified according to established best practices by 2016. Parameters for contributions and payments are established by decree. This was achieved when a new law established a social security code.
The parameters for CRT is adjusted by decree according to the findings of an actuarial study. This was not achieved, although there were 2 actuarial studies, in 2010 and 2016.
The parameters for CNSS is adjusted by decree according to the findings of an actuarial study undertaken in 2011. This was achieved through a decree in 2012, which revised contributions and payment parameters for the various branches of social security.
Original Component 4: Support to the implementation of reforms in the financial and private sectors. This component will provide technical assistance to the Reform Secretariat and the Economy Directorate within the Ministry of Economy and Finance to strengthen their capacity to formulate policies in the financial and private sectors. This component will also aim at improving public private sector dialogue. Although the Reform Secretariat was established it did not become fully operational. Furthermore, this component was dropped at the first restructuring in 2013.

Rating
Modest

Objective 1 Revision 1

Revised Objective
On January 31, 2013, the first of 3 restructurings was approved. The PDO was modified "to improve the stability of specific segments of the Recipients financial sector to support the financial sector reform program". Thus, the scope of the project was narrowed from improving financial sector stability to improving the stability of specific parts of the financial sector.

Revised Rationale
Outputs remain the same.
Revised Outcome indicator 4 for the PDO. In the first restructuring, 2 PDO level outcome indicators were added to measure the training and capacity building activities undertaken by the four components of the project. They were:
There would be at least 2000 direct project beneficiaries. This was substantially over achieved, with 3785 direct beneficiaries.
Revised Outcome indicator 5 for the PDO
Of the direct project beneficiaries, at least 30% would be women. This was not achieved - only 15% of the direct beneficiaries were women by the closure of the project. The ICR (page 26) ascribes the failure to meet the target to the fact that there are few women within the management staff that monitors policies in the financial sector.

Revised Rating

Modest

5. Efficiency

No cost benefit analysis was undertaken at appraisal. Rather, the expected benefits of the project focused on improvements in institutional capacity building in the sectors that were expected to be strengthened, namely, the banking, micro-finance, and pension sectors. In addition, the support provided by the project to the Economy Directorate within the Ministry of Economy and Finance would have general benefits for the economy. At the outset of the project the stability of the Togolese financial sector was at risk so that the primary goal of the project was to strengthen financial institutions to prevent a crisis. Several principles governed the approach:

A stronger banking sector would fund private sector businesses;
A strong micro-finance sector would provide access to financial services for low income households and micro enterprises;
The restructured pension sector would ensure that employees in the formal economy would receive compensation in retirement and that the sector would also provide resources that could be intermediated by financial institutions.

However, by the closure of the project, these goals had not been met.
Component 1: Restructuring the Banking Sector: While 2 banks had been privatized, the fragile state of the 2 public banks that remained in the hands of the state continue to put the stability of the financial sector at risk. (ICR page 32).
Component 2. Strengthening the Microfinance sector: Practical measures to address the problems of distressed MFIs had not been taken by the closing of the project.Although legal actions were taken against managers operating unlicensed MFIs, which had a positive impact on supervisory activities, the supervisory authority continued to be understaffed and remained weak.
Component 3: Reforming the Pension Sector: During the project, the government took specific action to strengthen the two Social Security institutions. The employer and employee beneficiary rosters of both institutions were updated. Actuarial studies were undertaken for both the public and private pension systems. As a result, the parameters of CNSS were changed and a new Social Security Code and Decree that revised the contribution and payment parameters for the system was passed, which resulted in a surplus for the retiree branch. However, the unfavorable and difficult social and economic context for the CRT led to no progress being made in changing its legal framework. Although a new timeline and more realistic parameters have been prepared, at project closing no progress had been made in passing a new law.
Component 4: Supporting the implementation of reforms in the financial and private sectors: This component was handed over to the Private Sector Development Support Project (P122326) in December 2011.
Cost Effectiveness: The ICR notes (page 33) "notwithstanding the above, the analysis of the quality and quantity of outcomes according to the volume of budget use used allows to conclude that the project has not only been effective but also efficient." The ICR makes the following observations on Cost Effectiveness:

Under the Project, the solvency of the Togolese banking system, which was insolvent when the project

began, improved to a positive equity for the sector as a whole of 8.9% by 2015;
With approximately 2 million people in mainly rural areas using MFI services, the expenditure of US $2.6 million that was spent on the acquisition of vehicles and computer equipment strengthened control systems in the technical assistance provided improve the capacities of supervision of the CAS-IMEC, although the ICR notes that it fell short of expectations. The impact of the achievements of the project on the private sector pension fund (CNSS) was strongly positive because of the expenditure of US$ 2 million because it restored the fund two solvency as well as providing more accurate information on the financial status of both the private and state pension funds.
Nevertheless, the failure to meet the goals of the Components results in IEG confirming that the Efficiency Rating is"Modest"

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The original objective of the project was to improve the stability of the Togolese financial sector by supporting the Government financial sector reform program, which was highly relevant given the fragile state of the sector and its importance to long term growth. This was revised in the first restructuring to improving the stability of specific segments of the financial sector to support the Government's financial sector reform program, a goal which remained relevant.
While two banks were privatized and government stopped providing financial support to the two publicly owned banks that were not privatized (BTCI and UTB), significant risks remain to the stability of the financial sector because of the continued fragile financial position of these two institutions.
Regarding the micro finance sector, the prudential ratio compliance target was achieved by less than 50% of MFIs in the sector.
While the private sector pension fund was restructured and restored to solvency, this was not the case for the public-sector pension fund, which remained insolvent on an actuarial basis when the project closed.
The two objectives added to the restructured project appeared as "add-ons" to the primary goal of achieving financial sector stability. The first, for which those trained are classified as beneficiaries, substantially exceeded

its target of 2000, with 3785 being trained. The second target of 30% being women was not met, with only 50% of the target number being trained. (If the percentage of actual beneficiaries is used, the number of women receiving training was about 7% of the total.
Overall, the project failed to achieve its revised less ambitious objectives and thus remained modest in its achievements. Given the ratings both before and after the restructure remain the same, the overall rating is Moderately Unsatisfactory.

a. Outcome Rating

Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating

The ICR (pages 36 & 37) cites 3 primary risks to development outcomes;
Macroeconomic management risks: Togo is vulnerable to shocks to the global economy, from declines in commodity prices. If this occurred, there would be additional dangers of the economy falling back into arrears or the shocks spilling over into the financial sector because of the continued weakness in the publically owned banks;
Political and governance risks: The ICR (page 36) notes that there is ongoing risks of political crisis that presents a high sustainability risk, which complicates the task of continuing the reform momentum that addresses Togo's pressing social and poverty problems while at the same time maintaining the support of key vested interests. The ICR states that slow progress in addressing social problems could lead to problems with security, the business climate and macroeconomic management;
Sector strategic and policy risks: The ICR judges the risk that commitment to the ongoing restructuring of the banking sector and resolving the problems of the 2 state owned banks to be moderate because of the commitment of the government to resolving them. However, more serious risks remain in the MFI sector since problems with the distressed and illegal MFIs have not been addressed and the supervisory shortcomings of the supervisory body (CAS-IMEC) have not been strengthened because of a lack of political will and financial resources.
An additional factor is that while the Ministry of Finance is committed to the reform of the financial sector, other parts of government and the private sector oppose the privatization of the remaining 2 banks and strong supervisory action in the MFI sector.

a. Risk to Development Outcome Rating

Substantial

8. Assessment of Bank Performance

a. Quality-at-Entry

The design of the project at entry was based on an extensive amount of analytical work; The 2006 World Bank financial sector review; the IMF poverty reduction and growth facility; and the World Bank Development Policy Operations. It also reflected priority objectives of the Governments Reform Program. All the analysis identified financial sector fragility as an urgent priority requiring attention. The design of the project also reflected experience gained in reforming. The financial sectors of other countries in the region. The areas that the project supported with those in which the World Bank had strong capabilities in providing analytical and advisory services.

However, the design of the project was overly ambitious given the weak institutions and the limited capacity of the Government that came to office following a period of dictatorship. Strong vested interests made implementation of several reforms extremely challenging to achieve. while the desire to adopt a "Big Bang" approach was understandable it was a mistake, the more limited PDO that was reflected in the 2013 restructuring would have made for a more realistic point of departure. Furthermore, discussions with the TTLs revealed that there was some opposition to privatizing BCTI, not only within parts of the Togolese Government, but also within the World Bank.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

The ICR (page 38) reports that World Bank supervision over the life of the project remained consistent and that **B**ank activities were coordinated with those of other development partners to accelerate the implementation of the project. There were multiple supervision missions as well as midterm review. The Implementation Status Reports (ISR's) contain detailed descriptions of progress that was attained under each component as well as detailed information regarding progress under each of the PDO level and intermediate level indicators. These were influential because of the downgrading of the project to moderately unsatisfactory the government requested the first restructuring that was approved in January 2013. The ICR also notes that project financial general management as well as the management of procurement was sound over the life of the project although there were significant delays arising the micro finance sector of the project. The ICR judged the bank's response during supervision in addressing some of the key challenges and constraints as satisfactory and IEG agrees.

However, given the Moderately Unsatisfactory performance at entry and taking the negative project outcome into account, IEG judges the overall Bank performance rating to be Moderately Unsatisfactory.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. Assessment of Borrower Performance

a. Government Performance

The Ministry of Finance strongly supported the project. However, significant shortcomings arose in project implementation because of several factors. First, there was limited capacity within government to implement the project. Second other ministries and political elements were opposed to the privatization of BTCI and UTB. Third, there was limited support for stronger regulation of MFIs and taking action against those that were operating without a license. Finally, the political environment surrounding reforming the public-sector pension scheme was complicated by presidential and parliamentary elections as well as public strikes and demonstrations.

Further issues arose because of communication problems between the project advisors and the World Bank, which at times had to request more transparency in the provision of information and more frequent communications regarding the status of the project. The ICR (page 39) also states that there were times when the BTCI administrator actively worked to hinder the privatization of the bank by withholding information and preventing the project team from obtaining a clear picture of the financial status of the bank. This was confirmed in discussions with the initial task team leaders.

IEG therefore rates Government Performance as Unsatisfactory.

Government Performance Rating

Unsatisfactory

b. Implementing Agency Performance

The Ministry of Finance strongly supported the project. Nevertheless, difficulties arose because of the structure of the implementing team which consisted of a combination of Ministry officials and hired contractors. This led to some inflexibility in performance at least partly due to the hierarchical relationships between the project unit and Ministry officials (ICR page 40). There were also delays in staff appointments from the Ministry and in the hiring of external staff so that project effectiveness was delayed by approximately five months, which in turn resulted in delays in project implementation and the need for subsequent project restructuring which necessitated extending the completion date.

IEG therefore rates implementing agency performance as Moderately Unsatisfactory

Implementing Agency Performance Rating

Moderately Unsatisfactory

Overall Borrower Performance Rating

Unsatisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The original monitoring and evaluation design was internally consistent regarding measuring progress towards the achievement of the PDO. The indicators were linked to each of the original components of the operation. In the original design, there were three PDO level indicators and 12 intermediate level indicators. The first Restructuring in 2013 addressed the inconsistencies between the Project Appraisal Document and the Financial Agreement. It also reduced the scope of the project as described above in Section 2. The restructuring added two additional PDO level indicators (the number of direct project beneficiaries and the percentage of which were women) and refined the focus of the banking sector and micro-finance sector components. In the third restructuring an indicator on pensions reform (that the two Social Security institutions were financially viable by the end of the project) was canceled even though the private pension fund had been restored to solvency. The final results framework therefore included five PDO level indicators and 17 intermediate level indicators.

b. M&E Implementation

The Project Implementation Unit (PIU) that was situated within the Directorate of Economy as part of the Ministry of Economy and Finance undertook monitoring on an ongoing basis supported by technical assistance provided by the project. The World Bank team worked closely with the PIU. Since the status of the outcome and output indicators were documented on a regular basis in the PIU reports, the World Bank team and the Togolese authorities could assess progress on a regular basis. The high quality of reporting and the collaboration between the teams was an important input into the Mid Term Review (MTR) that occurred in June 2012. The MTR could identify the slow progress in the privatization of the public banks, the slow implementation of reform activities in the micro finance sector, and the lack of implementation of reforms in the Social Security sector even though the analysis of the two funds had been completed. The MTR triggered the request by the authorities for the restructuring of the project.

c. M&E Utilization

The regular collection of data and reporting of the status of the indicators was an important input in discussions with the Government regarding progress and outcomes of the project. The work of the Steering Committee, which was composed of representatives of the institutions being reformed and the Economy Directorate and which was chaired by the Permanent Secretary of the Ministry of Economy and Finance helped determine whether the agreed reform measures were on track.

M&E Quality Rating

Substantial

11. Other Issues

a. Safeguards

Since the project consisted primarily of technical assistance as an input to the government financial sector reform program it did not trigger any safeguard policies.

b. Fiduciary Compliance

A World Bank financial management mission that took place in December 2015 concluded that the project complied with the covenants stated in the loan agreement, that financial audits had been submitted on time and that issues raised by the auditors were properly addressed by project management the mission also concluded that the financial management system was of sufficient quality to provide assurances that the World Bank loan proceeds were being used for their intended purposes. The overall performance of project procurement was rated as satisfactory even though there were some delays in following up on the recommendations of supervision missions.

c. Unintended impacts (Positive or Negative)

N/A

d. Other

At the time of Project Appraisal, Togo was facing a high risk of serious financial sector instability that could have led to a financial crisis that would have impacted growth performance for an extended period. The Project Team decided on a "Big Bang" approach. This was subsequently shown, with the benefit of hindsight, to have been overly risky. Nevertheless, ex-ante the initial approach had some justification. An issue arises in evaluating the project the extent to which the acceptance of risk should be penalized. In any risky situation some failure will occur, by definition. How this should be treated in ICR's and ICRRs is largely a question of judgement and should be assessed on a case-by-case basis.

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	The design of the project was overly ambitious given the weak institutions and the limited capacity of the Government
Borrower Performance	Moderately Unsatisfactory	Unsatisfactory	There was only partial implementation of the restructuring of the banking

		sector (Component 1), incomplete implementation of the strengthening of the micro finance sector (Component 2), and only partial reform of the pension system. Despite the support of the Ministry of Finance, much of Government did not support the project and vested interests worked to thwart the reform objectives.
Quality of ICR	Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The ICR (page 40) notes several lessons:

- Political commitment is key in driving reform. In Togo, the political buy in was strong in the Ministry of Finance but weak in other parts of Government. In addition, there were strong vested interests opposed to reform of the publically owned banks and reforms in the microfinance sector. The political landscape was also complicated by elections and by social unrest. This project illustrates strongly the need for comprehensive analysis of the political economy of the country when designing the project. The World Bank had very few close relationships with key counterparts. This is a point that the ICR could have emphasized more strongly in the body of the text.
- Togo remains a difficult environment in which to implement reform and more account could have been taken in design and implementation of the fact that the country was emerging from a long period of political and economic instability. A similar point was made in the ICRR of the Togo Private Sector Development Support project (P122326).
- The ICR states that the Bank worked closely with the Government to ensure a simple design and implementation of reforms. This statement is not borne out, however, by subsequent statements in the lessons learned section of the ICR, where the conclusion is that the scope of the project was overly ambitious and that the PDO was not simple nor straightforward.
- Simplicity of project design with a limited number of objectives would have better suited the realities of the limited institutional capacity in Togo. The ICR suggests that the focus should have been on 1 or 2 institutions. The ICR could have gone further and suggested that in the difficult political and capacity circumstances, where goals are nevertheless ambitious (and urgent given the financial sector fragility), there could perhaps have been a series of projects, with subsequent ones depending on the success of the initial ones.
- While not noted in the ICR, the project illustrates the need for close attention at the outset to minimize

delays in getting the project started. The ICRR of the Togo Private Sector Development Support project (P122326), noted similar issues in Togo, where long delays occurred in getting the project off the ground.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR describes effectively the issues and challenges faced by the project and its shortcomings. It describes clearly the evolution of the project and the 3 restructuring. Its analysis is candid, although not always internally consistent, as with the comments in the Efficiency section and in lessons learned. Simplicity of project design with a limited number of objectives would have better suited the realities of the limited institutional capacity in Togo. The ICR could have noted that the project illustrates the need for close attention at the outset to minimize delays in getting the project started. The ICRR of the Togo Private Sector Development Support project (P122326), noted similar issues in Togo, where long delays also occurred in getting the project off the ground.

a. Quality of ICR Rating

Substantial