



The World Bank

Togo COVID-19 Crisis Response DPF (P174376)

Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 27-Jul-2020 | Report No: PIDA29771

**BASIC INFORMATION****A. Basic Project Data**

Country	Project ID	Project Name	Parent Project ID (if any)
Togo	P174376	Togo Emergency Covid-19 DPO 2021 (P174376)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
AFRICA WEST	10-Sep-2020	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	Implementing Agency		
MINISTÈRE DE L'ÉCONOMIE ET DES FINANCES	MINISTÈRE DE L'ÉCONOMIE ET DES FINANCES		

Proposed Development Objective(s)

The Program Development Objectives (PDO) of the proposed operation are to: (i) strengthen the crisis response framework for better health outcomes, (ii) mitigate the negative poverty and social impacts of the crisis, and (iii) lay the foundations for economic recovery.

Financing (in US\$, Millions)**SUMMARY**

Total Financing	70.00
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DETAILS

Total World Bank Group Financing	70.00
World Bank Lending	70.00

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context**Country Context**

- Togo's recent economic performance has been relatively stable, despite political and social tensions, but poverty and vulnerability remain high.** Growth remains robust, averaging 5.2 percent over the last four years, driven by public investment in infrastructure and the good performance of export-oriented sectors such as phosphates and cotton. Nevertheless, more than half of households are living below the poverty line and access to basic services, especially in the energy sector, remains challenging. In addition, despite recent bold reforms in public finance



management, public debt remains at the highest levels in the WAEMU region at above 70 percent of GDP.

2. The proposed operation is a standalone COVID-19 Crisis Response Development Policy Financing (DPF) to mitigate the effects of the COVID-19 pandemic on Togo. The financing of this operation consists of an IDA Grant of SDR [XX] million (US\$35 million equivalent) and an IDA Credit of EUR [XX] million (US\$35 million equivalent). The Program Development Objectives (PDO) are to: (i) strengthen the crisis response framework for better health outcomes, (ii) mitigate the negative poverty and social impacts of the crisis, and (iii) lay the foundations for economic recovery. This DPF is both urgent and critical given the magnitude of the economic crisis and the unanticipated financing gap that opened because of the pandemic. This DPF is aligned with the Government's response plan and is supported by ongoing World Bank technical assistance and investment projects and builds on complementarities with other donor interventions.

3. Togo acted swiftly to contain the spread of the COVID-19 pandemic and to mitigate its socio-economic impact. Following the first reported case of COVID-19 on March 6th, the Government enacted strict policies to manage the spread of the disease. It suspended flights from high-risk countries, cancelled international events, and banned all gatherings of more than 100 people. These measures have helped contain the spread of the virus. As of June 3, 2020, 445 cases of COVID-19 were registered, with 230 recoveries and 13 deaths. The authorities also adopted a multi-year response plan that aims to protect lives, livelihoods, and future growth prospects. It is comprised of three pillars: (i) limiting the contagion of COVID-19 across the country and caring for the sick; (ii) preventing an increase in poverty, including through the introduction of NOVISSI, an urban cash transfer program recognized for its innovative features; and (iii) preparing for the post-COVID-19 recovery, with measures to support the private sector, protect jobs, and stimulate agricultural production.

4. The proposed emergency DPF is well aligned with the Government's response plan and is organized around three interrelated pillars. These pillars are also consistent with the framework for responding to the COVID-19 crisis in the Africa region and with the pillars of the country's FY17-FY20 Country Partnership Framework (CPF):

- **Pillar 1 supports reforms to protect lives:** These include policy measures to strengthen the institutional capacity of the health sector and facilitating access to COVID-19 related medical products to help contain the spread of the virus, care for the sick, and build a more resilient health system for the future.
- **Pillar 2 supports reforms to protect livelihoods:** These include measures to cushion the impact of the crisis on the most vulnerable by expanding the coverage of targeted cash transfers in both urban and rural areas and providing free access to water and electricity. This pillar also supports the development of the digital and financial infrastructure needed for the delivery of cash transfers and to support medium-term service delivery programs in other sectors, such as health and agriculture.
- **Pillar 3 supports reforms to protect the future:** These includes policy measures to support the agricultural sector, enhance the digitalization of services and improve fiscal and debt management

5. While Togo benefited from a stable macroeconomic framework over the most recent years, the unfolding COVID-19 crisis will have significant economic, fiscal and social repercussions. GDP growth increased from 4.4 percent in 2017 to 5.3 percent in 2019 (2.7 percent per capita), and inflation was low, at 0.7 percent in 2019. Between 2017 and 2019, Togo made substantial progress in strengthening macroeconomic stability, by improving its fiscal balance by close to 9 percent of GDP compared to 2016 and placing its debt profile on a downward trajectory. Over the same period, Togo implemented many reforms to improve its business climate to attract more private investment as it strives to become a logistics hub for the West African region. As a result, its Ease of Doing Business ranking jumped by more than 50 places, from 156th in 2018 to 97th in 2020. Due to the COVID-19 crisis, growth is projected to slow from 5.3 percent in 2019 to 0 percent in 2020, the fiscal deficit will increase substantially from 1.2 percent of GDP in 2019 to 5.0 percent in 2020. As a result, public debt will rise to 71.6 percent of GDP in 2020, instead of declining to 67.1 percent of GDP as previously expected. In addition, extreme poverty is projected to increase by 1 percent (80 thousand people) instead of declining



from 45.8 to 43.0 percent as envisioned before the crisis.

6. **The resulting financing gap of US\$320 million (5.4 percent of GDP) in 2020 will need to be closed with domestic and regional financing and with the support of external concessional sources.** The IMF has provided significant financing, approving an ECF disbursement (with an augmented quota) of US\$131 million and is preparing an RCF for an additional US\$70 million, while other financing is expected to come from concessional loans from the West African Development Bank (BOAD, US\$26 million) and African Development Bank (AfDB, US\$15 million). Togo has also joined the Debt Service Suspension Initiative (DSSI), demonstrating its intention to use all possible opportunities to maximize fiscal space for the crisis response and post-COVID-19 recovery. In addition, as part of the IDA Sustainable Development Finance Policy (SDFP), Togo has committed to strengthen debt transparency and management over FY21 through the preparation and publication of a compressive annual debt report, fiscal risk statement, and annual borrowing plan.

7. **The macroeconomic framework is adequate for the proposed operation.** Following a sharp downturn in 2020, growth is expected to recover over the medium term, driven by an expected return of private consumption and stronger growth in services such as logistics, telecommunications, and transport. Substantial uncertainty nonetheless remains about this growth projection and downside risks prevail. The Government maintained strong fiscal discipline in 2017-19 and is committed to returning to fiscal deficits below the 3-percent-of-GDP WAEMU convergence criterion as soon as that may be feasible. Also, Togo's performance was broadly satisfactory under the most recent IMF Extended Credit Facility (ECF) program, which concluded in April 2020. The Togolese authorities have expressed their intention to request a successor program. Monetary and exchange rate policy is anchored in WAEMU membership. Public debt is sustainable, with a moderate risk of external debt distress, though the risk of overall debt distress is high.

Relationship to CPF

8. **The operation is aligned with WBG's COVID-19's policy response framework and consistent with the key pillars of the Togo CPF FY17-FY20** (Report number 112965-TG) discussed by the Board of Executive Directors on May 16, 2017. It is also consistent with the adjustments to the CPF proposed in the 2019 Performance and Learning Review (Report number 139734-TG). Policy reforms related to health and social protection in this operation contribute to the CPF Focus Area II on Inclusive Public Service Delivery, notably by supporting the strengthening of social safety nets for the most vulnerable and improved health services. Also, measures to enhance digitalization of services and improve debt transparency are directly linked to the CPF Focus Area 1 on Private Sector Performance and Job Creation. The reform agenda supported by this operation builds upon several World Bank investment and TA projects underpinned by the World Bank's approach to respond to COVID-19 and the FY17-FY20 CPF. These include the Togo COVID-19 Emergency Response and System Preparedness Strengthening project (P173880) and the Regional Disease Surveillance Systems Enhancement (REDISSE, P161163) for Pillar 1 and the Safety Nets and Basic Services Project (P157038) for Pillar 2. Measures related to digitalization and debt transparency for Pillar 3 benefit from the regular macroeconomic and debt dialogue provided by the World Bank and are supported by the Togo Economic Governance Project (EGP, P158078).

C. Proposed Development Objective(s)

9. **The Program Development Objective (PDO) of the proposed operation is structured around three pillars:** (i) to strengthen the crisis response framework for better health outcomes, (ii) to mitigate the negative poverty and social impacts of the crisis, and (iii) to lay the foundations for economic recovery.



Key Results

10. **The measures supported by this operation are expected to improve the coordination and efficiency of the COVID-19 health response, protect the livelihoods of vulnerable households and support economic recovery.** Health measures are expected to increase the number of cases tested for COVID-19 by designated testing sites. Also, the availability of isolation centers across the country to manage COVID-19 case is expected to rise. Social protection measures will provide temporary emergency cash-transfers to an additional 500,000 individuals impacted by the COVID-19 pandemic in urban areas and about 40,000 individuals in rural areas. In addition, measures supported by this DPF are expected to increase the availability of agricultural inputs, enhance agricultural productivity and raise farmers' incomes. They are also expected to improve the efficiency of tax collection, enhance the digitalization of the public administration and strengthen debt management and transparency.

D. Project Description

11. **The proposed standalone operation directly supports targeted areas of the Government's COVID-19 response as well as its broader development agenda while contributing to closing the financing gap.** The operation is designed to support the Government's health response to the crisis (Pillar 1), cushion the impact of the COVID-19 crisis on the most vulnerable households (Pillar 2), and lay the foundations for a sustainable and resilient recovery (Pillar 3).

12. **The operation is articulated around three mutually reinforcing pillars that balance the need to address critical emergency COVID-19 related issues with putting in place elements of a medium-term framework for accelerating recovery and strengthen resilience.** Pillar 1 supports reforms to protect lives. These include policy measures to strengthen institutional capacity of the health sector and facilitate access to COVID-19 related medical products to help contain the spread of the virus, care for the sick, and build a more resilient health system for the future. Pillar 2 supports reforms to protect livelihoods. These include measures to cushion the impact of the crisis on the most vulnerable by expanding the coverage of targeted cash transfers in both urban and rural areas and providing free access to water and electricity. This pillar also supports the development of the digital and financial infrastructure needed for the delivery of cash transfers and to support medium-term service delivery programs in other sectors, such as health and agriculture. Pillar 3 supports reforms to protect the future. These include policy measures to support the agricultural sector, enhance the digitalization of services, and improve fiscal and debt management.

13. **The design of the DPF operation reflects the Government's administrative capacity constraints and complex policy challenges that are aggravated by the crisis.** The proposed prior actions are selective to avoid overwhelming the Government's limited and reduced administrative resources during the crisis period. The prior actions are thoroughly grounded in recent analytical work and build on the WBG's extensive and deep engagement in Togo and lessons learned from previous DPFs.

E. Implementation

Institutional and Implementation Arrangements

14. **The MEF is responsible for overall monitoring and evaluation of the proposed operation and for coordinating actions among other concerned ministries and agencies.** This also includes the regulatory authorities for the energy sector and SOEs. Regular discussions will take place with the Government and the donor community on progress made, results achieved and possible next steps. The monitoring and evaluation process by the Government and the World Bank



will be based on a systematic review of the implementation and impact of prior actions and will compare results achieved with agreed results indicators in the Policy and Results Matrix.

15. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

16. **While the COVID-19 outbreak is likely to worsen poverty and social conditions in Togo, policy actions supported under the proposed operation are expected to mitigate some of the impact on the poor and vulnerable.** The COVID-19 crisis is likely to have long-lasting economic and social impacts given the direct and indirect effects of the disease on public health and household income. The direct income losses arise from social distancing and economic lockdown, increased out of pocket expenditures and loss of earnings directly linked to illness. Indirect impacts of the crisis on the households include a loss of labor income due to the decline of economic activities in sectors directly affected by the COVID-19 pandemic such as air transport, tourism and related sectors, but also on informal sectors. These impacts are expected to be especially severe for poor and vulnerable households. Measures that strengthen Togo's crisis response, including the provision of the necessary health and emergency services based on enhanced surveillance and contact tracing, the strengthening of diagnostic capacities and the improvement of the availability and access to COVID-19 would help curb the spread of the outbreak, and lower disease transmission among the most vulnerable. Furthermore, actions aimed at protecting the most vulnerable segments of the population will have positive effects on well-being, especially for those at the bottom of the income distribution. Actions that help the economic recovery, including through support to farmers, enhanced digitalization of services and sound debt management and transparency will help protect jobs and livelihoods, maintain consumption of the poorest households (through the new NOVISSI cash transfer program) and speed up the recovery from the impact of COVID-19 over the medium term.

Environmental, Forests, and Other Natural Resource Aspects

17. **Overall the pillars supported by the current operation are not likely to have significant negative effects on the country's environment, forests, or other natural resources.** The first pillar aims primarily at saving lives by establishing a national committee for the coordination and the management of the COVID-19 response. The second seeks to protect livelihoods in assisting people with cash transfers and dropping temporarily the payment of the consumption of water and electricity for the most vulnerable households. Based on a preliminary assessment of these two pillars, no significant adverse environmental effects are anticipated. In addition, Prior Action 5 under Pillar 2 could be beneficial to environment and natural resources as the financing, through a temporary fiscal subsidy to the Togo Electric Power Company (CEET), to allow the most vulnerable households to continue having access to electricity without paying will safeguard forests that could be exploited for firewood if the electricity were to be suspended because of non-payment of bills. However, if not



properly managed hazardous medical waste resulting from COVID-19 designated health care facilities and laboratories could be detrimental to the environment. Also, Prior Action 6 under Pillar 3 related to protecting the future is likely to be associated with negligible to moderate adverse impacts on the environment, forests and natural resources as it intends to support the use of fertilizers that could be harmful if its use is not safely managed.

18. Potential environmental effects related to the implementation of Prior Actions 1, 2 and 6 would be attenuated through the existing legal and institutional framework and by using a set of proposed mitigation measures. Togo has an acceptable legal and regulatory environmental and social framework. The 2008 framework law on the environment and 2009 health code, which determines the conditions of medical care waste management, are in full alignment with international standards. Building on this legal framework, a national healthcare waste management action plan applicable to all health facilities was established through a decree of the Minister of Health and Public Hygiene. At the institutional level, the supervision of health care waste management is entrusted to the Directorate of Basic Hygiene and Sanitation (DHAB), which carries out frequent monitoring of the implementation and compliance with the provisions of the waste management plans at each level of each administrative subdivision (regional, prefectoral and district). Potential risks to the environment from the use of fertilizers would be reduced by providing training and advisory services to farmers on the safe use of fertilizers, as is normally done at the beginning of each cropping season and is also planned in the COVID-19 agricultural response plan. Training and advice are provided by public entities, including the *Institut du Conseil Agricole du Togo* (ICAT), which oversees the agricultural extension services, with the support of producers' organizations. Other mitigation measures include the promotion of the use of organic fertilizers and the strengthening of government capacities in terms of quality control and monitoring of the use of chemical fertilizers, which is already on-going with the support of Bank operations and in coordination with the *Centrale d'Achat et de Gestion des Intrants Agricoles* (CAGIA).

G. Risks and Mitigation

19. The overall risk rating for the proposed operation is substantial. This assessment is consistent with the CPF risk assessment and reflects several interrelated risks that may jeopardize the achievement of the PDOs. These include political and governance risks, macroeconomic risks, sector strategies and policies risks, institutional capacity for implementation, and fiduciary risks. While political tensions have abated, the political risk is rated substantial reflecting a fragile political environment, which could be exacerbated by increasing social demands as the COVID-19 crisis deepens. Macroeconomic risks are substantial and will increase with the depth and the duration of the COVID-19 pandemic. The severity of the economic fallout as a result of the COVID-19 crisis could delay economic reforms, as the focus of government efforts will be on cushioning the most vulnerable from the negative impacts of the crisis. Other risks are deemed substantial linked to the weakness of the health system. Sector strategies and policies risks are rated moderate. While Togo's performance in formulating and implementing sector strategies is mixed, for this operation, World Bank technical assistance and investment projects will accompany all eight reform programs. Institutional capacity for implementation and sustainability is challenged by the need to mitigate the current crisis.

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APPROVAL

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Approved By

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