

EBD/14/42

July 17, 2014

To: Members of the Executive Board

From: The Secretary

Subject: **Togo—Poverty Reduction Strategy Paper—Joint Staff Advisory Note**

Attached for the **information** of Executive Directors is the advisory note, prepared jointly by the staffs of the Fund and the International Development Association, on the poverty reduction strategy paper for Togo (EBD/14/41, 7/15/14). At the time of circulation of this paper to the Board, the authorities have indicated that they consent to the Fund's publication of this paper.

Questions may be referred to Mr. Mlachila (ext. 38183) and Mr. Ruggiero (ext. 36384) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Friday, July 25, 2014; and to the African Development Bank, the Economic Community of West African States, the European Commission, the Food and Agriculture Organization, the Islamic Development Bank, the United Nations Development Programme, and the West African Economic and Monetary Union.

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TOGO

STRATEGY FOR BOOSTING GROWTH AND PROMOTING EMPLOYMENT (SCAPE) 2013–2014— JOINT STAFF ADVISORY NOTE

July 16, 2014

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OVERVIEW

- 1. Togo's new Poverty Reduction Strategy—Strategy for Boosting Growth and Promoting Employment (SCAPE) 2013–2017 was adopted by the Government of Togo on August 29, 2013.**¹ It presents the overarching reference framework for the Government's development agenda and reflects the authorities' aspiration to become, over the next 15–20 years, a middle income country, in which the rule of law and human rights are respected.
- 2. An extensive diagnostic of the economy identified four critical challenges that the new strategy addresses: (i) how to accelerate economic growth and employment creation, (ii) how to improve governance, (iii) how to deal with demographic challenges, high population growth in particular, and (iv) how to enhance urban development, improve land use and protect the environment.** The SCAPE's response to these challenges is a program comprising five pillars: (i) developing sectors with high growth potential, (ii) strengthening economic infrastructure, (iii) developing human capital, social protection and employment, (iv) strengthening governance, and (v) promoting participation and a balanced and sustainable pattern of development.

¹ Subsequently, the Ministry of Planning, Development and Management of the Territory prepared and issued a Priority Action Plan and a Strategic Results Framework.

3. The SCAPE builds on its predecessors, the I-PRSP (2008) and the full PRSP (2009–2012). These were prepared shortly after Togo's prolonged socio-economic crisis and focused on rehabilitating the economy, improving the rule of law, and reaching the HIPC completion point. In formulating the desire to become a middle income country in the foreseeable future, the SCAPE is more ambitious than its predecessors.

4. The SCAPE was developed in an inclusive and participatory manner. The preparation process started with the adoption of a roadmap and the completion of studies and data collection (including a new household survey). A national forum was organized in December 2011, in which more than 200 people participated. This forum elaborated the five pillars of the SCAPE. In March 2012, during a national evaluative meeting, a first version of the strategy was formulated, and a program of priority actions (PAP) identified. The draft document was validated during a process that started in June 2012. It was marked by multiple national consultations and was concluded by the adoption of the SCAPE by Cabinet.

POVERTY AND ACCESS TO SERVICES

5. The SCAPE draws upon the results of a nationally representative household survey (QUIBB). The survey was fielded in 2011 by the National Directorate of Statistics (with assistance from the World Bank). It was comparable to the 2006 survey, permitting not only to take stock of the welfare situation in Togo at the start of the SCAPE process, but also to assess poverty dynamics since 2006. The SCAPE also benefitted from the availability of two MICS² surveys (2006 and 2010) with detailed information about non-monetary aspects of welfare (health, nutrition, fertility).

6. Poverty remains wide-spread in Togo. 59 percent of the population was poor in 2011. The incidence of poverty varies from as high as 91 percent in the Northern Savanes region to 33 percent in Lomé. Poverty declined marginally since 2006 when poverty was about 62 percent, but the depth and severity of poverty got worse. Economic growth was mostly non-inclusive, as reflected in the Gini coefficient, which deteriorated from 0.36 in 2006 to 0.39 in 2011.³

7. Access to education improved between 2006 and 2011. Following the abolishment of school fees in 2008, net enrollment in primary schools went up significantly. The share of children attending public schools increased from 58 percent in 2006/07 to 72 percent in 2011/12. However, primary school enrollment was not yet universal: only about 82 percent of eligible children attended primary school, and among the children who did not, those from the poorest

² MICS: Multiple Indicator Cluster Survey.

³ "Dynamique de la pauvreté et répartition des revenus: récente évolution et facteurs déterminants", Appendice III, du rapport des services du FMI sur les Consultations de 2013 au titre de l'Article IV, du 20 novembre 2013.

households were overrepresented. Enrollment in secondary schools went up, though at 50 percent, secondary school enrollment remained on the low side.

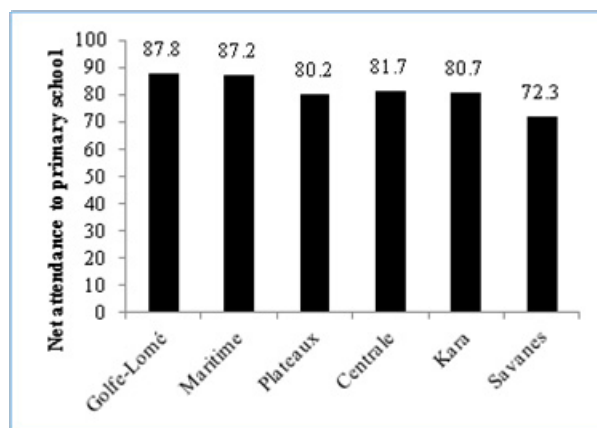
8. Access to water improved. In 2011 56 percent of households had access to safe drinking water, against 51 percent in 2006. Progress was markedly unequal. Most progress was made in Lomé (an increase from 69 percent to 83 percent) and virtually no progress in rural areas. Moreover, in both rural and urban areas the poorest forty percent saw their access decline, while access increased for households in the top two wealth quintiles.

9. Access to health services deteriorated, particularly for the poorest households. Households in the bottom forty percent became considerably less likely to visit a hospital when ill (hospital visits in urban areas dropped from 37 percent to 23 percent; in rural areas they dropped from 16 percent to 12 percent) while doctor visits increased marginally.

10. Access to electricity improved substantially, particularly in urban areas. Access in Lomé increased to 84 percent in 2011 (from 73 percent in 2006). Despite a doubling of access in rural areas the contrast remains stark: only 10 percent of rural households could access to electricity in 2011.

11. The marked differences in access to services between regions are a concern. In general, the further one travels from the coast, the worse access to services. This is illustrated in Figure 1 for net attendance at primary schools.

Figure 1. Net Attendance at Primary School (2011), by Region



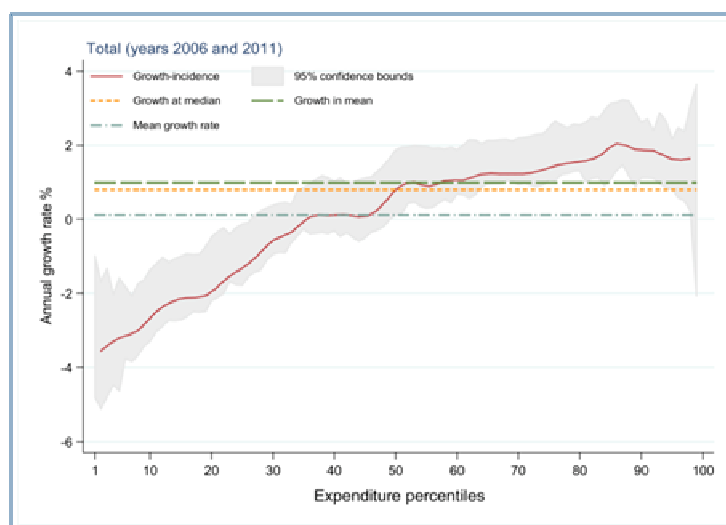
Source: QUIBB 2006 and 2011, staff calculations.

12. Staffs are concerned about rising inequality and deepening levels of poverty. An analysis of the growth incidence curve demonstrates that between 2006 and 2011 consumption of the poorest forty percent declined, or remained stagnant, while it improved only for the six top wealth deciles. Consequently the poorest got poorer while the wealthiest became better off (Figure 2).

13. The SCAPE emphasizes the need for accelerated growth as a basis for rapid poverty reduction and increased employment and identifies rising inequality as a major challenge to be addressed. The joint staffs subscribe to this view. They note the large differences in welfare between poor and rich households, between rural and urban areas, and between north and south of the country and are concerned that persistent inequality could strain social cohesion.

14. The staffs observe that most of Togo's economic growth continues to happen in the coastal region. With good access to overseas markets (deep sea port; international airport), closeness to big regional consumer markets (Accra and Lagos), a relatively better educated work force, higher levels of specialization and access to electricity, banking and logistical services, growth rates in the coastal region are expected to remain higher than elsewhere in the country. To guarantee that all Togolese benefit from growth, staffs suggest deepening the analysis of the impact of the policies proposed in the SCAPE on poverty and employment.

Figure 2. Growth Incidence Curve: 2006–2011



Source: QUIBB 2006 and 2011, staff calculations.

15. The staffs observe how the economically underdeveloped northern regions lag behind other regions in human development indicators such as the provision and quality of education and health, making it harder for individuals from these areas to benefit from growth that is generated in the south. Policies that improve human development services for the non-coastal regions and which would allow individuals from these areas to migrate to the economic growth centers, are a matter of priority. Staffs suggest to formulate and put in place programs which would guarantee equal access to social services in health, education and water, irrespective of where one lives in the country.

16. The staffs note how consumption growth in the non-coastal regions has lagged behind and suggest prioritizing the development of Togo's agricultural potential. This should go beyond the promotion of traditional cash crops (cotton and cocoa), and should involve the development of marketable food crops like maize and rice. Increasing food crop production has been demonstrated to be highly pro-poor, because additional production increases farm incomes (and poor households grow disproportionately more food crops), because it creates downward pressure on food prices (which benefits the poorest households who typically are net purchasers of food) and creates demand for (casual) labor (often the poorest lack the assets to bring sufficient land under cultivation and rely on casual labor opportunities to make ends meet). In the view of the staffs Togo has a comparative advantage in food crop production and is well placed to export any surplus to its neighbors, many of whom are structurally food deficient.

MACROECONOMIC POLICIES AND FRAMEWORK

17. Togo's macroeconomic performance improved markedly since 2007. Real economic growth accelerated to over 5 percent in 2012–13, fuelled by good performance in agriculture, mining, construction, and public works. Growth accelerated in a context of low inflation. Consumer prices evolved in line with the regional monetary union (WAEMU) and fell below 2.5 percent during 2012–13. However, the external position remains fragile due to vulnerability to external shocks and large current account deficits. Public debt management requires close monitoring as the Government is rapidly accumulating new debt following the HIPC completion point in December 2010, including by recognizing debts of liquidated public enterprises. Another concern, for example, are arrears accumulated by municipalities. From 15.6 percent of GDP at end-2011, the stock of external debt rose to 18.9 percent of GDP at end-2013, while the recognized stock of domestic debt was 25.1 percent of GDP and total debt 44 percent of GDP.⁴

18. Reflecting the recent growth acceleration, the SCAPE presents an ambitious macroeconomic outlook for 2013–17, based on two growth scenarios. The baseline scenario

⁴ Togo: Staff Report for the 2013 Article IV Consultation, December 20, 2013; International Monetary Fund.

builds on the average 4.1 percent growth between 2009 and 2011 and assumes an acceleration of economic growth to an average 5.9 percent per year between 2013 and 2017. This rate is broadly aligned with the economic and financial program as presented in the Fund's report on the 2013 Article IV consultation. Under the baseline scenario it is envisaged that poverty declines by about 11 percentage points, to 47.3 percent in 2017, and under-employment by 3.5 percentage points, to 22.8 percent, which appears ambitious considering the 2006–2011 track record.

19. The second scenario is much more ambitious. This accelerated growth scenario aims at reaching a growth rate of 7.1 percent per year between 2013 and 2017. It is supported by ambitious policies of agricultural modernization and the development of the country's mining potential. Under this scenario, a broadened tax base would increase government revenue from 19.3 percent of GDP in 2013 to 25.3 percent by 2017. Poverty would decline to 43.5 percent in 2017 (down 15 percentage point). This rate could go down further to 39.2 percent if effective redistributive policies were put in place. The accelerated growth scenario is the one the Togolese authorities desire.

20. Both scenarios require strong and sustained actions to alleviate the most pressing constraints to growth, including prioritized and robust implementation of public investments, a more effective and efficient public sector, and structural reforms in key areas, such as transport, electricity, telecommunication, and the business environment. So far there have been continued delays to adopt a robust macroeconomic framework, threatening the prospects to achieve the proposed results. The authorities should ensure that financing amounts are contracted in concessional terms, including by holding a donors roundtable meeting, and that they are consistent with macroeconomic stability and debt sustainability. The authorities should avoid relying on expensive commercial financing and aim to ensure that the level and concessionality of new external financing is consistent with avoiding any deterioration of the risk rating, which is already at moderate level.

21. Staffs note marked differences between the assumptions made in the growth scenarios and the practices of the last few years. On the fiscal side, and despite significant progress in revenue mobilization, staffs witnessed a sharp deterioration in the fiscal position. This may have been justified by the need for increased public investments, but much of increased budgetary spending went into current expenditure on (fuel) subsidies, the wage bill, and transfers. Meanwhile, public investment budgets remained grossly under-executed, with execution rates of around 60 percent. Better planning and prioritization of expenditures and better execution management will be needed if the objectives identified in the SCAPE are to be achieved.

22. Staffs also note that the implementation of a number of structural reforms has to be accelerated. This includes restructuring the financial sector (state-owned banks as well as micro-finance), making the telecommunications sector more competitive, securing electricity availability, opening up the mining sector to private sector investment, and improving the business environment. Implementing these measures would not only put the economy on a more robust growth path, measures to improve the functioning of the micro-finance sector and to make the

telecom sector more competitive are expected to be particularly relevant for the bottom forty percent.

23. Staffs would have preferred to see the inclusion of a low growth scenario in the SCAPE. Already, the growth outturn for 2013 was lower than foreseen in the baseline growth scenario. As much as one would like to be optimistic, policy slippages happen and shocks may occur.

STRATEGIC PILLARS

A. Development of sectors with strong growth potential

24. The SCAPE stresses the importance of agriculture for economic growth and poverty reduction. The strategic objective for the sector is to boost productivity through modernization and mechanization. The SCAPE presents a set of specific actions the authorities intend to take, including (i) the construction of feeder roads (1,500 km per year), (ii) securing financing for at least 500,000 small producers, (iii) increasing land under cultivation (by at least 2,500 hectares per year) and doubling fertilizer use. Success hinges on completion of the PNIASA—Programme National d'Investissement Agricole et de Sécurité Alimentaire—and on effective fund mobilization. To this end, at least 10 percent of the national budget should be allocated to agriculture.

25. The authorities' emphasis on agriculture to promote pro-poor growth is welcomed. Staffs would like to underscore the need to prioritize actions that alleviate critical constraints and to be clear about the public sector's role in developing the sector. Currently the Ministry of Agriculture and Livestock assumes responsibility for mechanization, fertilizer distribution and use, food security, storage, value-added promotion, credit access, and promotion of traditional and non-traditional export crops and import-substituting crops. Given capacity constraints and limited budgets, selectivity is essential. Reforming the existing programs for food security and fertilizer provision are priorities considering the large budget shares they absorb and the limited results they achieve.

26. Prioritization needs to take into account the potential consequences for poverty reduction. Increases in food production can be highly pro-poor as it benefits poor households through three channels: increased incomes, increased demands for labor and lower food prices. A clearer perspective on the needs of the poorest households (do poor households grow cotton for instance?) is an important first step towards an improved prioritization of interventions in the agricultural sector. In turn it should lead to a higher rate of rural growth and a reduction in the high and rising inequalities that affect the country.

27. The SCAPE stresses the need to develop the industry and service sectors. Staffs welcome the emphasis on building on existing comparative advantages, including the country's agricultural and mineral resources and the deep sea port, as well as on strengthening financial intermediation and trade. They are looking forward to a more elaborated growth strategy that is

presently being prepared under the guidance of the Ministry in charge of Prospectives and the Evaluation of Public Policies.

B. Strengthening economic infrastructure

28. The second pillar of the SCAPE emphasizes alleviating infrastructural constraints to growth. Poor telecommunication and energy infrastructures, high production and service costs, deficient service provision, and a generally unfavorable business climate are critical constraints to growth in Togo. They explain the Togo's weak ranking in the 2013 Doing Business Survey (156, out of 185 countries). The priority given to improving economic infrastructure to open better access to internal, regional and international markets to promote growth and sustainable development is justified in the view of the staffs.

29. Staffs have questions about the economic justification for the development corridor concept and urge the authorities to routinely carry out cost-benefit analyses for all large investment projects. The development corridor concept requires massive investments to develop a multi-modal transport infrastructure including ports, roads, a new rail line, and airports, and not all projects listed in the SCAPE seem adequately justified. For example, the reason given for expanding the Niamtougou airport is to serve Hajj pilgrims and to transport off-season produce.

30. A new rail line to the Burkina border is also proposed. At an estimated cost of 1,500 billion CFAF (75 percent of GDP), this line would supplement another project to link Côte d'Ivoire, via Burkina Faso and Niger, to Benin. It remains to be explored to what degree its economic viability can be justified by the development of iron ore and manganese mines, as well as how to link it up in Burkina Faso, particularly as the demand for transport services originating from the Sahel countries is limited.

31. The acceleration of investment in transportation infrastructures remains vulnerable to institutional weaknesses and capacity constraints. A state holding company, Togo Invest Corporation (TIC), is tasked with implementing all corridor projects, and energy and industrial projects. Most of these large-scale investments are expected to take the form of public private partnerships (PPPs). PPPs are, in theory, a good way to tap into private funding for public investment projects, but in practice, experience with PPPs in Togo has been poor and some have turned into costly and litigious affairs. Designing good PPPs has proved to be a very difficult task everywhere, including in OECD countries and staffs recommend that the authorities implement the PPP approach gradually, leaving sufficient time to develop capacity to manage PPPs, and to put in place the necessary institutional and legal framework.

32. Staffs support the objective to rapidly increase electricity production and develop the distribution network. With more than two-thirds of electricity demand covered by imports, Togo is vulnerable to unstable suppliers. Expanding electricity generation is welcome as it targets a major growth bottleneck. Staffs urge the authorities to make rapid progress on generation capacity and opening access to the grid for independent producers. In view of the need to bring electricity to the poor and making the economy more competitive, adopting the most cost-

effective means of electricity generation is critical. In this context, the economic justification for some of the proposed projects, including the 5 MW solar plant and the 12 MW wind power plant, should be studied carefully.

33. Commitments to unleash the growth potential of the telecommunications sector are commendable. The rapid growth in mobile phone connections is a clear indication of the sector's growth potential. The new telecommunications act of 2013 has the potential to open access to networks for enhanced competition and lower user costs. It is important that the policy intentions are effectuated with concrete actions. Additional licenses for mobile operators should be issued, data capacity increased, competition in the internet sector enhanced, and equal access to certain infrastructures guaranteed.

C. Developing human capital

34. Over the past seven years reforms in the education sector have had a significant positive impact. Budget allocations for education outgrew nominal GDP, to represent 4.6 percent of GDP in 2011, up from 3.5 percent of GDP in 2007. The adoption of the Educational Sector Plan (ESP) in March 2010 and the abolition of primary school tuition (2008) facilitated access to education. However, not all income categories and not all regions benefitted evenly from improved opportunities.

35. The SCAPE's objective is to offer universal access to primary education by 2020 and to boost resources for non-primary training. The dual objective of raising primary enrollment and completion rates is welcome, and an emphasis on specific measures to reduce school dropout rates would be necessary. Universal primary education would eliminate persistent disparities among socio-economic groups and gender. The SCAPE recognizes the need to improve the quality of education through improved teacher training, upgraded curricula, and adequate teaching materials (textbooks and teaching aids).

36. Staffs emphasize the urgency of addressing the low levels of learning in primary schools. Learning evaluations of grade 4 students and their teachers carried out by Service Delivery Indicator (SDI) survey reveal huge deficiencies and large inequalities. Teacher absenteeism is high and a majority of teachers is found to lack basic knowledge in reading, mathematics and pedagogy. This, in part, explains the low quality of education and implies a waste of financial and human resources the country can ill-afford. Staffs encourage the authorities to rethink their education effort and observe that in the presence of a budget constraint addressing the quality crisis might require making a trade-off with other SCAPE objectives, including that of universal primary school access.

37. The drive to expand secondary and vocational education is translated into an array of specific quantitative objectives, notably higher school retention rates, lower repetition rates, and higher enrollment into vocational training. Higher education also receives considerable attention, with targets for the number of students enrolled in public institutions (close to 5,000 additional students between 2012 and 2016) as well as private ones (about 2,500

additional students). The aim to mobilize alternative sources of financing, notably by encouraging partnerships with private companies, is welcome.

38. Investments in education ultimately pay off if the skills produced correspond to demand on the labor market. Staffs recommend to complement the SCAPE with an assessment to reduce the risk of a costly mismatch between the supply and demand for skills.

39. Staffs encourage the authorities to prioritize objectives for the education sector and to pay more attention to the prevailing implementation capacities. The resources required to secure universal access to primary education greatly risk to exceed available financing. Building 850 new classrooms and hiring 1,750 new teachers per year is a tall order considering the skills and funding constraints. The envisaged creation of six new teacher training colleges is welcome — particularly in view of the learning crisis identified earlier, but unlikely to be sufficient to alleviate the capacity and quality challenges.

40. In the health sector progress has been limited, leaving Togo far behind on the 2015 MDG targets and with large regional disparities. Some progress has been made in improving maternal and child health, immunization coverage, and stabilizing HIV/AIDS. But the health sector has not benefitted from an adequate prioritization of budget resources. The share of total expenditure allocated to health remains far below the 15 percent threshold agreed in the Abuja Declaration. As a result, existing infrastructures remain poor and exceedingly concentrated in urban areas.

41. Staffs support the SCAPE's strategic objectives of setting up an effective, accessible and equitable health system, particularly for the most vulnerable. Welcome is the intention to: (i) decentralize health services; (ii) reduce inequalities between regions and social strata in the supply and access to health services; (iii) address unfairness in the geographic allocation of human resources; (iv) promote and increase use of health facilities; and (v) increase financing of the health system.

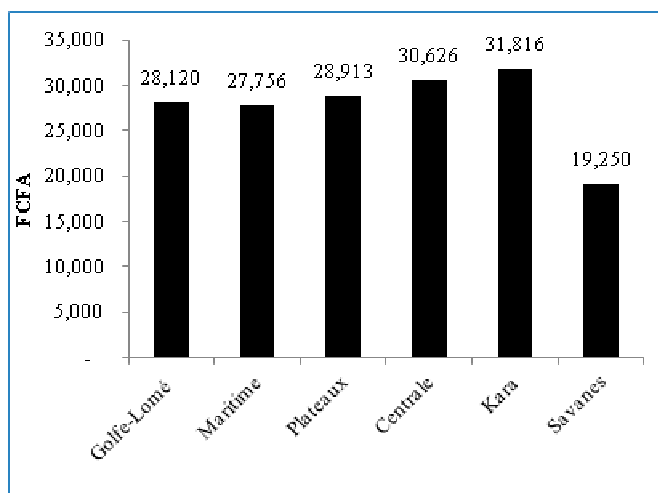
42. Staffs note that many health sector commitments remain vague and urge the authorities to establish a clear connect between objectives and actionable policy measures. Staffs concur that progress on improving the quality of the health system is premised on better managerial capacities, better spending prioritization and an adequate sequencing of reforms. However, it is unclear how strengthening the underlying institutional framework will improve fast enough to secure the policy implementation, taking into account that capacity constraints can only gradually be relaxed. Filling the current vacancy for Minister of Health would be a small but significant step towards alleviation the sector's managerial challenges.

43. The SCAPE acknowledges that social safety nets can effectively reduce extreme poverty and the social vulnerability of a significant portion of the population yet falls short on policy and programs for this purpose. The measures proposed are largely of an administrative nature (e.g., define the national child protection system; obtain disaggregated data on children), and they do not suggest a scaling-up of existing social safety nets. In a context of

large economic inequalities, which are likely to persist into the future, school feeding programs and (conditional) cash transfer schemes have proved of great benefit to the most destitute. A recent Bank staff paper demonstrates that Togo needs large-scale cash transfer programs to eliminate poverty by 2030, and shows their affordability in part by re-allocating pro-rich fuel subsidies. Staffs encourage the authorities to make school feeding and cash transfer programs an integral part of Togo's poverty reduction strategy.

44. Staffs note the presence of significant inequalities in the provision of services across regions. This holds for all services. To reduce the rising levels of inequality it is important for services to be provided in a spatially-neutral way. The authorities are urged to routinely assess the equity of service provision and to take action whenever inequities are found in order to avoid a situation as illustrated by Figure 3 in which salary spending per student in the Savanes region is far below that of all other regions.

Figure 3. Salary Spending per Student, per Region (2010–11)



Source: Staff calculations based on Ministry of Education EMIS Data Base.

D. Strengthening Governance

45. The Global Political Accord (GPA) of 2006 was a critical step towards implementing development policies and strategies that helped improve living conditions and reduce poverty. The SCAPE now proposes to continue to implement political and economic reforms for stronger, consolidated, good governance in three priority areas: (i) political and institutional; (ii) administrative and local; and (iii) economic.

46. The governance reforms implemented since 2006 have generated good returns. Growth, which had been negative for much of the 1990s and early 2000s, turned positive; there

was an opening of civic and economic life; and donor relations were reactivated, making new funding available, including through the enhanced HIPC initiative.

47. Poor governance was a leading cause of the decline in the country. The Ex-Post Assessment of the IMF's Longer Term Program Engagement, prepared in 2006, provides an in-depth analysis of the events that led to donor disengagement. The study: stresses the importance of improving economic governance and transparency and the need to reduce extra-budgetary spending; suggests focusing on strengthening fiscal management (including through strengthened oversight and external controls), enhancing the autonomy of public enterprises (including through privatization), and reforming the financial sector through bank restructuring, privatization and improved supervision; and points to the need to address capacity constraints, particularly to support budget preparation and expenditure management; tax and customs administration; banking supervision, in an efforts to improve the soundness of the financial sector; and statistical agencies, notably those in charge of national accounts and the debt department.

48. Staffs welcome the authorities' commitment to governance reforms but are concerned by repeated delays to implement critical reforms, poor budget planning and the persistence of capacity constraints. These create high costs to the country. Togo could not finalize a program with the Fund since August 2011, and the World Bank has not disbursed budget support since August 2012. This has limited access to funding, including from other partners, and impeded holding a donor roundtable meeting, and it did not help to improve Togo's international image as a place to invest and do business. Staffs urge the authorities to improve budget planning, address the most important capacity constraints, and revert without further delay to the momentum of governance reforms that was present in the run-up to the HIPC completion point.

E. Promoting participative, balanced and sustainable development

49. The SCAPE views participative, balanced, and sustainable development as an important means to reduce regional disparities and support local dynamism. The SCAPE aims at (i) strengthening grassroots development for effective participation by community organizations in the growth process and poverty reduction; (ii) developing regional and local potential to promote local development, thus avoiding a deterioration of inter- and intra-regional imbalances; and (iii) emphasizing the environment as part of the planned integrated development process to protect and develop local natural wealth and effectively combat climate change.

50. Staffs welcome the attention given to addressing regional disparities but question the need for creating regional development hubs. The World Development Report 2009 demonstrates that unequal growth is a result of economic agents' choices to do business where returns are highest. Markets, not governments, decide which locations are best; the government's role is to accommodate emerging locations of high productivity and to ensure, through social policies and investments in infrastructure, that the benefits of growth can spread and places of high productivity can be accessed.

51. Staffs would instead suggest policies that are supportive of enhanced rural growth and internal labor migration. Rural-urban migration deserves to be considered as a means to enhance productivity and to access to wealth, particularly as the return on labor in cities is typically much higher than elsewhere. The challenge for development planners is to ensure that the labor force has adequate human capital and to plan urban centers such that they become effective drivers of growth. In the absence of greater policy effort (and programs) focused on the non-coastal areas, the desire to achieve middle income status runs the serious risk of achieving such status with an accompanying high level of poverty and growing inequality.

MONITORING AND EVALUATING

52. The Government has established institutional arrangements for coordinating, monitoring, and evaluating its development policies. These arrangements will also serve to coordinate and supervise SCAPE implementation. They include: (i) the National Council for Overseeing Development Policies (CNPPD—chaired by the Prime Minister); (ii) the Technical Secretariat of the PRSP; (iii) Sector Committees (SCs); (iv) the Government/Donor Liaison Committee; and (v) regional and local participatory monitoring committees. More generally, the World Bank is also financing a project to strengthen monitoring and evaluation capacity in Togo (PRCSET).

53. A matrix of indicators serves as a supervisory tool. The Strategic Measurement Matrix (SMM) of the technical secretariat comprises indicators and targets for the SCAPE's five pillars. There are 31 high level outcome indicators (such as poverty) to be assessed by the end of the program, and 64 intermediate indicators (such as growth rates) that are collected yearly. The technical secretariat also prepares quarterly and bi-annual reports, updates annually the Program of Priority Actions, and starting in year two, will prepare evaluative studies on selected topics.

54. The institutional framework is elaborate and appears quite heavy. But the implementation and monitoring-evaluation is poorly integrated with existing decision-making processes. The coordination mechanism created for the SCAPE is all-encompassing and includes several administrative levels (central, sector and local), civil society, private sector and donors. Efforts to have the different entities work effectively and on a permanent basis have not always been successful, and relations with existing reform monitoring mechanisms, such as the Secretariat in Charge of Reforms (in the Ministry of Finance), is not fully clear. Also, SCAPE monitoring does not fit well with the existing decision-making circuit, in which a Minister reports to the Council of Ministers chaired by the President. In sum, it is not clear where the primacy of SCAPE reforms lies.

55. Efforts are undertaken to improve the data bases to evaluate results. While robust social data and physical information remain scarce, recent domestic and external initiatives have notably improved the knowledge on development. Further improvements in data availability and updates are envisaged as part of the SCAPE monitoring and evaluation process, but the cost of

data collection and consistency of data series over time are expected to remain a challenge to evaluate the implementation of the SCAPE.

CONCLUSIONS

56. The SCAPE presents a comprehensive and ambitious medium-term development strategy, which was developed in a participatory and inclusive manner. An extensive diagnostic identified four critical challenges that the new strategy addresses, namely, how to: (i) accelerate economic growth and employment creation; (ii) improve governance; (iii) deal with demographic challenges, high population growth in particular; and (iv) enhance urban development while improving land use and environmental protection. The SCAPE's response to these challenges is a program comprising five pillars: (i) developing sectors with high growth potential; (ii) strengthening economic infrastructure; (iii) developing human capital, social protection and employment; (iv) strengthening governance; and (v) promoting participation and a balanced and sustainable development pattern.

57. Being comprehensive, the SCAPE offers less in terms of prioritization. In light of persistent capacity constraints and limited financing, it would have been advantageous if the SCAPE had presented a clearer perspective on the Government's role in the development process, if a more focused growth and social development strategy had been articulated, and if SCAPE's implementation mechanisms had been closer aligned with existing decision-making mechanisms.

58. Staffs appreciate the value of the SCAPE as a consensus-building instrument and the potential of its monitoring mechanisms to collect feedback on ongoing reforms. However, lacking clear priorities and actionable strategies, it will be difficult to use the SCAPE as the guide for Togo's development process. The disconnect between the SCAPE and the Government's priorities, its budgeting process, and the financial means available is already evident, partly as a result also of a growth trajectory that is lower than presented in the base scenario.

59. Staffs suggest that the SCAPE's analysis could be supplemented with additional analyses on the impact of SCAPE policies on poverty, inequality (of service delivery) and (rural) employment. This could help devise more inclusive policies and ascertain that more, if not all, Togolese benefit from economic growth and have better access to social services. Staffs strongly encourage the authorities to improve the quality of learning and to make school feeding and cash transfer programs an integral part of Togo's poverty reduction strategy.

60. The SCAPE is a living document, which should be fitted it into the long-term growth strategy currently under preparation. Growth and development prospects would have to take better into account existing capacity and financing constraints to build on Togo's comparative advantages to make progress toward its development goals. Differing requirements for productive, infrastructure, and social investments will have to be addressed. The implementation mechanisms would have to be seamlessly integrated in existing decision-making mechanisms.

61. Staffs note that implementation of critical accompanying structural and governance reforms has to be accelerated to realize the SCAPE growth scenarios. This includes restructuring of the banking and microfinance sectors, making the telecommunications sector more competitive, stabilizing the electricity sector, opening up mining to private investment, and improving the business environment. Staffs note a disconnect between the assumptions made in the growth scenarios and public finance practices during the last few years and urge the authorities to pay more attention to fiscal sustainability, to planning and prioritizing expenditures and to improving execution management.