



OFFICIAL USE ONLY

IDA/R2015-0259/1

November 2, 2015

**Closing Date: Thursday, November 19, 2015
at 6 p.m.**

FROM: The Corporate Secretary

Togo - Mining Governance and Development Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed credit to Togo for the Mining Governance and Development Project (IDA/R2015-0259), which is being processed on an absence-of-objection basis.

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PAD1072

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF EURO 13.4 MILLION
(US\$15 MILLION EQUIVALENT)

TO THE

REPUBLIC OF TOGO

FOR A

MINING GOVERNANCE AND DEVELOPMENT PROJECT

October 29, 2015

Energy and Extractives Global Practice
Africa Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of August 31, 2015)

Currency Unit	=	Euro
€0.892	=	US\$1
€1	=	US\$1.121

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ANGE	National Environmental Regulation Agency (<i>Agence Nationale pour la Gestion de l'Environnement</i>)
ASM	Artisanal and Small-scale mining
CQS	Procurement Selection based on Consultants' Qualifications
DA	Designated Account
DDCM	Department for Mine Development and Control (<i>Département de Développement et de Contrôle Minier</i>)
DE	Department of Environment at the MERF
DGMG	Directorate for Mines and Geology
DRGM	Department for Mining Research and Geological Surveys (<i>Departement de la Recherche Géologique et Minière</i>)
DLM	Directorate for Mine Laboratory
ECOWAS	Economic Community of West African States
EI	Extractive Industries
EI-TAF	Extractive Industries Technical Advisory Facility
EITI	Extractive Industries Transparency Initiative
EITI MSG	Multistakeholder Group of EITI
ESIA	Environmental and Social Impacts Assessment
ESMP	Environmental and Social Management Plan
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product
GEEDR	The World Bank Energy and Extractives Global Practice
GIS	Geographical Information System
GoT	Government of the Republic of Togo
GRS	Grievance Redress Service
HDI	Human Development Index
HQ	Headquarters
IC	Individual Consultants
ICB	International Competition Bidding
IFG	International Fertilizer Group
IFR	Interim Financial Report
IGF	General Inspectorate of Finance (<i>Inspection Générale des Finances</i>)

M&E	Monitoring and Evaluation
MEFPD	Ministry of Economy, Finance, and Development Planning (<i>Ministère de l'Economie, des Finances et de la Planification du Développement</i>)
MERF	Ministry of Environment and Forestry (<i>Ministère de l'Environnement et des Ressources Forestières</i>)
MME	Ministry of Mines and Energy (<i>Ministère des Mines et de l'Energie</i>)
MTR	Midterm Review
NCB	National Competitive Bidding
OTR	National Revenue Office (<i>Office Togolais des Recettes</i>)
PDGM	Projet de Développement et de Gouvernance Minière (<i>Mining Governance and Development Project</i>)
PDS	Phosphate Development Strategy
PDO	Project Development Objective
PFM	Public Financial Management
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PPF	Project Preparation Facility
QCBS	Quality and Cost-based Selection
RAP	Resettlement Action Plan
SADC	Southern Africa Development Community
SAI	Supreme Audit Institution (<i>Cours des Comptes</i>)
SCAPE	Accelerated Growth and Employment Promotion Strategy (<i>Stratégie de Croissance Accélérée et de Promotion d'Emploi</i>)
SCC	Strategic Coordination Committee
SESA	Strategic Environmental and Social Assessment
SME	Small and Medium Enterprises
SNPT	National Phosphate Company of Togo (<i>Société Nouvelle des Phosphate du Togo</i>)
SOE	State-owned Enterprise
SSM	Small-scale Mining
TA	Technical Assistance
ToR	Terms of Reference
TTL	Task Team Leader
UN	United Nations
UNDB	United Nations Development Business
WACEM	West African Cement

Regional Vice President:	Makhtar Diop
Country Director:	Ousmane Diagana
Senior Global Practice Director:	Anita Marangoly George
Practice Manager:	Christopher Gilbert Sheldon
Task Team Leaders:	Morten Larsen and Brigitte Bocoum

REPUBLIC OF TOGO
MINING GOVERNANCE AND DEVELOPMENT PROJECT

TABLE OF CONTENTS

I.	STRATEGIC CONTEXT	1
	A. Country Context.....	1
	B. Sectoral and Institutional Context.....	2
	C. Higher Level Objectives to which the Project Contributes	7
II.	PROJECT DEVELOPMENT OBJECTIVES	7
	A. PDO.....	7
	B. Project Beneficiaries	7
	C. PDO Level Results Indicators.....	8
III.	PROJECT DESCRIPTION	8
	A. Project Components	8
	B. Project Financing	11
	C. Lessons Learned and Reflected in the Project Design	11
IV.	IMPLEMENTATION	13
	A. Institutional and Implementation Arrangements	13
	B. Results Monitoring and Evaluation	16
	C. Sustainability.....	16
V.	KEY RISKS	17
VI.	APPRAISAL SUMMARY	18
	A. Economic and Financial Analysis.....	18
	B. Technical.....	20
	C. Financial Management.....	21
	D. Procurement	21
	E. Social (including Safeguards).....	21
	F. Environment (including Safeguards)	22
	Annex 1: Results Framework and Monitoring	23
	Annex 2: Sectoral and Institutional Context	30
	Annex 3: Detailed Project Description.....	40
	Annex 4: Implementation Arrangements	48
	Annex 5: Implementation Support Plan	63

Annex 6: Mining Resources in Togo66
Annex 7: Togo Country Map.....67

PAD DATA SHEET

Togo

Togo: Mining Governance and Development Project Preparation - Phase I (P149277)

PROJECT APPRAISAL DOCUMENT

AFRICA

0000009267

Report No.: PAD1072

Basic Information			
Project ID P149277	EA Category B - Partial Assessment	Team Leader(s) Morten Larsen, and Brigitte Marie Khadidja Bocoum	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 19-Nov-2015	Project Implementation End Date 31-Dec-2020		
Expected Effectiveness Date 31-Mar-2016	Expected Closing Date 31-Dec-2020		
Joint IFC No			
Practice Manager/Manager Christopher Gilbert Sheldon	Senior Global Practice Director Anita Marangoly George	Country Director Ousmane Diagana	Regional Vice President Makhtar Diop
Borrower: Ministry of Economy, Finance, and Development Planning			
Responsible Agency: Ministry of Mines and Energy			
Contact: Telephone No.: 22282220	Mathias Gbengbertane	Title: Email: minesenergie@yahoo.fr	Director General of Mines
Project Financing Data(in USD Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[X] Credit	[] Grant	[] Other	
Total Project Cost:	15.20	Total Bank Financing:	15.00

Financing Gap:	0.00									
Financing Source			Amount							
BORROWER/RECIPIENT			0.20							
International Development Association (IDA)			15.00							
Total			15.20							
Expected Disbursements (in USD Million)										
Fiscal Year	2016	2017	2018	2019	2020	2021				
Annual	2.05	3.05	3.05	3.05	2.00	2.00				
Cumulative	2.05	5.10	8.15	11.20	13.20	15.20				
Institutional Data										
Practice Area (Lead)										
Energy & Extractives										
Contributing Practice Areas										
Cross Cutting Topics										
[] Climate Change										
[] Fragile, Conflict & Violence										
[X] Gender										
[X] Jobs										
[] Public Private Partnership										
Sectors / Climate Change										
Sector (Maximum 5 and total % must equal 100)										
Major Sector				Sector		%	Adaptation Co-benefits %		Mitigation Co-benefits %	
Energy and mining				Other Mining and Extractive Industries		100				
Total						100				
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.										
Themes										
Theme (Maximum 5 and total % must equal 100)										
Major theme				Theme				%		
Environment and natural resources management				Other environment and natural resources management				40		

Public sector governance	Managing for development results	35
Public sector governance	Other public sector governance	20
Trade and integration	Export development and competitiveness	5
Total		100

Proposed Development Objective(s)

The Project Development Objective is to streamline the institutional arrangements of key organizations in the extractive industries to strengthen their efficiency and accountability for effective management of the sector.

Components

Component Name	Cost (USD Millions)
A. Improving Mining Governance, Transparency, Oversight, and Efficiency	8.45
B. Environmental, Social and Economic Development from Mining Operations	4.30
C. Project Coordination and Management	2.45

Systematic Operations Risk- Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	
OVERALL	Substantial

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any waivers of Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
Is approval for any policy waiver sought from the Board?	Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []

Safeguard Policies Triggered by the Project		Yes	No
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04			X
Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11			X
Indigenous Peoples OP/BP 4.10			X
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Project Implementation Unit		04-Apr-2016	
Description of Covenant			
No later than three (3) months after the Effective Date, the Recipient shall establish and maintain within the MME, at all times during Project implementation, a permanent Project Implementation Unit with composition, terms of reference and resources satisfactory to the Association			
Name	Recurrent	Due Date	Frequency
Strategic Environmental and Social Assessment (SESA)		04-Jan-2018	
Description of Covenant			
The Recipient shall not later than twenty-four (24) months after the Effective Date carry out a strategic environmental and social assessment (“SESA”) of the Recipient’s mining sector under terms of reference satisfactory to the Association.			
Name	Recurrent	Due Date	Frequency
Strategic Environmental and Social Action Plan disclosure		04-Jun-2018	
Description of Covenant			
Not later than six (6) months after completion of the SESA, the Recipient shall adopt and disclose in an accessible public manner an action plan for implementation of SESA recommendations as shall have been agreed with the Association			
Conditions			
Source Of Fund	Name	Type	
Description of Condition			

Team Composition					
Bank Staff					
Name	Role	Title	Specialization	Unit	
Morten Larsen	Team Leader (ADM Responsible)	Mining Specialist		GEEDR	
Brigitte Marie Khadidja Bocoum	Team Leader	Sr Mining Specialist		GEEDR	
Itchi Gnon Ayindo	Procurement Specialist	Sr Procurement Specialist		GGODR	
Alain Hinkati	Financial Management Specialist	Sr Financial Management Specialist		GGODR	
Abdoulaye Gadiere	Safeguards Specialist	Sr Environmental Specialist		GENDR	
May Cabilas Olalia	Team Member	Sr Public Sector Specialist		GGODR	
Nadia Mireille Zenia Amoudji Agnegue	Team Member	Team Assistant		AFMTG	
Nneoma Veronica Nwogu	Counsel	Senior Counsel		LEGAM	
Noora Arfaa	Team Member	Operations Analyst		GEEDR	
Paivi Koskinen-Lewis	Safeguards Specialist	Social Development Specialist		GSURR	
Tatianna Guerrante Schlottfeldt	Team Member	Program Assistant		GEEDR	
Extended Team					
Name	Title	Office Phone		Location	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required ? Consultants will be required					

I. STRATEGIC CONTEXT

A. Country Context

1. A sovereign state since April 27, 1960, Togo is in its fourth republic, which is based on a constitution dating from 1992. Togo is a member of the United Nations (UN), the African Union, the Economic Community of West African States (ECOWAS), and the West African Economic and Monetary Union. The government has made significant efforts to accelerate growth and overcome the legacy of political instability. Nevertheless, more remains to be done if the government is to achieve its stated objectives for sustainable, inclusive development and broad-based poverty reduction.

2. Togo's fiscal stance and debt profile have remained broadly sustainable since the country reached the Heavily Indebted Poor Countries completion point in 2010 and qualified for additional debt relief under the Multilateral Debt Relief Initiative. However, recent developments are more worrisome. Significant weaknesses in public financial management (PFM), public investment planning and implementation, and debt management are among the leading concerns.

3. Togo's economy has grown consistently in recent years. The gross domestic product (GDP) growth rate increased from 4.9 percent in 2010 to 5.4 percent in 2014 and is projected to stabilize at around 5 percent in the coming years. Per capita income growth is also projected to hold steady at around 3 percent. Togo's growth in recent years¹ has been driven by a combination of agriculture, trading activities, construction, and public works. Growth in the primary sector is largely based on natural resource extraction and agricultural production. In the past two years, Togo's main exports have been phosphates, clinker cement, Portland cement, and cotton.

4. Togo's overall growth performance masks persistently high levels of poverty and rising income inequality. According to a 2011 household survey, the poverty rate declined from 62 percent in 2006 to 59 percent in 2011. However, the returns to growth have not been evenly distributed, as shown by the Gini coefficient, which rose from 0.37 in 2006 to 0.39 in 2011, and both the depth and severity of poverty have increased. Togo is among the countries with a low Human Development Index (HDI). The HDI 2014 global report ranked Togo 166th out of 187 countries, with an index of 0.473. Per capita income level was reported at US\$530 in 2014. Poverty manifests itself in various forms. These include lack of income and productive resources sufficient to ensure sustainable livelihoods and poor access to social services (health, housing, education, and drinking water).

5. A recent World Bank study² finds that growth alone will not be sufficient to end poverty by 2030. It is estimated that consumption would have to increase by 9.7 percent per year (or by 7.6 percent per capita per year) every year until 2030 to achieve the poverty reduction goals. The study further suggests that the most efficient way to reduce poverty significantly is through a

¹ Real GDP growth is estimated to have reached 5.4 percent in 2013, driven by the construction, transportation, communications, and phosphate-mining sectors. Growth in 2014 is forecast to remain steady at 5.4 percent while average inflation stood at 1.8 percent in 2013, reflecting low prices for food and capital goods imports. Inflation is expected to remain low at 1.5 percent in 2014.

² 2014 Togo's Economic Update Study by the World Bank.

direct cash transfer to the poorest segments of the population. This would be financed by a moderate increase in tax on the incomes of wealthier households.

B. Sectoral and Institutional Context³

6. The mining sector is critical to the economic development of Togo and, for this reason, is a priority area for policy support by the government. Government revenue from the mining sector was 4 percent of total government receipts and mining exports constituted 22 percent of total exports in 2014. The government has adopted the Accelerated Growth and Employment Promotion Strategy (SCAPE), which sets out priorities for sectors with high growth potential, including the mining sector. With SCAPE, the government aims to address the challenges of governance, transparency, and environmental protection. SCAPE also aims to establish an enabling environment for private sector development. A revision of the mining code, which is currently in progress, seeks to reflect these principles.

7. The mining sector has historically been dominated by state ownership in phosphate mining. However, private sector investment is increasingly diversifying mineral production away from phosphates. Now, limestone, iron, and dolomitic marbles also make a significant contribution to the GDP and export earnings. In 2014, Togo had 29 mining operators of various origins. Eighteen of these are involved in the exploitation of industrial minerals deposits and mainly produce construction materials. The number of small-scale mines is also increasing. Some of the best known small-scale mining companies are the German majority owned Granutogo mine located near Amelepke and Global Merchants from India, a major local producer of aggregates. Gold is being mined using alluvial mining techniques. So far, two companies, Tech-mines and Panafrican Gold Corporation, hold small-scale gold mining licenses, which were granted in 2011.

Table 1. Trend in Mining Licenses in Togo, 2010–2014

Year	Total number of exploitation licenses	Total number of exploration permits
2010	27	38
2011	17	7
2012	25	52
2013	40	56
2014	35	56

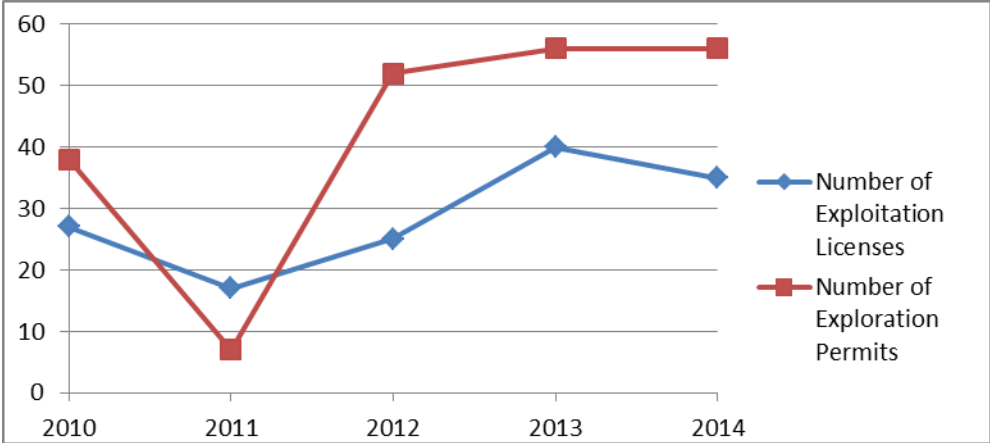
Source: Ministry of Mines and Energy, Lomé (December 2014).

8. The demand for mining and exploration permits of various minerals is increasing steadily as evidenced in Table 1 and Figure 1, which include data on permits and licenses granted by the Ministry of Mines and Energy (MME) over the last five years. In 2014, Togo had issued a total of 56 exploration permits and 35 mining exploitation licenses, up from 38 and 27, respectively, only four years earlier. This corresponds to an average increase of five new mines and nine new exploration licenses every year. This trend is expected to increase further once the new mining

³ Please see annex 6 for further details on the sectoral and institutional context for the mining sector in Togo.

code is finalized and adopted. There is growing interest from investors in various minerals, such as uranium, rare earths, zinc, nickel, precious minerals, and manganese. In 2011, a South African company, G&B African Resources, acquired an exploration license for phosphate, which is situated in Bassar, in the northern part of the country. However, exploration activities are far from being completed and it is too soon to anticipate the size and value of the deposit and the overall outcome of the geological research currently taking place.

Figure 1. Growth in Mining License Allocation by the Government of Togo



Source: Ministry of Mines and Energy, Lomé (December 2014).

9. **Phosphates.** The exploitation of the country’s large phosphate deposits has been the main mining activity in Togo for decades. However, as evidenced by Table 2, a variety of minerals are now being mined in Togo. The country’s vast phosphate reserves include a carbonated phosphate deposit, with a life expectancy estimated to be more than 100 years,⁴ even with a significant extraction rate per year. Phosphates represented 10 percent of the country’s total exports. However, the contribution of the phosphates sector to GDP remained a mere 0.1 percent in 2013. This can partially be explained by a decline in world phosphate prices, as well as the lack of tangible positive production outcomes from investments made by the National Phosphate Company of Togo (*Société Nouvelle des Phosphate du Togo*, SNPT).

10. In the phosphate sector, significant investments have been recorded by the state, but total production still remains far below expectations. Total production increased marginally by 9.8 percent in 2013, compared to the 25 percent increase in 2012 (see Table 2). By close of 2014, Togo had produced nearly 1.1 million tons of phosphate and by June 2015, total production was at 600,000 tons, with projected production of 1.3 million tons by the end of the year. As part of its medium-term growth plans, designing strategies to yield maximum phosphate production as well as diversifying mining production away from phosphates is a top priority for the government. With the help of Togo’s external development partners, the government is exploring opportunities to leverage the potential of the phosphate industry by transforming phosphoric acid into agricultural fertilizer, creating a supply-side complementarity within the primary sector.

⁴ The potential reserves will last more than 100 years at the maximum capacity of 3 million metric tons per year, which was reached in 1996.

Table 2. Main Statistics on Mineral Production in Togo: 2005-2013

Production/Years	2005	2006	2007	2008	2009	2010	2011	2012	2013
Phosphates (thousand tons) SNPT	1,021	1,171	1,171	843	726	695	866	1,100	1,214
Limestone (thousand tons) WACEM	2,253	2,301	1,824	1,824	1,704	1,656	1,923	1,919	1,608
Iron (tons) MM Mining	–	–	–	–	–	–	45,189	82,196	79,868
Gold* (kg)	6,178	5,903	10,158	11,834	12,954	10,451	16,469	18,551	21,860
Diamond (in carats) ASM	2,354	5,118	2,690	8,787	125	0	207	455	23
Aggregates (m ³)	–	–	–	36,489	49,362	128,341	273,517	247,468	217

Note: ASM = Artisanal and Small-scale mining; WACEM = West African Cement.

* = Quantity shipped, including much of the gold in transit from neighboring countries tested before shipping and, to a lesser extent, gold produced by the ASM in Togo.

11. **Other minerals.** While the mining sector in Togo is dominated by the production of phosphate, there has been increasing production of other minerals, including gold and iron ore (see Table 2). Over the past five years, Togo has received a large and growing number of requests for prospecting and exploration licenses for all ores. In fact, there is significant evidence confirming the existence⁵ of large, high-quality deposits, especially of gold, iron, manganese, limestone, zinc, lead, barium, cadmium, nickel, and industrial ores and construction materials such as marble. Mineral production is increasingly diversified with the mineral-based production of the clinker and cement sector. This undoubtedly demonstrates investors' growing interest in Togo's extractive industries (EI) sector. However, it does not guarantee transparency in the licensing process, a key issue linked to governance, which the project aims to address.

12. **Industrial scale mining.** The industrial scale mining sector is dominated by five main companies, including the following: the WACEM mine has two limestone deposits (Tabligbo); the SNPT has two phosphate mine sites (Hahotoé and Kpogamé); MM Mining exploits the iron deposit of Bassar; SCANTOGO has huge reserves of limestone located near Tabligbo (Yoto Commune); POMAR produces large quantities of marble near Pagala Village (Blittah Commune). In addition, the government plans to accelerate the development of the Bandjeli iron deposit in the central part of the country. For this purpose, the government is seeking investors to assist in setting up an integrated project involving iron mining activities, railway construction, and development of a mineral port facility.

⁵ Since 1996, the government has conducted reconnaissance programs covering more than 45,000 km². The systematic geological and geochemical surveys led to discoveries of gold, zinc, and diamonds, which were confirmed by large companies, such as BHP.

13. **Artisanal and small-scale mining (ASM).** Broadly speaking, the ASM sector in Togo is active but not formalized. ASM activities related to gold are on the increase. Before 2010, ASM largely involved building materials. During this period, artisanal gold mining was severely limited, with ASM miners using rudimentary equipment and inadequate tools. In 2011, the government started issuing small-scale mining (SSM) permits because some license applicants began to show interest in gold and small machinery to increase ore recovery. The Government of Togo (GoT) has approached the Bank for technical assistance (TA) in organizing and supervising ASM activities to improve production and legalize the sector; this would help address the environmental and social challenges observed in other countries in the sub-region.

14. **Sector challenges.** For the country's significant mining potential to be realized, Togo needs to adopt a set of good governance practices related to transparency, accountability, and efficiency, which is particularly relevant for its phosphate resources. It is expected that a new legal, regulatory, and contractual framework will soon be in place. This framework would allow contracts and licenses to be awarded in an open, transparent manner while the reform process continues. The major challenges for government include (a) poor governance of the EI, which in turn affects proper management of the sector, including the ability to anticipate and plan infrastructure and social needs associated with EI operations; (b) overlapping roles and inadequate capacities of sector institutions; (c) unclear roles of authorities in charge of revenue collection; (d) lack of reporting on reliable data on mineral production and revenues generated by the EI sector, including ASM and SSM production; and (e) poor corporate accountability of the SNPT.

15. **Complex institutional environment, characterized by a diversity of stakeholders related to the MME.** The MME's ability to properly fulfill its mandate remains partly dependent on the content and level of formalization of its relations with other actors. This situation calls for clarification of the role of public sector institutions, as well as the establishment of new and more efficient institutional bodies to oversee the management of the Togolese mining sector.

16. **Complex interaction and inadequate staffing among institutions.** The key institutions in the mining sector and their main roles are (a) **Administrative:** the Permanent Secretariat and the Department of Finance and Administration of the MME fulfill administrative roles and (b) **Technical:** the MME's Directorate for Mines and Geology (DGMG), Department for Mine Development and Control (*Département de Développement et de Contrôle Minier*, DDCM), Department of Mining Research and Geological Surveys (*Departement de la Recherche Géologique et Minière*, DRGM), Directorate for Mine Laboratory (DLM), and Regional Directorates of Mines and Geology fulfill technical roles. Two other institutions are attached to the MME, namely the Extractive Industry Transparency Initiative (EITI) National Secretariat and the SNPT, which reports directly to the office of the president. Indirectly, the National Environmental Regulation Agency (*Agence Nationale pour la Gestion de l'Environnement*, ANGE) oversees all environmental and social matters related to mining in Togo and the new National Revenue Office (*Office Togolais des Recettes*, OTR) is in charge of tax collection. However, as described below, several other institutions are involved in revenue collection. The SNPT has a staff strength of 1,500. The MME has approximately 250 employees, 100 of whom are with the DGMG. Skills are mostly in geology and both the MME and SNPT lack adequate skills to monitor mining activities in Togo. Staff in the ANGE have general environmental

knowledge and know very little about the environmental and social management of EI operations. There is an urgent need to clarify the role of each of the institutions listed above. At present, the national challenges are significant; this at a time when the private sector is showing increasing interest in the mining sector.

17. **Lack of clarity and over-complexity persists in revenue collection.** In Togo, EI revenue and tax collection is the responsibility of various state agencies, including decentralized agencies at community and mine sites. Because of their large number, there is an urgent need to clarify and streamline EI revenue collection arrangements, including the seven subnational agencies that intervene at the community and mine site levels.

18. **Weak regulatory arrangements and institutional capacity to monitor the sector.** Added to the legal and regulatory framework is a series of problematic orders and regulations that govern the Togolese mining sector's activities. In monitoring EI operations, a number of issues often emerge. These include, in particular, (a) the incongruence between the Mining Code and a number of the provisions of the constitution, especially with regard to decentralization, which is not covered in the code and regulations; (b) the lack of harmonization with other pieces of legislation, such as the Land Law, the Framework Law on the Environment, and the Finance Law; and (c) the incongruence between the Mining Code and the mining laws of other countries in the sub-region and sub-regional and regional organizations, especially those of ECOWAS and the Southern Africa Development Community (SADC), as well as the Africa Mining Vision of the African Union.

19. **Marginal progress on implementation of Phosphate Development Strategy (PDS, March 2010) and EI sector reforms.** Over the past few years the government has been implementing a PDS, which included the search for a strategic partner to assist in the development of the country's carbonated phosphate resources. This is by no means a privatization of the SNPT's activities or the phosphate sector. A few reforms have been adopted more recently, which confirm the willingness of the Togolese government to improve the functioning of the mining sector. The objective of the 'Togo National Mining Policy Document' (December 2012) is to optimize the management of the sector within an overall umbrella framework where dialogue is improved with all key stakeholders involved in the Togolese mining scene. The National Mining Policy lists a catalog of reforms aimed at rendering existing mining institutions more efficient. The proposed reforms include (a) the strengthening of the existing institutional framework (MME and DGMG); (b) the promotion of a broad coordination of development programs between the ministry responsible for mines and those in charge of the environment, industry, water, energy, soil, and higher education; and (c) the need to develop synergies between the MME and the Ministry of Higher Education for the establishment of a modernized educational curriculum for the mining sector.

20. **Weak coordination between the MME and SNPT related to state phosphate operations.** The first attempt at private sector participation in phosphate mining under the Mining Code occurred in 2001, with the creation of IFG-Togo, a 50-50 joint venture between the Togolese government and BRIFCO, a French-Tunisian company. At that time, IFG-Togo signed a 40-month management agreement, which sought to increase annual phosphate production to 3 million metric tons. This public-private partnership, however, encountered several problems related to poor governance and was discontinued in 2003. The

Togolese government then resumed control of the phosphate sector, after which annual production in 2012 fell to approximately 30 percent of its highest level. It is worth noting that in 2013, the SNPT phosphate production levels improved slightly. The SNPT repeatedly encounters operational and technical difficulties and operates independently of the MME. The SNPT's management reports directly to the president's office.

C. Higher Level Objectives to which the Project Contributes

21. The proposed Mineral Governance and Development Project (*Projet de Développement et de Gouvernance Minier*, PDGM) is aligned with Togo's own development strategy and the Africa Mining Vision. Both strategies identify the potential of natural resources, including mining and cement, as a 'source of growth'. They accentuate the country's immediate task of maximizing the social and economic benefits of mining endowments for Togo and its people. The government has already begun to implement a series of measures and reforms with the stated purpose of ensuring that mineral revenues and benefits are comparable to (or exceed) levels in other resource-rich countries. This project will support the government on this path. The successful reforms will pave the way for economic growth and improved social services, thereby contributing to poverty reduction.

22. The proposed project responds to the government's priority of streamlining the institutional set-up to increase efficiency of decision making related to policy formulation, planning, investments, and private sector participation. The other priority on the government's agenda is the implementation of a comprehensive regulatory framework. Some support has been provided for a review of the new draft mining code through the Bank-administered Extractive Industries Technical Advisory Facility (EI-TAF).

23. Beyond institutional capacity development, the proposed project seeks to improve transparency and accountability of Togo's EI sector with an increased demand for good governance. Issues and recommendations of the project will be used by the government in the development of sectoral policies to improve the management of mineral resources of the country and contribute to job creation and improved livelihoods of rural populations.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

24. The Project Development Objective (PDO) is to streamline the institutional arrangements of key organizations in the extractive industries to strengthen their efficiency and accountability for effective management of the sector.

B. Project Beneficiaries

25. Sector institutional arrangements and organizations touch on many aspects of society. The direct beneficiaries of the project will be the GoT, the private sector, and civil society, including women. Specifically, direct beneficiaries will include (a) government institutions and their staff involved in managing the mining sector, who will benefit from organizational streamlining and capacity building, including the MME, ANGE, and OTR; (b) artisanal and small-scale miners, who will be able to improve safety, quality of production, overall

productivity, and value-based sales; (c) civil society, including university students and community-based and nongovernment organizations and institutions that will benefit from capacity building and improved public information on sector development and impacts; and (d) women, who will be able to take an active part in all the above through targeted project support. Further explanation is provided in the project description section.

C. PDO Level Results Indicators

26. Key outcome indicators used to measure progress on the PDO over its lifetime will be the following:

- (a) Number of mine operations subject to production monitoring controls per year in line with established standards
- (b) Modernized mining cadastre, GIS, and national geological database system developed, functional and accessible on-site and online for public level information
- (c) Direct project beneficiaries (number), of which female (%)
- (d) Percentage of EI companies which comply with the environmental law

III. PROJECT DESCRIPTION

A. Project Components

27. Over the past five years, the Bank has proactively engaged in the mining sector in Togo, albeit with mixed results. Among the successful programs are (a) the Bank's First and Second EITI Implementation Support Grants (P117960 and P123524), which have supported Togo to become EITI compliant in record time and to hold a seat on the International EITI Board; (b) the Bank's policy dialogue, which has built trust and encouraged greater consultations and synergies; and (c) the Bank's EI-TAF assistance (P146403) for reviewing the new draft mining code. Less success has been recorded with (a) the implementation of the Phosphate Development Strategy, especially with Phase I, where SNPT has yet to reach the production target of 3 million tons and (b) triggers under the development policy operation related to the management of phosphate by the SNPT. The importance of improving mineral sector governance and EI revenue generation capacity is clear.

28. The project's design is informed by prior policy dialogue in the mining sector, ongoing EI support activities by the Bank (noted above), and several analytical studies as well as preparatory work completed by the government, both independently and with Bank support.⁶ The proposed project is consistent with the overall sector objective of developing the mining sector in the context of transparency, good governance, and greater accountability. The project is designed to accompany the GoT in its ambition to minimize its role as an operator and instead assume stronger regulatory and planning responsibilities. In turn, this is expected to improve the overall investment climate for foreign and private mineral development. The project will contribute to

⁶ The most recent mining sector diagnostic assessment undertaken by the Bank was in 2013. The study was entitled 'Togo - Phosphates: Review of Ongoing Phase 1 Investments by SNPT'. The study used the opportunity to make a diagnostic of available tools for mineral sector development in Togo. It strongly recommended that the Bank promptly provide support to Togo in the form of a Technical Assistance Project for mining sector development, using international best practices. This report followed the Bank's Snowden Report, which was finalized in 2009.

the first steps in the modernization of the mining sector with a view toward becoming one of the main pillars for sustainable economic and social development.

29. The project has three components: (A) Mining Governance, Transparency, Oversight and Efficiency; (B) Environmental, Social and Economic Development from Mining Operations; and (C) Project Management and Coordination, including preparatory project activities. The project is entirely funded from IDA resources.

30. **Component A: Mining Governance, Transparency, Oversight and Efficiency (total cost US\$8.45 million equivalent).** This component will support enhanced management and monitoring of mineral development activities in Togo, starting from licensing of initial exploration activities to supervision of mining and eventual mine closure. The activities will support modernization of the mining sector to transform the role of the GoT from being an operator, through state-owned enterprises (SOEs), to becoming the regulatory and planning authority which oversees and guides the sector development. Component A consists of six subcomponents as described in the following paragraphs.

31. **A.1 Mining Cadastre and National Geological Database (US\$3.3 million equivalent).** This subcomponent consists of modernizing the existing mining cadastre office in Lomé by implementing a modern and digitized mining cadastre, including procedures for award, refusal, and revocation of licenses. The activity will also include reconfiguration of the national geoscientific database that will allow for storage, management, and assessment of geological information. Once developed and tested, the MME will open access to the public and potential investors through electronic interfaces.

32. **A.2. Transaction Advisory Services for Assessment of Mineral Development Proposals (US\$1.1 million equivalent).** This subcomponent is aimed at removing the asymmetry of information and knowledge in contractual arrangements and technical skills between investors and the government, thus improving the bargaining power of the state *vis-à-vis* investors.

33. **A.3. Mineral Production Monitoring and Oversight (US\$1.1 million equivalent).** The project will support improved mechanisms for monitoring of production data and inspection of tax filings from SOEs as well as private operators in the country. This will also include evaluation and certification of the quantity and quality of precious and semiprecious stones which are exported. Support will be targeted toward the OTR as well as inspection and control agencies under MME.

34. **A.4. Organizational Development of the MME (US\$1.25 million equivalent).** The project will support the implementation of the recommendations from the organizational audit conducted by the African Development Bank (AfDB) in 2013,⁷ in particular those aimed at restructuring of the organizational setup of the MME and its key institutions (DGMG, DDCM, etc.). The existing analysis will be complemented by an assessment of the visions and strategies required for sustainable development of the EI as it pertains to attraction and oversight of investors, management of operations including ASM activity, job creation, and economic

⁷ Strategic Organizational Audit of the Ministry of Mines and Energy by AfDB (2013) completed in French as « *Audit stratégique et organisationnel du Ministère des Mines et de l'Énergie*, AfDB (2013) ».

diversification. In addition, the program will streamline the role of OTR *vis-à-vis* other tax revenue collection agencies and MME.

35. **A.5. Strengthening of Corporate Governance Structures of SOEs in the Mining Industry (US\$0.75 million equivalent).** The objective of this subcomponent is to assist the SNPT and the state asset management agencies in charge of equity holdings in mining companies in conducting a strategic review of their internal structures with respect to technical functions, FM and reporting, procurement and investment decisions, and overall governance structures. In addition, activities under this subcomponent will also include an environmental and social audit of several of SNPT mining operations.

36. **A.6. Management of ASM (US\$0.95 million equivalent).** The project will undertake a detailed assessment of the ASM sector in Togo that will include the preparation of an action plan for (a) regulatory initiatives to facilitate effective monitoring of ASM activities through formalization of ASM operations (mining titles, cooperatives); (b) TA in support of environmental management and health and safety in ASM areas; (c) enhanced value creation from fair trade and processing; and (d) assessment of conditions for women engaged in ASM sites.

37. **Component B: Environmental, Social and Economic Development from Mining Operations (total cost US\$4.3 million equivalent).** The objective of Component B is to support conditions for mining sector activities to contribute to sustainable socioeconomic development. Component B consists of three subcomponents.

38. **B.1. Higher Education Sector Support and Public Access to Information about Mineral Development (US\$2.0 million equivalent).** The dual objectives of this subcomponent are to (a) help promote the next generation of mining specialists and (b) facilitate public access to and awareness of mining activities. First, the project will build on the existing Geology and Earth Sciences Faculty at the University of Lomé. Second, the subcomponent intends to promote access to information about mineral development by creating virtual, physical, and, possibly, mobile information centers. In addition to technical documentation and literature, the activities will support the drafting of public outreach materials and support public outreach events through innovative means of communication such as radio spots, theater, music, cartoons, and pamphlets directed at special interest groups.

39. **B.2. Environmental and Social Management of Mining Operations and Support to Community Development Platforms (US\$1.6 million equivalent).** The project will immediately, upon inception, undertake a Strategic Environmental and Social Assessment (SESA), which will require multi-stakeholder consultation and oversight. This subcomponent will specifically seek to improve the coordination between the Ministry of Environment and Forestry (MERF) and the ANGE. Another intended outcome of the SESA will be the support to platforms for community development and accountability. These platforms include Capacity Building for Women in Mining, EITI, and potentially other platforms for dialogue and awareness-raising.

40. **B.3. Infrastructure and Economic Linkages from Mining (US\$0.7 million equivalent).** The subcomponent will provide assistance to Togolese nationals in establishing

small and medium enterprises (SMEs) and public-private partnerships to encourage the value creation from mineral exploitation and at the same time promote diversification away from the mineral sector. The project will also finance a study on potential infrastructure linkages between existing and prospective mine sites and surrounding communities. The study will aim at merging the public investment needs with the mine operators' investment plans so as to open infrastructure investments for combined usage.

41. **Component C: Project Management and Coordination, including Preparatory Project Financing (US\$2.45 million equivalent, of which US\$200,000 is counterpart financing).** This component will support the Project Implementation Unit (PIU), based in the MME, in the management of fiduciary, disbursement, monitoring and evaluation (M&E), and other project implementation activities. Importantly, support will also be provided to the Inter-ministerial Strategic Coordination Committee (SCC), which will provide overall strategic guidance and project coordination across ministerial lines.

B. Project Financing

42. The instrument is Investment Project Financing and the project will be financed through an IDA Credit in the amount of US\$15 million equivalent. The Credit is planned to be deployed over a five-year period from January 4, 2016 (expected Effectiveness Date) to December 31, 2020.

Table 3. Project Cost and Financing

Project Components	Project Cost (US\$)	IDA Financing (US\$)	% of Total IDA Financing
A. Mining Governance, Transparency, Oversight and Efficiency	8,450,000	8,450,000	56
B. Environmental, Social and Economic Development from Mining	4,300,000	4,300,000	29
C. Project Management and Coordination	2,450,000	2,250,000	15
Total Project Costs	15,200,000	15,000,000	100

C. Lessons Learned and Reflected in the Project Design

43. The project is built on a foundation laid by previous projects, the lessons from which have been reflected in the project design. This includes the following key aspects: (a) government ownership and commitment to mineral sector reform; (b) an integrated approach to sector development and the benefits of integrating cross-cutting issues arising from the EI value chain; (c) enhanced multi-stakeholder consensus on project objectives, participation in monitoring, and sharing in benefits; (d) regional development initiatives and measures to take stock of the economic activity being generated by the mining of non-renewable resources; (e) improvement and management of sector information systems and databases; (f) close correlation of institutional capacity-building initiatives with the specific project activities to be executed by those institutions; and (g) a cost-effective and pragmatic approach to project supervision in a spirit of cooperative partnership between the GoT and the World Bank. While these lessons have been taken into account, the project design also recognizes that the mining sector in Togo is highly political and risky. Taking an integrated approach to sector governance reform, supporting

the GoT's reform priorities, and involving multiple stakeholders will improve the project's chances of success.

44. At the policy level, project implementation experience has demonstrated that government ownership is crucial for successful outcomes of Bank-financed projects. Capacity building is a slow process and requires long-term commitment from the government and the Bank to put sufficient institutional capacity in place. Experience shows that the private sector will engage in the mining sector provided that the government establishes the right framework and strengthens institutional capacity. The Bank has maintained active dialog with government authorities over the past five years on the EITI process, review of the new mining law and regulations (since end of 2013), and preparation of the Phosphate Development Strategy (2010). For this project, government's strong ownership and commitment has been evident in consultations with all involved ministries (Environment, Decentralization, Finance, Budget, Planning, Portfolio, and Transport), sector institutions, and revenue authorities, as well as with provincial and local authorities, the private sector, and civil society. These consultations were designed to ensure that the project is fully in line with the government's development goals and vision, and responds to expectations from civil society and investors.

45. Lessons learned are regularly captured in the Energy and Extractives Global Practice analytical work and publications. Recent examples include technical papers, guidelines, and an overview of the evolution of the Bank's approach to mining sector reforms (see www.worldbank.org/mining). Valuable lessons that are reflected in this project include experience with transaction advisory services under Bank support. The Bank administers the EITAF, which provides transactions-related support for oil, gas, and mining sector projects. The experience of these projects highlighted the need for less standardized and more country-specific approaches to the resolution of mineral governance issues, the need to fill in the gaps of existing legal regimes for the purposes of the development agreements, and the necessity to include transparency measures throughout the process.

46. The lesson of involving communities and civil society has also been incorporated into the design of the project at several levels. The project involves communities and civil society in the local economic development component. The environmental and social component involves civil society in the SESA, as well as in consultations on procedures, guidelines, and environmental and social awareness programs. The communication strategy and work plan involve civil society in communication campaigns. In addition, self-selected representation from civil society is included in the EITI multi-stakeholder working group. Civil society is also represented in the project's oversight structure. In addition to these measures, which improve transparency, the project will also develop multi-stakeholder public accountability mechanisms that involve civil society, legislative institutions, academia, and the media.

47. The project also takes account of stakeholder expectations regarding the scope or pace of the planned interventions toward governance reform and improvement of sector management, particularly in the case of ASM regarding formalization. A comprehensive communication scheme will be set up to keep project implementation partners informed of project status and plans on a regular basis and to engage partners effectively in the program.

IV. IMPLEMENTATION

48. Project implementation is envisaged in three phases. Project phasing is expected to encompass the following broad principles:

- (a) Start-up in the first 18 months of the project activities for which terms of reference (ToR) and technical specifications have mostly been completed during project preparation. These include mining cadastre, geographical information system (GIS), information and outreach strategies, the creation of a monitoring and oversight mechanism for mineral production and taxation, ASM support, transaction advisory services for mining, and SESA;
- (b) Accelerated implementation at mid-term of the cross-sectoral components and follow-up activities, such as follow-up to the MME institutional strengthening;
- (c) Sustained support during the last 12-18 months of project implementation, including transaction advisory services and technical support for government agencies and departments to ensure national ownership and sustainability after project closure.

A. Institutional and Implementation Arrangements

49. The project will use three-tier institutional and implementation arrangements with the aim of ensuring better coordination among all relevant government agencies. The project is designed to ensure that a wide range of stakeholders (government, private sector, civil society) actively participate in promoting transparency and accountability. The key project implementation and oversight structure will consist of the following components (illustrated in Figure 2).

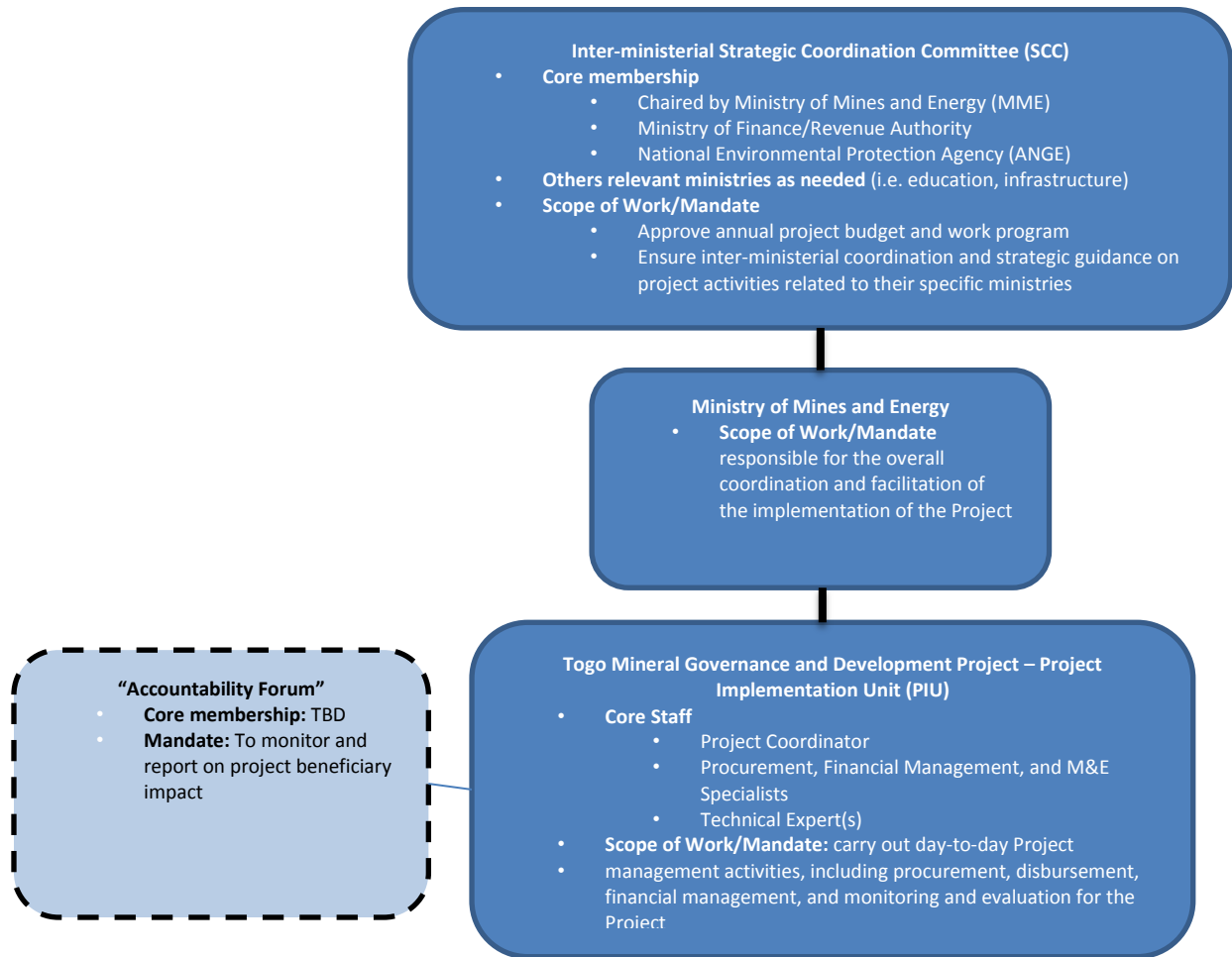
50. **Inter-ministerial SCC**, comprising high-level representatives of the relevant ministries (including at a minimum the MME; the Ministry of Economy, Finance, and Development Planning [MEFPD]; and the ANGE), will ensure inter-ministerial coordination and provide strategic guidance on implementation of project activities. One critical responsibility of the SCC will be to ensure maximized ownership of the agencies involved in the project, both regarding the governance and institutional reform process and the implementation of program activities. In this regard, the SCC, in collaboration with the MME, will approve the annual work program and budget for the project. Its continued operation will be financed under the project's operating and coordination budget. Allowable expenditures will be based on the Bank's financial management guidelines for Togo as described in the Project Implementation Manual (PIM).

51. The **MME** will be responsible for the overall coordination and implementation of the project, including the drafting of annual work programs and budgets of the project (for final approval by the SCC). Technical departments will hold main responsibility for drafting of ToR, definition of technical designs, oversight of consultant deliverables, and installation of goods and works. Being the ultimate beneficiaries, the technical departments will hold final responsibility for the quality of deliverables. The MME will provide updates and inputs to progress implementation reports for the project, which will be finalized by the PIU four times a year in a format and content acceptable to the Bank. The MME will resolve any conflicts that may arise between the different entities involved in the implementation of the project and ensure follow-up on recommendations of the SCC.

52. A dedicated **PIU** will be established within the MME and will be responsible for day-to-day project management activities, including procurement, disbursement, FM, and M&E. All PIU staff will be hired following a competitive and open selection. An interim PIU staffed with key functions will operate until a permanent PIU is established (no later than three months after project effectiveness). In addition to its fiduciary responsibilities, the PIU's main functions will be to ensure that the project work plans are properly coordinated and implemented by the different agencies involved and to coordinate the meetings of the different oversight committees. The PIU will be strengthened by additional national and international experts, as necessary. The PIU will also compile a biannual (six months) implementation progress report for submission to the Bank and the SCC and Interim Financial Reports (IFRs) on a quarterly basis.

53. An '**Accountability Forum**' of stakeholders from government, civil society, and private sector operators will be organized, possibly under the auspices of the Multi-Stakeholder Group of EITI (EITI MSG), to review the impact of project activities on beneficiaries and offer inputs to the continued relevance of the project design. This forum will ensure the linkage between project beneficiaries outside government structures and the implementing agencies. Details on the structure of the group will be determined during project implementation but will likely seek to leverage the EITI MSG. It will have access to the SCC, MME, and PIU and will provide inputs on corrective measures, whenever needed, regarding implementation. Costs related to logistics and operation will be financed under Component B.2. Support to Community Development Platforms. Allowable expenditures will be based on the Bank's FM guidelines for Togo as described in the PIM.

Figure 2. Project Implementation Arrangements



54. **Project Implementation Manual.** A PIM has been developed by the borrower and approved by the Bank. The PIM will be subject to updates, as needed, throughout project execution. The development of the PIM involved a core team from the MME and ANGE, as well as representatives from all the entities involved in implementation. The PIM includes (a) a detailed description of the planned project activities; (b) the mechanism of operation and interaction among the involved entities; (c) the level of authority entrusted to the MME, PIU, and the different committees and the relationships among them; and (d) their organization, responsibilities, and functions.

55. **Annual work plan.** The PIU will prepare, not later than November 15 each year throughout the implementation of the project, an annual work plan found satisfactory by the MME and SCC and approved by the Bank for the period from January 1 to December 31 of the next calendar year. The plan will include a budget for such activities and a timetable for their implementation. These work plans will be reviewed and approved jointly by the Bank and the SCC.

B. Results Monitoring and Evaluation

56. The PIU has overall responsibility for M&E in accordance with the indicators and milestones included in the project results framework. However, given the complexity of the project, it will be important to measure progress and impact at different institutional levels involving stakeholders in government, civil society, and the private sector. This will require a sufficiently robust M&E system. For this reason, the project will engage the services of a specialist to establish reporting templates and procedures and identify the M&E training needs for different partners, including the MME and other staff.

57. The government and the Bank have agreed on the importance of developing adequate and reliable M&E tools. These would provide systematic data and allow reporting of sector performance beyond the scope of the project.

58. **Reporting.** Not later than 45 days after the end each quarter, the MME will submit to the Bank unaudited financial reports covering all project activities. Biannual (every six months) reports should provide detailed analyses of implementation progress toward development objectives, as well as an evaluation of FM and procurement post reviews.

59. About 30 months after effectiveness, a **Midterm Review (MTR)** of the project will be jointly carried out by the government and the Bank with inputs from the SCC and the ‘Accountability Forum’, to measure progress toward achieving the project’s objective. The MTR will assess overall project performance against results indicators, as well as the level of political commitment during the first half of the project.

C. Sustainability

60. The GoT is committed to the implementation of the project. The authorities and stakeholders in Togo realize that the mining sector provides the key growth opportunity and lever for the development of other economic and socially productive activities.

61. Key parameters for sustainability include the government’s commitment to implementing the sector reform agenda. Mining is a priority sector to bring about development and improvement of socioeconomic conditions in Togo while also increasing Togo’s attractiveness to investors. In the long run, investments in the sector are expected to provide sustained revenues for wider development purposes as well as for sustaining sector oversight and management systems set up during the project (for example, mining cadastre and oversight functions).

62. At the national level, the project will help improve the government’s capacity to (a) manage the sector properly; (b) ensure that the revenues due to government from mining, including phosphate operations, flow to the Treasury; and (c) support local economic development and value addition for mining in Togo. The project is also expected to strengthen Togo’s policy/regulatory framework and enhance its institutional and human resources capacity to address the economic, environmental, and social impacts of mining as well as stimulate private sector participation.

63. At the community level, sustainability will be supported by positive changes fostered by including mining communities in essential decision-making processes. Specifically, the

communities are expected to see increased influence over local economic development, use of revenue generated by mining activities to foster development at the local level, and improved socioeconomic linkages to the mines. By supporting artisanal and small-scale miners' efforts to improve their formalization, the project is expected to improve management of mineral resources. In this manner, it will contribute to the increasing of mineral revenues and the promotion of sustainable livelihoods.

V. KEY RISKS

Systematic Operations Risk-Rating Tool (SORT)	
Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	–
OVERALL	Substantial

64. **Overall risk.** The overall risk rating is considered Substantial. Political and governance, institutional capacity for implementation and sustainability, and fiduciary risks are considered Substantial due to the possibility of the state's interference in project matters during implementation. Macroeconomic risk is also considered Substantial due to weaknesses in public financial management, investment planning and uneven implementation of public reforms.

65. **The government's sustained commitment to governance reform and project implementation.** Conscious of the need to reverse the perception of non-transparency in EI transactions and weak governance practices, the government has already begun applying the new terms established by the draft mining law and fiscal regime during the ongoing negotiations related to the development of the carbonated phosphate deposit. The GoT will continue to be encouraged to apply the new draft mining legislation's full terms in any upcoming mining negotiations and contract/legal agreements.

66. **Local coordination, fiduciary, and implementation monitoring capacity for sustained PDO achievement.** The project aims to (a) continue with the modernization of the ministry responsible for mines and clarify the roles and respective functions of each of its technical departments and other related public institutions in charge of the daily management of mining activities; (b) strengthen the SNPT's capacity to support governance reform; and (c) improve the government's capacity to manage the ASM sector. These objectives, combined with

the coordination tools which the project is promoting in terms of structured community dialogue and inter-ministerial coordination, are expected to improve the current situation. Moreover, the PIU will be equipped with an M&E system. All PIU staff, including the project coordinator, fiduciary, and M&E staff, will be selected on a competitive basis by an independent external firm. Also, because the PIU will respond not only to the MME but also to the SCC, there is a much lower chance of collusion between the PIU and the MME and of straying from initial PDO targets. The SCC, along with the MME, will oversee project implementation and will be responsible for timely decision making, review of the project annual work plans, staffing, and budgeting.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

67. This is a technical assistance (TA) project which aims at building capacity at individual, organizational and institutional level. As such, the project does not finance any discrete investments which generate clearly separate cash flows. For this reason, it does not lend itself to traditional measurements of net present value or economic rate of return. Rather, the project is justified on the basis of the cost-effective achievement of development objectives. Similar TA projects executed in other countries have demonstrated that the cost of improving governance of the sectors, increasing the capacity for sector oversight, and strengthening government institutions significantly improves the use, distribution, and management of benefit streams.

68. **Development impact.** The development impact of TA projects in the EI is best illustrated through relevant examples of past experience. In Burkina Faso, successful implementation of a similar TA project in the mining sector has resulted in substantially increased investment, improved government oversight over the sector, and greater accountability of revenue streams generated by the sector. Similarly, in Mauritania, a recently completed TA project allowed the Ministry of Petroleum, Energy, and Mines to become an important revenue source for the government budget as a result of the reinvigoration of the mineral cadastre system, which has attracted a large number of foreign and local investors.⁸ At the same time, the project is considered to have contributed to Mauritania's ability to outperform global and regional benchmarks in attracting investors in exploration as well as mine construction.

69. The proposed project will support improved monitoring of production statistics and enhanced tax collection. These are expected to generate short-term gains through additional revenue to government from more efficient methods of tax assessment and collection. However, efficiency gains cannot be quantified nor directly attributed to the present project. The longer-term impacts are expected from increased investor interest that will produce valuable geological information of interest not only to the mining industry but also hydrologists, the agricultural sector, and rural planning. At the community level, the promotion of economic linkages and planning of infrastructure and social services is expected to improve economic and social indicators of beneficiary communities, as has been documented in Ghana, Guinea, and Mali.⁹

⁸ *Implementation Completion and Results Report of the Second Mining Sector Capacity Building Project in Mauritania*, Report No. ICR 2788 (2014).

⁹ *Increasing Local Procurement by the Mining Industry in West Africa*, Svensson, Kristina, Report No. 66585 (2012).

Enhanced capacities for environmental and social management will lead to reduced risks of negative impacts and mine site accidents. However, the previously mentioned problems of quantification and attribution persist.

70. Concrete experience is drawn from the Mauritania Second Mining Sector Capacity Building Project (P078383), which recorded major progress in social and economic indicators (access to services, schooling, employment, and income) during the course of project implementation from 2004 to 2013 with increases ranging from 11 percent to 120 percent compared to baselines. Of particular significance in these areas: the average monthly revenue per working person more than doubled from Mauritanian Ougyias (MRO) 42,600 in 2004 to MRO 98,950 in 2013. This was higher than the national average and significantly higher than comparable rural communities. Interestingly, the positive correlation between natural resource dependence and enhanced governance indicators, that is, ‘inverse Resource Curse’ has also been documented at a global scale since 2000 in McMahan and Moreira (2014).¹⁰ The review shows that economies with high dependence on mineral or hydrocarbon resources have outperformed other economies in the areas of regulation, rule of law, and corruption since 2000.

71. **Rationale for public sector financing.** There is no alternative to public sector financing for strengthening institutions and building the capacity of government agencies. Investment in institutional and organizational structures and skills development of staff is indispensable if national authorities are to compensate for the asymmetric information between investors and public regulators. The proposed project design aims at improving the GoT’s bargaining power with investors in negotiations, oversight, and enforcement. At the same time, the project aims at crowding in private investment in the mining industry and associated infrastructure development. This objective will be realized through sectoral reform which will transform the role of government from being a (monopolist) operator in the sector to becoming a regulator and planning authority which guides and facilitates private sector development.

72. **Bank value added.** In 2004, the Bank completed a multi-stakeholder review¹¹ of the Bank Group’s support to the EI. This review concluded that the Bank Group can play an important role in the oil, gas, and mining sectors if it allows and designs its interventions for the EI to contribute to poverty reduction. In response, the Bank developed a holistic approach which takes into account the entire ‘life-span’ of EI project development, from the first discovery of resources through development and exploitation through decommissioning. The approach is illustrated in the Extractive Industries Value Chain (see Figure 3).

73. The comparative advantage of the Bank compared to other development partners (and the private sector) is its ability to accompany all stages of the value chain. Accordingly, the Bank is in possession of the instruments to support (a) an enabling environment which will attract investors; (b) enhancement of capacities for oversight and enforcement of operators’ obligations, including tax payments; and (c) facilitation of community development and protection of the rights of impacted constituencies. Consequently, the value addition of the Bank’s engagement is

¹⁰ The Contribution of the Mining Sector to Socioeconomic and Human Development, Extractive Industries Development Series #30, World Bank, 2014.

¹¹ *Striking a Better Balance: The Extractive Industries Review*, World Bank, 2004.

found in the balanced and multidimensional sector support, which targets all aspects of sector governance in the interest of promoting poverty reduction and shared prosperity.

Figure 3. Extractive Industries Value Chain



B. Technical

74. **Extractive Industries Value Chain Framework.** At first glance, a review of the EI sector value chain as applied to Togo provides a sound basis to support reforms that accelerate the creation of sustainable developmental settings for the extractive sector. The EI value chain framework is particularly suited to the Bank’s proposed assistance to Togo through the project. Indeed, inadequate monitoring of EI operations, including the SNPT; unreliability of data on phosphate production and consequently revenues collected; the uneven distribution of internally generated wealth with still prevailing high poverty levels among the population; and the overall failure of the EI sector despite its historical economic importance in Togo to generate sustainable development, warrant the establishment of direct links to the institutional, revenue collection, governance, and sustainable development gaps to be filled by the project. Also, it is in line with the SCAPE as it sets out to (a) develop sectors having great potential for growth; (b) strengthen economic infrastructures; (c) develop human resources, social welfare, and employment; (d) strengthen governance; and (e) promote a participative, well-balanced, and sustainable development approach to resource management.

75. The proposed project will provide a considerable amount of TA to most entities responsible for the management and regulation of the mining sector, including (a) the MME and other agencies reporting to the ministry; (b) the ANGE and any other units involved in mining permitting and control; (c) the relevant entities at the provincial and district levels; and (d) civil society. The project has been prepared with the cooperation of mining technical experts in the MME and the Bank. One important component addresses the need for better-trained national technicians and professionals. This can be achieved by providing support to technical training centers and universities in selected areas. Reversing the negative trend in sector education will be critical. This is because the average age of staff in public mining institutions is quite high and there is a shortage of younger mining professionals.

76. The project will establish an enabling institutional and regulatory environment to help attract and sustain mining investment. In particular, it will strengthen the technical governance capacity of government staff to administer and regulate exploration and mining projects and to achieve socially acceptable and environmentally sustainable private investment in the sector. Expert technical assistance will also help build capacity to establish professional relations with private companies to foster development of the EI sector. These capacities—all important

building blocks of a strong sector—will strengthen the government’s ability to promote the sustainable development of mineral resources.

C. Financial Management

77. The project team has assessed the FM capacity of the MME, which has no previous experience with IDA FM procedures and its FM officers are not familiar with the FM of donor-financed projects. The initial FM risk is rated to be Substantial, but the risks are expected to be reduced to Moderate after implementation of the following mitigation measures. The main actions identified to strengthen the ministry FM system include (a) the recruitment of an FM specialist with qualifications and experience satisfactory to the Bank¹²; (b) the preparation and adoption of a project implementation manual including acceptable FM procedures, and (c) the set-up of adequate accounting software. These actions will be facilitated by the negotiation of an advance for project financing. The conclusion of the FM assessment is that FM arrangements for the project are being established to satisfy the Bank’s minimum requirements under OP/BP 10.00.

D. Procurement

78. A procurement capacity assessment of the MME has been conducted during project preparation. The main issues identified are the lack of experience with Bank project implementation and the lack of a procurement manual. Taking into consideration the existence of a procurement unit and an internal procurement control committee within the MME, the overall project procurement risk has been rated Moderate. Actions to be implemented for strengthening the procurement process include (a) the recruitment of a procurement specialist and the nomination of a civil servant as procurement officer who will be devoted fulltime to project procurement activities¹³ and (b) the preparation of the project’s procurement manual as part of the PIM. The procurement specialist, who will be recruited, will coordinate all procurement activities under the project and ensure compliance with project procurement procedures. The procurement consultant will be tasked with strengthening the procurement capacity of the MME staff who will be involved in the project procurement implementation.

E. Social (including Safeguards)

79. Since the proposed project is a TA project, no direct adverse social impacts are foreseen. The project does not involve any civil works or land acquisition and therefore does not trigger any social safeguards policies. Within the context of Component B.2, Environmental and Social Management of Mining Operations, the project aims to strengthen the legal and regulatory framework that will govern the management of future mining activities. This is crucial to ensure that any adverse impacts are properly managed. Important social issues to consider include the impact on vulnerable groups, gender aspects, land administration issues, labor issues, and potential conflicts. The project will emphasize the gender aspects to ensure that women are included in consultations and their role in the mining sector is part of the analysis. The SESA

¹² An interim FM specialist with extensive experience in Bank procedures has been recruited under the Project Preparation Facility (PPF); however, the permanent FM specialist will be procured during project implementation.

¹³ An interim procurement specialist with extensive experience in Bank procedures has been recruited under the PPF; however, the permanent procurement specialist will be procured during project implementation.

will be participatory in nature, and it will draw on extensive consultations with various levels of stakeholders and communities that are directly affected by mining operations. This assessment will help identify social and environmental issues and also gaps that exist in current regulation as well as analyze the potential adverse impacts. Finally, and most importantly, the assessment will provide recommendations to improve the legal and regulatory framework of the sector to ensure sustainable management.

F. Environment (including Safeguards)

80. As mentioned above, the proposed project being a TA will not have an actual physical footprint. The project is rated as a category B. The only safeguards policy that is triggered for this project is OP 4.01 on Environmental Assessment. This policy is triggered to cover the preparation of a SESA during the initial stages of project implementation. The proposed SESA will cover the following issues: (a) examine the current situation of the mining sector in terms of environmental and social issues and their management; (b) describe potential environmental and social impacts in the sector, including site-specific and cumulative impacts, pollution, health and safety, and social issues (for example, inclusion, gender, vulnerable groups, land administration/management, labor issues, and conflict); (c) identify gaps and risks in the existing management systems for environmental and social issues; (d) provide recommendations for improvement of the regulatory legal and institutional framework and overall management of environmental and social impacts; and (e) address capacity-building needs. The GoT has prepared the ToR for the SESA, which have been validated at a national workshop in Lomé on September 5, 2014, and approved by the Bank. The ToR have been disclosed publicly in-country, online at www.republicoftogo.com and www.togomines.com on October 1, 2014, and in the newspapers Togo Press on October 2, 2014, and *L'Union* on October 3, 2014, and at the Bank's InfoShop on October 8, 2014.

81. **World Bank grievance redress.** Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project 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.

Annex 1: Results Framework and Monitoring

Country: Togo

Project Name: Togo: Mining Governance and Development Project Preparation - Phase I (P149277)

Results Framework

Project Development Objectives

PDO Statement

The Project Development Objective is to streamline the institutional arrangements of key organizations in the extractive industries to strengthen their efficiency and accountability for effective management of the sector.

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values						End Target
		YR1	YR2	YR3	YR4	YR5		
Mine Operations subject to production monitoring controls per year in line with established standards. (Number)	0.00	2.00	5.00	10.00	15.00	15.00		15.00
Modernized mining cadaster, GIS, and National Geological database system developed, functional and accessible on-site	No	no	no	yes	yes	yes		Yes

and on-line for public level info (Text)								
Direct project beneficiaries (Number)	0.00	75.00	700.00	1000.00	1500.00	2200.00		2200.00
Percent of Project Beneficiaries which are female (Percentage - Sub-Type: Supplemental)	0.00	25%	30%	30%	30%	35%		35.00
Percentage of EI Companies which comply with the environmental law (submission of ESIA, RAP, and ESMP) (Percentage)	0.00	10.00	20.00	40.00	50.00	70.00		70%

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values						
		YR1	YR2	YR3	YR4	YR5	End Target	
Preparation and public review of project monitoring reporting on an annual basis (Text)	None	Annual Project Monitoring Report prepared	Accountability Forum” established and functional under the EITI MSG or an appropriate multi-stakeholder arrangement	Accountability Forum” established and functional under the EITI MSG or an appropriate multi-stakeholder arrangement	Accountability Forum” established and functional under the EITI MSG or an appropriate multi-stakeholder arrangement	Accountability Forum” established and functional under the EITI MSG or an appropriate multi-stakeholder arrangement	Accountability Forum” established and functional under the EITI MSG or an appropriate multi-stakeholder arrangement	“Accountability Forum” established and functional under the EITI MSG or an appropriate multi-stakeholder arrangement
Number of nationals trained in EI skills	0.00	50.00	150.00	300.00	400.00	500.00		500.00

(benefiting from skills training program) (Number)								
Percent of nationals trained in EI Skill that are female (Percentage - Sub-Type: Supplemental)	0.00	25.00	30.00	30.00	30.00	35.00		35.00
Improved perception of environmental impacts of mining in impacted communities (% of respondents reporting improvement) (Percentage)	0.00	15.00	25.00	50.00	75.00	75.00		75.00
Consistent implementation of recommendation for modernization derived from the institutional assessments (Text)	Organizational Audit of MME completed in 2013	Mining sector strategy completed and time-bound work plan to implement recommendations developed	Implementation of recommendations for reforms based on work plan on track	Implementation of recommendations for reforms based on work plan on track.	Implementation of recommendations for reforms based on work plan on track.	Implementation of recommendations for reforms based on work plan on track.		Improved MME institutional framework applying best practices in EI governance
Number of transaction	0.00	0.00	1.00	2.00	2.00	2.00		2.00

advisory services provided (Number)								
Tool-kit for public access to information about mining operations made publicly available (Text)	no	no	no	no	yes	yes		yes
Number of mine safety and environmental inspections conducted on the basis of new standards (Number)	0.00	0.00	1.00	3.00	5.00	10.00		10.00
Number of artisanal miners who are legally registered and formalized (Number)	0.00	0.00	50.00	75.00	100.00	150.00		150.00

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Mine Operations subject to production monitoring controls per year in line with established standards.	This indicator will measure mine production on a regular basis, including for that of SNTP. They may be based on audits, conducted by independent international experts who will be gradually replaced by trained staff from OTR, MEFPD, in collaboration as necessary with the ministry of mines.	Annual	PIU, Expert consultants, OTR, MEFPD, and MME	Expert consultants, OTR, MEFPD
Modernized mining cadaster, GIS, and National Geological database system developed, functional and accessible on-site and on-line for public level info	This indicator verifies if (i) the new mining cadaster system is consistent with the updated legislation and (ii) title information is accessible to the public.	Annual	MME website Project Reports by DGMG	PIU
Direct project beneficiaries	Aggregate number of beneficiaries defined as (i) participants in training and workshop events; (ii) students at GES Faculty of Lomé; (iii) members of formalized ASM cooperatives, (iv) members of forums, networks or other entities which are created or supported by the project. ASM cooperatives are estimated to comprise an average of 10 members. Forums and networks are expected to include 50 member each. Percentage of female beneficiaries is reported in (%)	Bi-Annual (6 months)	Project Reports by MME based on data from project beneficiary institutions.	PIU M&E Reports
Percent of Project Beneficiaries which are female	No description provided.	No description provided.	No description provided.	No description provided.

Percentage of EI Companies which comply with the environmental law (submission of ESIA, RAP, and ESMP)	The indicator will be based on regular reports from the envisioned central information system for environmental compliance which will be hosted in the National Environmental Regulation Agency (ANGE) although it will be jointly by ANGE and the MME Department responsible for mine inspections (DDCM). The law prescribes initial environmental audits/screening, followed by an ESIA, RAP and ESMP as deemed appropriate.	Bi-Annual (6-months)	ANGE/MERF	DDCM/ANGE/MERF
--	--	----------------------	-----------	----------------

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Preparation and public review of project monitoring reporting on an annual basis	“Accountability Forum” established and functional under the EITI MSG or an appropriate multi-stakeholder arrangement: The indicator measures the functioning of the consultation mechanism which tentatively named “Accountability Forum	Annual	PIU and EITI Togo	PIU and EITI Togo
Number of nationals trained in EI skills (benefiting from skills training program)	All stakeholders participating in training programs or workshops. Female participation is recorded in (%)	Bi-Annual (6 months)	Project reports by the PIU	PIU
Percent of nationals trained in EI Skill that are female	Female participation is recorded in (%)	Bi-Annual (6 months)	PIU	PIU
Improved perception of environmental impacts of mining in impacted communities (% of respondents reporting improvement)	Perceived improvements will be measured as a function of respondents who report positive developments since the previous survey and reporting period	Annual	PIU will conduct annual perception survey in targeted mining communities	PIU

Consistent implementation of recommendation for modernization derived from the institutional assessments	The most recent institutional assessment of MME was undertaken by AfBD in 2013, which will be followed by a sector strategy to be financed by the present project. This indicator verifies that the actual modernization efforts from both the institutional audit and sector strategy have taken place. It will track the level of execution of approved annual work plans measure results from the institutional assessment and implementation of related recommendations.	Bi-annual (6 months)	Project monitoring reports, consultancy report, SCC	SSC/MME/PIU
Number of transaction advisory services provided	This indicator verifies that external (and competitively selected) advisors provide advice on mineral investment transactions and negotiations.	Bi-Annual (6 months)	MME/PIU/Project M & E reports based on data obtained from negotiating partners	MME/PIU
Tool-kit for public access to information about mining operations made publicly available	This indicator will assess the extent to which information on mining operations is being made accessible to the public	bi-annually (6 months)	MME/PIU	MME/PIU
Number of mine safety and environmental inspections conducted on the basis of new standards	This indicator seeks to measure improvements in mine inspection's environmental monitoring by relevant institutions.	Bi-Annual (6 months)	ANGE/PIU/MME/MERF/DE	ANGE/PIU/MME/MERF/DE
Number of artisanal miners who are legally registered and formalized	Number of artisanal miners including females legally registered and paying an annual registration fee to the Public Treasury. PIU/MME to establish a computerized database to monitor production by artisanal miners.	Annual	PIU/Ministry of Mines/MEFPD	PIU/Ministry of Mines/MEFPD

Annex 2: Sectoral and Institutional Context

REPUBLIC OF TOGO: Mining Governance and Development Project

1. The mining sector is critical to the economic development of Togo and is a priority area for policy support by the government. The GoT has adopted SCAPE, which sets out the priorities for sectors with high growth potential, including the mining sector. With SCAPE, the government aims to address the challenge of governance/transparency and environmental protection. Likewise, it aims to establish an enabling environment for private sector development.

2. The mining sector has historically been dominated by state ownership in phosphate mining. However, private sector investment is increasingly diversifying mineral production away from phosphates; limestone, iron, and dolomitic marbles now make a significant contribution to the GDP and export earnings. In 2014, Togo had 29 mining operators of various origins. Of these, 18 are involved in the exploitation of industrial minerals deposits and mainly produce construction materials. Gold is being mined using artisanal mining techniques. So far two companies, Tech-mines and Panafrican Gold Corporation, hold small-scale gold mining licenses, which were granted in 2011. The number of small-scale mines is increasing. Some of the best known small-scale mining companies are the German majority owned Granutogo mine located near Amelepke; the small-scale producers of sand such as Société Africaine de Dragage (SAD) and STII (both of Benin origin); and Global Merchants from India, a major local producer of aggregates.

Table 2.1. Trend in Mining Licenses in Togo, 2010–2014

Year	Number of active exploitation licenses	Number of active exploration permits
2010	27	38
2011	17	7
2012	25	52
2013	40	56
2014	35	56

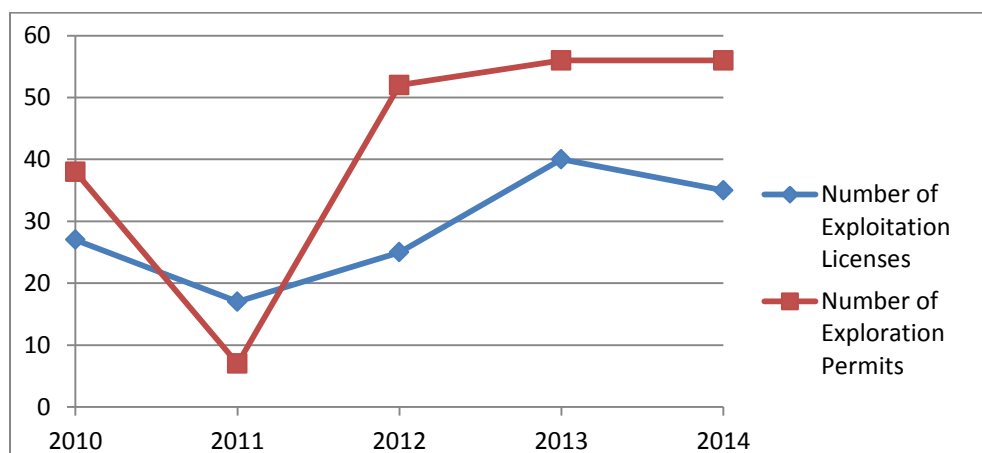
Source: MME, Lomé (December 2014).

3. The demand for mining and exploration permits of various minerals is increasing rapidly as evidenced in Table 2.1 and Figure 2.1, which include data on permits and licenses granted by the MME over the last five years. In 2014, Togo had issued a total of 56 exploration permits and 35 mining licenses, up from 38 and 27, respectively, only four year earlier. This corresponds to an average increase of five new mines and nine new exploration licenses every year. This trend is expected to increase even more when the new mining legislation is finalized and adopted. There is growing interest from investors in non-traditional minerals such as uranium, rare earths, zinc, nickel, precious minerals, and manganese. In 2011, a South African company, G&B African Resources, acquired an exploration license for phosphate, which is situated in Bassar, in the northern part of the country. However, exploration activities are far from being completed

and it is too soon to anticipate the size and value of the deposit and the overall outcome of the geological research currently taking place.

4. **Geodata collection.** Knowledge of the geology and mineral potential of Togo is not substantive despite exploration work since the precolonial period to the present. The results obtained (deposits and major indices) are the property of the Togolese state mainly due to assistance received to date from France, Germany, the European Union (EU), the United Nations Development Programme, and the Bank. Apart from geological mapping, Togo has begun strategic geochemical surveys to cover some 40,000 km² of the country (80 percent) and also started the tactical exploration (sometimes surveys) of some promising targets (gold, diamond Precambrian phosphates, zinc, nickel, and platinum).

Figure 2.1. Growth in Mining License Allocation by the GoT



Source: MME, Lomé (December 2014).

5. **Phosphates.** The exploitation of the country's huge phosphate deposits has been the main mining activity in Togo for decades. However, as evidenced by Table 2.2, a number of new minerals are now being mined in Togo. The country's vast phosphate reserves include a carbonated phosphate deposit, with a life expectancy estimated to be more than 100 years¹⁴ even with a significant extraction rate per year. Phosphates represented 10 percent of the country's total exports. However, the phosphates sector's contribution to GDP remained a mere 0.1 percent in 2013. This can partially be explained by a decline in world phosphate prices, as well as the lack of tangible positive production outcomes from investments made by the SNPT.

6. In the phosphate sector, large investments have been recorded by the state, but total production still remains far below expectations. Total production increased marginally by 9.8 percent in 2013, compared to the 25 percent increase in 2012 (see Table 2.2). By close of 2014 Togo, had produced nearly 1.1 million tons of phosphate and by June 2015, total production was at 600,000 tons, with projected production of 1.3 million tones by the end of the year. As part of its medium-term growth plans, designing strategies to yield maximum phosphate production as

¹⁴ The potential reserves will last more than 100 years at the maximum capacity of 3 million metric tons per year, which was reached in 1996.

well as diversifying mining production away from phosphates is a top priority for the government. With the help of Togo's external development partners, the government is currently exploring opportunities to leverage the potential of the phosphate industry by transforming phosphoric acid produced by phosphates into agricultural fertilizer, creating a supply-side complementarity within the primary sector.

Table 2.2. Main Statistics on Mineral Production in Togo: 2005–2013

Production/Years	2005	2006	2007	2008	2009	2010	2011	2012	2013
Phosphates (thousand tons) SNPT	1,021	1,171	1,171	843	726	695	866	1,100	1,214
Limestone (thousand tons) WACEM	2,253	2,301	1,824	1,824	1,704	1,656	1,923	1,919	1,608
Iron (tons) MM Mining	–	–	–	–	–	–	45,189	82,196	79,868
Gold* (kg)	6,178	5,903	10,158	11,834	12,954	10,451	16,469	18,551	21,860
Diamond (in carats) ASM	2,354	5,118	2,690	8,787	125	0	207	455	23
Aggregates (m ³)	–	–	–	36,489	49,362	128,341	273,517	247,468	217

Note: * = Quantity shipped, including much of the gold in transit from neighboring countries tested before shipping and, to a lesser extent, gold produced by the ASM in Togo.

7. **Other minerals.** While the mining sector in Togo is dominated by the production of phosphate, there has been increasing production of other minerals including gold and iron ore (see Table 2.2). Over the past five years, Togo has received a large and growing number of requests for prospecting and exploration licenses for all ores. In fact, there is significant evidence confirming the existence¹⁵ of large, high-quality deposits, especially of gold, iron, manganese, limestone, zinc, lead, barium, cadmium, nickel, and industrial ores and construction materials such as marble. Mineral production is increasingly diversified with the mineral-based production of the clinker and cement sector. This undoubtedly demonstrates investors' growing interest in Togo's EI sector. However, it does not guarantee transparency in the licensing process, a key issue linked to governance, which the project aims to resolve.

8. **Industrial scale mining.** The industrial scale mining sector is dominated by five main companies, including the following: WACEM mines has two limestones deposits (Tabligbo); the SNPT has two main phosphate mine sites (Hahotoé and Kpogamé); MM Mining exploits the iron deposit of Bassar; SCANTOGO has huge reserves of limestone located near Tabligbo (Yoto Commune); POMAR produces huge quantities of marble near Pagala Village (Blittah Commune). In addition, the government plans to accelerate the development of the Bandjeli iron

¹⁵ Since 1996, the government has conducted reconnaissance programs covering more than 45,000 km². The systematic geological and geochemical surveys led to discoveries of gold, zinc, and diamonds, which were confirmed by large companies, such as BHP.

deposit in the central part of the country. For this purpose, the government is seeking investors to assist in setting up an integrated project involving iron mining activities, railway construction, and development of a mineral port facility.

9. In 2011, clinker production by WACEM was 1.5 million tons. The performance of the plants is good with a relatively high turnover. Its cement brands FORTIA and DIAMOND have a high market share. SCANTOGO-Mines plant (under construction) will produce 5,000 tons clinker per day and will generate 1,000 jobs (direct and indirect). The investment is approximately US\$230 million.

10. Marble and ornamental stone offer good future prospects. A company called POMAR recently signed a US\$10 million financing convention with the West African Development Bank and has announced that it will recruit 2,000 Togolese nationals.

11. **ASM.** Broadly speaking, the ASM sector in Togo is active but not formally known. ASM activities related to gold are on the increase. Before 2010, ASM largely involved building materials. During this period, artisanal gold mining was severely limited, with ASM miners using rudimentary equipment and inadequate tools. In 2011, the government started issuing SSM permits because some license applicants began to show interest in gold and small machinery to increase ore recovery. The GoT has approached the Bank for TA in organizing and supervising ASM activities to improve production and legalize the sector, to avoid some of the mistakes made by other countries in the sub-region.

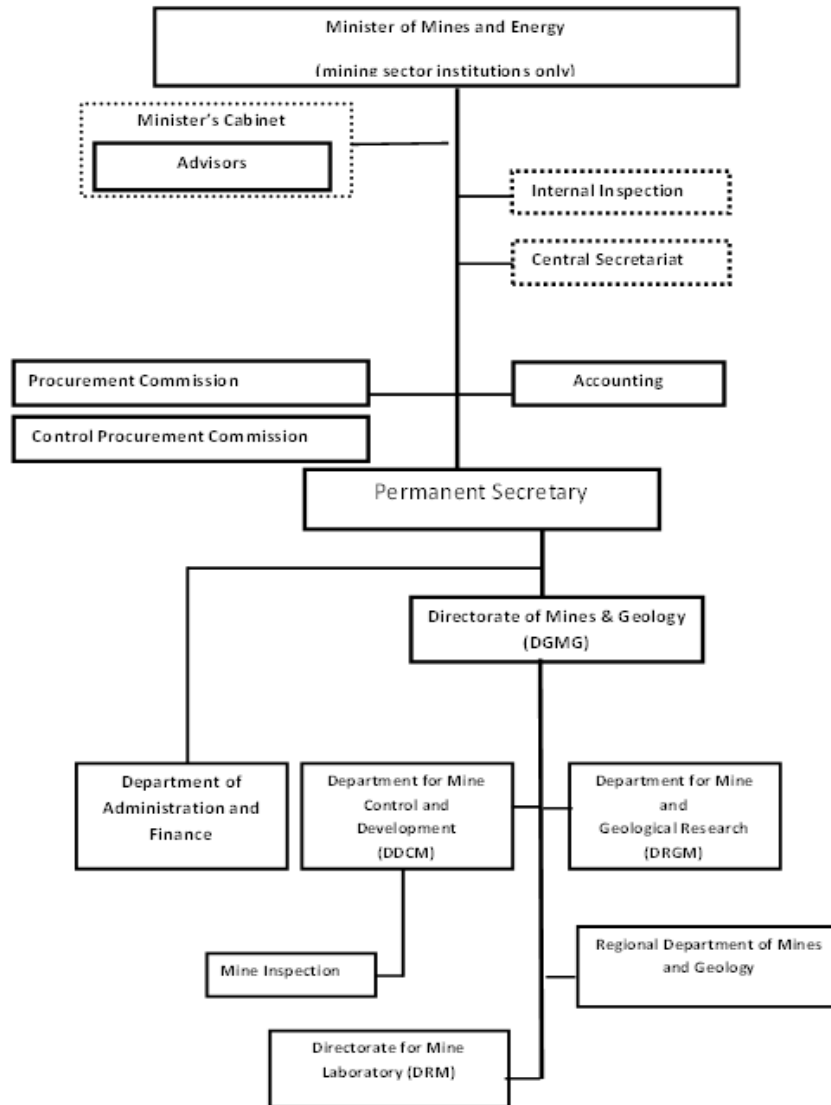
12. The DGMG statistics show gold exports from Togo in excess of 16 tons in 2011 alone and increasing to approximately 21 tons in 2013. According to the same source, most of these substances originate from neighboring countries and are re-exports. The exploitation of artisanal gold and diamond alluvial sites in Togo is under way with two companies having recently been granted exploitation licenses, SOLTRANS and WAFEX. The project will indirectly seek to clarify the role and mandate of each of these ASM and gold and diamond trading companies by ensuring that the MME becomes officially responsible for the coordination of ASM activities in the country. This will be made possible by establishing a specialized unit within the MME that will deal specifically with ASM matters. Such matters may be recommended based on analysis that will be undertaken under the project.

13. **Sector challenges.** For the country's significant mining potential to be realized, Togo continues to need to set out a strong foundation for the transparent and efficient management of its mining sector, particularly for its phosphate resources. A new legal, regulatory, and contractual framework that is largely aligned with international good practices is expected to be adopted by the government within the next several months. It is expected that the award of contracts and licenses will be conducted using open, transparent processes while the reform process continues. The major challenges for the government going forward include (a) poor adherence to good governance principles in its approach to EI development, which in turn can affect proper management of the EI, including the ability to anticipate and plan infrastructure and social needs associated with EI operations; (b) overlapping roles and weak capacities of sector institutions; (c) unclear roles with regard to EI revenue collection of institutions within and outside the sector; (d) limited collaboration among the institutions/ministries within and outside the sector regarding tax collection and EI operations; (e) lack of reporting on reliable data on

mineral production and revenues generated by the EI sector, including ASM and SSM production; (f) limited human resource and institutional capacity to implement and monitor EI operations; (g) poor coordination between MME and SNPT related to state phosphate operations; (h) limited information and public consultations on progress made concerning mining development and how it relates to community development; (i) insufficient benefits-sharing from EI activities; and (j) limited dialogue with civil society, including transparency in the disclosure of information on EI operations in Togo. The project has set out to address the governance, institutional, operational, and technical capacity gaps as well as to improve citizen and women participation in the national EI debate. The section below will discuss a number of these key challenges in more detail.

14. Complex institutional environment, characterized by a diversity of stakeholders related to the MME. The MME's ability to properly fulfill its mandate remains partly dependent on the content and level of formalization of its relations with other actors, including the state. This situation calls for clarification and redefinition of the role of each public sector institution, as well as the establishment of new and more efficient institutional bodies to oversee specific aspects of public sector governance and management related to the mining sector of Togo. Improvements in the institutional setup of the MME will be guided by the outcome and recommendations of the institutional audit and associated action plan, which will be undertaken immediately upon inception of this proposed project. Within the MME, most activities are coordinated by the DGMG. The different institutional organs of the MME, presented in Figure 2.2, and delegation of authority matrix need to be modernized.

Figure 2.2. Simplified Institutional Structure of the MME



15. **Complex interaction and inadequate staffing among institutions.** The key institutions in the mining sector and their main roles are (a) **Administrative:** the Permanent Secretariat and Department of Finance and Administration of the MME fulfill administrative roles and (b) **Technical:** the DGMG, DCDM, DRGM, DLM, and DRM in MME fulfill technical roles. Two other institutions are attached and/or directly related to the MME, namely the EITI National Secretariat and the SNPT. Indirectly related agencies are, the National Environmental Agency (ANGE) which oversees all environmental and social matters as related to mining in Togo and the new National Revenue Authority (OTR), which was created in 2014. However, as cited below several other institutions are involved in revenue collection. SNPT is composed of 1,542 staff and employees and the MME is composed of approximately 250 employees with a strong concentration at the DGMG's level with over 100 staff. Skills are mostly in geology and both the MME and SNPT lack adequate skills to monitor EI activities in Togo. Staff in the ANGE have general environmental knowledge and know very little about the environmental and social

management of EI operations. There is an urgent need to clarify the role of each of the institutions listed above. At present, the national challenges are considered to be quite significant; this at a time when the private sector is showing increasing interest in the mining sector.

16. Lack of clarity and over-complexity persists in revenue collection. In Togo, EI revenue and tax collection is the responsibility of various state agencies, including decentralized agencies at community and mine sites. Because of their large number, there is an urgent need to clarify and streamline the revenue collection inter-agency flow. These are the newly created OTR which now combines the two former National Tax Office (DGI) and National Directorate for Customs (DGD); the Public Treasury and Accounting Office (DGTCP); the DGMG; National Social Security Office (*Caisse Nationale de Sécurité Sociale*, CNSS); National Division of Labor and Social Laws (DGTLS); the DE; Authority for Regulation of Electricity (*Autorité de Réglementation du Secteur de l'Électricité*, ARSE); Division of Hydrocarbon (DGH); and seven subnational agencies, which intervene at the community and mine site levels, namely Prefecture of Golfe (Lomé District); Prefecture of Vo (Vogan District); Prefecture of Zio (Tseve District); Prefecture of Yoto (Tabligbo District); Prefecture of Kloto (Kpalime District); Prefecture of Bassar (Bassar District); and Prefecture of Lakes (Aneho District).

17. Weak regulatory arrangements and institutional capacity to monitor the sector. Regulation of the mining sector dates back to 1927 to a decree that sets procedures for obtaining exploration and mining licenses, as well as the compensation modalities for private owners of land used for mining. This law was amended on May 21, 1959. The mining sector was fully nationalized in 1974, making the Togolese Office of Phosphates the largest industrial entity in the country. In the mid-1990s, the Togolese government announced a program of reforms geared toward liberalizing the mining sector, opening it up to private investors. Subsequent to these reforms, a new law on mining, which focused too heavily on the phosphates sector, was promulgated by the Togolese National Assembly on December 23, 1995 (Law 96-004/PR). This law replaced a number of laws, including the 1927 decree on licenses. It was amended in 2003 to encapsulate additional issues not addressed by the Mining Code of 1996.

18. Added to the legal and regulatory framework is a series of problematic orders and regulations that govern the Togolese mining sector's activities. In monitoring EI operations, a number of issues often emerge. These include, in particular, (a) the incongruence between the Mining Code and a number of the provisions of the constitution, especially with regard to decentralization, which is not covered in the code and regulations; (b) the lack of harmonization with other pieces of legislation, such as the Land Law, the Framework Law on the Environment, and the Finance Law; and (c) the incongruence between the Mining Code and the mining laws of other countries in the sub-region and sub-regional and regional organizations, especially those of ECOWAS and the SADC, as well as the Africa Mining Vision of the African Union.

19. Marginal progress on implementation of the PDS and EI sector reforms. Over the past few years the government has been implementing a new PDS (developed in March 2010), which included the search for a strategic partner to assist in the development of the country's carbonated phosphate resources. This is by no means a privatization of the SNPT's

activities or the phosphate sector. A few reforms have been adopted more recently which, if they evidence greater willingness on the part of the Togolese government to improve the functioning of the mining sector, have only translated so far in the adoption of a policy strategy document. The objective of the ‘Togo National Mining Policy Document’ (December 2012) is to optimize the management of the sector within an overall umbrella framework where dialogue is improved with all key stakeholders involved in the Togolese mining scene. The National Mining Policy lists a catalog of reforms aimed at rendering existing mining institutions more efficient. The proposed reforms include (a) the strengthening of the institutional framework (MME and DGMG); (b) the promotion of a broad coordination of development programs between the MME and those in charge of the environment, industry, water, energy, soil, and higher education; and (c) the need to develop synergies between the MME and the Ministry of Higher Education for the establishment of an educational curriculum, which should lead to the creation of various vocational courses adaptable to the evolving mining environment. The challenge of SNPT management is left out and the implementation policies not clearly articulated.

20. The SNPT’s production is specifically targeted in Phase 1 of the PDS. Phase 1 is under execution following very slow starting conditions that are progressively being understood and addressed. Not surprisingly, start-up and current performance are similar to the experiences of other countries where mining state-owned enterprises have engaged in the rehabilitation of mining industries affected by aged equipment and poor operational efficiency.

21. **Weak coordination between the MME and SNPT related to the state phosphate operations.** The first attempt at private sector participation in phosphate mining under the Mining Code occurred in 2001, with the creation of the International Fertilizer Group-Togo company (IFG-Togo), a 50-50 joint venture between the Togolese Government and BRIFCO, a French-Tunisian company. At that time, IFG-Togo signed a 40-month management agreement, which sought to increase annual phosphate production to 3 million metric tons. This public-private partnership, however, encountered several problems related to poor governance, and was discontinued in 2003. The Togolese government then resumed control of the phosphate sector, after which annual production in 2012 fell to approximately 30 percent of its highest level. It is worth noting that in 2013, the SNPT phosphate production levels improved slightly. The SNPT repeatedly encounters great operational and technical difficulties and operates independently of the MME. The SNPT’s management reports directly to the president’s office.

22. **Cross-sectoral dimensions.** The MME has also developed interfaces with other departments such as the MEFPD, which intervenes in tax collection and customs, and the Ministry of Security and Emergency Preparedness. Mining companies, regardless of their activity type (exploration, ASM, large-scale exploitation, etc.), must always report their presence to local administrative authorities, which are the state representatives (prefects, canton chiefs, village chiefs); the Ministry of Environment involved in the ESIA; Employment (when it is necessary to recruit staff); Soils and Agriculture (in the case of agro-minerals); Water Resources (regarding boreholes); Public Works (works could provide geological information, for example when building new roads); Industry (especially when processing is envisaged); and Social Affairs (where the interests of local communities are involved). The EITI is one of the agencies attached to the MME. The technical secretariat of the institution is involved in the implementation of new EITI standards to improve the collection of various taxes and duties in

relation to extractives activities. The University of Lomé, through its Department of Geology's Earth sciences, which has trained graduates in earth sciences (geology only), some of which have joined the DGMG and the SNPT as well as been absorbed by the private sector. However, the overall course curriculum remains limited to courses in geology and needs to be broadened.

23. Over the last several years the Bank has been engaged in Togo's mining sector through a variety of interventions, including on policy dialogue, EITI, and EI-TAF. These interventions have now set the ground for substantive financial and sizeable technical assistance to its mining sector. The Bank plays a leading donor role in the mining sector of Togo; its assistance has been financed through a series of TA, although with small annual budgets.

24. In mineral-rich countries, the tendency has historically been the deployment of state-owned mining enterprises with recurrent needs to rehabilitate projects and mines without attracting satisfactory levels of private investments and ensuing performance. The resulting impact has often been stagnation of the entire sector followed by new efforts to establish competitive policy and frameworks. Several successful mining countries have completed the execution of integrated mining sector development projects of the kind Togo is now seeking from the Bank. The basis of their success is the foundation set with Bank support aimed at the establishment of internationally competitive national institutional and policy settings for sustainable mining sector development, transparency, and significantly improved governance. This proposed project offers an opportunity for the Bank to effectively support mineral sector development in Togo by strengthening of mineral governance, EI management know-how, and the acquisition of modern knowledge on extractives in Togo. In addition to legal and regulatory aspects already dealt with by the Bank elsewhere, the project offers satisfactory mechanisms for improving governance in the collection of revenues, allowing Togo to negotiate contracts on a fair basis, and engaging in equitable citizens' participation and benefit allocation. It also offers adequate institutional structure of sector agencies, addressing organization, mandates and capacity and allowing for the inclusion of sound and easily measurable social and environmental dimensions into mining and the early planning of mine infrastructure development.

Other Donors' Intervention in the Mining Sector of Togo

25. Donor assistance to the mining sector of Togo has mainly concentrated on geological and related work. The main exceptions have been the Bank and AfDB, which are keen to help the MME improve transparency and build capacity for better EI management. AfDB has worked in collaboration with the Bank, when the Bank provided support to initiate the EITI process and has helped co-finance its activities in Togo through the EITI Multi-donor Trust Fund. Moreover, AfDB has made available complementary program allocations, with the aim to continue the provision of both financial and skilled resources to assist the GoT during EI transaction negotiations, namely through AfDB's African Legal Support Facility.

26. The French geological service funded the geological mapping of the entire territory, completed in the mid-1980s. The output consisted of five geological sheets (scale: 1/200,000) and a nationwide geological synthesis (scale: 1/500,000). The French based their work on old topographic maps, which dated back to 1963–65 and for this reason, the geological maps are not detailed enough. The Japan International Cooperation Agency (JICA) has recently provided

assistance to the GoT in updating the topographic map of Togo (scale: 1/50,000). The validation workshop took place during 2013.

27. During 1987–2003, the EU funded an exploration campaign in collaboration with the United Nations Development Programme, which they called the strategic geo-chemical prospection of Togo. In 1999, the EU decided to further contribute through the establishment of the first and very basic geologic information system for the country. However, the program did not provide training to MME staff or an operating budget. Over time, lack of maintenance caused the geological information system to no longer function.

28. More recently, Germany expressed interest in assisting Togo in undertaking a detailed airborne survey work to improve the geological knowledge of the country.

Annex 3: Detailed Project Description

REPUBLIC OF TOGO: Mining Governance and Development Project

1. The project has three components and several sub-components. The components are (A) Mining Sector Governance, Transparency, Oversight, and Efficiency; (B) Environmental, Social and Economic Development from Mining; and (C) Project Management and Coordination, including Project Preparation Advances. The total cost of the project is US\$15 million. The project is funded entirely from IDA resources.

2. **Component A: Mining Governance, Transparency, Oversight, and Efficiency (total cost US\$8.45 million equivalent).** This component will support enhanced management and monitoring of mineral development activities in Togo, starting from licensing of initial exploration activities to supervision of mining and eventual mine closure. The activities will support modernization of the mining sector to transform the role of the GoT from being an operator (through SOEs) to becoming the regulatory and planning authority which oversees and guides the sector development. This, in turn, is expected to lead to a more attractive climate for non-state investments. Investors will be offered greater security and better access to readily available information within the ministry responsible for mines on mining titles and geo-scientific data. These tools will serve to complement ongoing efforts to complete the review of the mining legislation and associated mineral development agreements to be used for future investments.

3. An important objective of Component A is to improve the transparency, oversight, and efficiency functions of major institutions engaged in the governance of the mining sector, allowing them to execute their mandates in a way that is conducive to investments while ensuring that safeguards and safety standards are met in accordance with international standards. This component will support capacity building of the current government's sector management and enforcement of relevant laws and regulations. In this regard, the project aims at (a) strengthening of the MME and clarifying the roles and respective functions of each of its technical departments and other related public institutions in charge of the daily management and monitoring of mining activities (including the SNPT and other SOEs); (b) strengthening corporate governance structures of the SNPT and other SOEs; and (c) improving the national capacity to manage the ASM sector.

4. **A.1 Mining Cadastre and National Geological Database (US\$3.3 million).** This subcomponent consists of modernizing the existing mining cadastre office in Lomé by implementing a modern and digitized mining cadastre, including procedures for award, refusal, and revocation of licenses. The activity will also include reconfiguration of the national geo-scientific database that will allow for storage, management, and assessment of geological information. Once developed and tested, the MME will open access to the public and potential investors through electronic interfaces. Implementing agencies will be the DGMG through its DDCM and DRGM.

5. The mineral cadastre design and development will comprise (a) status assessment of mineral cadastral activities; (b) design of a modern, web-based mineral registry and cadastre system and development of special application software; (c) installation, testing, and

commissioning of the computerized system and the identification, delivery, and upgrading of computer facilities and network; and (d) professional training.

6. The development of the National Geological Database will include (a) initial evaluation of existing material and digitization of selected documents; (b) evaluation and redesign of existing electronic storage facilities for maps, datasets, analyses, and test results; and (c) a work plan for geological interpretation and data acquisition.

7. **A.2. Transaction Advisory Services for Assessment of Mineral Development Proposals (US\$1.1 million equivalent).** This subcomponent is aimed at removing the asymmetry of information and knowledge in contractual negotiations between investors and government, thus improving the bargaining power of the state vis-à-vis investors. Activities under this subcomponent will focus on the following: (a) providing technical, legal, economic, and financial advice to the GoT, including review of feasibility studies, production plans, drafting of mining and ancillary infrastructure development agreements and (b) concurrently, building the capacity of key government officials in mining business skills. The project will also assist in setting up detailed procedures for mineral assets assessments and tendering including criteria for selecting appropriate targets for tendering and will provide technical assistance to carry out transparent auctions for selected public mineral deposits. Implementation of the activity will be led by the DGMG, although beneficiaries will span various ministries, including the MEFPD, MERF, representatives from the SOEs, and, possibly, parliamentarians.

8. **A.3. Mineral Production Monitoring and Oversight (US\$1.1 million equivalent).** In Togo, official statistics on mineral production, including phosphate production by the SNPT, are audited by the companies themselves, which does not guarantee accuracy. Phosphates have been under the government's control for decades, but reforms geared toward productivity improvements have not affected production or revenues significantly. The project will support improved mechanisms for monitoring of production data and inspection of tax filings from the SOEs as well as private operators in the country. This will also include evaluation and certification of the quantity and quality of precious and semiprecious stones which are exported. Support will be targeted at the recently established OTR under the MEFPD as well as inspection and control agencies under the MME.

9. Capacity building of personnel will also aim at strengthening existing tax collection mechanisms and revenue generation. The recent creation of a centralized revenue management authority (OTR) does not resolve the issue of the unnecessarily complex tax collection system, and the current institutional arrangement also requires further reinforcement of the government tax administration departments and strengthening of tax collection and revenue collection mechanisms in order to improve institutional governance and revenue management transparency. Initial activities include linking up with the new (draft) Mining Legislation Review technical commission and the EITI MSG to gather an inventory of mining sector related taxes and procedures and to complete a modeling of fiscal projections for specific mine and EI sites, including those developed by the SNPT.

10. **A.4 Organizational Development of MME (US\$1.25 million equivalent).** Under this subcomponent, capacity building and technical assistance to key oversight public institutions will be based on the existing organizational audit of the MME, which was conducted by AfDB in

2013.¹⁶ The existing analysis will be complemented by an assessment of the visions and strategies required for sustainable development of the EI as it pertains to attraction and oversight of investors, management of operations, including ASM activity, job creation, and economic diversification. The project will support the implementation of the recommendations derived from the assessments, in particular those aimed at modernization of the organizational set-up of the MME and its key institutions (DGMG, DDCM, and so on). Of key importance will be the consideration of functions which have previously not been explicitly addressed in the organizational structure, such as ASM, environmental control and management, and others. The assessment and recommendations will define the role of the MME *vis-à-vis* affiliated public institutions, such as the ANGE, SNPT, EITI, and OTR. The project will support departments within the central MME, including the DGMG, DDCM, DRGM, and DRM.

11. In terms of skills development of government staff, recommended training programs are expected to include legal, economic, and financial competencies. This training will be offered to staff in line ministries as well as those responsible for managing state participation in mining contracts and mineral taxation officials. Training will be extended to mastering review of and content of project feasibility studies, production plans, environmental monitoring and supervision of mining activity, mining and associated infrastructure development plans/agreements, and drafting of mining and social and community development agreements.

12. **A.5. Strengthening of Corporate Governance Structures of SOEs in the Mining Industry (US\$0.75 million equivalent).** The objective of this subcomponent is to assist the SNPT and the state asset management agencies in charge of equity holdings in mining companies in conducting a strategic review of their internal structures with respect to technical functions, FM and reporting, procurement and investment decisions, and overall governance structures. Project activities include capacity building in assessing and structuring potential public-private partnership arrangements for the SOEs with respect to mineral and infrastructure development. The activity would also advise on the appropriate roles and responsibilities of government agencies in their oversight and control of the SOEs. The activity will be executed by the DGMG in close collaboration with the concerned SOE, including the SNPT. In addition, activities under this subcomponent will also include an environmental and social audit of the SNPT mining operations to take stock of experienced impacts of its operations and propose mitigation plans.

13. **A.6. Management of ASM (US\$0.95 million equivalent).** This subcomponent is aimed at setting up the basis for the formalization of the ASM sector of Togo. The project will undertake a detailed assessment of the ASM sector in Togo that will include the preparation of an action plan for (a) regulatory initiatives to facilitate effective monitoring of ASM activities through formalization of ASM operations (mining titles, cooperatives); (b) technical assistance in support of environmental management and health and safety in ASM areas; (c) enhanced value creation from fair trade and processing; and (d) assessment of conditions for women engaged in ASM sites. The DGMG will lead implementation of the activities in collaboration with regional Departments of Mines and Geology. Subject to the organizational review of the MME, it may be concluded that a dedicated ASM department or task force should be developed.

¹⁶ *Audit stratégique et organisationnel du Ministère des Mines et de l’Energie*, AfDB (2013).

14. **Component B: Environmental, Social and Economic Development from Mining (US\$4.3 million equivalent).** The objective of Component B is to support conditions for mining sector activities to contribute to sustainable socioeconomic development. Activities under this component will focus on (a) building human resource capacity for mining sector development; (b) increasing access to detailed information on mining transactions and operations, which will be facilitated through enhanced public access to information about mineral development; (c) reinforcing environmental and social management by the extractive industry; (d) improving the conditions of disadvantaged groups, including women, while strengthening civil society organizations; and (e) supporting platforms for accountability and community development, such as the EITI.

15. **B.1. Higher Education Sector Support and Public Access to Information about Mineral Development (US\$2.0 million equivalent).** The dual objectives of this subcomponent are to (a) help promote the next generation of mining specialists and (b) facilitate public access to and awareness of mining activities. First, the project will build on the existing Geology and Earth Sciences Faculty at the University of Lomé and accompany a review of the course curriculum. Expertise and exchange programs will be sourced from regional peer institutions with the objective to enhance regional collaboration and specialization with institutions such as *École des Mines* (School of Mines) in Mauritania and *Institut d'Ingénierie de l'Eau et de l'Environnement* (Institute for Water and Environmental Engineering) in Burkina Faso.

16. Second, the subcomponent intends to promote access to information about mineral development by creating virtual, physical, and, possibly, mobile information centers. It would encourage interested citizens, academia, and civil society groups to obtain information on the extractive industries, their impact, and best practices related to (a) contractual matters and mining titles; (b) social impact of the mining industry, including socioeconomic indicators, the impact on living environment and on the development of mining communities, and other effects of the mining sector; (c) maps of mining areas; (d) mineral reserves; and (e) printed materials on mineral and related sciences, law, corporate social responsibility, and mineral economics literature. In addition to technical documentation and literature, the activities will support the drafting of public outreach materials and support public outreach events through non-traditional means of communication, such as radio spots, theater, music, cartoons, and pamphlets directed at special interest groups. Implementation of the Public Access to Information activities will be led by the DGMG, although it is envisioned that outreach activities and awareness-creation will be outsourced to civil society organizations and academic institutions in consideration of their comparative advantage and direct relation to stakeholders.

17. **B.2. Environmental and Social Management of Mining Operations and Support to Community Development Platforms (US\$1.6 million equivalent).** The project will support management of social and environmental issues in the mining sector. The proposed project will immediately, upon inception, undertake a SESA which will require multi-stakeholder consultation and oversight. The SESA will explore the environmental and social challenges associated with mineral development and formulate technical, institutional, regulatory, legislative, and policy recommendations to address issues. Under the supervision of a SESA Steering Committee the project will (a) implement the main recommendations of the SESA; (b) initiate updates of relevant regulations that affect the sector; and (c) oversee capacity building to manage ESIA's and address disputes/grievances with respect to large-scale mining as well as

ASM. This subcomponent will specifically seek to improve the coordination between the MERF and ANGE in mining operations. One tangible objective is to develop a central information system to track environmental and social performance and compliance by mine operators. The system will be hosted in the ANGE although it will be jointly managed by ANGE and the MME Department responsible for mine inspections (DDCM).

18. One intended outcome of the SESA will be the support to platforms for community development and accountability. The Bank has generated ample experience of inclusive consultation with communities affected by mine operations, especially marginalized groups such as women, the elderly, and ethnic minorities. International best practices will be tailored to national demands and sensitivities to establish ready-to-use manuals for government authorities as well as private investors. The manuals are expected to become important tools for communicating the outcomes and recommendations of the SESA and potentially for private investors' community engagement. Subject to the findings of the SESA, key topics are expected to include those described below.

19. **Capacity building for women in mining.** The objective of this activity is to ensure that women have access to the benefits derived from mining activities and do not disproportionately suffer from the potential adverse impact. Mining and related activities can potentially transform life in resource-rich developing countries. They can help drive economic growth. For women in particular, EI can provide opportunities for a better life, including increased employment opportunities, access to revenues, and expanded investment in the local community. This is particularly relevant in the national context of Togo where women face gender inequalities due to lack of security of property and assets, lack of employment opportunities, and lack of access to finance (Agbodji, Batana, Ouedraogo, 2013).¹⁷ To achieve the stated objectives, the project will undertake a country-specific consultative framework in collaboration with industry operators, development partners, and civil society with the objective to identify and facilitate capacity-building opportunities and provide a focal point for research and policy dialogue on gender issues.

20. **The EITI.** In line with the 2013 Standard for EITI, the EITI multi-stakeholder group is expected to expand its scope of activities and oversight to include a more holistic picture of the EI value chain than simply validation of taxation and financial flows from industry operators. The project will accompany the EITI in expanding its reach to promote accountability in areas of environmental and social management. It will raise awareness of community needs and engage in dialogue with central and local authorities about better planning of community development related to mineral exploitation. Moreover, accountability includes the relationships (a) between the mines (private and public, formal and informal) and government (provincial and central); (b) among government and parliament and civil society more broadly; and (c) most importantly in this case, between the mines and the local communities in which they are located. This platform should also enhance the participation of nationals by creating the conditions for a meaningful dialogue among stakeholders and inclusion of the gender dimension in mining benefit-sharing. Specifically, this subcomponent will support the EITI MSG (or a delegated sub-committee) in monitoring the implementation of the Mining Governance and Development Project and

¹⁷ *Gender Inequality in Multi-Dimensional Welfare Deprivation in West Africa, Oxford Poverty and Human Development Initiative, Working Paper #64, 2013.*

recommendations from the SESA. Regular (at least annual) accountability forums will be arranged to report on project implementation progress, relevance of project design relative to identified sector challenges and constraints, and broader mining sector governance and community issues.

21. **B.3 Infrastructure and Economic Linkages from Mining (US\$0.7 million equivalent).** The objective of this subcomponent is to kick-start multiplier effects from the economic activity generated by mining and to promote economic diversification and job creation, including by strengthening recipient's capacity to integrate the mineral industry into its broader economy through local subcontracting and value addition. Two studies will be undertaken for (a) improving local procurement of goods and services by the mining industry and its impact assessed on the development of national entrepreneurship around the mines and (b) defining infrastructure needs, planning, and logistics and providing preliminary estimates of infrastructure costs with the view to further facilitate mine development across the country. The DGMG will retain overall leadership and management of both of these studies although inter-agency coordination will be a pre-condition for success, as will consultations with provincial authorities.

22. The subcomponent will provide assistance to Togolese nationals in establishing SMEs and public-private partnerships to encourage the creation of economic diversification away from the mineral sector. This assistance will be based on a local procurement study to be carried out through the project. The study will assess the country's potential for developing SMEs and definition of the type of local enterprises to be set up by nationals that could provide inputs, goods, and services as well as contribute to outputs for the EI industry in Togo. The study will analyze constraining factors, such as access to finance, technology, or infrastructure and potential capacity constraints which are currently hampering the development of SMEs around mining sector-related activities. The local procurement study will define most suitable areas of job and SME creation for nationals, given Togo's comparative advantage and mining sector specificities. The target audience for both studies will be the government and private sector, allowing them to engage in strategic planning activities that would leverage the mining sector. The outcomes of the study will be available at the MME for investors among the local business community.

23. The project will also finance a study on potential infrastructure linkages between existing and prospective mine sites and surrounding communities. The study will aim at merging the public investment needs with the mine operators' investment plans so as to open up infrastructure investments for combined usage. The study will also assess sustainability issues related to financing maintenance costs of the public goods and services as well as needs for local capacity building in order to manage and sustain the investments. Comprehensive consultation and training activities are also planned in conjunction with this activity. Linkages to parallel rural development initiatives will be explored.

24. **Component C: Project Coordination and Management (US\$1.9 million equivalent, of which US\$200,000 is counterpart financing and not including the PPF).** This component will support the PIU, based in the MME, in the management of fiduciary activities, project M&E, and the implementation of activities. This component will support (a) project coordination and management of procurement, FM, and disbursement; and (b) M&E of project

implementation, including reporting, audits, and assessment of safeguards policies for a total not to exceed US\$1.7 million over the life of the project. A permanent PIU will be established with support of the PPF funds, and will include staff of the MME. In addition to financial and procurement management, the PIU will source additional technical expertise from the implementing departments, which may be complemented by external consultants. The PIU is under the authority of the MME, but it will also be supervised by the high-level SCC on project coordination and strategic guidance.

25. **PPF Refinancing (US\$0.55 million equivalent).** The PPF supports the setting up of the permanent PIU (key functions only), procurement of office equipment, creation of a website for the project, acquisition of office equipment for the PIU, light rehabilitation of one of the DGMG’s buildings to host the PIU, and the installation of a well-performing M&E system at the PIU. In addition, the PPF will support the high-level SCC. The preparatory steps for project implementation include the preparation of the PIM, first year Annual Work Plan and Budget, and commencement of project procurement.

Summary of Project Costs

26. The project will be financed through an IDA Credit in the amount of US\$15.0 million equivalent. The Credit is planned to be deployed over a five year period from January 4, 2016 (expected effectiveness date) to December 31, 2020.

Table 3.1. Project Cost and Financing

Project Components	Project costs (US\$, thousands)	IDA Financing (US\$, thousands)	% of total IDA Financing
A. Mining Governance, Transparency, Oversight and Efficiency	8,450	8,450	56
A.1. Mining Cadastre and Geological Database	3,300	3,300	22
A.2. Transaction Advisory Services	1,100	1,100	7
A.3. Mineral Production and Revenue Oversight	1,100	1,100	7
A.4. Organizational Development of the MME	1,250	1,250	8
A.5. Strengthening of Corporate Governance Structures of SOEs in the Mining Industry	750	750	5
A.6. Management of ASM	950	950	6
B. Environmental, Social and Economic Development from Mining	4,300	4,300	29
B.1 Higher Education Sector Support and Public Access to Information about Mineral Development	2,000	2,000	13
B.2. Environmental and Social Management of Mining Operations and Support to Community Development Platforms	1,600	1,600	11
B.3. Infrastructure and Economic Linkages from Mining	700	700	5

C. Project Coordination and Management	2,450	2,250	15
C.1. PIU Operational costs	1,900	1,700	11
C.2. PPF Refinancing	550	550	4
Total project costs	15,200	15,000	100

Table 3.2. Project Cost Estimates by Type of Expenditure

Project Cost Estimates by Type of Expenditure (US\$)	IDA Financing (US\$)	Total Cost (US\$)	% of Total IDA Financing
Consultants	5,500,000	5,500,000	36.7
Training and workshops	2,100,000	2,100,000	14.0
Goods	3,050,000	3,050,000	20.3
Works	1,500,000	1,500,000	10.0
Operating costs	2,300,000	2,500,000	15.3
<i>Subtotal</i>	<i>14,450,000</i>	<i>14,650,000</i>	<i>96.3</i>
PPF refinancing	550,000	550,000	3.7
Total project costs	15,000,000	15,200,000	100.0

Annex 4: Implementation Arrangements

REPUBLIC OF TOGO: Mining Governance and Development Project

1. The project will use three-tier institutional and implementation arrangements, led by the inter-ministerial SCC, the MME, and the PIU. The aim of this multi-tiered implementation structure is to ensure better coordination among all relevant government agencies. The project is also designed to ensure that a wide range of stakeholders (government, private sector, civil society) have a role to play in promoting transparency and accountability. The key project implementation and oversight structure will be as outlined in the following paragraphs.
2. The **SCC**, comprising high-level representatives of the relevant ministries (including at a minimum the MME, MEFPD, and ANGE), will ensure inter-ministerial coordination and provide strategic guidance on implementation of project activities. One critical responsibility of the SCC will be to ensure maximized ownership of the agencies involved in the project, both regarding the governance and institutional reform process and the implementation of program activities. In this regard, the SCC, in collaboration with the MME, will approve the annual work program and budget for the project. Its continued operation will be financed under the project's operating and coordination budget. Allowable expenditures will be based on the Bank's FM guidelines for Togo as described in the PIM.
3. The **MME** will be responsible for the overall coordination and implementation of the project, including the drafting of annual work programs and budgets of the project (for final approval by the SCC). Technical departments will hold main responsibility for drafting of ToR, definition of technical designs, oversight of consultant deliverables, and installation of goods and works. Being the ultimate beneficiaries, the technical departments will hold final responsibility for the quality of deliverables. The MME will provide updates and inputs to progress implementation reports for the project, which will be finalized by the PIU four times a year in a format and content acceptable to the Bank. The MME will resolve any conflicts that may arise between the different entities involved in the implementation of the project and ensure follow-up on recommendations of the SCC.
4. A dedicated **PIU** will be established within the MME and will be responsible for day-to-day project management activities, including procurement, disbursement, FM, and M&E. All PIU staff will be hired through a competitive and open selection process. An interim PIU staffed with key functions will operate until a permanent PIU is established no later than three months after project effectiveness, with support of PPF funds. In particular, the PIU will be responsible for M&E compilation of quarterly implementation progress reports for submission to the Bank and the SCC. In addition to its fiduciary responsibilities, the PIU's main functions will be to ensure that the project work plans are properly coordinated and implemented by the different agencies involved and to coordinate the meetings of the different oversight committees. The PIU will be strengthened by additional national and international experts, as necessary.
5. The PIU will prepare not, later than November 15 each year throughout the implementation of the project, an annual work plan found satisfactory by the MME and SCC and approved by the Bank for the period from January 1 to December 31 of the next calendar year.

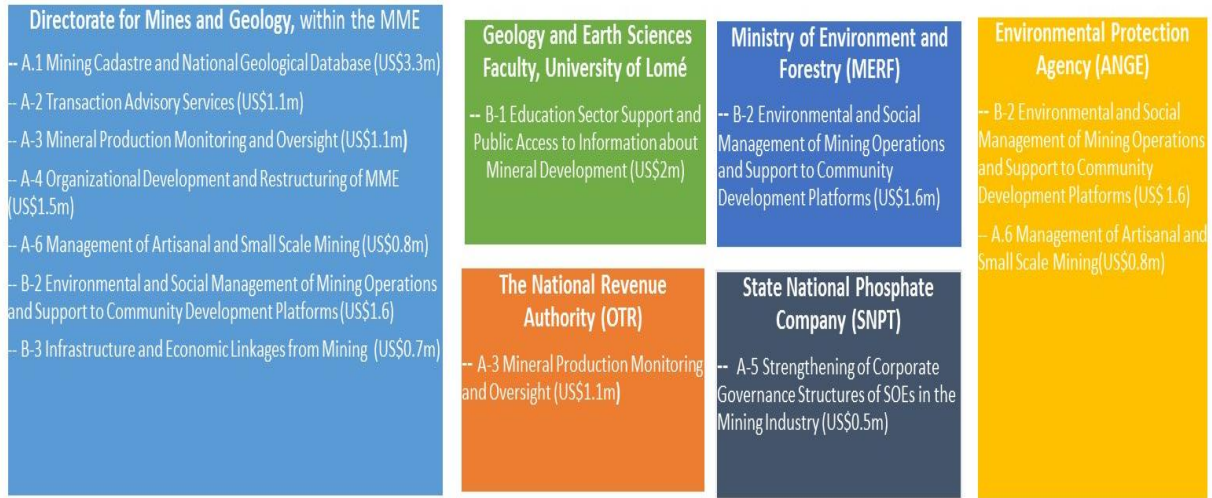
The plan will include a budget for such activities and a timetable for their implementation. These work plans will be reviewed and approved jointly by the Bank and the SCC.

6. The PIU will manage an IDA Designated Account (DA); all the fiduciary aspects (procurement, disbursements, accounting, and FM); and M&E for the entire project. This will reduce fiduciary risks and consolidate all fiduciary transactions in a way that minimizes burden on and reduces complexities for the beneficiary agencies involved. The PIU will also coordinate among the project beneficiaries as appropriate. The technical aspects of project implementation, including the selection of consultants and suppliers of goods, supervision of contracts, and acceptance of goods, services, and consultants' recommendations will be the responsibility of the beneficiary ministry. The PIU, once established, will be maintained with staff and resources needed for effective project implementation for the duration of the project.

7. An '**Accountability Forum**' of stakeholders from government, civil society, and industry operators will be organized, possibly under the auspices of the EITI MSG, to review the impact of project activities on beneficiaries and offer inputs for the continued relevance of the project design. This forum will ensure the linkage between project beneficiaries outside government structures and the implementing agencies. Details on the structure of the group will be determined during project implementation but will likely seek to leverage the EITI MSG. It will have access to the SCC, MME, and PIU and will provide inputs on corrective measures, whenever needed, regarding implementation. Costs related to logistics and operation will be financed under Sub-Component B2, Environmental and Social Management of Mining Operations and Support to Community Development Platforms. Allowable expenditures will be based on the Bank's FM guidelines for Togo as described in the PIM.

8. A **PIM** has been developed by the borrower and approved by the Bank. The process involved a core team from the MME and ANGE as well as representatives from all the entities involved in implementation. The PIM includes (a) a detailed description of the planned project activities; (b) the mechanism of operation and interaction among the involved entities; (c) the level of authority entrusted to the MME, the PIU, and the different committees and the relationships among them; and (d) their organization, responsibilities, and functions. The implementing agencies of the respective subcomponents are listed in the following chart (some subcomponents will be implemented by more than one agency).

Figure 4.1. Implementing Agencies of Project Subcomponents



Financial Management, Disbursements, and Procurement

Financial Management

9. The project team has assessed the FM capacity of the MME, which has no previous experience with IDA FM procedures, and its FM officers are not familiar with the FM of donor-financed projects. The FM risk at project commencement is rated to be Substantial, but the risks are expected to be reduced to Moderate after implementation of the following mitigation measures. The FM assessment was carried out in accordance with the Financial Management Manual issued by the Financial Management Board on March 1, 2010. The main actions identified to strengthen the ministry FM system include (a) the recruitment of an FM specialist with qualifications and experience satisfactory to the Bank¹⁸; (b) the preparation and adoption of a project implementation manual including acceptable FM procedures, and (c) the set-up of adequate accounting software. These actions will be facilitated by the negotiation of an advance for project financing. The conclusion of the FM assessment is that FM arrangements for the project are being established to satisfy the Bank’s minimum requirements under OP/BP 10.00

10. The MME has no previous experience with IDA FM procedures and its FM officers are not familiar with the FM of donor-financed projects.

11. The project will be supervised using a risk-based approach. Supervision will focus on the status of the FM system to verify whether the system continues to operate well and provide support where needed. It will comprise, among others, the review of audit reports and quarterly Unaudited IFRs, advice to task teams on all FM issues, review of annual audited financial statements, and management letters. There will be two onsite supervision visits per year during the implementation and a review of transactions will be performed on these occasions.

¹⁸ An interim FM specialist with extensive experience in Bank procedures has been recruited under the Project Preparation Facility (PPF); however, the permanent FM specialist will be procured during project implementation.

12. **FM Action Plan.** The main actions identified to strengthen the Ministry FM system include (a) the recruitment of an FM specialist with qualifications and experience satisfactory to the Bank; (b) the preparation and adoption of a Project Implementation Manual including acceptable FM procedures; and (c) the set-up of adequate accounting software. Actions (a) and (b) had been completed prior to negotiations while action (c) is in progress by means of the Preparatory Project Financing.

13. To mitigate fraud and corruption risks inherent to the public sector in Togo and reinforce the governance of the project, it has been incorporated into the project design continuing regular internal audit missions to be completed by the country General Inspectorate of Finance (IGF).

14. The conclusion of the FM assessment is that FM arrangements for the project are being established to satisfy the Bank's minimum requirements under OP/BP 10.00, after which they will be adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the Bank. The overall FM risk rating for the project is assessed as **Substantial and is expected to be Moderate once the mitigation measures are implemented.**

15. The PIU will handle the overall responsibility of FM aspects of the project, including (a) managing the designated account (DA) and (b) preparing withdrawal applications and reporting to be submitted to the Bank.

16. **Reporting and accounting.** IFRs would be prepared by the project FM specialist. The project will submit copies of the IFRs to the Bank within 45 days following the end the quarter. Financial statements for the project will comply with the accounting standards (Assigned Accounting System in West African Francophone countries [SYSCOHADA]). Project accounts will be maintained on a cash basis, supported with appropriate records and procedures to track commitments and to safeguard assets.

Audit arrangements

17. **Internal audit.** The project internal control procedures is described in the Project Implementation Manual and associated procedures. The internal audit function will be assumed by the IGF, which is responsible for the internal audit of use of public fund at a national level. An agreement will be concluded with the IGF until project closure to include the project audit in the IGF annual work program. This will reinforce project governance and mitigate fraud and corruption risks inherent to the public sector in Togo.

18. **External audit.** The Supreme Audit Institution (*Cour des Comptes*, SAI) which is supposed to audit all public funds has limited capacity in terms of staffing and experience of auditing project financial statements. In view of this, it was agreed that an external independent and qualified private sector auditor will be recruited to audit the project's financial statements under the supervision of the SAI. Annual audits will be conducted based on the ToR agreed with the SAI that are satisfactory to the Bank.

19. The auditor will express an opinion on the Annual Financial Statements and perform his/her audit in compliance with International Standards on Auditing. S/he will be required to prepare a Management Letter detailing his/her observations and comments, providing

recommendations for improvements in the accounting system and the internal control environment. The audit report on the annual project financial statements and activities of the DA will be submitted to IDA within six months after the end of each project fiscal year.

Disbursements

20. **Designated Account (DA).** One DA will be opened at a commercial bank acceptable to IDA. Its ceiling will be determined in the disbursement letter based on the disbursement forecast for the first four months. The project coordinator and the FM specialist will be the signatories of the DA. Such an account is set up to fund eligible expenditures based on the approved annual activity plans.

21. **Disbursement methods and processes.** Disbursements under the project would be transaction based. In addition to making advances to the DA, other disbursement methods (reimbursement, direct payment, and special commitment) will be available for use under the project, for example, direct, reimbursement, and special commitment methods. Further instructions on disbursement and details on the operations of the Withdrawal Applications and Direct Payments will be outlined in the disbursement letter.

22. This table sets out the expenditure categories to be financed out of the credit proceeds.

Category	Amount of the Preparation Installment Allocated (expressed in US\$)	Percentage of Expenditures to be Financed
(1) Consultants' Services, including audits, Goods, Workshops, Training and Operating Costs	15,000,000	100

23. Funds will flow from the Credit Account through to the DA. Withdrawal Application requests will be prepared by the FM specialist, signed by a designated signatory or signatories (the signature authorization letter is signed by the Minister of Finance), and sent to the Bank for processing. The project will submit applications using the electronic delivery tool, 'e-Disbursements', available on the Bank's Client Connection website. The Authorized Signatory Letter signed by the government will include authorization for the designated signatories to receive the electronic authentication devices (Tokens) from the Bank.

24. **FM Implementation Support Plan.** Based on the outcome of the FM risk assessment, the following implementation support plan is proposed. The objective of the implementation support plan is to ensure the project maintains a satisfactory FM system throughout the project's life.

FM Activity	Frequency
Desk reviews	
IFR review	Quarterly
Audit report review of the program	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous, as they become available
On-site visits	
Review of overall operation of the FM system	Two times per year (Implementation Support Mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity-building support	
FM training sessions	During implementation and as and when needed.

Procurement

25. **Capacity assessment and risk and mitigation measures.** A procurement capacity assessment of MME was conducted during project preparation in late 2014. The procurement committees required by the national procurement code are formally established under the MME with staff having relatively good procurement experience but having limited experience of the Bank's procurement procedures. The potential risks identified by the team include lack of experience with the Bank's project implementation practices and absence of an official procurement manual. The mitigation measures agreed upon are to (a) recruit a procurement specialist; (b) organize procurement training for staff of the MME involved in the project procurement process; (c) nominate a project procurement officer within the ministry's civil servants; and (e) prepare project procurement procedures as part of the Project Implementation Manual.

26. The PIU, through its recruited procurement specialist, will be responsible for coordination of all procurement activities under the project, including programming of deliveries and compliance with procedures. The PIU will oversee and manage the project and will ensure that procurement activities are proceeding in a timely manner and according to project objectives. All project procurement prior review documents should be submitted to IDA through the project PIU in the MME.

27. Taking into consideration the organization of internal and external procurement controls, the overall project procurement risk has been rated as moderate after adoption of the described actions.

28. **Guidelines.** Procurement for the proposed project will be carried out in accordance with (a) the Bank's 'Guidelines: Procurement under IBRD Loans and IDA Credits', dated January 2011 and revised in July 2014; (b) the Bank's 'Guidelines: Selection and Employment of Consultants by World Bank Borrowers', dated January 2011 and revised in July 2014; (c) the Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by

IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011 (Anti-Corruption Guidelines); and (d) the provisions of the Grant Agreement.

29. **Procurement documents.** Procurement will be carried out using the Bank's Standard Bidding Documents or Standard Request for Proposal (RFP), respectively, for all International Competition Bidding (ICB) and selection of consultants. For National Competitive Bidding (NCB), the borrower could use the national Standard Bidding Documents provided that the first use of each type of bidding document has been submitted to the Bank for prior review. The Sample Form of Evaluation Reports published by the Bank will be used.

30. **Frequency of procurement reviews and supervision.** The Bank's prior and post reviews will be carried out on the basis of thresholds indicated in Table 4.1. The Bank will conduct biannual supervision missions and annual Post Procurement Reviews; the ratio of post reviews will be at least one out of five contracts. The Bank could also conduct an Independent Procurement Review at any time until two years after the closing date of the project.

Table 4.1. Procurement and Selection Review Thresholds

Procurement/Selection Methods	Prior Review Threshold (US\$)	Comments
1. Works and Goods		
ICB • Works • Goods	≥5,000,000 ≥500,000	Method can be applied for any amount but is mandatory for contracts above the prior review thresholds.
Limited International Bidding (LIB)	≥300,000	Review of all contracts
NCB	n.a.	Review of the first two contracts independently of amount. The method is applicable only for contracts less than US\$5,000,000 for works and less than US\$500,000 for goods.
Shopping	n.a.	Review of the first two contracts independently of amount. Method applicable for contracts less than US\$100,000 for works and goods.
Procurement from UN agencies	All amounts	The standard form of agreement, between a borrower and a UN agency, approved by the Bank shall be used.
Direct Contracting	All amounts	Review of all contracts
2. Consulting Services		
QCBS	≥300,000	Review of the first two contracts independent of amount
Least Cost Selection (LCS)	≥200,000	Review of the first two contracts independent of amount
Selection under a Fixed Budget (FBS)	≥200,000	Review of the first two contracts independent of amount
CQS (for contracts ≤ US\$200,000)	≥100,000	Review of the first two contracts independent of amount. Method could be applicable for contracts less than US\$200,000
Individual Consultants (IC)	≥100,000	Review of the first two contracts and other contracts chosen on a case-by-case basis, independent of amount
Single-Source Selection (SSS)	All amounts	Review of all contracts
3. Training and Workshops		
Training and workshops	≥10,000	On basis of detailed and approved annual plan (with indication of venue, number of participants, duration, and detailed budget)

Note: n.a. = Not applicable; CQS = Procurement Selection based on Consultants' Qualifications; QCBS = Quality and Cost-based Selection.

31. All training, ToR of contracts estimated to more than US\$10,000, and all amendments of contracts raising the initial contract value by more than 15 percent of the original amount or above the prior review thresholds will be subject to IDA prior review. All contracts not submitted for the prior review will be submitted to IDA post review in accordance with the provisions of paragraph 4 of Annex 1 of the Bank's Consultant Selection Guidelines and Procurement Guidelines.

32. **Procurement Plan.** All procurement activities will be carried out in accordance with approved original or updated Procurement Plans. The Procurement Plans will be updated at least

annually, or as required, to reflect the actual project implementation needs and capacity improvements. All Procurement Plans should be published at the national level and on the Bank website according to the Procurement Guidelines. The GoT and the Bank agreed that a Procurement Plan covering the first 18 months of the project be prepared. Table 4.2 and Table 4.3 represent the summary of this Procurement Plan.

Table 4.2. Summary of Goods and Non-consulting Services

Ref.	Designation	Method	Estimate (US\$)	Prior Review	Bid Issued	Contract Signed
1	Rehabilitation work on the buildings to house the mining cadastre, GIS, and PIU within the MME	NCB	63,636.36	Yes	02-Feb-16	23-May-16
2	Supply of IT and office equipment for the PIU	Shopping	33,636.36	Yes	27-Feb-16	03-May-16
3	Office furniture supply for the PIU	Shopping	18,181.82	No	13-Mar-16	18-May-16
4	Office supplies for the PIU	Shopping	9,090.91	No	21-Apr-16	03-Jul-16
5	Supply of IT and office equipment for the cadastre, GIS and DDCM	NCB	109,090.91	No	02-Feb-16	23-Aug-16
6	Supply and installation of a secured power supply system (UPS, generator and cabling) for the mining cadastre, GIS, PIU and DDCM	NCB	27,272.73	No	27-Jan-16	08-Oct-16
7	Office furniture supply for the mining cadastre and the GIS	NCB	95,454.55	No	13-Mar-16	23-Oct-16
8	Supply of vehicle for the cadastre, GIS and PIU (one 4 x 4 Wagon and two pickup 4 x 4 Double Cabs)	NCB	218,181.82	No	20-Oct-15	08-Feb-16
9	Installation and supply of broadband Internet connection	DC	9,090.91	No	04-Aug-16	16-Oct-16
10	Supply and installation of the FM software	Shopping	27,272.73	Yes	11-Dec-15	31-Mar-16
11	Supply and installation of the GIS software	NCB	109,090.91	No	21-Aug-17	31-Oct-17
12	Supply and installation of an M&E software for the project	Shopping	13,636.36	No	28-Jul-16	09-Oct-16
13	Office supplies for the mining cadastre and the GIS	Shopping	14,545.45	No	20-Jul-16	01-Oct-16
14	Designing and maintenance of the website of the project	Shopping	10,909.09	No	20-Jul-16	01-Oct-16

Table 4.3. Summary of Consulting Assignments

Ref.	Designation	Selection Method	Cost Estimate (US\$)	Prior Review (Yes/No)	Proposals submission	Contract signed
1	TA from multiple consultants/technical experts to drafting of basic ToR	IC	25,862	No	04-Oct-15	24-Feb-16
2	IC for the inventory and the development of ToR for the supply and installation of the mining cadastre management system	IC	98,276	No	20-Dec-15	30-May-16
3	Design, supply, and installation of the mining cadastre management system and training	QCBS	568,966	Yes	19-Feb-16	30-Jul-16
4	Inventory and elaboration of ToR for monitoring the design and implementation of a GIS database	IC	47,414	No	20-Dec-15	30-May-16
5	Design and implementation of a GIS database and training	QCBS	103,448	No	20-Dec-15	30-May-16
6	Study and monitoring of rehabilitation works of the buildings to host the mining cadastre, GIS, and the PIU	IC	8,621	No	27-Aug-15	22-Nov-15
7	Development of EI revenue collection and management system	IC	103,448	Yes	07-Mar-16	20-Oct-16
8	Strategic study of the mining sector	CQS	129,310	No	19-Apr-16	02-Dec-16
9	Environmental and social audit of the operations of the SNPT and ESIA of the mining sector	QCBS	517,241	Yes	05-Mar-16	18-Oct-16
10	Study on the public corporate governance practices in the mining industry (SNPT and others)	CQS	129,310	No	21-Mar-16	03-Nov-16
11	Strengthening procedures for grievance redress	IC	21,552	No	04-May-17	13-Oct-17
12	Assessment of the artisanal mining sector (men and women)	QCBS	129,310	No	20-May-16	29-Oct-16
13	Assessment of the Faculty of Earth Science at the University of Lomé and preparation of a capacity building roadmap	IC	51,724	No	04-Jun-16	17-Jan-17
14	Training on the (a) development of an improved system for the collection of revenues paid by mining/extractive industries to the state; (b) techniques of dividend and royalty control, in monitoring, collection, processing, analysis and dissemination of data on mineral	QCS	68,966	No	19-Jun-16	28-Nov-16

	statistics; and (c) ESIA and monitoring EI operations					
15	Study to improve local procurement in the extractive industry in Togo	CQS	172,414	Yes	14-Nov-16	02-Aug-17
16	Study for the identification of stakeholders and support of high-level strategic committees and community platforms	IC	86,207	No	21-Mar-16	03-Nov-16
17	Hiring of a consultant to assist in the recruitment of the PIU staff	CQS	6,897	Yes	08-Sep-15	09-Oct-15
18	Financial and Accounting Audit of the project (PPF + the first two years)	LCS	25,862	Yes	29-Sep-15	11-Apr-16
19	Recruitment of the procurement specialist	IC	0	No	19-Sep-16	28-Feb-17
20	Recruitment of the FM specialist	IC	0	No	19-Sep-16	28-Feb-17
21	Recruitment of the M&E specialist	IC	0	No	19-Sep-16	28-Feb-17
22	Recruitment of an administrative assistant	IC	0	No	19-Sep-16	28-Feb-17
23	Recruitment of a project manager/coordinator	IC	0	No	19-Sep-16	28-Feb-17
24	Recruitment of two (2) drivers	IC	0	No	19-Sep-16	28-Feb-17
25	Recruitment of a messenger	IC	0	No	19-Sep-16	28-Feb-17
26	Selection of a consultant to support the launching of implementation activities	IC	12,931	No	19-Sep-16	28-Feb-17

Note: LCS = Least Cost Selection.

33. **Anticorruption Action Plan.** The following measures will be implemented to mitigate corruption risk:

- (a) **Publication of advertisements and contracts.** All publications of advertisements and contract awards will be done in accordance with the Guidelines requirements and published through the client connection system, on external websites, that is, UNDB and dgMarket websites.

- (b) **Debarred firms.** Appropriate attention will be given to the need to ensure that debarred firms or individuals are not given opportunities to compete for Bank-financed contracts.
- (c) **Complaints.** Complaints from bidders will be diligently addressed and monitored in consultation with the Bank.

34. **Procurement filing.** Procurement documents must be maintained in the project files and archived in a safe place for at least two years after the closing date of the project. The project procurement specialist will be responsible for the filing of procurement documents.

Environmental and Social (including safeguards)

35. During project implementation, a SESA will be prepared. The government prepared the ToR for the SESA, approved, and disclosed them both in-country (MME website) on November 01, 2014, and at the Bank's InfoShop on November 8, 2014. Selection of consulting services to prepare the SESA will begin ahead of project effectiveness.

36. The PIU will include safeguard specialists (one on environment and one on social), who will be responsible for the supervision and monitoring of the environmental and social safeguard aspects of the project.

Monitoring & Evaluation

37. The project management team in the MME has overall responsibility for M&E in accordance with the indicators and milestones included in the results framework (Annex 1). However, given the complexity of the project, it will be important to measure progress and impact at different institutional levels and involving stakeholders in government and civil society through multi-stakeholder platforms which will leverage the EITI MSG. This will require a sufficiently robust system for M&E. The project will engage the services of a specialist before effectiveness, to establish system requirements and identify the M&E training needs for different partners, including ministry and other staff.

38. The project will establish an M&E Unit in the PIU to systematically gather and enter data from different sources into a web-based management information system. Depending on the nature of the subproject, sources of data include beneficiaries and implementing agencies. The M&E specialist will help monitor the performance of the project's management information system and support the PIU's efforts to prepare progress reports that are reliable, objective, timely, and relevant. Since community reporting is to be used, the M&E specialist will help build the capacity of the M&E Unit to use and verify this type of data.

- (a) The government and the Bank have agreed on the importance of developing adequate and reliable M&E tools, which would provide systematic data and reporting of sector performance beyond the scope of the project.
- (b) **Reporting.** Not later than 45 days after each quarter, the MME team will submit to the Bank unaudited financial reports covering all project activities. Biannual (six months) progress reports should provide detailed analysis of implementation progress

toward development objectives, as well as an evaluation of FM and a post review of procurement.

- (c) About 30 months after effectiveness, an MTR will be carried out by the government and the Bank to measure project progress. The MTR will assess overall project performance against indicators, as well as the level of political commitment during the first half of the project.
- (d) **Communication.** Effective communication with the beneficiaries, including local communities, will be important for the success of the project. The task team will help the PIU establish proactive communications, facilitations, and consultations with project stakeholders. One key objective of this task will be to help increase transparency, ring-fence the targeting mechanisms, subproject eligibility criteria embedded in the project design, and facilitate the mobilization of communities to ensure adequate representation and empowerment.

39. **Applicable safeguard policies.** The project aims at strengthening the institutional framework, as well as improving capacity, governance, and planning in the mining sector. The project does not involve any civil works with the exception of some light building rehabilitation nor does it involve land acquisition. For this reason, the only applicable safeguards policy is OP 4.01 on Environmental Assessment, which is triggered to cover the preparation of the SESA. The SESA has been chosen as the appropriate safeguards instrument because future mining development activities are expected to build on the TA activities and are likely to have adverse environmental and social impact that would be regulated under the strengthened legal and institutional framework.

40. The SESA will first explore the current state of environmental and social issues and their management in the mining sector. Second, it will determine potentially adverse impacts. Third, it will identify gaps between current status and what is necessary according to the Bank's safeguard policies regarding environmental and social issues. Finally, the SESA will propose improvements to ensure sustainable management of environmental and social issues in the sector going forward.

41. **Public consultations.** The GoT has prepared the ToR for the SESA, and these have been validated publicly in consultation with key stakeholders, including civil society, academia, nongovernmental organizations, and affected communities on September 25, 2014, in Lomé. The ANGE was also among the participants as the main validation authority for environmental studies. The document was subsequently publicly disclosed online and in newspapers in-country as well as at the Bank's InfoShop. The preparation of the SESA will take place during project implementation and it will be done in a participatory manner, with continuous consultations with the key stakeholders mentioned above. Particular care will be taken to ensure the participation of women as well as affected communities in these consultations.

42. **Social issues.** Social dimensions of mining in general are manifold and their sustainable management can present challenges. Social issues in mining can range from taking into account gender aspects to ensuring proper land administration and managing resettlement. The SESA will map out the existing issues in the context of Togo's mining sector and will propose

measures for improving the management of both social and environmental aspects of mining activities.

43. **Gender aspects** can be about women's role in mining. It could be about them working in ASM or about how they may be affected by mining activities in their local communities. Artisanal mining provides a living for many poor families but since the sector is often unregulated, their income may still be minimal. In addition, working conditions may be unhealthy and even dangerous. This project will look at both artisanal mining and women's role in mining. Women are most often the poorest of the poor and are exposed to the adverse impacts of mining activities. Mining companies may not consider the importance of benefit-sharing with the local communities, which would enable the affected people to enjoy some basic socioeconomic infrastructure such as wells, schools, and health care centers. Establishing a grievance redress mechanism on-site, whereby affected communities have a channel through which to lodge their complaints and have them solved at local level, could also be a way for mining companies to gain a so-called 'social license to operate'. Grievance redressal is also a part of the efforts under this project's Sub-Component B.2 on capacity building.

44. One of the biggest grievances related to mining is land use and land administration. People with or without title may lose their homes, assets, and agricultural lands if there is no policy in place on proper and adequate compensation for such losses. Land issues are also a source of conflict between local communities and mining industry. Another potential source of conflict is the influx of migrant workers in mining sites, who may be seen by the local communities as people taking away local jobs. There are often also health concerns related to increase in migrant workers in a community. These issues will also be reflected upon in the SESA.

Annex 5: Implementation Support Plan

REPUBLIC OF TOGO: Mining Governance and Development Project

Strategy and Approach for Implementation Support

1. The strategy for implementation support has been developed based on the project's nature and risk profile. The Bank's Implementation Support Plan for the Mining Governance and Development Project identifies specific actions to: (a) better manage key risks identified; (b) support increased institutional development; and (c) ensure compliance with the financing agreement. For this purpose, the implementation support plan relies on project design, technical assistance, and monitoring features as enabling tools.

Implementation Support Plan

2. **Task team composition.** The Bank's Task Team Leader (TTL) will handle the day-to-day matters of the project as well as coordination with the client and among Bank team members. The country office has, to a large extent, the required Bank staff to provide the necessary support to the PIU and local communities and fulfill the project needs, including those with regard to fiduciary, safeguards, M&E, and communications. The country office will maintain liaison and provide support to the client on a daily basis under the supervision and guidance of the TTL from headquarters (HQ).

3. The team will also conduct biannual supervision missions with technical, safeguards, operational, and fiduciary staff. In conjunction with government counterparts, the Bank team will monitor and report on progress against the monitoring indicators agreed upon in the results framework, as well as verification of their achievement. The team will also monitor risks, updating the risk assessment as needed and paying particular attention to the 'Institutional Capacity for Implementation' risks.

4. The MTR will be carried out by the government and the Bank 30 months after the project effectiveness date to measure progress. It will assess overall project performance against indicators, as well as the level of political commitment during the first half of the project. Based on the assessment of progress at the mid-point of the project, recommendations for improvements/changes would be considered by both the government counterparts and the Bank management team. The MTR will also review overall project implementation arrangements, making adjustments as necessary.

5. The tables below provide details of the proposed implementation plan, skills mix, and other inputs required.

Implementation Support

Time Frame	Focus	Skills Needed	Resource Estimate
First twelve months	Team leadership, technical and procurement review of the ToR and procurement documents and institutional arrangement and project management and supervision	TTL and other Bank technical team members; consultants (technical professionals, operations officer/analyst, fiduciary specialists, and safeguards specialist)	US\$150,000
	Implementation of procurement planning and control system; strengthening capacity of the PIU, including additional procurement and FM training	Procurement and FM specialists	
	Verifying if the fiduciary risk mitigating measures implemented by project effectiveness are still functioning as intended; identification of any potential problems early in the life of the project	Fiduciary specialists	
	SESA preparation and implementation	Environment and social experts	
	FM	FM specialist	
12–48 months	Project management; Operational and technical inputs	TTL and other Bank technical professional team members and operations officer	US\$200,000
	FM, disbursement, and reporting	FM specialist and disbursement officer	
	Procurement review	Procurement specialist	
	M&E	M&E specialist	
	Communications	Communications officer	
	Environmental monitoring	Environmental specialist	
	Social monitoring	Social specialist	

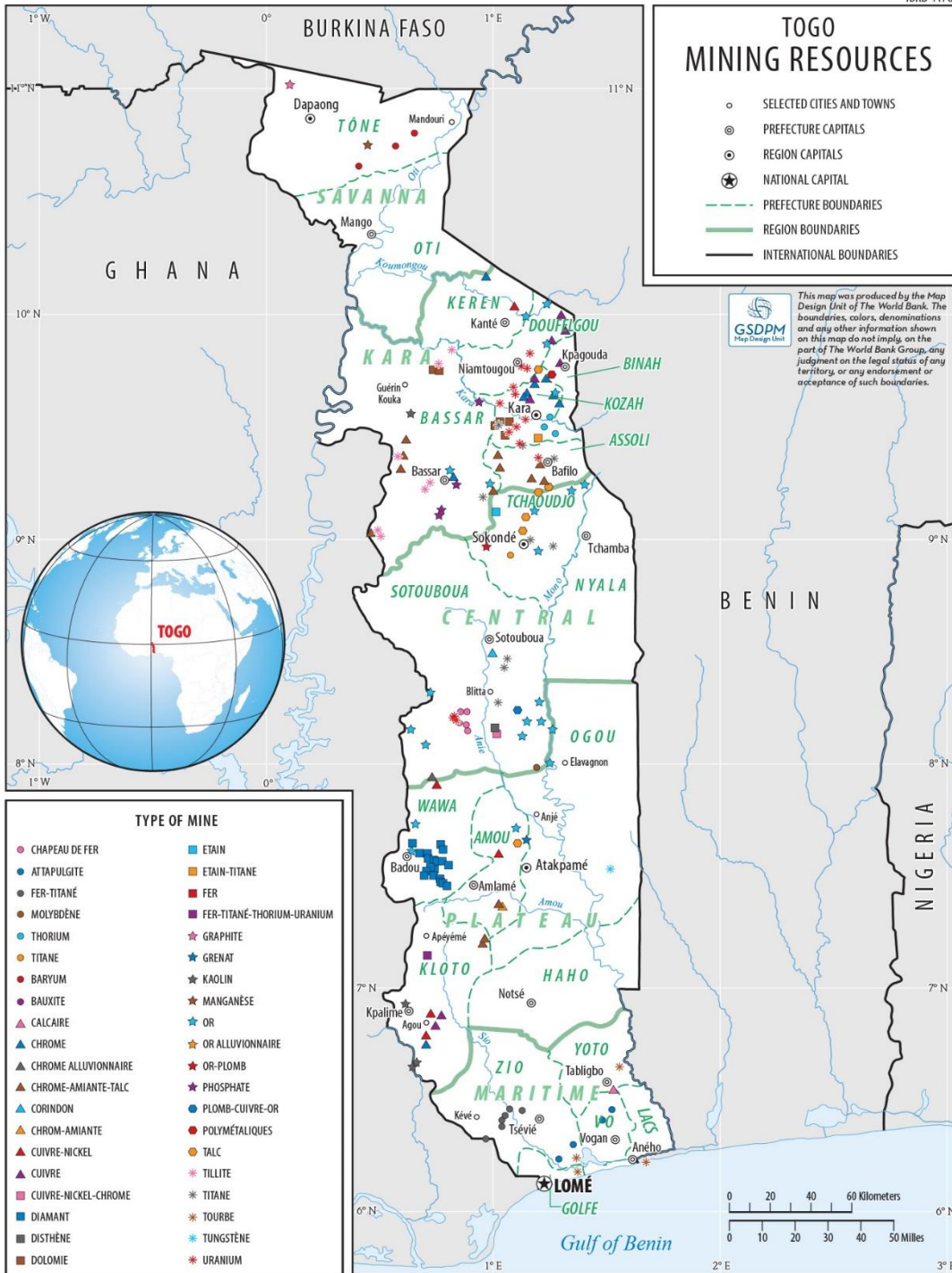
Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL/Mining specialist	Annually 6	As required	HQ based
Additional Bank's technical professional members to assist TTL	Annually 4	As required	
Procurement	Annually 4	–	Country office based
FM	Annually 2	–	Country office based
M&E	Annually 2	As required	Country office based
Short-term consultants (technical professionals and so on)	Annually 5–6	As required	
Social	Annually 2–3	–	HQ based or Country office based
Environment	Annually 2–3	–	Bank staff or ET

			Consultant
Communications	Annually 2	As required	Local consultant
Operations specialist/analyst	4 for first 12 months; 3 annually afterwards	As required	HQ based or country office based

Annex 7: Togo Country Map

REPUBLIC OF TOGO: Mining Governance and Development Project





OFFICIAL USE ONLY

IDA/R2015-0259/2

November 4, 2015

**Closing Date: Thursday, November 19, 2015
at 6 p.m.**

FROM: The Corporate Secretary

Togo - Mining Governance and Development Project

Corrigendum

*[This document replaces the version that was published on eBoard
on November 2, 2015 (IDA/R2015-0259)]*

1. Attached is the President's Memorandum and Recommendation on a proposed credit to Togo for the Mining Governance and Development Project.
2. This operation is being processed on an absence-of-objection basis. An Executive Director may submit a written statement, request a discussion, request an extension of the closing date, or register an abstention or opposition on this proposal via the eCenter system. In the absence of any such request, or objection from a majority of voting Executive Directors by the close of business on the Closing Date noted above, the recommendation in the President's Memorandum will be deemed approved and so recorded, along with any abstention or opposition, in a subsequent set of minutes.
3. The Executive Directors last discussed the Interim Strategy Note for Togo on January 26, 2012 (IDA/R2012-0003). The Chair Summary was distributed as (IDA/SU2012-0003).
4. A detailed report entitled "Project Appraisal Document: Togo - Mining Governance and Development Project" is being distributed separately (IDA/R2015-0259/1).
5. Draft Legal Agreements for projects are available on request from the Corporate Secretariat's Board Resource Center by sending an email to BRC@worldbank.org.
6. Questions on these documents should be referred to Mr. Larsen (ext. 89014).

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

**MEMORANDUM AND RECOMMENDATION OF
THE PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT
TO THE REPUBLIC OF TOGO FOR THE
MINING GOVERNANCE AND DEVELOPMENT PROJECT**

1. I submit for your approval a proposed 5-year credit to the Republic of Togo in the amount of Euro 13.4 million (US\$15 million equivalent) for the Mining Governance and Development Project (IDA 5735). The Republic of Togo has requested that the credit be in Euros under the IDA Single Currency Lending Pilot Program. The credit has a final maturity of 38 years including a grace period of 6 years.
2. **Project Objectives and Description.** The Project Development Objective (PDO) for this proposed project is to streamline the institutional arrangements of key organizations in the extractive industries to strengthen their efficiency and accountability for effective management of the sector. The project is comprised of three components: i) Mining Governance, Transparency, Oversight, and Efficiency; ii) Environmental, Social and Economic Development from Mining Operations; iii) Project Coordination and Management.
3. **Strategic Context.** The mining sector is critical to the economic development of Togo, and as such is a priority area for policy support by the Government. Government revenue from the mining sector was 4 percent of total Government receipts and mining exports were 22 percent of total exports in 2014. The Government has adopted the Accelerated Growth and Employment Promotion Strategy (SCAPE), which sets out priorities for sectors with high growth potential, including the mining sector. With SCAPE, the Government aims to address the challenge of governance, transparency, and environmental protection. Likewise, SCAPE aims to establish an enabling environment for private sector development. A revision of the mining code, which is currently in progress, seeks to reflect these principles.
4. **Key Issues.** The key strategic challenges for Togo relate to: (i) ensuring the requisite human resources, training and institutional capacity to implement and monitor mining operations are in place; (ii) establishing the conditions for mining sector activities to contribute to social and economic development; and (iii) improving the efficiency and effectiveness of the state phosphate company. Improving coordination among relevant Government agencies is essential to improve efficiency along the extractive industries value chain as well as to strengthen their contribution to national economic development.
5. **Safeguards:** The proposed technical assistance operation has been rated environmental category B (partial assessment), because it has limited impact on the environment and population and this impact can be mitigated and contained. It will not finance mining works, but will focus on capacities and governance strengthening, and set conditions for improved benefits from the sector. A Strategic Environmental and Social Assessment (SESA) will be conducted in the initial stages of the project. In addition, the project supports capacity building for social and environmental management.

6. **Risks.** The overall risk rating is considered substantial. Governance constraints and macro-economic uncertainty are significant due to weaknesses in public financial management, investment planning and uneven implementation of public reforms. Institutional capacity for implementation and sustainability as well as fiduciary risks are also considered substantial. These risks are also rated as substantial, but the risks are mitigated through a rigorous design of the implementation arrangements. All PIU staff including the project coordinator, fiduciary, and M&E staff will be selected on a competitive basis. An Inter-ministerial Strategic Coordination Committee (SCC) will oversee project implementation. In terms of governance risks at sector level, Government is very much aware of the need for enhanced transparency in the award of licenses and management of revenue. This is reflected in the current review of the Mining Law and Togo’s compliance with the Extractive Industries Transparency Initiative (EITI). The Government is, by means of the proposed credit, committing to strengthen the institutional structure of the Ministry of Mines and Energy as well as further transparency of sector operations through the establishment of a public information center and through the development of a modernized mineral cadaster management system. As an additional mitigation measure, the Government has also committed to establishing an “Accountability Forum” of stakeholders from Government, civil society, and industry operators in order to review the impact of project activities on beneficiaries and offer inputs to the continued relevance of the project design.
7. **Recommendation.** I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association and recommend that the Executive Directors approve it.

Jim Yong Kim
President

by Sri Mulyani Indrawati
Managing Director

Washington, D.C.
October 29, 2015

Regional Vice President:	Makhtar Diop
Country Director:	Ousmane Diagana
Senior Global Practice Director:	Anita Marangoly George
Practice Manager:	Christopher Gilbert Sheldon
Task Team Leaders:	Morten Larsen and Brigitte Bocoum