



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation plans to negotiate a threshold program agreement with the Government of Togo.

The attached notification is being sent to the Congress on September 29, 2017. Negotiations with Togo may be started on or after 15 days from the date of this notification.

In addition to the enclosed notification, we have included supplemental information regarding the planned program.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of Togo, please contact Dan Chaison at (202) 521-3593 or [ChaisonDM@mcc.gov](mailto:ChaisonDM@mcc.gov).

Sincerely,

/s/

Chris Dunn  
Chief of Staff (Acting)  
Office of the Chief Executive Officer

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION**  
**CONGRESSIONAL NOTIFICATION**  
**[September 29, 2017]**

PROGRAM: Threshold Countries  
APPROPRIATIONS CATEGORY: Fiscal Year 2017

Pursuant to the heading “Millennium Challenge Corporation” of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2017, this notification is to advise that the Millennium Challenge Corporation (“MCC”) intends to negotiate an agreement with the Government of Togo for a program of assistance authorized under section 616 of the Millennium Challenge Act of 2003, as amended (the “Threshold Program”).

The proposed Threshold Program is designed to support the Government of Togo in implementing policy and institutional reforms in two areas identified as critical constraints to economic growth and poverty reduction: information and communication technology (ICT) and land tenure. To do so, the program plans to (1) improve access to high-quality and affordable ICT services to Togolese citizens by encouraging private sector investments in the ICT sector and developing an independent regulatory regime; and (2) expand access to formalized land through the recognition and protection of legitimate land rights.

## **SUPPLEMENTAL INFORMATION PROPOSED TOGO THRESHOLD PROGRAM**

### **Overview**

Over the last several years, the Government of Togo has elevated its commitment to meeting MCC's eligibility criteria. In 2014, the Togolese established a team, known as the MCC Cellule, to focus on improving Togo's performance on the MCC scorecard indicators. Since then, Togo has seen steady improvement against the indicators. On the fiscal year (FY) 2016 scorecard, Togo still failed the control of corruption "hard hurdle"; however, given Togo's upward trajectory, MCC's Board of Directors selected Togo as eligible to develop a threshold program in December 2015. Togo has continued to improve its scorecard performance throughout program development, and in FY 2017, Togo passed the MCC scorecard for the first time, including the control of corruption hard hurdle.

The threshold program is MCC's smaller grant program designed to engage with countries that have demonstrated a commitment to improving their policy performance, but do not yet meet MCC's strict eligibility criteria for larger compact investments. Threshold programs provide MCC with an opportunity to test the political willingness and capacity of a partner country to implement reforms necessary to generating economic growth and poverty reduction. This information will be critical when considering any potential decisions regarding compact assistance in the future.

Upon Togo's selection for the threshold program, the Cellule broadened its focus to support the development of a threshold program, and the Government of Togo has remained a committed and engaged partner throughout this process. MCC and the Cellule jointly conducted a constraints analysis to identify the binding constraints to economic growth and investment in Togo. This analysis found the key constraints to be (1) high cost, low quality, and limited availability of information and communication technology (ICT) services; (2) poor land tenure rights and inefficient land administration; and (3) distortionary tax and non-tax revenue policies (notably in commercial agriculture).

After extensive consultations and further analysis into the root causes of the binding constraints, the Government of Togo and MCC agreed to move forward with two projects addressing the constraints in the ICT and land sectors. The Togolese have indicated their willingness to advance challenging policy and institutional reforms in these two politically-sensitive sectors, which are critical to increasing economic growth in the country. The program will provide several opportunities for Togo to demonstrate its ability to manage vested interests and make difficult decisions to implement those reforms.

In the coming weeks, MCC will proceed with negotiations toward finalizing the program and the threshold program grant agreement with the Government of Togo. MCC anticipates seeking Board authorization for the final threshold program following these negotiations. As negotiations progress and prior to signing a threshold grant agreement, MCC will closely monitor events and seek assurances of firm commitment to respect of citizens' political rights and civil liberties.

## **Program Objectives**

The proposed program would support Togo in implementing policy and institutional reforms in two areas critical to economic growth and poverty reduction: ICT and land tenure. To do so, the proposed program is designed to (1) improve access to high-quality and affordable ICT services to Togolese citizens by encouraging private sector investments in the ICT sector and developing an independent regulatory regime; and (2) expand access to formalized land through the recognition and protection of legitimate land rights.

In order to meet these objectives, the proposed threshold program funds would support the following:

- Strengthen ICT regulators to become effective and independent;
- Establish and implement a Universal Service Fund to improve ICT access;
- Increase competition in the ICT sector;
- Support ICT utilization policies;
- Support the development of an improved regulatory framework for land reform; and
- Develop and field-test cost-effective methodologies to secure customary land property rights.

## **Program Overview and Budget**

The proposed threshold program includes two projects—the Increased Competition, Independent Regulation, and Expanded Access in the ICT Sector Project and the Land Reform to Accelerate Agricultural Productivity Project—that will provide support to the Government of Togo to carry out policy and institutional reforms in two critical areas to economic growth and poverty reduction.

<b>Project/Activity</b>	<b>Budget (US Dollars)</b>
<b>Increased Competition, Independent Regulation, and Expanded Access in the ICT Sector Project</b>	<b>\$20,500,000</b>
<b>Land Reform to Accelerate Agricultural Productivity Project</b>	<b>\$8,000,000</b>
<b>Monitoring and Evaluation</b>	<b>\$1,300,000</b>
<b>Program Administration</b>	<b>\$5,200,000</b>
<b>Togo Threshold Program Total</b>	<b>\$35,000,000</b>

## **Proposed Projects**

### **Project 1: Increased Competition, Independent Regulation, and Expanded Access in the Information and Communication Technology (ICT) Sector Project**

**Project Objectives:** The objectives of this project are to improve access to high-quality, reasonably-priced ICT services in Togo via the following: (1) increased competition among ICT service providers in the sector; (2) effective and independent regulation; (3) targeted investments

and incentives, where necessary, to increase service in otherwise unprofitable areas; and (4) support for greater ICT utilization.

- Activity 1: Strengthen an Effective and Independent Regulator

Togo's ICT sector is characterized by inefficient delivery and limited availability of mobile and broadband services. Much of this can be attributed to the position of the parastatal Togo Telecom, which operates the country's only access point to the international offshore communications cable and controls access to the national fiber optics backbone network. Togo Telecom's dominant position in the ICT sector, combined with an inadequate and outdated regulatory regime that limits private sector competition, has resulted in a market for ICT services that is largely closed to new entrants and market-driven growth. This activity seeks to address one of the root causes of the high cost, low quality, and limited availability of ICT services in Togo: a poorly-regulated telecommunications market.

This proposed activity seeks to create an effective and independent regulatory regime that will attract new private sector actors to enter the market. Specifically, MCC funding would provide support to both the Regulatory Authority for Electronic Communications and Post and the National Radiofrequency Spectrum Agency. Becoming "effective and independent" requires that the regulators have financial and administrative autonomy from other branches of government and that they have the internal skills, capacity, and resources to meet its responsibilities.

The proposed approach would provide technical assistance to the regulators to increase capacity, assess the status of the ICT sector, and initiate a range of actions aimed at promoting effective competitive development of the sector. The tasks to be carried out include a set of initial studies and planning activities, installation of implementation resources to provide capacity to the regulator; and ongoing technical assistance in the development and implementation of a range of regulatory initiatives.

- Activity #2: Establishment and Implementation of a Universal Service Fund

The high cost, low quality, and limited availability of mobile and broadband services is especially acute in areas outside of major cities in Togo. Smaller, more informal firms and agricultural producers are hit particularly hard. These entities are unable to access accurate and timely price information, international markets, and knowledge of innovative practices, which thereby limit growth opportunities. These disadvantages are particularly severe for women farmers and traders, given their exclusion from men's information networks. The proposed Universal Service Fund Activity seeks to increase access to, and usage of, mobile telephones and Internet usage among populations that are currently underserved, including women and the poor.

The proposed approach would establish a Universal Service Fund in Togo, which will be launched and managed under a regulatory authority. The mandate of the Universal Service Fund would be to expand ICT access, services, and applications in Togo, through obligatory financial contributions from all licensed operators. As part of this activity, MCC funding would

be provided as additional start-up capital to support launch of the fund. Ongoing operator contributions would provide sustainable resources to the fund during and after the threshold program ends. The specific targets and projects of the Universal Service Fund will be determined by the fund administration within the regulator, according to plans and studies developed during the initial stages of the ICT project.

- Activity #3: Increased Competition in the Marketplace

The proposed Increased Competition Activity aims to attract substantial new private financial and human capital to the Togolese ICT market. Moreover, the proposed activity is intended to support direct introduction of expanded market competition in the Togo telecommunications sector, where feasible and appropriate (*e.g.*, via foreign direct investment). This activity would specifically provide support to the regulator in the introduction of specific new licenses in major market segments. The decisions as to whether and when to proceed with new competitive licenses will be based upon the findings of a market study and supplemental research by the regulator.

The proposed activity would support introduction of two types of licenses: (1) new licenses in wholesale backbone infrastructure and transmission; and (2) new retail mobile and full-service licenses.

- Activity #4: Support for ICT Utilization Policies

With access to ICT services expanded into what were once underserved areas, the Government of Togo will need to directly address the need for increased digital literacy, ICT skills, appropriate local content, and promotion of the benefits of ICT usage. The proposed activity seeks to increase ICT utilization by all Togolese, especially historically disadvantaged groups and women, as well as small enterprises and public offices, to support the broader contribution of ICTs to social and economic development.

The proposed approach would provide support to the Togolese Ministry of Digital Economy and Post to develop a national digital utilization policy and strategy through an inclusive process that allows stakeholders, including Togolese who have traditionally been excluded from access to ICTs, to contribute to the definition of priorities and the development of proposed initiatives.

## **Project 2: Land Reform to Accelerate Agricultural Productivity**

**Project Objectives:** The objectives of this project are to (1) expand access to formalized land by identifying and legitimizing customary land rights; (2) move the legitimized rights into the formal system; (3) improve the formal system so that it effectively protects legitimate land rights; and (4) expand inclusive access to land by ensuring that recognition of women's rights, already recognized in formal law, are fully incorporated into practice.

- Activity #1: Support the Development of an Improved Regulatory Framework

As land increasingly becomes a commodity in Togo, neither the customary nor the formal system is able to effectively manage land conflicts, resulting in low levels of formalization of land ownership and use. For example, while 77 percent or more of rural households “own” land, only about 9 percent of those rural land owning households have land ownership documents. The lack of formal, long-term land use rights reduces the expected private return from land investments and discourages efficiency-enhancing land transfers. Poor land tenure security is among the factors discouraging smallholder and commercial agriculture investment and transfer of land to more efficient uses, limiting agricultural yields and productivity. A new draft Land Code, designed to address these challenges, is expected to be adopted in 2017. The rules, regulations, processes and procedures that will govern how the new code will be implemented will be included in the regulatory framework to be developed following the new Land Code’s adoption.

The proposed activity would support the Togolese in the development of an improved regulatory framework that enhances the new Land Code’s goal of better land governance in Togo. Specifically, MCC funding would support integrating field-tested methodologies into the new regulatory framework, thus lowering land registration costs and time and increasing access to land registration for existing holders of informal land rights. The proposed approach would (1) increase the capacity of national-level stakeholders across the appropriate technical sectors to participate in and contribute to development and application of land governance policy; (2) clarify and achieve consensus regarding land governance policy priorities and principles consistent with the new Land Code; (3) ensure not only that the regulatory framework of the new Land Code is drafted, but that its drafting will be the result of meaningful participation of all relevant technical agencies, and that the drafting process will consist of a multi-stage approach that provides decentralized as well as national-level stakeholders with opportunities both to stay informed and to provide feedback; and (4) lead to informed and educated rural populations regarding the procedures, processes and conditions for securing land rights.

- Activity #2: Develop and Field-Test Cost-Effective Methodologies to Secure Customary Land Property Rights

The objective of the proposed activity is to develop and demonstrate practical land registration and management methodologies which lower costs, decrease time requirements, and make land services more accessible to rural producers requiring formal protection of their customary land rights. Once tested, the methodologies will be incorporated into Land Code regulations (part of Activity #1 above) and then utilized for national implementation of the Land Code.

The proposed approach is twofold. First, it would develop and demonstrate more efficient and less-costly methodologies for securing the land rights of informal land rights holders. Second, it would develop or improve methodologies for local land use planning and economic development to facilitate translation of more secure land tenure into investments in agricultural production. More specifically, MCC funding would provide support to Togo to test and develop the following land and planning methodologies: (1) geographic-referencing and

mapping technology; (2) processes and procedures for property rights registration, including civil registration where appropriate; (3) management of land information; (4) management of land conflict; (5) land use planning; and (6) local economic development planning.