



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation plans to sign a threshold program grant agreement with the Government of Togo obligating up to \$35,000,000. In addition to the enclosed notification, we have included supplemental information regarding the program.

This notification is being sent to the Congress on April 18, 2018. Signing of the agreement and obligation of funds may occur on or after 15 days following the date of this notification. 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.

Sincerely,

/s/

Karen Sessions
Vice President
Congressional and Public Affairs

Enclosure: As stated

MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION
[April 18, 2018]

PROGRAM:	Threshold Countries
APPROPRIATIONS CATEGORY:	Fiscal Year 2017
OBLIGATION AMOUNT:	\$35,000,000

Pursuant to the heading “Millennium Challenge Corporation” and section 7015(c) 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 sign an agreement with the Government of Togo obligating up to \$35,000,000 of fiscal year 2017 funds for a program authorized under section 616 of the Millennium Challenge Act of 2003, as amended (the “MCC Threshold Program”).

The proposed MCC Threshold Program with Togo is designed to support 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

Background

Policy Performance and Country Context

Over the last several years, the Government of Togo has elevated its commitment to meeting eligibility criteria for developing a Millennium Challenge Corporation (MCC) compact. In fiscal year (FY) 2014, Togo passed only five indicators on the MCC scorecard. That same year, the government established a team (the Cellule) to focus on improving Togo's performance. By the end of 2015, the number of passing indicators doubled to ten and MCC's Board of Directors selected Togo as eligible to develop a threshold program. Togo has continued to improve its scorecard performance throughout program development. On the FY 2018 scorecard, Togo passed 12 indicators, including the "hard hurdles" for democratic rights and control of corruption, which primarily reflect events occurring prior to 2017.

While Togo now passes the MCC scorecard after these recent gains, MCC recognizes that democratic rights in Togo require additional progress. Recent opposition protests against the relatively slow pace of democratic reform, and the government's inconsistent, sometimes heavy-handed, response to the opposition protests have further highlighted the need for additional democratic reforms. For this reason, Togo remains an appropriate partner for the MCC Threshold Program.

MCC believes the opportunity to engage the Government of Togo on both the substance of the proposed program and on MCC's eligibility criteria as it deliberates democratic reforms is consistent with the objectives of the MCC Threshold Program. The proposed program provides an opportunity to support reform efforts in Togo for the benefit of its citizens and should incentivize the Government of Togo to demonstrate its commitment to the MCC principles of democratic governance, economic freedom, investing in people, and country ownership.

Program Development

Upon Togo's selection for a 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 proposed 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.

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 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 would pursue 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 areas critical to economic growth and poverty reduction.

Project/Activity	Budget (US Dollars)
Increased Competition, Independent Regulation, and Expanded Access in the ICT Sector Project	
Activity 1. Strengthen an Effective and Independent Regulator	\$6,250,000
Activity 2. Establishment and Implementation of Universal Service Fund	\$7,000,000
Activity 3. Increase Competition in the Marketplace	\$5,000,000
Activity 4. Support for ICT Utilization Policies	\$2,250,000
Subtotal	\$20,500,000
Land Reform to Accelerate Agricultural Productivity Project	
Activity 1. Support the Development of an Improved Regulatory Framework	\$1,250,000
Activity 2. Develop and Field-Test Cost-Effective Methodologies to Secure Customary Land Property Rights	\$6,750,000
Subtotal	\$8,000,000
Other Program Costs	

Monitoring and Evaluation	\$1,300,000
Program Administration	\$5,200,000
Togo Threshold Program Total	\$35,000,000

Project Summaries

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. The MCC 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 increase the capacity of the regulators, 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 increase regulatory capacity; 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 are 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 monies would contribute to the launching 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 ICT services 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 ICT services, 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 informally 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 2018. 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 adoption of the new Land Code.

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 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; and (4) management of land conflict.