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Second Party Opinion

Togo Sustainable Financing Framework

Oct. 9, 2024

Location: Togolese Republic

Sector: Sovereign

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Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Social Bond Principles, ICMA, 2023
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2023
- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023
- ✓ Sustainability Bond Guidelines ICMA, 2021

See [Alignment Assessment](#) for more detail.

Strengths

The framework will fund projects that contribute to Togo's sustainable development goals, which we view positively.

These investments focus on areas such as forestry restoration, adaptation, renewable energy, and clean transportation. They are designed to align with Togo's national development strategies and commitments under its updated nationally determined contributions.

The framework's social project categories address some of Togo's key challenges.

Ensuring food security is particularly important, given that a significant portion of the population depends on subsistence agriculture as their primary source of income. These projects aim to support the livelihoods of those engaged in small-scale farming, which plays an important role in the country's food supply and rural economy.

Weaknesses

Continued dependence on fossil fuels within Togo's fishing industry, and the financing facilities mitigating damage from oil spills, highlights areas that require attention.

While these measures contribute to short-term environmental benefits, they also reflect ongoing challenges, particularly the continued use of fossil fuels, for example through the introduction of more energy-efficient fibre-reinforced plastic (FRP) boats.

Areas to watch

While the establishment of a Maritime Emissions Control Area (ECA) supports reduction of maritime pollution, more efforts are needed for the transition of the maritime sector. The adoption of alternative fuels and electrification of vessels are necessary to achieve deeper emissions reductions.

Some project categories in the framework are broadly defined. The framework outlines the eligible project categories, and the issuer has provided examples of projects. However, some of the many eligible projects lack specific descriptions, which creates uncertainty on their environmental, climate, and social risks.

Eligible Green Projects Assessment Summary

Eligible projects under issuer's green finance framework are assessed based on their environmental benefits and risks, using Shades of Green methodology.

Biodiversity conservation **Medium green**

Sustainable land use and management of national resources

Sustainable management of dry and semiarid ecosystems, and fight against desertification

Terrestrial and aquatic biodiversity preservation

Conservation of coastal areas

Sustainable water management

Climate change adaptation **Dark to Medium green**

Expenditure aimed at strengthening resilience, enhancing adaptive capacity, and reducing vulnerability to risks

Expenditure aimed at protecting fragile coastal areas such as beaches, coastal barriers, and mangrove zones, including the construction of coastal protection structures

Funding to support research and education on biodiversity to improve knowledge and sustainable management practices

Resilience of human and environmental systems (WASCAL)

Environmentally sustainable management of living natural resources and land use **Light green**

Expenditure aimed at strengthening the resilience of agricultural systems and production methods

Expenditure supporting sustainable forest ecosystem management and the restoration of ecosystem services

Expenditure for establishing traceability systems to ensure the sustainability of operations, facilities, and supply chains in the fishing and forestry, and agriculture sectors


Support for mapping agricultural lands in Togo

Expenditure aimed at promoting organic farming and agroecology

Expenditure for developing and disseminating digital and technological solutions to address climate challenges for farmers

Development of scientific knowledge and technological innovations for resilience to the negative effects of climate change across different sectors

Valorization of scientific research results

Pollution prevention and control  **Medium to Light green**

Waste collection and recycling


Reduction of marine debris and its associated impacts on marine life

Reduction of pollution in coastal and marine environments, including areas connected to rivers or coastal watersheds

Improvement of facilities for the prevention, safeguarding, and recovery from oil spills

Environmental education, awareness, and training

Development of research on pollution prevention and control

Renewable energy  **Dark green**

Expenditure for the construction, maintenance, operation, and renovation of electricity generation facilities using renewable energy sources (solar photovoltaic, onshore and offshore wind, marine energy, micro-hydropower, and geothermal)

Expenditure aimed at strengthening actions for energy efficiency and low-carbon technologies

Expenditure for deploying decentralized renewable energy systems

Promotion of scientific excellence (research and development), excellence in teaching, and training in conventional and renewable electricity fields

See [Analysis Of Eligible Projects](#) for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Entity Description

Togo is a West African country along the Gulf of Guinea, covering 56,785 square kilometers with a population of approximately 8.5 million. The country is classified as low-income by the World Bank, with a gross national income per capita of about \$1,030 as of 2023. Togo's economy is primarily based on agriculture and the export of natural resources. Key exports include phosphate, a major source of revenue, and agricultural products such as cotton, coffee, and cocoa. The agricultural sector is diverse, producing crops like cassava, yams, maize, and millet. Recent initiatives, including the establishment of agricultural processing zones and the Plateforme Industrielle d'Adétikopé (PIA), aim to support the growth of the agricultural value chain and local processing capacity. Togo also has valuable mineral resources, including limestone and marble. The service sector is growing, supported by the strategic location of Lomé's deep-water port, a main hub for regional trade and transportation, enhancing the country's economic activities.

Material Sustainability Factors

Climate transition risk

Policymakers play a critical role in achieving the greenhouse gas emissions reductions necessary to address climate change. While the many country signatories to the 2015 Paris Agreement provide a basis for global action, current climate pledges fall significantly short of the reductions needed to reach net zero by 2050. A lack of policies to support climate pledges exacerbates the challenge, making it likely that 1.5°C warming from pre-industrial levels could be exceeded in the near future given past emissions and current (increasing) emissions trends. Indeed, current commitments are expected to result in broadly constant global emissions of about 60 gigatons of carbon dioxide-equivalent (CO₂e) per year, resulting in warming likely exceeding 3°C by the end of the century.

Regulations, incentives, and price signals—including broad and material carbon taxes, subsidies, and penalties—are ways for governments to stimulate climate action from public and private, personal, and industrial actors. Countries have also made widely different contributions to past, current, and future global emissions, both on absolute and per capita bases, with historical economic development closely linked to the use of fossil fuels and resulting emissions. Policymakers' incentives to act on climate vary widely and can change rapidly according to public support, international agreements, tangible evidence of climate change in the region, short-term economic costs of transition, competitive pressures, the perceived impact a country or region can have on global emissions, and the perceived imbalance between local and global risks from climate change.

In its revised Nationally Determined Contributions (NDCs) submitted in 2021, Togo set a target to reduce greenhouse gas emissions by 50% by 2030 compared with the business-as-usual scenario. This target includes actions conditional on international support—about 75%—through financing, technology transfer, and capacity building, with the remaining 25% relying on Togo's own efforts.

Physical risk

Physical climate risks can affect economic activities and increasing greenhouse gas emissions will propel more frequent and severe climate hazards absent adaptation. The direct impacts of climate hazards, including heat waves, flooding, and wildfires, are typically localized. However, the indirect impacts of these events may precipitate through different channels (such as the volume and pricing of traded goods and services), extending beyond administrative borders and cascading through multiple sectors.

Togo's diverse topography, including coastal plains, central plateaus, and northern savannas, results in climate impacts such as seasonal flooding, droughts, and coastal erosion. Key geographical features like the Oti and Mono Rivers and the Gulf of Guinea coastline contribute to these risks. Floods and droughts are frequent, with floods affecting agriculture and infrastructure, and droughts, exacerbated by changing rainfall patterns, affecting the northern regions. Coastal erosion poses a major threat to coastal communities and infrastructure.

Other environmental factors

Governments play a key role in protecting biodiversity and managing land, air, and water pollution. Economic development goals can exert considerable pressure on natural ecosystems, both locally and for trading partners. Environmental factors are often intertwined with climate transition and physical climate risks.

Togo faces environmental challenges, including water management, land use, and biodiversity conservation. The country has diverse ecosystems, including forests, savannas, and coastal areas, which are under threat from habitat loss, illegal logging, and climate change. Deforestation is a significant risk, with forest cover declining due to agricultural expansion, logging, and charcoal production. This loss of forest area, including primary forests, threatens biodiversity and contributes to soil erosion and reduced water quality. Additionally, agriculture is a major source of environmental pollution in Togo, affecting land, water, and air quality through practices like slash-and-burn farming, use of agrochemicals, and livestock farming.

Social factors

Governments play a key role in social and economic development. Depending on national and local socioeconomic circumstances, governments prioritize issues such as economic advancement, poverty reduction, food security, access to essential services and infrastructure, and clean water and sanitation.

Togo has a Human Development Index (HDI) of 0.547, as calculated by the UNDP in 2022, ranking 163rd out of 191 countries. It faces significant issues related to poverty, food insecurity, and inequality. The effects of climate change, such as increased frequency of droughts and floods, could exacerbate these challenges and impact the livelihoods of many Togolese. Additionally, the country grapples with providing adequate access to essential services like health care, electricity, and education, particularly in rural areas. Epidemics, including malaria and cholera, have historically been issues, highlighting the need for improved health care infrastructure.

Issuer And Context Analysis

The eligible project categories in Togo's sustainable financing framework address key related factors, including climate transition, physical risks, resilience, and social challenges. Projects focus on preserving terrestrial and aquatic biodiversity, adapting to climate change, and promoting sustainable agriculture, forestry, and fisheries. Efforts also include pollution prevention and ensuring access to renewable energy. On the social front, priorities include food security, educational services, job support, financial inclusion, digital connectivity, social safety nets, universal health care, affordable housing, clean transportation and sustainable water and wastewater management. These projects align with Togo's sustainable development goals and are part of the country's development strategies.

Togo aims to reduce its greenhouse gas emissions by 50% by 2030 despite its minimal contribution to global emissions (approximately 0.02%). In line with the Paris Agreement, Togo's NDC plan for 2021 highlights the financial needs for both mitigation and adaptation actions. From 2015-2020, Togo reduced emissions by 7,990 gigatons CO₂-eq in emissions, surpassing the initial target of 5,075 gigatons of CO₂e and marking a 27% reduction instead of the projected 17%. The reductions came, primarily from the energy, industrial processes, agriculture, and waste sectors. Togo's National Electrification Strategy aims for 100% electrification by 2030, with 50% from renewables by 2025. This strategy involves installing 555,000 solar kits, constructing over 315 mini solar grids, and extending the electricity network to 960 new localities. To achieve its 2030 targets, the estimated financial needs for 2020-2030 is about \$5.5 billion, with approximately 75% dependent on new financing sources and additional support.

Togo faces substantial physical climate risks, affecting various economic activities, particularly agriculture. The country experiences significant climate hazards such as droughts, floods, and coastal erosion. For instance, the northern regions frequently face severe droughts, while coastal areas are susceptible to erosion and flooding, threatening the livelihoods of communities living there. To mitigate these risks, the government has developed a National Adaptation Plan for Climate Change, focusing on improving resilience through climate-smart agriculture, developing irrigation systems, and conserving biodiversity.

Togo is working to restore forests, protect its biodiversity and reduce pollution. The country has low forest cover and has experienced significant deforestation and forest degradation. Forests are currently estimated to cover 22% of Togo's land area. Togo adopted the REDD+ strategy in 2021, focusing on reducing emissions from deforestation and forest degradation, and enhancing carbon stocks. The government's reforestation policy aims to increase forest cover to 26% by 2030, which involves planting 1 billion trees and restoring 1.4 million hectares of degraded landscapes. Efforts also focus on improving waste management and reducing pollution. Key initiatives include the rehabilitation of the Akepe landfill in Lomé and the enhancement of waste collection and treatment facilities in five major regional cities.

Togo faces significant social challenges, including high poverty rates and limited access to essential services. As of 2022, over 40% of the population lived in poverty, with rural areas being the most affected. Access to electricity improved to 67% in 2023 from 36% in 2016, although

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disparities remain. The government's Emergency Program for the Savannas Region aims to improve infrastructure and service delivery in the most vulnerable areas. Educational outcomes have also improved, with primary school completion rates rising to 91.3% for boys and 85.9% for girls as of 2021. The government's policies to promote gender equality and empower women, such as the National Gender Equity and Equality Policy, are also gaining traction, contributing to broader social development.

Alignment Assessment

This section provides an analysis of the framework's alignment to the Sustainability Bond Guidelines.

Alignment With Principles

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✓ Use of proceeds

We assess the framework's green project categories as having a green shade and consider all social project categories to be aligned. The issuer commits to allocate the net proceeds issued under the sustainable finance framework exclusively to eligible green and social projects. The Togolese government can issue a variety of instruments under the framework, including green, social, and sustainability bonds; and green and social loans. See the Analysis of Eligible Projects section for our analysis of the environmental and social benefits of the expected use of proceeds.

✓ Process for project evaluation and selection

The Togolese government has established a sustainable financing framework to guide the selection of eligible projects in alignment with its environmental, climate, and social priorities. The Comité de Gouvernance du Cadre de Financement Durable (CGCFD), chaired by the Ministry of Economy and Finance, is responsible for identifying and approving projects that meet the framework's criteria. The CGCFD ensures that selected projects comply with national legislation and undergo environmental and social impact assessments. It also oversees the proper allocation of funds and ensures transparency in reporting. The framework excludes expenditure related to fossil fuels, alcohol, arms, tobacco, gambling, deforestation of primary or modified natural forests and mangroves, projects within protected areas, child labor, and illegal fishing. The CGCFD ensures compliance with national legislation and international sustainability standards.

✓ Management of proceeds

The issuer is committed to managing the proceeds from the sustainable financing framework by directing all funds through the Compte Unique du Trésor (CUT), using a dedicated subaccount for sustainable financing. If a project no longer meets the eligibility criteria, the issuer will aim to replace it with another eligible expenditure within 24 months. To maintain flexibility, the CGCFD keeps a surplus of eligible projects for each issuance, ensuring that the total value of these projects always exceeds the amount raised. Any unallocated proceeds will be maintained in cash, cash equivalents, or other liquid investments in the CUT subaccount, with a follow-up review to be presented in the annual allocation report.

✓ Reporting

The Togolese government is committed to publishing annual allocation and impact reports. The allocation report will detail the issuance date, the bond's amount and maturity, and the allocation of net proceeds to eligible expenditure, including the proportion of financing versus refinancing. It will also provide a breakdown of funds by eligible categories, descriptions of key projects, and remaining unallocated balance. The impact report will include estimated indicators of the social and environmental benefits. Both reports will be made publicly available; however, only the allocation report will be subject to external auditing, with efforts to align with the ICMA Harmonized Framework for Impact Reporting where possible.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "[Analytical Approach: Shades Of Green Assessments](#)," as well as our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

In the two years following the issuance of the financing, the Togolese government expects to allocate at least 50% of proceeds to new expenditure. The remaining proceeds will refinance eligible expenditure incurred within two years before issuance.

Green project categories

Biodiversity conservation

Assessment

 **Medium green**

Description

Sustainable land use and management of national resources

Sustainable management of dry and semiarid ecosystems, and fight against desertification

Terrestrial and aquatic biodiversity preservation

Conservation of coastal areas

Sustainable water management

Examples of projects include:

- PNR, phase 2
- National Program for the Management of Protected Areas
- Awareness initiatives to inform local populations of the risks linked to coastal erosion and promotion of sustainable management practices for coastal zones
- Combating illegal, unreported, and unregulated (IUU) fishing
- Reforestation and plantation projects; reconstitution of humid zones and mangroves

Analytical considerations

- Sustainable management of land, including through forest restoration, is a key piece in managing greenhouse gas emissions and resiliency to climate change. Conserving biodiversity, natural ecosystems, and habitats can have substantial co-benefits for climate change mitigation and adaptation because ecosystems can provide carbon sequestration, local climate regulation, soil stabilization, and storm surge protection.
- We assign a Medium green shade to this category, reflecting the climate and environmental benefits of the eligible biodiversity conservation, forestry restoration, and protection measures, while accounting for uncertainty on how land use change and biodiversity risks are managed across all initiatives. Through the PNR and the National Program for the Management of Protected Areas, Togo aims to increase the country's forest cover to 30% by 2050 by restoring 265,000 hectares of existing forests and creating 34,400 hectares of forested land. Of restored or newly planted forests, 88% were for agroforestry during phase 1 of the PNR, and the remaining 12% was for commercial purposes. According to the issuer, all forested land used for commercial purposes will follow regulation and be managed with the objective of promoting reforestation. Togo has not outlined a plan to ensure that carbon stocks grow, nor does it take systematic steps to mitigate biodiversity issues that could arise as a consequence of monocultures.
- According to the issuer, the PNR's reforestation efforts will be tailored to the ecological and environmental characteristics of each of Togo's seven zones, which we view positively, based on a collaboration with the German development agency GIZ. The

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Togolese government has stated that zones may have different proportions of native and non-native trees. The Togolese government has confirmed that the PNR aims to achieve recognized forestry certifications, although the framework does not specify which certifications will be sought.

- Initiatives to fight against illegal, unreported, and unregulated fishing are in our view important in avoiding overexploitation of fishing stocks, to better preserve protected areas and reduce damage to marine ecosystems. The government has stated its initiatives under this project will focus on awareness campaigns for producers and consumers, as well as tools to increase tracking capabilities.
- Mangroves are very effective at reducing coastal erosion and are some of the most carbon-rich ecosystems on the planet, making them extremely valuable for coastal preservation. The West Africa Coastal Areas Management Program, in collaboration with the World Bank, restored more than 280 hectares of mangroves on the banks of Togo's Lake Zowla from 2020-2023, and projects under this category aim to continue to restore Togo's mangroves. We view this positively, because mangroves can house many aquatic and semiaquatic species, contributing to preserving biodiversity.

Climate change adaptation

Assessment

 **Dark to Medium green**

Description

Expenditure aimed at strengthening resilience, enhancing adaptive capacity, and reducing vulnerability to risks

Expenditure aimed at protecting fragile coastal areas such as beaches, coastal barriers, and mangrove zones, including the construction of coastal protection structures

Funding to support research and education on biodiversity to improve knowledge and sustainable management practices

Resilience of human and environmental systems (WASCAL)

Examples of projects include:

- Implementation of early warning systems (such as for floods)
- Flood protection systems, rainwater drainage systems, and construction of water retention basins
- Continuation of ecovillage development
- Implementation of the coastal management plan
- Support for CEProDuC
- The WASCAL project

Analytical considerations

- It is important to plan for and mitigate physical climate risks to reduce the financial and environmental impacts of a changing climate. Togo is highly vulnerable to hazards such as floods, droughts, and coastal erosion.
- We assign a Dark-to-Medium green shade to this project category, to reflect the nature of the eligible projects and differentiated environmental benefits. We view eligible expenditure as important as increasing resiliency and reducing vulnerability of local communities and activities, but some of them might be associated with high greenhouse gas emissions (protection structures). Early warning systems help identify and limit damage from climate hazards.
- The financing includes different types of expenditure, some of which directly target climate change resiliency and others that are broader projects supporting the climate transition. For instance, coastal protection structures and mangrove zones seek to enhance the resiliency of coastal areas, while CEProDuC and WASCAL focus on climate adaptation in the agricultural sector, which is central to Togo's adaptation strategy.

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- Togo aims to finance the development of ecovillages as part of its broader strategy to support sustainable rural development. These villages incorporate renewable energy (solar power), which we assess as a Dark green element, and promote agroecology, better water management, and agricultural practices that improve their ability to adapt to and withstand climate change.
- It is important to identify and manage the potential risk of maladaptation--that is, shifting vulnerability to other parties of climate-related events, and eligible projects' impacts on local biodiversity. The issuer does not have clear policies and plans to manage these risks, although we do not see any obvious risks of maladaptation from the eligible activities.

Environmentally sustainable management of living natural resources and land use

Assessment

 Light green

Description

Expenditure aimed at strengthening the resilience of agricultural systems and production methods

Expenditure supporting sustainable forest ecosystem management and the restoration of ecosystem services

Expenditure for establishing traceability systems to ensure the sustainability of operations, facilities, and supply chains in the fishing, forestry, and agriculture sectors

Support for mapping agricultural lands in Togo

Expenditure aimed at promoting organic farming and agroecology

Expenditure for developing and disseminating digital and technological solutions to address climate challenges for farmers

Development of scientific knowledge and technological innovations for resilience to the negative effects of climate change across different sectors

Valorization of scientific research results

Examples of projects include:

- The fishing modernization project
- Awareness and training on organic farming practices

Analytical considerations

- Biodiversity conservation plays a key role in sustainable development, particularly in maintaining ecosystem services that are essential for resilience against climate change as well as by maintaining or increasing carbon stocks.
- The broad nature of the project category and the inclusion of more efficient fossil fuel boats for artisanal fishing limits our assessment to Light green. Key projects include the sustainable management of marine and coastal ecosystems, the restoration of ecosystem services, and the promotion of organic agriculture with initiatives aimed at improving the technical and professional skills of farmers.
- In the fisheries sector, financed expenditure also include the introduction of fiber-reinforced plastic (FRP) boats. While we would generally not consider such boats green, we believe they offer short-term environmental benefits within Togo's specific context. The new boats are expected to reduce fuel use by 25%-40% compared to traditional wooden boats, which themselves could contribute to deforestation or forest degradation. The current wooden fleet is aging, presenting challenges in terms of efficiency and environmental impacts. We base our assessment on the boats being used in artisanal fishing, which generally has lower environmental risks than industrial fishing, and the absence of cleaner alternatives. We have also considered national policy efforts to combat illegal fishing and preserve marine resources. However, despite their benefits, these boats--with an estimated lifespan of 25-40 years--continue to rely on fossil fuels, which we view as a weakness.
- Togo aims to finance a program in the agricultural sector focused on enhancing the technical and professional skills of farmers, particularly in organic agriculture. This includes training and workshops provided by the Institut Togolais de Recherche Agronomique (ITRA), covering topics such as climate-resilient seed selection, agroforestry, and composting. The issuer has stated that livestock will be excluded from financing within the framework, which we view positively. We also view traceability

systems as important in facilitating more sustainable supply chains, by ensuring transparency on inputs with sustainability benefits.

Pollution prevention and control

Assessment

 **Medium to Light green**

Description

Waste collection and recycling
 Reduction of marine debris and its associated impacts on marine life
 Reduction of pollution in coastal and marine environments, including areas connected to rivers or coastal watersheds
 Improvement of facilities for the prevention, safeguarding, and recovery from oil spills
 Environmental education, awareness, and training
 Development of research on pollution prevention and control
 Training, awareness, and promotion of the circular economy
 Examples of projects include:

- Establishment of an emission control area to regulate pollution from maritime transport.

Analytical considerations

- Pollution remediation in Togo faces substantial obstacles, including inadequate waste management infrastructure, uncontrolled pesticide use, and untreated industrial effluents. Addressing these issues through effective pollution remediation can significantly benefit local biodiversity and human health by reducing concentrations of air and soil pollutants. Improved waste collection and sorting can increase recycling and divert waste from less environmentally friendly disposal methods.
- This category includes both projects that we consider significant steps towards a low carbon future, such as waste collection and recycling and implementation of stricter emission limits, and projects that only represent near term improvements, such as prevention and recovery from oil spills. Under this project category, Togo is planning to finance the establishment of a Maritime ECA aimed at reducing pollution from maritime activities. This project, developed within the plan for the reduction of short-lived atmospheric and climate pollutants adopted in January 2019, aims to address Togo's commitments in the fight against air pollution, including engagement with the Climate and Clean Air Coalition. The project targets pollutants such as sulfur oxides, nitrogen oxides, particulate matter, and heavy hydrocarbons, setting stricter emission limits. These efforts align with standards set by the International Maritime Organization and are expected to contribute to improved environmental quality in maritime areas. Additionally, the issuer plans enforcement measures, including financial penalties and operational restrictions, for noncompliance, ensuring that maritime activities within the designated ECA adhere to the established environmental standards. The full transitioning of the maritime sector to a low-carbon future will require additional measures, such as the adoption of alternative fuels, electrification of vessels, and broader energy efficiency improvements.
- While the improvement of facilities for the prevention, safeguarding, and recovery from oil spills typically seek to limit that harm caused by fossil fuel activities rather than promote proactive environmental benefits, we consider this expenditure Light green in that it can still be considered green within the context of governmental action, as in the case of Togo. Such a project helps minimize the severe damage oil spills can cause to marine and coastal ecosystems. We therefore consider this project Light green.
- Togo faces challenges in waste management, including the proliferation of waste, inadequate infrastructure for managing solid and liquid waste, and the widespread practice of uncontrolled waste burning. These new projects aim to improve waste sorting to ensure that recyclable materials, including plastics and hazardous waste, are effectively processed. These efforts could help reduce landfill use and increase recycling rates.

Renewable energy

Assessment

Description

 **Dark green**

Expenditure for the construction, maintenance, operation, and renovation of electricity generation facilities using renewable energy sources (solar photovoltaic, onshore and offshore wind, marine energy, micro-hydropower, and geothermal)

Expenditure aimed at strengthening actions for energy efficiency and low-carbon technologies

Expenditure for deploying decentralized renewable energy systems

Promotion of scientific excellence (research and development), excellence in teaching, and training in conventional and renewable electricity fields







Example of projects include:

- Distribution of photovoltaic solar kits under the Cizo program
- Construction of mini solar power plants
- Tinga Fund initiatives aimed at acquiring solar kits or basic low-consumption electrical equipment

Analytical considerations

- While renewable energy sources such as solar photovoltaics are important for limiting global warming to well below 2°C, they also present issues, including potential land use changes, impact on biodiversity, and vulnerability to physical risks like extreme weather.
- We assess investment in solar, wind and geothermal, as well as eligible activities related to marine renewable energy--such as offshore power generation from wave and tidal energy--as Dark green due to their role as low-carbon sources of electricity. These projects will involve private entities and the issuer has not provided information on how environmental and climate impacts in the supply of renewable energy (such as those associated with minerals extraction) will be mitigated. It has also not provided examples of energy efficiency projects, and the shade assigned is based on the assumption that the vast majority of proceeds go to renewable energy projects.
- Togo integrates physical climate considerations into its risk assessment and project selection process, including identifying material physical and environmental risks related to renewable energy projects. For project assessments, the National Agency for Environmental Management (ANGE) oversees Environmental and Social Impact Assessments (ESIAs), which include the evaluation of physical climate risks and the development of risk management plans. Regular audits are required every four years to ensure compliance with environmental standards, and projects with unmitigated high risks may be excluded from financing.

S&P Global Ratings' Shades of Green

Assessments					
Dark green	Medium green	Light green	Yellow	Orange	Red
Description					
Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects					
 Solar power plants	 Energy efficient buildings	 Hybrid road vehicles	 Health care services	 Conventional steel production	 New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Social project categories

Food sovereignty and security (Food security)

Expenditure aimed at providing irrigation systems, tools, machinery, and equipment to facilitate production for small and midsize farmers of staple foods

Agricultural research and development

Capacity building for farmers, including training on equipment usage and maintenance

Expenditure to improve farmers' access to inputs suited to local soils and climates

Programs to ensure access to healthy and nutritious food services for vulnerable populations

Construction, maintenance, and renovation of infrastructure for the storage and distribution of agricultural products

Construction, maintenance, and renovation of support infrastructure for the agricultural sector (such as Agropoles and ZAAP)

Promotion of research and development in the agricultural and agri-food sectors

Analytical considerations

- Togo faces significant food security issues, particularly in rural areas where many people depend on small-scale farming. About 45% of the population lives below the poverty line, and unpredictable weather patterns, like irregular rainfall and droughts, often disrupt farming activities. Agriculture in Togo is largely centered on key crops such as maize, cassava, and yams. Overall, we consider this category aligned with the Principles.
- To address food security challenges, projects in this category will focus on supporting small-scale farmers through training, capacity-building, and the promotion of diversified and high-nutrition crops. The continuation of the Planned Agricultural Development Zones (ZAAP) program is a key initiative aimed at modernizing agriculture by consolidating activities within designated zones, promoting modern farming techniques, and improving land use efficiency. We expect this project to enhance food security, support farmers' livelihood, and encourage sustainable practices like agroecology and organic farming.
- Additional objectives include improving market access, developing storage and distribution infrastructure, and promoting sustainable, inclusive agriculture. These initiatives align with Togo's strategic goals for sustainable development, as outlined in the Feuille de Route Gouvernementale, which aims to strengthen food security and enhance agricultural resilience. The target population includes farmers, fishers, cooperatives, women's groups, and underserved communities across Togo.
- While these projects offer significant benefits, potential environmental impacts such as soil degradation, reduction of biodiversity, and disruption of local ecosystems must be carefully managed. To mitigate these risks, Togo requires ESIs for significant projects, with oversight by the ANGE. The ZAAP project, in particular, has been subjected to ESIs for major sites, and the remaining zones will involve minimal land-use changes, according to the issuer, primarily focusing on simple land preparations. Compensatory reforestation efforts are also planned to offset any environmental impacts, ensuring that environmental risks are integrated into the development process.

Educational services (Access to essential services)

Construction, maintenance, and renovation of facilities intended for educational purposes (primary, secondary, university, and vocational training centers)

Construction of cultural and educational spaces (such as museums and libraries)

Grants and scholarships (such as social or merit-based, and free school canteens)

Training and remuneration expense for teachers and educational staff

Acquisition of educational materials

Analytical considerations

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- In Togo, improving access to quality education is a key focus, particularly in addressing disparities in educational opportunities. While primary school completion rates have reached 89.8% for boys and 87.7% for girls as of 2023, hurdles remain in ensuring equitable access to quality education across all regions and for all groups. We therefore consider this category as aligned with the principles.
- Projects under this category include efforts to enhance the quality and fairness of basic education, as well as initiatives aimed at improving academic performance and employability for girls. These projects align with Togo's education strategy, outlined in the Plan Sectoriel de l'Éducation 2020-2030, which emphasizes improving teacher training, reducing educational disparities, and ensuring quality education for all.
- The target population includes schoolchildren and students across Togo, with a special focus on vulnerable groups such as girls, individuals with disabilities, and out-of-school youth. These projects aim to create a more inclusive education system, supporting the country's broader development goals.

Employment support, financial inclusion, and economic empowerment (employment generation)

Promoting women's economic empowerment through access to credit and entrepreneurship

Support programs for micro, small, and midsize enterprises, including loan provision and access to technology

Facilitating access to financial services for vulnerable populations

Expenditure aimed at helping women entrepreneurs transition to the formal sector from the informal

Vocational training for women and youth

Programs offering employment and entrepreneurship opportunities for displaced, disadvantaged, and unemployed workers

Expenditure to strengthen the organizational and technical capacities of grassroots committees and organizations

Training for students in priority trades

Support for young inventors and innovators (such as for prototype development, seed funding, and intellectual property protection)

Analytical considerations

- In Togo, with nearly 60% of the population under 25 years old, there is a significant need to create job opportunities, particularly for young people, women, and those with disabilities. The informal sector dominates the job market, constituting about 80% of employment, which often results in unstable and low-paying jobs. Addressing this issue is key to reducing poverty, which still affects about 45.5% of the population. We consider this project category aligned with the principles.
- To tackle these issues, the government is undertaking projects like the Programme de Référence pour le Soutien à la Transformation et à l'Insertion des Jeunes and the Projet d'autonomisation des femmes rurales au Togo. These projects focus on helping people, especially youth and women, gain skills, access training, and receive financial support to start or expand businesses.
- The target populations for these initiatives are defined in line with official Togolese definitions, such as the Politique Nationale de Jeunesse and the Charte des très petites, petites et moyennes entreprises. By equipping them with the necessary tools and support, these projects aim to enhance economic participation and contribute to poverty reduction across the country.

Digital connectivity and inclusion (Access to essential services (including telecommunications))

Expenditure aimed at digitalizing public services and administrative procedures, including training and programs to support digital transformation among the population

Expenditure for the development of digital innovation hubs

Expenditure for the implementation of the "High and Very High Speed" access strategy and the Digital Infrastructure Master Plan

Analytical considerations

- Digital inclusion is an important focus in Togo, where about 60% of the population lives in rural areas with limited internet access. The government is working to improve this through several projects aimed at expanding digital access. Currently, about 65% of the population has internet access, but many rural areas remain underserved. We consider this project category aligned with the Principles.
- To help close this gap, the government is deploying a national fiber optic network and introducing a unique identification number system (Numéro d'identification unique). These projects aim to improve access to digital services, particularly in rural areas. Other initiatives, like the national payment system and the "Université sans les murs" (University Without Walls), support financial inclusion and digital education, respectively.
- The target population includes all Togolese people, with a special focus on those in rural and underserved areas who do not yet have reliable internet access. These projects aim to ensure that more individuals, especially those in rural and underserved areas, can access essential digital services.

Social safety nets and poverty alleviation (Socioeconomic advancement and empowerment)

Expenditure for strengthening social and civil protection

Conditional cash transfers to poor and vulnerable households

Subsidies to offset the cost of basic foodstuffs

Analytical considerations

- In Togo, poverty remains significant, with approximately 45.5% of the population living below the poverty line. This situation is exacerbated by limited access to essential services and economic opportunities, which disproportionately affects vulnerable groups such as women, children, and people with disabilities. We consider this project category aligned with the Principles.
- To address these challenges, the government aims to finance projects under the social protection and poverty alleviation category. Key projects include the Projet de Cohésion Sociale des Régions Nord du Golfe de Guinée, which aims to support vulnerable communities in the northern regions; and the Registre Social Unique (RSU), designed to identify and assist the most disadvantaged households. Initiatives like the Programme National de l'Alimentation Scolaire focus on improving nutrition and school attendance among children, while the Digitalisation des Prestations de l'Assurance Maladie Universelle enhances access to health care services.
- These projects are targeted at poor and vulnerable households, as identified through the RSU, and aim to provide income support and improve access to essential services.

Health for all (access to essential services such as health care and education)

Construction, renovation, maintenance, and expansion of healthcare infrastructure (primary health care facilities, hospitals, and medical centers)

Expenditure for training and remuneration of health care personnel

Construction of or expenditure for equipping health care facilities and purchasing medical equipment

Expenditure aimed at expanding vaccination coverage and managing infectious diseases

Expenditure for maternal and newborn care (the Wezou Program)

Expenditure to adapt infrastructure to the needs of people with reduced mobility

Analytical considerations

- Togo continues to face challenges in ensuring equitable access to health services, particularly in rural areas where infrastructure is limited. Despite some progress, the under-five mortality rate remains high at 62.5 deaths per 1,000 live births as of 2022, highlighting persistent gaps in health care. The government is prioritizing the reduction of maternal and child

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mortality by enhancing access to primary health care, especially in rural communities, where about 57% of the population resides. We consider this project category aligned with the Principles.

- To improve health outcomes, Togo is implementing initiatives like the universal health coverage program (Mise en place de la Couverture Sante Universelle) and the Wezou program, which focuses on maternal and child health. The government is also investing in the construction and renovation of health care facilities and hiring additional health care staff to ensure these centers are well-equipped and adequately staffed.
- These initiatives are intended to benefit the entire population, with particular attention to vulnerable groups, including women, children, the elderly, and those in rural areas with limited access to healthcare.

Affordable and decent housing (Affordable housing)

Construction, maintenance, and renovation of affordable housing

Expenditure to develop planned housing areas

Upgrading informal settlements through the construction or rehabilitation of sanitation facilities

Expenditure for transmission and distribution infrastructure to connect electricity to the national grid

Expenditure aimed at solid waste management

Analytical considerations

- Togo faces significant hurdles in providing equitable access to affordable housing, especially for its low- and middle-income populations. The national poverty rate stands at 45.5%, highlighting the need for initiatives targeting vulnerable groups, particularly those living in informal settlements or unsafe conditions. To address these issues, the government is focusing on the development of affordable housing projects to improve living conditions. We consider this project category aligned with the Principles.
- Key initiatives include the construction of 20,000 affordable housing units in Kpomé on a 1,177-hectare site, as well as urban development in various communes. These projects are designed to benefit low- and middle-income populations, particularly those earning less than twice the minimum wage, which currently stands at 105,000 FCFA per month. Additionally, infrastructure improvements such as road rehabilitation and enhanced urban services in key cities like Sotouboua and Vogang aim to create a more sustainable urban environment.
- The target population for these housing initiatives includes individuals without stable housing, those living in informal settlements, and low- to middle-income earners. This group is defined as employees in the public, semipublic, and private sectors whose income does not exceed twice the minimum wage.
- While these housing projects provide essential social benefits, they also pose environmental risks, such as habitat disruption and embodied emissions from construction materials. To address these issues, Togo requires ESAs for all projects.

Sustainable access to and management of water and wastewater (Sustainable water and wastewater management)

Feasibility studies, construction, operation, and maintenance of infrastructure to increase water production, transportation, treatment, and storage capacity

Expenditure aimed at connecting to potable water supplies

Studies, construction, operation, and maintenance of infrastructure for wastewater transportation and treatment (wastewater treatment plants, sewer networks, and pumping stations)

Construction of hydraulic infrastructure for agricultural land not used for livestock (irrigation, water supply, drainage, wastewater disposal)

Analytical considerations

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- Togo's affordable basic infrastructure projects are designed to improve access to water and sanitation services, particularly in underserved areas. These projects include expanding the water distribution network, supplying clean water to 13 secondary towns, and constructing sanitation facilities in various districts of Lomé. Currently, about 69% of Togo's population has access to potable water, with rural areas needing further improvements. Overall, we consider this project category aligned with the Principles.
- Many rural and semiurban communities still face issues in accessing clean water. These infrastructure projects aim to address these gaps by ensuring more people have reliable access to safe drinking water. Additionally, we expect the construction of three fecal sludge treatment plants in Grand Lomé to improve sanitation in areas where waste management has been limited.
- Environmental considerations are being taken into account, with environmental and social impact assessments ensuring that projects comply with national standards. By improving access to clean water and sanitation, these projects aim to enhance living conditions for vulnerable populations, reduce health risks, and support sustainable development.

Clean transportation

Investment and expenditure in public transportation or energy-efficient, low-emission transport systems

Investment and expenditure in sustainable mobility solutions and auxiliary infrastructure for low-carbon transport (bike lanes, pedestrian pathways, etc.)

Construction, maintenance, and rehabilitation of road infrastructure for isolated areas or areas near essential services (such as health care facilities and schools)


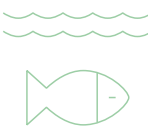




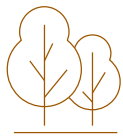
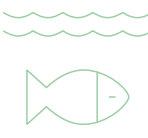


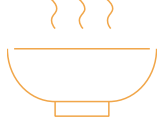

Analytical considerations

- Approximately 57% of the population lives in rural regions where access to essential services is often limited by inadequate infrastructure. The government's investment in the construction of rural roads and bridges are targeted at connecting these isolated communities, ensuring they have better access to markets, health care, and education. Overall, we consider this project category aligned with the Principles.
- In urban areas, efforts are directed toward enhancing public transportation systems. The acquisition of additional buses for SOTRAL, Togo's public transport company, seeks to increase the capacity and efficiency of urban transport. This is particularly important for low-income residents who rely on affordable and dependable transportation for their commutes. By improving public transport, the government seeks to reduce traffic congestion and emissions, supporting environmental sustainability goals.
- These initiatives are aligned with Togo's broader objective to promote sustainable transportation, reduce regional inequalities, and enhance the quality of life for both rural and urban populations. The focus on improving infrastructure and transport options directly benefits underserved and vulnerable groups, helping bridge the gap between urban and rural areas.
- While these infrastructure projects offer significant social and economic benefits, they also pose potential environmental risks, such as habitat disruption, increased pollution, and changes in land use. To mitigate these risks, Togo requires ESIA's for major construction projects, ensuring that environmental considerations are integrated into the planning and execution phases.

Mapping To The U.N.'s Sustainable Development Goals

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not impact our alignment opinion.

This framework intends to contribute to the following SDGs:

[Use of proceeds/KPI]	SDGs				
Preservation of terrestrial and aquatic biodiversity					
	15. Life on land*	14. Life below water*	13. Climate action		
Climate change adaptation					
	13. Climate action*	12. Responsible consumption and production	11. Sustainable cities and communities		
Development of sustainable agriculture, forestry, and fisheries					
	15. Life on land*	14. Life below water*	12. Responsible consumption and production*	8. Decent work and economic growth	2. Zero hunger*
					
	1. No poverty				

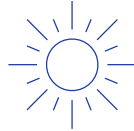
Pollution prevention and control



13. Climate action

12. Responsible consumption and production*

Ensuring access to reliable, affordable, and decarbonized energy



13. Climate action

7. Affordable and clean energy*

Food sovereignty and security



2. Zero hunger*

Educational services



5. Gender equality

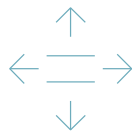


4. Quality education*



2. Zero hunger*

Support for employment, financial inclusion, and economic empowerment



10. Reduced inequalities*

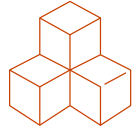


8. Decent work and economic growth*

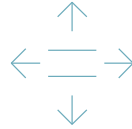


5. Gender equality*

Connectivity and digital inclusion



9. Industry, innovation and infrastructure*



10. Reduced inequalities*

Social safety nets and poverty reduction



11. Sustainable cities and communities*

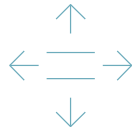


2. Zero hunger*



1. No poverty*

Health for all



10. Reduced inequalities*



5. Gender equality



3. Good health and well-being*

Social Housing



11. Sustainable cities and communities*

Access to and sustainable management of water and wastewater



11. Sustainable cities and communities*



6. Clean water and sanitation*

Clean transport and connectivity



11. Sustainable cities and communities*

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- [Analytical Approach: Second Party Opinions: Use of Proceeds](#), July 27, 2023
- [FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions](#), July 27, 2023
- [Analytical Approach: Shades of Green Assessments](#), July 27, 2023

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