TOGO COUNTRY ECONOMIC MEMORANDUM 2022

TOWARD SUSTAINABLE AND INCLUSIVE GROWTH

WORLD BANK GROUP

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Acknowledgments

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Acronyms

AfCTA	African Continental Free Trade Agreement
ANSAT	Agence Nationale de la Sécurité Alimentaire du Togo (National Agency for Food Security of Togo)
AGOA	African Growth and Opportunity Act
ASTI	Agricultural Science and Technology Indicators
CAADP	Comprehensive Africa Agriculture Development Program
CAGR	Compound annual growth rates
CET	Common External Tariff
CFA Francs	CFA Francs
CIESIN	Center for International Earth Science Information Network
CCFCC	Coffee-Cocoa Sector Coordination Committee
COFOG	Committee on Functions of Government
CEM	Country Economic Memorandum
CORAF	WECARD in English, West and Central African Council for Agricultural Research and Development
CPI	Consumer Price Index
CPSD	Country Private Sector Diagnostic
DITS	Diagnostic Trade Integration Study
DUP	Detailed Urban Plan
ECOWAS	Economic Community of West African States
EFTNE	Enquête sur les flux transfrontaliers non enregistrés (Survey of unregistered cross-border flows)
EDF	Electricité de France (France Electricity Company)
EHCVM	Enquête Harmonisée des Conditions de Vie des Ménages (Harmonized Survey of Living Conditions of Households)
ES	Enterprise Survey
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FRG	Feuille de Route Gouvernementale Togo 2025 (Togo Government Roadmap, 2025)

FMNR	Farmer-managed natural regeneration
FOREX	Foreign Exchange Market
FACT	Fund to Support Local Governments (Fond d'appui aux collectivités territoriales)
FTE	Full-Time Equivalent
FVA	Foreign Value Added
FY	Fiscal Year
GDP	Gross Domestic Product
GCEC	Global Commission on the Economy and Climate
GEF	Global Environment Facility
GNI	Gross National Income
GVC	Global Value Chains
HCI	Human Capital Index
ICT	Information and Communication Technology
ID	Identification
IFPRI	International Food Policy Research Institute
IMF	Impôt Minimum Forfaitaire (Minimum Forfaitary Tax)
INSEED	Institut National de la Statistique et des Etudes Economiques et Démographiques (National Institute of Statistics and Economic and Demographic Studies)
ITRA	Institut Togolais de Recherche Agronomique (Institute of Agronomic Research)
IWI	International Wealth Index
IPCC	United Nations International Panel on Climate Change
kg	Kilograms
LPI	Logistics Performance Index
MAg	Ministère de l'Agriculture (Ministry of Agriculture)
MDB	Ministère du Développement à la Base (Ministry of Development at the Base)
MERF	Ministère de l'Environement et des Ressources Forestières (Ministry of Environment and Forest Resources)
MER	Ministère de l'Equipement Rurale (Ministry of Rural Equipment)
MFN	Most Favored Nation
MW	Megawatt

PNIASA	National Agricultural Investment and Food Security Programme
OECD	Organization for Economic Co-operation and Development
OSBP	One Stop Border Posts
PNUD	Programme des Nations Unies pour le Développement (UNDP, United Nations Development Programme)
PTAs	Preferential Trade Agreements
PER	Public Expenditure Review
NEPAD	New Partnership for Africa (-currently the Africa Union Development Agency, AUDA)
PNIASAN	Programme National d'Investissement Agricole et de Sécurité Alimentaire et Nutritionnelle (National Agricultural Investment and Food and Nutritional Security Program)
ODA	Official Development Assistance
PA-PSTAT	Politique Agricole Assortie du Plan Stratégique pour la Transformation de l'Agriculture (Agricultural Policy with the Strategic Plan for the Transformation of Agriculture)
PDC	Projet de développement Communautaire (Community Development Project)
PND	Plan National de Développement (National Development Plan)
PPPs	Public-Private Partnerships
RCN	Raw Cashew Nuts
REDD+	Projet de soutien à la préparation à la Réduction des Emissions Dues à la Déforestation et à la Dégradation des forêts (Project to Support Readiness to Reduce Emissions from Deforestation and Forest Degradation)
RGE	Recensement Général des Entreprises (General Census of Enterprises)
RISE	Resilience-Inclusion-Sustainability-Efficiency
RGPH	Recensement général de la population et de l'habitat (General Census of Population and Housing)
RT	République Togolaise (Togolese Republic)
SCAPE	Stratégie de Croissance Accélérée et de Promotion de l'Emploi (Accelerated Growth and Employment Promotion Strategy)
SEDAC	Socioeconomic Data and Applications Center
SITC	Standard International Trade Classification
SME	Small and Medium Enterprise
SMS	Short Message Service
SSCBT	Small Scale Border Trade

ST-to MT	Short Term to Medium Term
SSA	Sub-Saharan Africa
TFP	Total Factor Productivity
UAE	United Arab Emirates
UEMOA	Union Economique et Monétaire Ouest Africaine (WAEMU, West African Economic and Monetary Union)
UNCTAD	United Nations Conference on Trade and Development
UN COMTRADE	International Trade Statistics Database
UN DESA	United Nations Department of Economic and Social Affairs
UN WPP	United Nations World Population Prospects
US	United States
USDA/ERS	U.S. Department of Agriculture/ Economic Research Service
VAT	Value-Added Tax
WAAPP	West Africa Agriculture Productivity Program
WAEMU	West African Economic and Monetary Union
WB	World Bank
WBG	World Bank Group
WDI	World Development Indicators
WDR	World Development Report
WITS	World Integrated Trade Solution
WTO	World Trade Organization
WWII	World War II
ZAAP	Zones d'Aménagement Agricole Planifiées (Planned Agricultural Development Areas)

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Box 1: Description of the CEM 2.0 analytical framework

The proposed CEM performs a comprehensive diagnosis of growth in Togo. As a first step, the team produces a first analysis of Togo's growth challenges at the macro and micro levels. The rapid analysis is a tool to engage with government and other stakeholders in an informed discussion on structural impediments to growth. In the spirit of "CEM 2.0", consultations took place early in the process to build consensus around the structural areas for which more in-depth assessments will be conducted. The team will produce a set of outputs that will be discussed with relevant stakeholders during the course of the activity. This will ensure policy relevance and increase impact.

The second step consists in providing an in-depth analysis of three key areas for sustained and inclusive economic growth. The CEM in Togo focuses on agriculture, urbanization and trade. The choice of these topics reflects the main findings of the Togo country scan, but is also the result of consultations with the Togolese authorities led by the Permanent secretary in Charge of Reforms and the Government's Financial Programs (the meeting was held in October 6, 2020). The thematic chapters are aligned with the priorities outlined in the government's roadmap 2020-2025 and the World Bank's Country Partnership Framework (FY17-FY20). They are also in line with the CPF adjustments proposed in the 2019 Performance and Lessons Learned Review (report number 139734-TG). As part of this study, close collaboration was established with the Togo CPSD team and the Togo Job Diagnostic team to ensure synergies and complementarity in the analysis.

Overview

Introduction

1. Togo, a West African country of roughly 8 million people, benefits from a strategic location, a natural deep-water port, fertile lands, and mineral resources. It has an advantageous geographical location at the heart of the West Africa region, between Ghana to its west and Benin to its east. The Port of Lomé is the deepest port in the region, which can also supply the landlocked countries of Mali, Burkina Faso, and Niger. Togo possesses a great diversity of landscapes. Its natural capital includes valuable phosphate and limestone deposits, critical to produce fertilizers and cement, and fertile agricultural land covering 11 percent of the country. Despite this untapped potential, poverty and inequality remain high compared to leading economies of the WAEMU region. In addition, Togo remains one of the least developed countries, ranking 167th out of 189 countries in the 2020 Human Development Index.

2. This Country Economic Memorandum (CEM) presents an in-depth analysis of Togo's growth performance over the two past decades, identifying key reforms to accelerate growth. It examines what worked and what did not work in the past and what Togo could do to help accelerate growth and make it more inclusive. It identifies three key constraints to sustained and inclusive growth: low agricultural productivity, the untapped economic potential of Togo's cities, and low levels of trade competitiveness and participation in global value chains (GVCs). It analyzes the main challenges and opportunities in each of these areas and provides options for policy reform. Moreover, throughout this CEM, Togo is systematically benchmarked against relevant peers to gain insights into areas where reforms could promote sustained and inclusive growth. The choice of the period covered in this report mainly reflects data availability.

Understanding Togo's growth performance

3. Togo's growth performance over the past decade has been robust, but more needs to be done to keep the growth momentum and make it more inclusive. Following a period of low and volatile growth due to political instability and a commodity cycle (2001-2007), growth accelerated to 5.3 percent on average between 2008 and 2016, reflecting the easing of political tensions, higher public investment, and improvement in the business climate. However, the growth performance did not translate into significant improvement in living standards as two fifths of the population still live below the poverty line in 2018-19. Also, inequality remains high reflecting limited access to basic services, with disparity across regions. Specifically, 40 percent of the population does not have access to potable water and only 50 percent has access to electricity (21 percent in rural area). However, 5,000 new boreholes were constructed and 3,200 others were rehabilitated between 2005 and 2019.

4. Growth analysis shows that capital accumulation accounted for two-third of GDP per capita growth while the contribution of labor and Total Factor Productivity (TFP) was modest. Capital accumulation grew by 6.2 percent per year between 2001 and 2019, mainly driven by significant increase in public investment between 2008 and 2016. The contribution of labor productivity remained flat over time while TFP declined steadily since 2008**.** Also, over 2008-2019, the average level of labor productivity represented 85 percent of the WAEMU average and only 30 percent of the aspirational peer average (Morocco, Rwanda and Ghana).

5. Public sector-led growth model is unsustainable considering its negative implications for fiscal and debt sustainability. The strong contribution of capital accumulation to growth reflects high public investment (mainly in infrastructure) which almost doubled between 2010 and 2016 while domestic revenue mobilization was modest. Consequently, fiscal deficit widened and debt increased. Keeping the growth momentum while ensuring fiscal sustainability will require a shift in the growth model.

6. Improving labor productivity is a potential source of growth. The low level of labor productivity mainly reflects weaker productivity growth in the agriculture sector. The average labor productivity in the agriculture grew at slow pace of 0.5 percent per annum between 2001 and 2019 and it is slowing down compared to the decade before (0.7 percent per annum). In addition, agriculture TFP stagnated at the 0.2 percent per annum between 2007 and 2016 while it grew at about 2.4 percent per annum in a peer country like Rwanda.

7. Low labor productivity correlates with low wages and could partly explain migration and the rapid urban expansion observed in recent years. Low labor productivity in the agriculture sector could translate into low wage, limited job opportunities and prompt workers to migrate to urban cities in search of better living conditions. Agricultural waged work fell, and so did agricultural real wages between 2011 and 2018, providing incentive to migrate. However, if well managed, urbanization has the potential to drive overall productivity growth and improve living standards through scale effects, agglomeration effects and specialization.

8. Yet the growth potential of cities remains untapped. The share of people living in urban area grew ten-fold over the last five decades, Grand Lomé being the fast-growing city. However, this was not accompanied by growth in per capita income as in East Asia and some Latin America countries. Togo's manufacturing sector is struggling to take-off with urbanization while Grand Lomé has fallen behind primary cities in peer countries (Accra, Kigali, Cotonou, Conakry) in terms of per capita income.

9. Considering the small size of Togo's domestic market, boosting export growth is key to market the production surplus generated by higher agricultural productivity and better functioning cities. As a small economy, Togo's growth prospects depend on its ability to export goods and services within the region and globally. This requires improved diversification of products and markets to capture additional trade opportunities and connect to global value chains (GVC).

Constraints to sustained and inclusive growth

10. The previous analysis reveals three key challenges to overcome for sustained and inclusive growth in Togo. These include: (i) improving agricultural productivity and accelerate structural transformation, (ii) unleashing the growth potential of cities and (ii) boosting export growth through higher diversification.

Improving agricultural productivity and accelerating structural transformation

11. The agricultural sector, which directly and indirectly provides two-thirds of all jobs in Togo, has survived weak productivity growth by expanding farmland through deforestation. Compared to neighboring countries, Togo has experienced very weak growth in technical and allocative efficiency in agriculture for 30 years. Under continuing growth of rural population in absolute terms and low input use rates, clearing forest and moving on from degraded fields has been the only

way to maintain even basic food consumption levels in most farming areas. This cannot be sustained over time, and the costs of restoring productivity growth to agriculture become higher with each passing year. Without urgent action, the agricultural sector will stagnate further, food imports will grow, and the rural-urban income divide will worsen. Further, vulnerability to weather shocks is increasing. Fortunately, there are possibilities to reverse this trend for agriculture with a high potential for greater economic diversification, agricultural resilience, and social stability.

12. Successful structural transformation in Togo will require agricultural productivity growth as a necessary condition. Farmers are 39 percent of the population, and the rural population is still growing at close to 2 percent per year. Marginal and average labor productivity for most farms remain static; only continuous land clearing keeps returns stable. Average agricultural labor productivity is growing at just 0.6 percent, less than in peer countries. Total factor productivity growth has been practically nil over the last 30 years. Migration to towns lowers overall agricultural output. **Togo's best prospects for developing agriculture and food exports in the longer term are the following**. For global markets, Togo should promote agribusiness activity in high value specialty crops such as fresh and processed fruits and vegetables. For the regional market, it should focus on processed food items, including some using imported raw materials such as milk powder. These products make use of the country's comparative advantage of having a tropical environment, a skilled labor force, and excellent port and air facilities in Lomé linked to a major north-south corridor road, and the country's key position between emerging major food markets such as Ghana and Nigeria catering to an urban middle class.

13. Analysis in the chapter shows that new approaches will be needed for Togo to realize its agricultural growth aspirations and accelerate structural transformation. The *de facto* agricultural strategy has been to concentrate public resources in a few capital-intensive integrated agricultural schemes in partnership with a comparatively small numbers of farmers and agribusiness firms. However, spending on agricultural research, extension, agricultural education, other skills acquisition and diffusion initiatives, facilitation of input distribution, and construction of agricultural infrastructure has shrunk over the years. It is presently a smaller amount than in peer countries as a percentage of agricultural GDP. Examples from neighboring countries and aspirational peers cited in the chapter give elements on which a new approach agriculture could be built. These insights underly the following three sets of sequenced, but time-overlapping recommendations to the Government of Togo.

14. First, build substantial capacity to invest more and better in agricultural growth. The share of the Ministry of Agriculture in total public expenditure averaged 1.5% between 2009 and 2019 (Boost 2019), less than 1/6th the Comprehensive Africa Agricultural Development Program (CAADP) norm, and half as much as other LICs in West Africa. This is also reflected in the low share of spending allocated to research. Togo was a regional leader in spending on agricultural research in the 1980s, at 1.3% of agricultural GDP per annum, a more than 4 times larger proportion than Ghana at the time and 2 times that of Benin; presently Togo is spending 0.2% per annum of agricultural GDP on research, 4 times less than the share in Ghana, and 3 times less than Benin, an almost complete reversal. In addition, the execution of the agricultural investment budget was only 8 percent in the most recent years**.** Also, policies can be improved and higher efficiency achieved by institutionalizing agricultural multi-stakeholder platforms, organized by commodity value chains. Coordinated by Government, they need other relevant Ministries, private sector processors, traders, retailers, civil society, and knowledge institutions

15. Second, *i*nvest more and better in the widespread growth of technical and allocative efficiency of existing and new farms. It is urgent to stop and reverse the ongoing and dangerous degradation of productive landscapes and promote sustainable intensification of food production. This requires rejuvenating and expanding the agriculture innovation system, including increasing the funding and improving the organization of the *Institut Togolais de Recherche Agricole* (ITRA) and associated university and civil society researchers in agriculture, and the dissemination infrastructure. Togo needs its agricultural innovation system to urgently explore options for promoting agro- and community forestry and bringing the experience of other countries to bear. This will also assist with fulfillment of its current Nationally Determined Contribution to the U.N. climate change control process. However, to feed its growing population without further land clearing, sustainable intensification of agriculture is a necessary part of any strategy. Finally, Togo has made significant strides in recent years in the digitalization of agricultural services. These efforts need to be expanded and backstopped by commensurate progress in the quality of agricultural innovations and messages being diffused and ground-truthing in the field.

16. Third, support agribusiness development more effectively. Facilitating a sustained and effective development of agribusiness requires a four-pronged approach which are elaborated in the agriculture chapter. These include (i) Working towards a revenue-neutral but more level playing field in taxation of agribusiness; (ii) Target facilitation of private agribusiness processing and marketing of local high value agriculture of export quality, (iii) Evaluate returns to public and donor funds invested in Public-Private Partnerships more systematically and (iv) Promote West (W)-East € trade, including exploring the feasibility of gradually promoting an inland E/W trade corridor.

Revitalizing the economic power of cities

17. Urbanization has the potential to drive economic growth through agglomeration, specialization, and scale effects. Urbanization lets cities take advantage of specialization and scale, which boost productivity. The access to a cheap supply of labor, thanks to migration, enable factories to specialize and produce at scale. This positively affects overall productivity and living standards. In East Asia and parts of Latin America, urbanization was accompanied by growth in the manufacturing sector and subsequent large rises in GDP per capita.

18. Like many nations in Sub-Saharan Africa (SSA), Togo has seen rapid increase in its urban population but is struggling to reap the benefits of urbanization. While in 1950 under 5 percent of people lived in Togo's urban areas, it is now estimated that around 42 percent of the country's population do. Yet in the same stretch of time, per capita incomes have barely grown. Also, the manufacturing sector is struggling to take-off with urbanization, as observed in other urbanizing regions (East Asia, Latin America).

19. Togo's urban geography is characterized by the primacy of Grand Lomé, which dwarfs all other cities in size. Grand Lomé is projected to have grown its population by over 50 percent since 2010, much more quickly than Togo's secondary cities. Its urban extent has dramatically expanded north, fueled by arrival of migrants from other parts of the country who often live in informal settlements or slums. Lomé's port and the transport logistics sector are major components of the city's economy. Residents of Grand Lomé face significantly higher costs of living than in any other city in Togo.

20. The country's secondary cities are growing more slowly than Grand Lomé and face difficulty in providing economic opportunities and services to residents. Tsévié, Kpalimé, Atakpamé, Sokodé, Kara and Dapaong had populations of under 100,000 each in 2010. Their economies are largely reliant on agriculture and small-scale manufacturing, largely for local consumption. Job opportunities in other, more productive sectors are often scarce, causing many to migrate. Residents often have limited access to vital urban infrastructure and services, including reliable electricity, sanitation and transport. Certain cities are isolated from large markets, both in Togo and across its borders.

21. The northern city of Kara shows potential to become a hub for the agro-industrial sector. Residents of Kara have relatively higher levels of education compared to other cities, including Grand Lomé. Firms in the city are also the most likely of any city to export, while agricultural labor productivity in the wider region is the highest in the country. The Government has recognized the potential for Kara to become a leading hub in agro-processing and agri-business, having established its pilot agro-pole in the city.

22. Some of Togo's cities are typically constrained by insufficient connectivity, overcrowding, poor access to social and digital infrastructure, and high urban costs. As a consequence of urbanizing while relatively poor, Togo urbanization is characterized by poorly connected and fragmented cities, crowdedness, inefficient use of urban land, and, consequently, high costs to both live and do business. These challenges, described below, are often self-perpetuating, in the sense that their persistence acts as a disincentive for private investment that could help tackle these.

23. Poor transport links and barrier to trade. Connectivity between cities could be improved by improving the quality of infrastructure. This is especially important for northern cities which are particularly distant from major markets, including those not too far away in Benin and Ghana. Some of vital road links, including segments of the national highway N°1 and regional roads connecting cities are in a relatively poor state and create barriers to trade. This is compounded by relatively lengthy and expensive border crossing procedures. Improving the operation of One Stop Border Posts (OBSPs) would solve these problems.

24. Limited tradable sector and agro-industrial linkages. Tradable sectors in Togo's cities are small and often limited to small-scale/artisanal production for local consumption. Most firms operate in the informal sector, do not export and are small/micro in size (although Kara is a notable bright spot). Also, low agricultural productivity may be hindering generation of agro-industrial linkages that can drive growth, particularly in secondary cities.

25. Lack of urban planning capacity, overcrowding and inefficient use of lands. The urbanisation of Togo's cities remains a major challenge. Unapproved areas are often occupied by communities that proceed to subdivide these spaces. This phenomenon is developing more on the outskirts of Greater Lomé. Despite recent reforms to establish a fiscal cadaster and streamline propriety transfer processes, the majority of urban residents do not own a formal land title. However, reforms relating to the simplification of land titling procedures have resulted in a sharp increase in applications for land titles. Bold reforms have reduced the costs and delays of property transfers. Also, key urban planning tools could be improved towards the aim of regularizing settlements and connecting them to urban infrastructures.

26. Poor access to vital social and digital infrastructure in cities. Urban residents all too often lack access to basic services including sanitation or adequate, reliable energy supplies. Many still lack access to digital services, particularly in Togo's secondary urban areas. Pollution levels are increasing in most cities, particularly in Grand Lomé. City roads are badly maintained, and public transit options subsidized by the state are severely limited, significantly hindering mobility. The result is not just reduced welfare for citizens, but higher costs for firms.

27. Urban living costs are higher in Grand Lomé, but are associated with better quality. As a result of fragmentation, congestion and high demand, living in Grand Lomé is far more costly than in other secondary cities, though associated to better quality. However, there is no evidence of a wage premium for workers living in Grand Lomé, compared to living elsewhere. High wage demands to compensate for costs make it hard for Grand Lomé to remain competitive and attract businesses.

28. Limited resources/capabilities of local governments. Togo's communes are in theory responsible for providing a range of vital urban services, but they face very limited budgets. In addition, many Communes (particularly those created most recently) lack adequate capabilities/technical staffs to execute their responsibilities effectively. This situation makes it hard for cities to properly tackle the bottlenecks and constraints to growth outlined so far. While Togo has made big strides in improving its institutions and governance, areas like corporate taxation and access to finance remain an issue. These are particularly constraining to the private sector activities that can power urban economic growth.

29. Policy priorities to enhance the growth potential of Togo's cities revolve around connecting, financing and planning.

30. Connecting. The propose reforms aim at connecting industry with more and bigger consumer markets, foster links between agricultural producers and other industries, and integrate isolated neighbourhoods where people are cut off from jobs. Achieving these objectives requires the implementation of the following actions: (i) Carry out needed repairs and regular maintenance of Togo's vital N1 highway; (ii) Upgrade roads connecting border cities (e.g. Kara, Kpalimé) with neighboring countries; (iii) Undertake an assessment of regional connection needs to guide investment in better city and/or urban-rural roads; (iv) Ensure implementation of Togo-Burkina Faso One-Stop Border Post (OBSP); (v) Tackle poor quality and uptake of ICT services within customs administration; (vi) Taking steps to professionalize the trucking sector and (vii) Regulate and better organize city taxi-moto services.

31. Financing. To better finance the basic services that cities require to function and incentivize capital investment that boosts productivity, the following measures should be implemented**:** (i) Clarify and communicate the political roles, responsibilities, and requirements of decentralization to Communes, (ii) Accelerate the process of fiscal decentralization to Communes, (iii) Equip local authorities such as Communes with better administrative and technical capacities, (iv) Reform and update financial institutions known to function poorly in Togo; and (v) Improve access to finance by both firms and individuals.

32. Planning. To plan cities in a way that uses land efficiently, provides access to basic urban infrastructure and safe, affordable housing, and makes it easy to do business**:** (i) Update urban planning

tools like the Detailed Urban Plans and ensure their enforcement, (ii) Disentangle the process of approving land parceling (lotissements) for development from the land tenure considerations, (iii) Improve competences, tools and capacities to enforce urban guidelines, (v) Prioritize the financing of affordable housing for the lowest-income residents, (v) Pilot schemes to upgrade slum settlements into better connected, safer neighborhoods, (vi) Make reforms to land management institutions a national priority, with its corresponding legal and institutional framework, and (vii) Modernize procedures and systems for carrying out basic land-related processes like land regularization.

Boosting export growth through economic diversification

33. As a small economy, Togo's economic prospects depend on its ability to export goods and services within the region and globally to sustain its economic growth. Togo's trade openness has weakened in recent years although trade in goods continues to play an important role in the economy. Togo's exports are geographically concentrated in the top ten destinations, which account for 80 percent of total exports. Compared to 2000, when France and Côte d'Ivoire were the main export destinations, a rebalancing of exports took place in 2018, with China and the Netherlands becoming the main export destinations.

34. To boost exports, Togo needs to achieve some degrees of export diversification through regional trade integration and by moving from traditional trade to GVC trade. No country has achieved economic growth and poverty reduction without integrating into the global economy (World Development Report, 2020). Export diversification remains a challenge for most developing countries. Therefore, policy makers in low-income countries have a strong interest in understanding and achieving economic diversification. This is particularly true for small economies with relatively high dependence on commodities and low income, such as Togo, for which economic growth and poverty reduction are inextricably linked to their degree of connectivity with foreign markets in the region and beyond (WB growth report, 2019).

35. Togo is more diverse in terms of products than in terms of markets, but recent trends have led to a deterioration in both measures in recent years. Although Togo's product diversity remains higher than its structural peers, the number of products exported and markets reached declined slightly between 2015 and 2018. Indeed, aspirational peers Morocco and Ghana show greater diversification in terms of both products and destinations. For example, in 2018, the number of products exported by Togo was 507, compared to 1,820 and 830 for Morocco and Ghana respectively. In terms of destinations, the maximum number of destinations reached in a single year by Togo's exports was 72 in 2016.

36. Nevertheless, Togo has become increasingly dependent on gold exports, while its main non-mineral exports are staple crops, cement, and phosphate. Togo's main staple crops are cashew nuts, cotton, and oilseed crops. In 2018, gold accounted for 23 percent of Togo's exports, while it accounted for less than 1 percent in 2005. What's more, the economy has shown a tendency to become more concentrated on gold exports in recent years, increasing risks and vulnerability to external shocks, including global commodity prices and regional geopolitics.

37. Services exports remain relatively concentrated with transport and construction services accounting for around 90 percent. Both service categories have shown steady growth in their export

values since 2005. Commercial exports increased from US$ 500 million in 2005 to US$1,369 million in 2019. Construction and travel services account for 9 percent and 4 percent of the export market share respectively. However, information and communication technology (ICT) services have almost disappeared, and financial services remain relatively low, without any sign of improvement in recent years.

38. In terms of the destination of services exports, Togo is relatively well diversified. The main destinations for services exports in 2019 are France, China, US and Switzerland. Services exports to France and the USA declined while services exports to China, Switzerland, and the UAE grew rapidly. In 2019, services exports continued to grow, although some important markets such as France and the USA contracted, most likely due to the change in the destination countries of goods exports.

39. In terms of GVC participation, Togo falls into the category of limited commodity exporter, with the lowest GVC participation compared to peers and other WAEMU countries. As such, it could gain from the transition to more sophisticated participation in GVCs. While all forms of participation bring overall productivity and income gains to participating countries, the largest growth spurt typically comes when countries transition from exporting raw materials to exporting basic manufactured goods (e.g., apparel) that use imported inputs (e.g., textiles), as has happened recently in Cambodia and Vietnam. Ultimately, export growth rates cannot be sustained without moving to increasingly sophisticated forms of GVC participation, away from commodities and towards light manufacturing.

40. . Should Togo integrate more into regional and global value chains with exports that require higher domestic value-added, its market diversification would likely increase. Togo should adopt the right policy to move away from its traditional trade composed of unprocessed or lightly processed goods, towards more complex participation in regional and global value chains, which will have the potential to increase domestic value-added. Countries that concentrate on one primary product that dominates the economy draw resources away from other sectors, thus inhibiting diversification. Thus, evidence suggests that poverty-reducing trade driven growth is likely to happen in the agricultural and processed food sector, as well as light manufacturing and services.

41. Togo's role as a regional hub is a relatively important source of revenue for the country. Goods imported into Togo fall into three areas: import, re-export, and transit trade. The latter two, while difficult to distinguish, have the same implications in terms of tax rates. Imported goods for re-export are not immediately transferred to other countries but must be stored in warehouses near ports. Only when the goods have been purchased by a buyer, will they be exported. Therefore, logistics and transport services are an important part of the income and economic growth for Togo and should be considered in the formulation of national trade policy strategies.

42. Transit trade and re-export also have the potential to create domestic value. For example, Togo has a large market for used cars that are re-exported to the sub-region. Looking at the unit values of these cars, there are profits from this trade. Because the cars are not automatically re-exported, the transaction between the seller in Togo and the buyer leads to profits in this trade. The value-added can reach 40 percent.

43. However, recent growth in activity at the Port of Lomé is mainly due to transshipment, while transit and re-export are stagnant. Transshipment accounted for 65 percent of activity in 2019, the result of a reorganization by Mediterranean Shipping Company (MSC) of its Asia services, using Lomé as a hub from which all other West Africa trade is served. However, transshipment creates the least value and the activity is vulnerable to another change in strategy by MSC. On the other hand, the more lucrative transit and re-export trade has stagnated since 2011 and even showed a tendency to deteriorate between 2015 and 2017.

44. The improvement of port activity in transit trade and export must be accompanied by salient trade corridor. The recent developments of the Lomé-Ouagadougou-Niamey corridor can support the development of the Port of Lomé in this lucrative trade. Improving connectivity with the hinterland is likely to improve domestic exports and transit trade, which will support the economic development of secondary towns along the corridor.

45. Small Scale Cross Border Trade (SSCBT) plays an important role in Togo's regional trade integration and the move away from subsistence agriculture, supporting peace and security while reducing poverty. Cross-border trade is also dominated by agricultural and livestock products, making it an essential component of food security in many places. In addition, SSCBT helps promote peace and security by strengthening solidarity among border communities in fragile and conflict-affected states and enabling vulnerable populations to reconnect. But tensions with neighbors leave small traders limited choices when trading conditions are unsuitable. Finally, by some estimates, SSCBT contributes to the income of 43 percent of sub-Saharan African's population (Brenton and Soprano, 2018).

46. There are two types of SSCBT in Togo. The first type of SSCBT is along the corridor Lomé-Ouagadougou-Niamey and is of a different nature, than in border cities and villages as traders tend to travel longer distances and to sell a wide variety of goods, and is mainly composed of men. The second type of SSCBT in border cities and villages provides jobs for many border dwellers, who are mostly women and the rural poor, but this type of trade remains highly vulnerable to geopolitical tensions and instability as well as shocks such as the COVID-19 pandemic.

47. SSCBT provides jobs for many border dwellers, who are mostly women and the rural poor, but this type of trade remains highly vulnerable to geopolitical tensions, instability, and shocks, such as COVID-19. Small-scale cross border traders face unique constraints at border posts due to the nature of their business. Most of their goods are transported by motorcycles, bicycles, pushcarts, and by foot and are not registered in official trade statistics, thereby underestimating regional trade. Border infrastructure is rarely dedicated to the needs of small-scale traders, with existing structures such as border offices and market stalls often dilapidated, while lighting, fencing and bathroom facilities might be missing altogether, rendering the environment unsafe.

48. A strong enabling framework essential to support the trade diversification agenda is required. While the authorities have recently enacted essential broad policy reforms, there is still much that the government can do to enhance inclusive trade-driven growth opportunities. This chapter highlights the following policy priorities.

49. A strong policy framework to support the export diversification strategy. The proposed policy recommendations include *(i)* Streamlining non-tariff measures as part of the export diversification strategy, (ii) : Establish Togo's position at the regional level to support tariff reduction and access to environmental goods and services that are in line with its domestic diversification strategy and sustainable value chains and (iii) Reduce barriers to trade for small scale cross border traders to promote regional integration and enhance stability and improving monitoring of such trade.

50. Investment and policy reforms that reduce trade costs. The proposed policy recommendations include ***(i)*** Adapt regulations that support greater competition in the logistics sector and simplify requirements for industry access and (ii) Establish an operational and fully independent Export and Investment Promotion Agency with clearly defined functions and offering a wide range of services to the private sector.

Main Policy Options for sustained and inclusive growth

	Timeline for implementation
Agricultural productivity improvement and structural transformation	
To build substantial capacity to invest more and better in agriculture growth	
- Institutionalizing agricultural multi-stakeholder platforms, organized by commodity value chains and coordinated by the government	ST-to MT
- Increase and improve public spending on agriculture (especially spending on research) through better use of evidence	ST-to MT
***Invest* more and better in the widespread growth of technical and allocative efficiency**	
- Rejuvenating and expanding the agriculture innovation system.	ST
- Continue and accelerate the digitalization of agricultural services	ST
***Support* agribusiness development more effectively**	
- Working towards a revenue-neutral but more level playing field in taxation of agribusiness	ST-to MT
- Target facilitation of private agribusiness processing and marketing of local high value agriculture of export quality	ST-to MT
- Promote West (W)-East € trade, including exploring the feasibility of gradually promoting an inland E/W trade corridor	ST-to MT
Improving the performance of cities to increase productivity and competitiveness	
Connect	
- Undertake an assessment of regional connection needs to guide investment in better city and/or urban-rural roads	MT
- Tackle poor quality and uptake of ICT services within customs administration	ST-to MT

	Timeline for implementation
- Regulate and better organize city taxi-moto services.	
Financing	
- Clarify and communicate the political roles, responsibilities, and requirements of decentralization to Communes	ST-to MT
- Accelerate the process of fiscal decentralization to Communes	MT
- Equip local authorities such as Communes with better administrative and technical capacities	MT
Planning	
- Update urban planning tools like the Detailed Urban Plans and ensure their enforcement	MT
- Disentangle the process of approving land parceling (lotissements) for development from the land tenure considerations	MT
- Modernize procedures and systems for carrying out basic land-related processes like land regularization	MT
Boosting export growth through economic diversification	
A strong policy framework to support the export diversification strategy	
- Streamlining non-tariff measures as part of the export diversification strategy	MT
- Establish Togo's position at the regional level to support tariff reduction and access to environmental goods and services	MT
- Reduce barriers to trade for small scale cross border traders to promote regional integration and enhance stability and improving monitoring of such trade	ST
Investment and policy reforms that reduce trade costs	
- Adapt regulations that support greater competition in the logistics sector and simplify requirements for industry access	MT
- Establish an operational and fully independent Export and Investment Promotion Agency	MT

Note: ST: Short Term; MT: Medium Term

Chapter 1. Understanding Togo's growth performance

***Summary**: Following a period of high growth volatility mainly due to political instability, Togo has experienced fairly robust economic growth in recent years. However, this growth has not been inclusive and sustainable. Togo's economic growth remained low as compared with WAEMU average and relied heavily on fiscally unsustainable public investments. The relative weak growth and steady increase in the population partly explain slower improvement in living standards. Thus, growth needs to be revived and its benefits broaden. This chapter presents an in-depth analysis of these constraints as well as the critical areas for sustained and inclusive economic growth. Apart from the COVID crisis, the interaction of numerous constraints has prevented high and sustained growth in Togo. These constraints have been identified by the Togo CEM country scan and following consultations with Togolese authorities They include insufficient infrastructure, low labour productivity, rapid urbanisation, relatively low human capital, surplus potential of digital technologies, room for improvement in quality of governance, customs procedures needing simplification, modest logistics services, and improved economic complexity and improving but insufficient business climate. It then argues that, to promote sustained and inclusive economic growth in Togo, primary importance should be given to strengthening agricultural productivity and structural transformation, but also to improving urban performance and trade competitiveness. The chapter concludes by highlighting the challenges to be addressed in the post-COVID-19 period.*

Introduction

1. Following a period of high volatility, mainly due to political tensions, Togo has enjoyed a steady rate of economic growth since 2008. Between 2001 and 2008, Togo's economic growth was somewhat volatile and averaged 1 percent, reflecting political tensions and a commodity prices cycle. Since 2008, growth was significantly higher, averaging 5.3 percent, reflecting an easing of political tensions, significant public investment, and improvement in doing Business between 2017 and 2019.

2. Despite this improvement, the growth performance of Togo is below that of WAEMU peers and led to slower than expected improvement in the well-being of the population. Growth was not as inclusive as expected. In addition, the Togo's growth momentum was slowed by the COVID-19 crisis. The narrowing of the fiscal space due to the contraction of activity and mitigation measures implemented to cushion the impact on households and firm could limit the Government's ability to finance the recovery.

3. This chapter examines the constraints and opportunities for sustained and inclusive growth in Togo. The chapter is organised as follows: Section 1.1 provides a brief overview of the political and social context. Section 1.2 places recent growth in a historical and comparative perspective and describes the drivers as well as the constraints that may hamper growth. Section 1.3 presents the three critical areas that Togo could focus on in order to promote sustainable and inclusive economic growth. Finally, Section 1.4 highlights the challenges to be addressed in the post-COVID-19 period.

1.1. Country Political and Social Context

4. Togo is a West African country between by Ghana to the west, Benin to the east, Burkina Faso to the north, and the Atlantic Ocean to the south and enjoying multiple natural advantages. In 2020, the population of Togo was estimated at around 7.8 million and made up of roughly 40 different ethnic groups. The Ewe, who are in the majority, represent 32% of the population and occupy mainly the south of the country. The Kotokoli or Tem and Tchamba are found in the centre and the Kabye people in the north. They represent about 22% of the population. Togo presents a great diversity of landscapes: a sandy coast bordered by coconut palms in the south, hills, green valleys and small mountains in the centre of the country, arid plains and large savannahs planted with baobabs in the north. It has valuable phosphate deposits, fertile land that occupies 11.3% of the territory and a well-developed export sector based on agricultural products such as coffee, cotton, cocoa beans. Togo also has adequate rainfall and land and a deep-water port.

Figure 1.1: Political instability and economic uncertainty, 2001-2020

Figure 1.1.a. Political instability was historically higher but receded in recent years

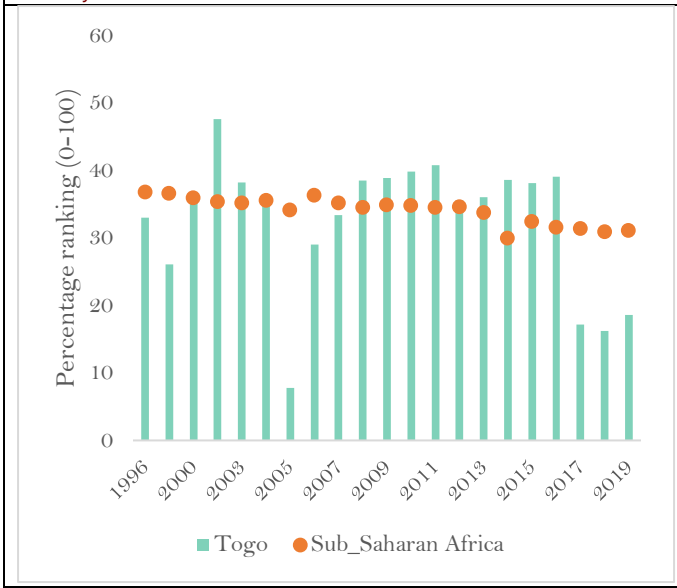
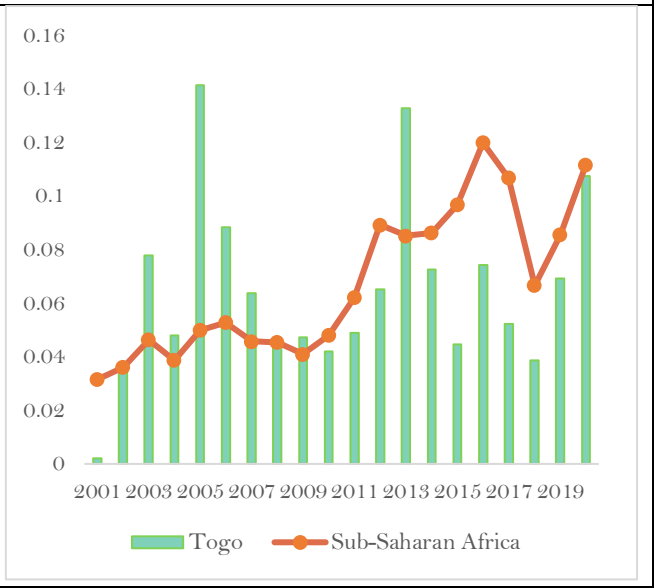


Figure 1.1.b. uncertainty was lower than SSA average in the last five years, but uncertainty grew again as COVID hit



***Source**: World Governance Indicator, World Bank, 2020 and World Uncertainty Index, Ahir, Bloom and Furceri, 2018*

5. Togo's economic performance remains below potential and partly reflects repeated political crises which translated into high uncertainty (Figure 1.1). Togo's political history was marked by periods of political instability and economic uncertainty. From 1991 to 2006, Togo entered in a period of political tensions fuelled by a demand for higher democratization and concerns over human right violations. From 2008, Togo witnessed a steady economic growth despite lingering political tensions. Although presidential and legislative elections have gone smoothly, Togo remains somewhat fragile and vulnerable to political and economic shocks. However, the country has made notable progress and reforms in recent years in improving the business climate, fighting corruption, and protecting human rights.

Figure 1.2: Togo's performance in rising living standards of the population

Figure 1.2.a. Official poverty rate (national poverty line)

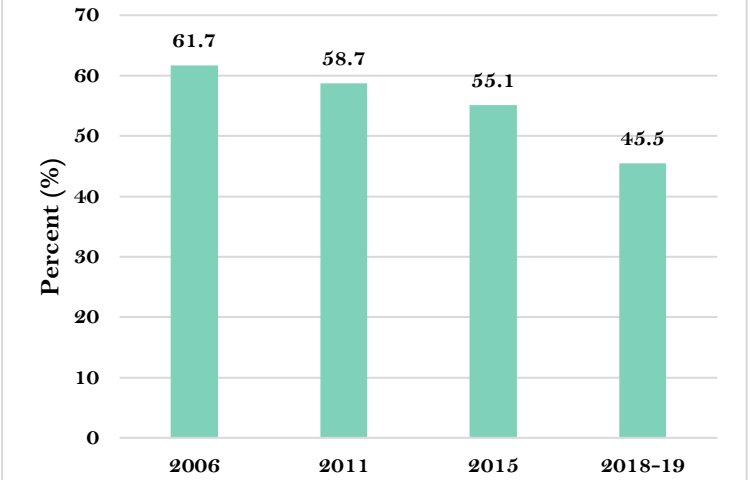


Figure 1.2.b. Poverty ($ 3.2 in 2011 PPP) and inequality: Togo versus peers, 2018-19

Figure 1.2.c: Human Development Index, 2001-2019

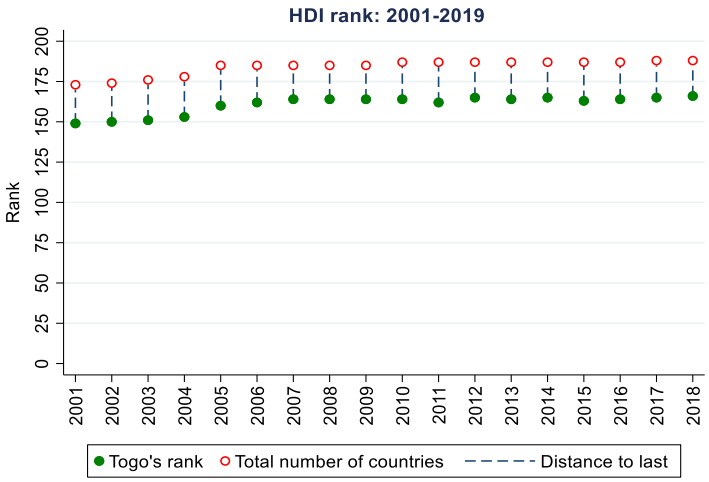
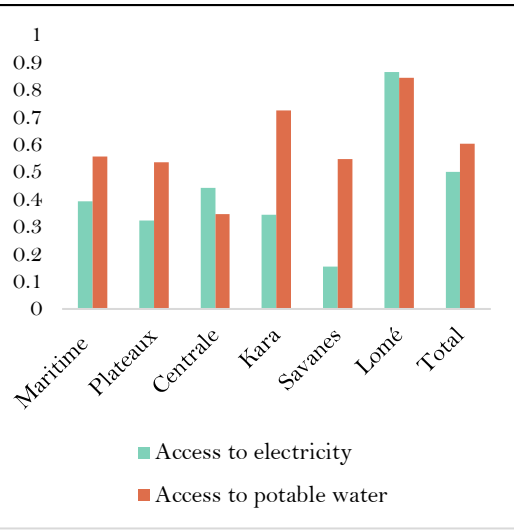


Figure 1.2.d: Access to basic services across regions, 2018-19



***Source**: EHCVM, 2018-19 and Human Development Report, 2019*

6. **Togo's performance in raising living standards fell short of the potential and was put on hold with the COVID-19 pandemic (Figure 1.2)**. Although poverty has declined in recent years, more than two fifths of the population still live below the poverty line. Poverty rate (using the national poverty line) decreased from 58.7 percent in 2011 to 55.1 percent in 2015 and recent estimates suggest that poverty continued to fall to reach 45.5 percent in 2018-19[1]. Also, inequality, as measured by the Gini index decreased by 0.013 percentage points between 2011 and 2015 and its contribution to poverty reduction is modest compared to growth (-1.4 versus -2.2). Because of the COVID-19 pandemic, the extreme poverty rate is estimated to have increased to 46.6 percent in 2020 from 45.7 percent in 2019. Poverty worsened mainly in urban areas from job losses and an increase in the prices of basic consumption goods. The poverty rate also remains high compared to leading economies of

the WAEMU region, while inequality is the second highest of the region, after Burkina Faso (Figure 1.2b). In addition, Togo remains one of the least developed countries in the world, ranking 167th out of 189 countries in the world in the 2020 Human Development Index. However, Togo has taken several initiatives to address the difficulties associated with the crisis. Thanks to digital technology, the country has set up a cash transfer programme for all populations in crisis situations. This programme, called NOVISSI, has reached nearly two million people.

7. Poverty and inequality mirrors limited access to basic services with strong disparity across regions. Almost 40 percent of the population do not have access to potable water, and only 20 percent of households have a washing place where soap and water are present[2]. A low proportion of the population has access to adequate sanitation facilities: 34 percent of households have a healthy toilet (63 percent in urban areas versus less than 10 percent in rural areas) and only 30 percent dispose of waste in a healthy manner (EHCVM, 2018-19). The difficulty of getting a private water connection generates health and environmental consequences. Access to electricity is improving although the disparity between urban and rural areas is large. In 2019, 50 percent of the population had access to electricity but only 21 percent of people living in rural area had access (EHCVM, 2018-19).

8. Togo made a stride in terms of human capital development and gender parity, but there is still a room for improvement. The adoption of the policy of universal access to primary education led to a significant increase in school enrolment, which reached 126.4 percent in 2019. Similar improvements were observed in secondary and higher education. However, the quality of education remains modest, reflecting poor study conditions and limited availability of education inputs. The Human Capital Index (HCI) increased from 41 percent in 2018 to 43 percent in 2020. Advances in human capital for girls were a main contributor to this increase. Total expected years of schooling increased from 9.1 years to 9.7 years, with girls expected years of schooling increasing from 8.6 to 9.4 years. However, this remains lower than boys, with 10.1 years in 2020. With health measures (Survival to Age 5, Adult Survival Rate, and Not Stunted Rate), girls score higher than boys.

9. Throughout this report, Togo will be systematically compared to its peers to better understand where reforms could help promote sustained and inclusive growth. The CEM uses a set of regional, structural and aspirational peers. Regional peers include the SSA average and WAEMU member countries, from which Togo often draws policy inspiration. A data-driven approach was used to identify structural and aspirational peers and a judgment was applied drawing on consultations with the Government. Structural peers are defined as countries that have similar structural characteristics to Togo: Benin, Guinea, and Sierra Leone. Aspirational peers are countries that have set a good development precedent and that Togo could aspire to emulate Ghana, Morocco and Rwanda. These countries have been able to grow much faster than Togo, despite similar initial structural conditions. The analyses in this CEM report willr focus on the period 2001-2019 for two main reasons: (i) growth data are not very reliable before 2001. For instance, there are some discrepancies between what is reported in the World Economic Outlook, authorities and the World Development Indicators; (ii) twenty years is a minimum time span to carried out a structural break analysis while covering most relevant growth episodes.

1.2 Understanding Togo's economic growth history

1.2.1. Togo's economic growth path

10. COVID-19 slowed Togo's strong growth momentum and exacerbated structural constraints that hinder economic growth and economic transformation. Prior to the COVID-19 crisis, Togo's economic growth was relatively robust supported by stable macroeconomic conditions and significant improvements in the business climate. The structure of the economy has barely changed in the last two decades. It remains dominated by the tertiary sector which accounts for 49.5% and 49.1% of GDP in 2019 and 2020 respectively. Trade and logistics are the key components while significant phosphate reserves (including carbonated phosphates) constitute a reliable manufacturing base. Agriculture sector represents the second large share of GDP (about 20.4 percent of GDP in 2019 and 40 percent of the labor force), but its potential remains relatively untapped. The country has yet to take full advantage of its potential, as GDP growth is lower than WAEMU peers. While critical Doing Business reforms have been achieved, efforts to shift the development model towards private sector led growth are constrained by insufficient infrastructure, notably in energy and telecommunications and governance deficiencies. Insufficeint customs procedures and logistics weaknesses also prevent Togo from fully harnessing its potential as a transport and logistics platform. Finally, the potential of digital technology remains insufficently tapped and prevents innovation in key economic sectors.

Figure 1.3: Togo's growth dynamic, 2001-2019

Figure 1.3.a: Average GDP growth in Togo and peers, 2001-2019

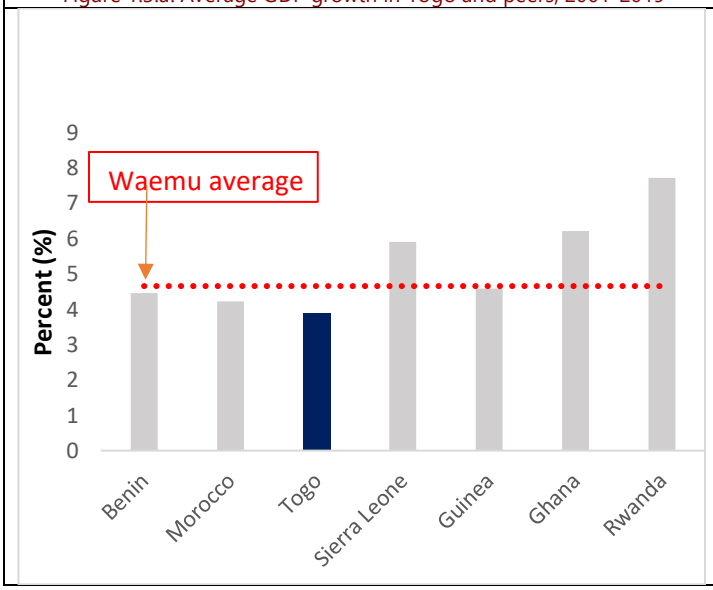


Figure 1.3.b: Trend in GDP growth, 2001-2019

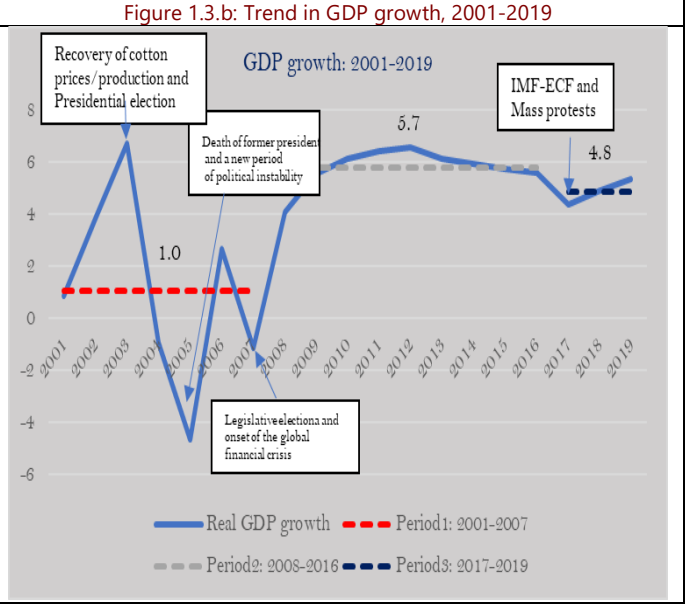


Figure 1.3.c: GDP per capita: Togo versus peers

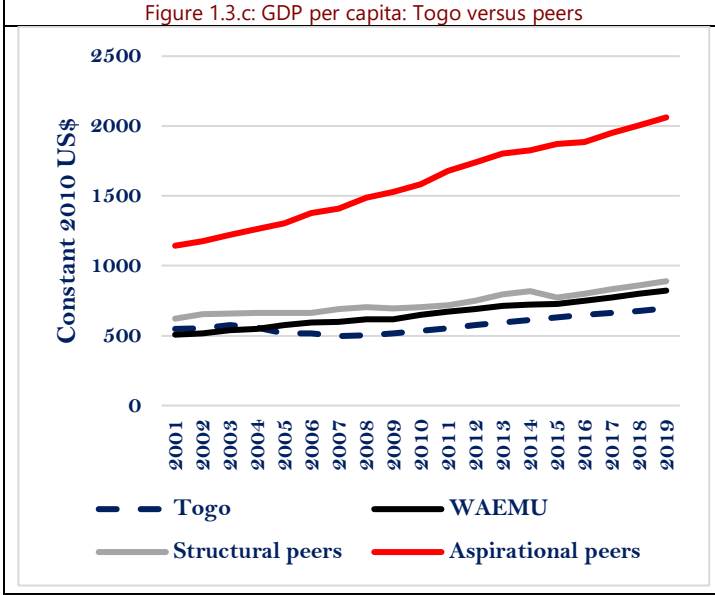
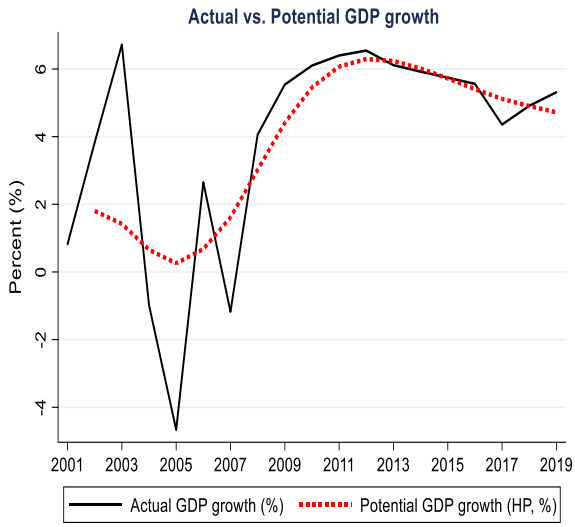


Figure 1.3.d: Since 2008, actual GDP growth caught up with potential



***Source**: World Development Indicator, the World Bank, 2020*

11. Between 2001 and 2019, growth was moderate and somewhat volatile during the period 2001-2007 (Figure 1.3.a and 1.3.b). GDP growth averaged 4% during between 2001 and 2009, which is below the WAEMU average of 4.6%, driven mainly by poor performance between 2001 and 2008 on the one hand and a slowdown of the activity in 2017 on the other. As a result, and given a steady increase in the population, GDP per capita grew at a slower rate than expected. Togo's GDP per capita remained below that of the WAEMU and structural peers and the gap with the aspirational peers widened. The growth path also showed cyclical fluctuations, largely reflecting peaks due to the sharp increase in phosphate and cotton production and prices, and troughs related to political instability.

12. Structural breaks analysis suggests that Togo's growth history can be divided into three periods (Figure 1.3.b): The period 2001-2007 was characterised by a period of political instability with disputes related to contested elections and political rotation. During the first period, output grew by an average of 1 percent, below WAEMU and other peer's average. Growth accelerated to 5.7 percent between 2008 and 2016, driven by a more stable political environment, a sharp increase in investments and a strong expansion of the phosphate and cotton sectors. Finally, 2017-2019 was marked by a major change in fiscal policy aimed at keeping deficits low and gradually reducing debt. Real GDP growth expanded by 4.8 percent on average.

1.2.2. Drivers of economic growth

13. On the demand side, growth has been supported by a scaling up of public investment and higher private consumption (Figure 1.4.b). Public investment increased significantly from 2.1% of GDP in 2001 to 5.6% in 2019, with a peak of 14% in 2016. On the other hand, there has been a negative contribution from net exports in all sub-periods, particularly in the second sub-period, despite the strong expansion of the phosphate and cotton sectors. Indeed, the Togolese economy has shown modest export performance in recent years, notably due to potential problems of low trade

competitiveness. As a result of the COVID-19 pandemic, private consumption feel from a decline in household incomes and business activity as social-distancing measures were implemented. In contrast, public investment increased to mitigate the fallout from the pandemic and promote the recovery.

14. On the supply side, agriculture, manufacturing, and transport and telecommunications supported economic growth (Figure 1.4.a). These three sectors contributed to more than half of the average annual growth rate of 4.8% for the period 2001-2019. While the expansion of transport services reflects significant government spending on road, port and airport infrastructure, growth in the manufacturing sector was partly driven by improvements in electricity supply, including the construction of a 100 MW power plant in 2010. The service sector was significantly affected by the COVID-19 pandemic as travel restrictions negatively impacted tourism.

Figure 1.4: Drivers of economic growth, 2001-2019

Figure 1.4.a: Growth decomposition: supply-side

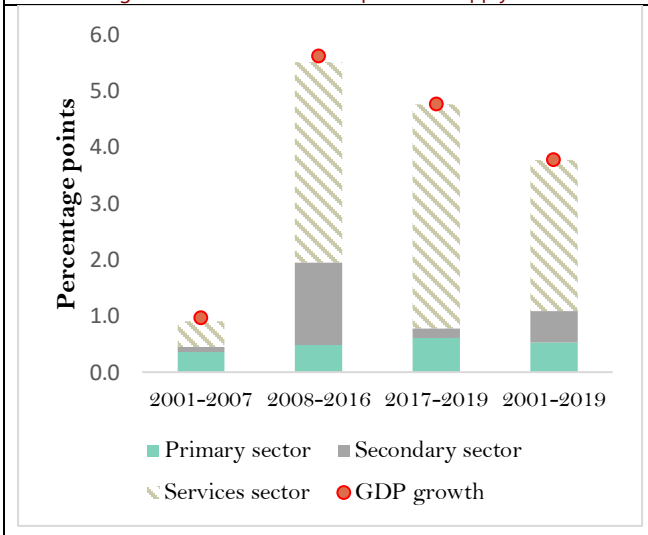


Figure 1.4.b. Growth decomposition: demand side

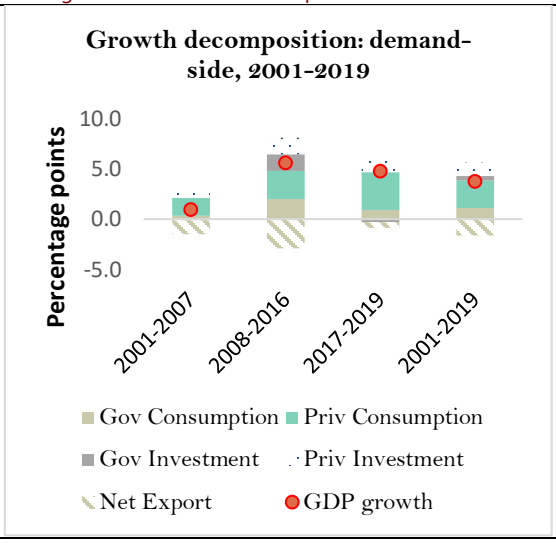


Figure 1.4.c. Solow growth decomposition: 2001-2019

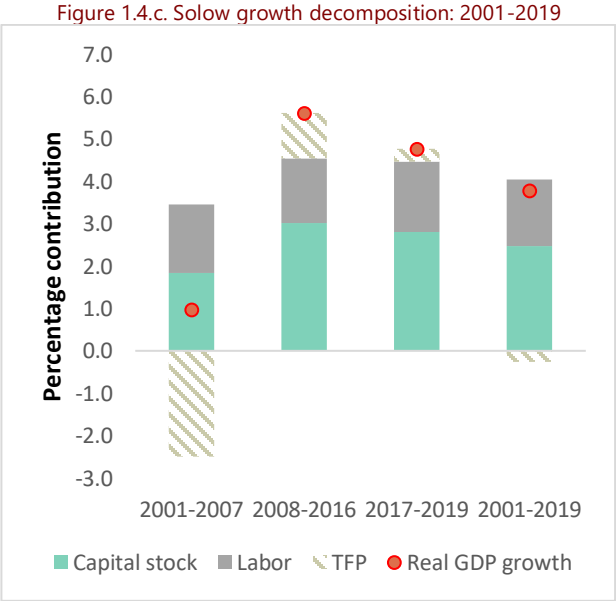
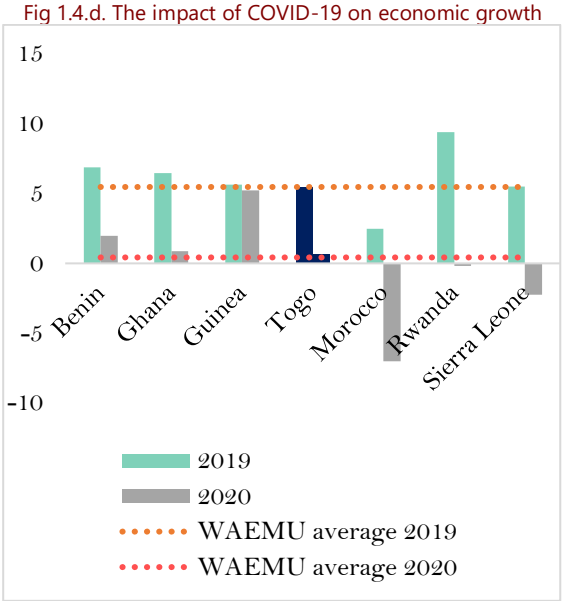


Fig 1.4.d. The impact of COVID-19 on economic growth



***Source**: Togolese authorities and World Economic Outlook, April 2020*

15. Growth accounting reveals that capital and labour accumulation have been the main drivers of past growth (Figure 1.4.c). Capital accumulation grew by 6.2% per year between 2001 and 2019 and accounted for two-thirds of GDP per capita growth. Capital accumulation was fastest during the second period of high investment, catching up with peer countries, while the contribution of labour remained relatively stable over time. Total factor productivity (TFP) growth was roughly flat over the period 2001-2019, but this masks strong variations between the three sub-periods: with negative TFP growth during the first period of political instability, more robust TFP growth during the second period of higher investment, and weak TFP growth during the period of debt reduction and lower investment.

16. Per capita growth over the past two decades has been driven by labour productivity and reflected slow structural transformation. Structural change was very slow, mainly reflecting intra-sectoral reallocation. The share of workers employed in agriculture decreased steadily from 47.8 percent in 2001 to less than 40 percent in 2019 while the share of workers in the service sector rose similarly. Employment in the industrial sector stagnated despite higher productivity (Figure 1.5.a). Furthermore, per capita growth mainly reflected labour productivity although its contribution is lower compared to peers (Figure 1.5.c).

17. COVID-19 affected the economic activity (Figure 1.4.d). Economic activity decelerated in 2020 as a result of the government's response to COVID-19**.** GDP growth declined to 1.8 percent in 2020 reflecting a decline in private consumption and private investment. Private consumption declined from 73.4 percent of GDP in 2019 to 71.8 percent in 2020. Likewise, private investment decreased by 0.7 percent of GDP over the same period. Also, travel restrictions severely affected tourism while the agriculture sector remains resilient as agriculture inputs were subsidized. The COVID-19 impact on growth was stronger compared to Benin and Guinea and weaker than other peer countries (Ghana, Morocco, Rwanda and Sierra Leone).

1.2.3. Constraints to economic growth

18. Despite significant improvement in recent years, some infrastructure deficiencies remain, especially in the sectors of electricity and telecommunication. While a significant increase in public investment between 2008 and 2016 helped upgrade transport infrastructure, more investment is needed in the energy and telecommunications sectors. Togo's electrification rate has increased steadily over the past two decades from 19.7% of the population in 2001 to more than 50.0% in 2019. This performance in the electricity sector is the result of efforts made to strengthen energy infrastructure (construction of mini solar power plants) and to extend the electricity network in urban centers through various projects, including PRISET and in rural areas with the CIZO and PUDC projects, which have helped reduce inequalities in access to energy and electricity. Also, the cost of the service is high and the quality insufficient. In addition, operational constraints and distribution losses result in uneven power supply, while the relatively high cost continues to pose challenges for businesses and economic growth. Access to the internet network is weak and not affordable. The share of the population covered by the 3G and 4G networks is low compared to WAEMU countries such as Senegal and Benin and aspirational peers including Ghana and Rwanda. As for the connection to the Internet, the implementation of the E-government project has allowed administrations, hospitals and universities to access the Internet in order to facilitate the realization of their missions. Also, the WiFi-

Public project has made it possible to have a wireless Internet network accessible in certain specially equipped public places. However, the cost of an internet connection is still high, estimated at 13 percent of GNI per capita (for 1GB) in Togo compared to only 3 percent in Rwanda. Expensive and deficient ICT services constrain firm competitiveness.

Figure 1.5: Structural change and drivers, 2001-2019

Figure 1.5.a. Employment share by sector, 2001-2019

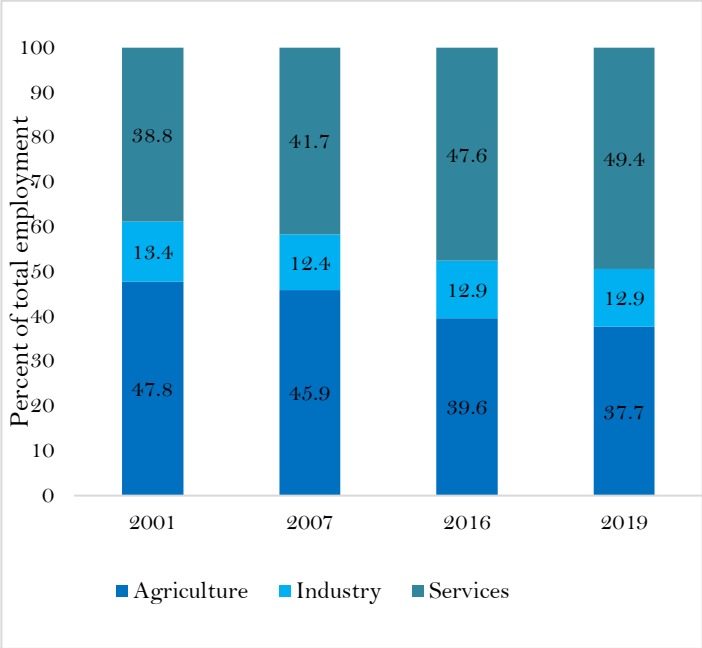
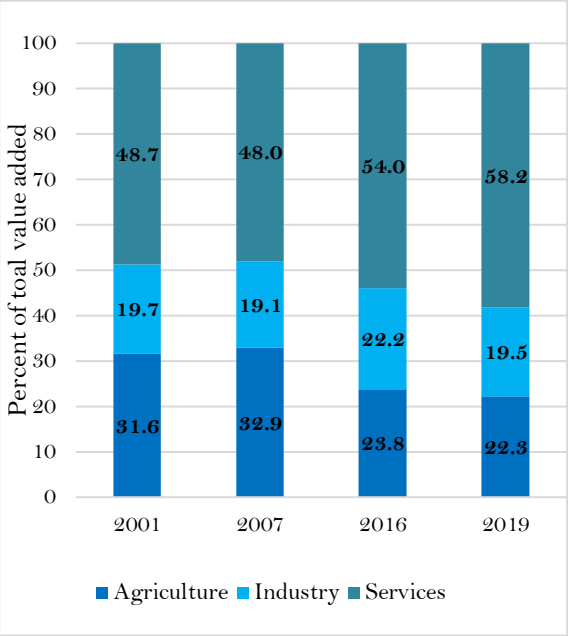


Figure 1.5.b. Value added share by sector, 2001-2019



***Source**: World Development Indicators and WB staff estimates*

Figure 1.5.c. decomposition of growth in per capita value added by country, 2001-19

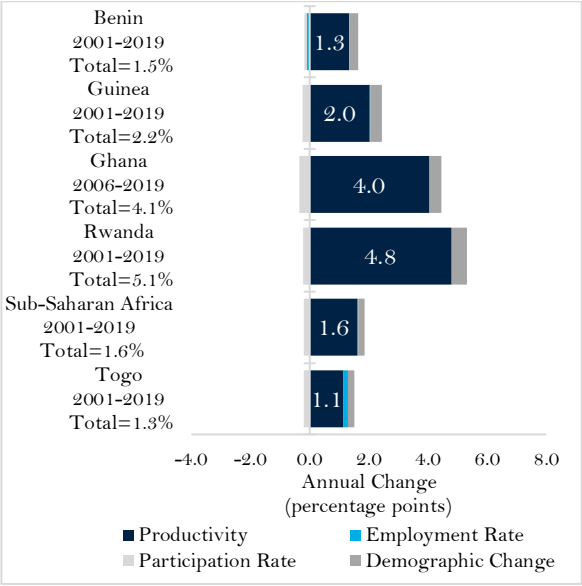
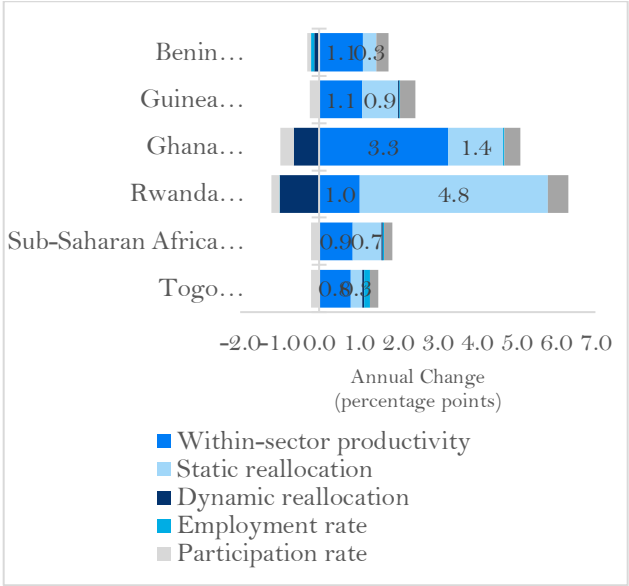


Figure 1.5.d. Decomposition of growth in per capita value added and sectoral reallocation, 2001-19



***Source**: World Development Indicators and WB staff estimates*

19. Despite recent improvement, labor productivity remains lower than aspirational peers, fueling the shift of the labor force from the primary sector toward the service sector. Labor productivity has been catching up with the WAEMU average over the last three years but remains significantly lower than aspirational peers. Productivity expanded by 3 percent a year during 2008-2016, higher than the WAEMU average, allowing a gradual catch-up to WAEMU economies. In 2008, Togo's productivity level was 72 percent of the WAEMU average. Despite this relatively strong productivity growth, the average level of labor productivity in Togo represents only 30 percent of the aspirational peer average. The low level of labor productivity could partly be explained by weaker productivity growth in the agriculture sector. Most of the productivity gain from 2001 to 2019 has come from significant rise in the share of services and within service reallocation. Although within-sector reallocation has accounted for the much larger share of productivity growth, workers are also gradually shifting away from the low-productivity agriculture sector to the service sector with higher productivity (Figure 1.6.a,b,c). This shift also accelerates urbanization and put additional pressure on the demand for basic services including water and sanitation.

20. Low labor productivity compared with peers mirrors the pervasiveness of informal and vulnerable jobs. Also, it reflects a mismatch between the quantity and quality of skilled workers supplied by the education system and what is required by firms. In Togo, about 75 percent of the work force is considered as vulnerable or own-account workers, where productivity and wages are low. This proportion is higher than in Senegal and the WAEMU average but better than in Benin. In addition, a sizeable share of the labor force remains under-employed, while about 14 percent of workers earn a salary below the minimum wage. Gender inequalities are also high, as 87.4 percent of women are in vulnerable jobs compared to 60.6 percent of men. Likewise, 17.6 percent of women earn a salary below the minimum wage compared to 9.8 percent for men. The lack of health insurance and proper social protection (such as unemployment insurance) for most workers that could translate into lower and more volatile productivity, as workers must reduce hours worked when they fall ill.

21. Togo is rapidly urbanizing but has yet to fully capture the potential benefits of cities in catalysing economic growth. The role of urban markets and service centres has been widely recognized as pivotal to economic growth of countries through agglomeration and structural transformation: no country has reached middle income status without urbanizing (Spence et al, 2009). At 4 percent per year, urban population growth rates in Togo are among the highest in the world. While in 1950 under 5 percent of people lived in urban areas, it is now estimated at 42 percent of the population and is projected to reach 50 percent by 2030[3]. The country's capital city, Lomé, holds nearly half of the country's urban population, while secondary cities are fairly small but growing rapidly. The number of cities with a population of more than 50,000 has grown from none to six in the past two decades, namely Kara, Sokodé, Kpalimé, Atakpamé, Dapaong, and Tsévié. The total population living in these six secondary cities nearly tripled between 1981 and 2016, with an estimate of nearly 500,000 inhabitants in 2016[4]. These cities represent untapped growth opportunities but are currently constrained by insufficient connective infrastructure and a backlog in essential infrastructure from weak capacity in urban planning, management, and finance.

Figure 1.6: Labor productivity by source and sector, 2001-2019

Figure 1.6.a. Value added per workers and sectors

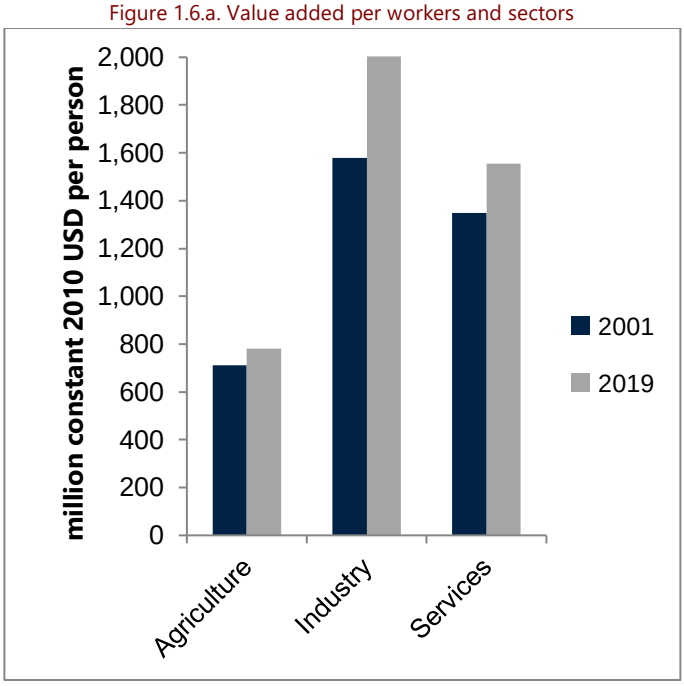
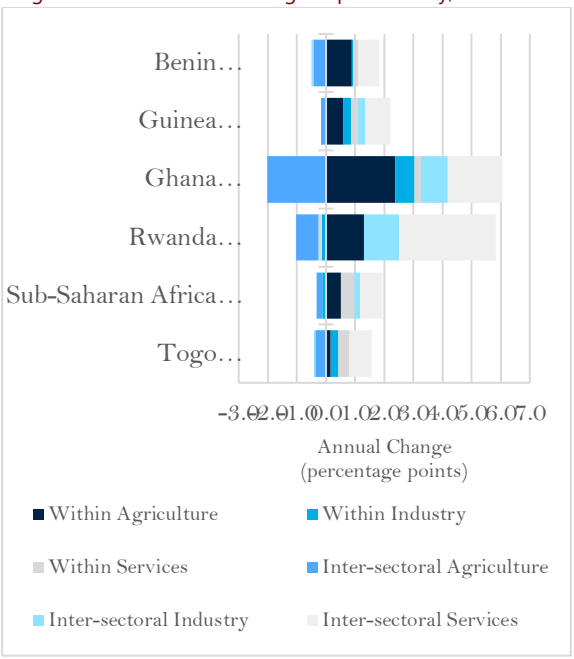


Figure 1.6.b: Sources of change in productivity, 2001-2019



***Source**: World Development Indicators and WB staff estimates and WBG Human Development Project. Note: blue bars (aspirational peers) and dotted red line represents SSA average*

Figure 1.6.c. Source of growth in per capita value added and sectoral reallocation

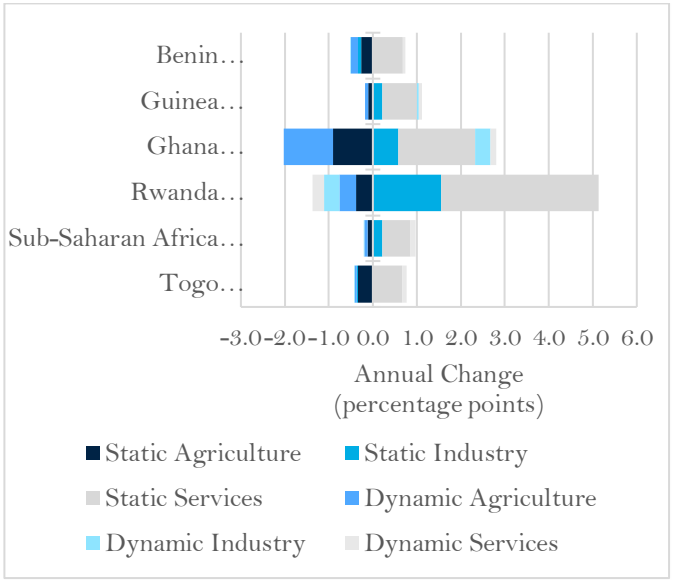
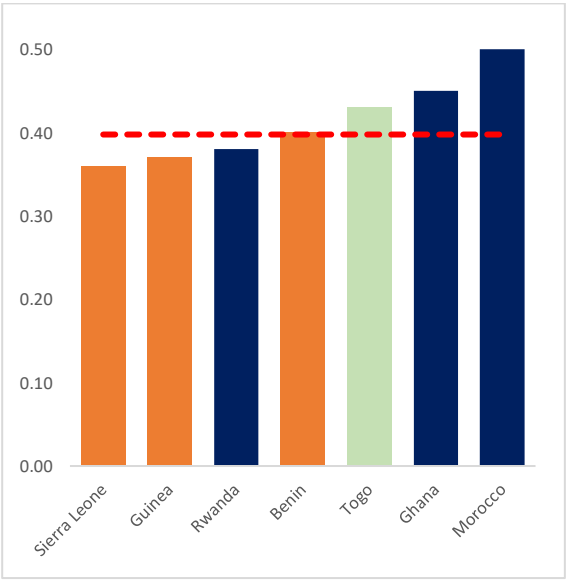


Figure 1.6.d. Human Capital Index (0-1), 2020



***Source**: World Development Indicators and WB staff estimates and WBG Human Development Project. Note: blue bars (aspirational peers) and dotted red line represents SSA average*

22. Togo continues to make progress on many Human Capital measures (Figure 1.6.d). Its 2020 Human Capital Index is above all structural peers and aspirational peer Rwanda. And, with adult

education and literacy, it does better than its level of income would predict, and it scores higher than all structural peers and aspirational peers Morocco and Rwanda. However, education and training programmes need to adapt to the frequent changes in the labour market and promote a gradual improvement in the quality of the labour force through increased active labour market policies.

23. The potential of digital technology remains underused and impedes innovation in key economic sectors. Well-functioning digital economies offer the potential to achieve faster growth through innovative products and services, lower transaction costs and more job opportunities. In addition, increased adoption of digital technologies by households, Government and enterprises will enhance broad-based productivity growth. Yet, the adoption of digital technology in Togo remains low compared to aspirational peers. This low adoption of new technology does not only impact innovation and productivity, but also affect resilience. For example, a recent World Bank survey on the economic impact of the COVID-19 pandemic in Togo revealed that only 2.7 percent of the workforce was able to work remotely, and online sales represented only 8.6 percent of total business sales.

24. Togo's potential as a multimodal transport and logistics platform is under-exploited. This results in lower trade competitiveness and export diversification. The Doing Business indicator "Cross-border trade" indicates heavy regulations governing logistics and transport services. Togo went from 129th place in 2018 to 131st place in 2019. Delays associated with border compliance and documents for imports are estimated at 96 hours and 132 hours respectively in 2020. The total time required is almost three times higher than in neighbouring Ghana, twice as high as in Benin, and 48% higher than the corresponding time in Ivory Coast. This limits Togo's efforts to expand its role as a regional hub and to integrate the global value- chains.

25. In terms of economic complexity, Togo performs well compared to most regional and structural peers but it still has some way to go compared to its ambitious peers. Although still depending on natural resources exports, its net exports are more diverse than many other countries, not relying on one single commodity. Moreover, like Benin, Togo specializes in facilitating trade in the region, such that re-exports (including refined petroleum) are roughly the same size of net exports. That said, between 2001 and 2018, the nature of the products exported by Togo did not change and is still biased toward commodities such as gold, rock phosphate, cotton, etc. By contrast, Morocco has diversified into cars, semi-conductors and navigational instruments. However, the country has clear comparative advantage in many products including vegetables and textile which could be considered as an avenue for diversification.

26. The quality of governance is relatively low compared to some structural and aspirational peers, although it has improved in recent years. Improving governance is key for sustainable and faster growth because it prevents the misallocation of resources and increases efficiency. Togo ranks behind its structural and aspirational peers on most of the indicators in the World Governance Indicators. Scope for improvement exists in corruption control, effective governance and the quality of regulation.

27. The ease of doing business significantly improved in recent years, yet there are still structural constraints for private sector development. According to the 2019 and 2020 Doing Business report, Togo was among the top ten performers worldwide showing the most notable improvement in performance across areas measured by the Doing Business indicator. It was also the

best reforming country in Africa. With an improvement score of 7 points, Togo gained 56 places in the previous 2 years and ranks 97 out of 190 economies. The improvement of Togo's performance was mainly driven by reforms undertaken in a few main areas: starting a business, registering property, obtaining a building permit, connecting to electricity, resolving insolvency, and getting credit. However, major obstacles to private sector development remain, including the burden of taxation, difficulty in accessing finance and the poor quality of infrastructure.

1.3. Three critical areas for sustained and inclusive economic growth

28. Key constraints to accelerating and sustaining economic growth have been identified by the Togo CEM country scan and following consultations with Togolese authorities. They were prioritized using three main criteria: (i) alignment with the 2018-2022 National Development Plan (*Plan National de Développement*, PND) and the recently launched Togo 2025 Government Roadmap (*Feuille de Route Gouvernementale Togo 2025*); (ii) relevance for the World Bank's objectives of reducing poverty and promoting shared prosperity; and (iii) complementarity with forthcoming World Bank analytical studies, including the Togo Country Private Sector Diagnostic (CPSD), the Resilience-Inclusion-Sustainability-Efficiency (RISE) assessment and the Togo Job Diagnostic. Thus, this CEM provides an in-depth analysis of three areas critical for a sustained and inclusive growth: (i) enhancing agricultural productivity and structural transformation, (ii) improving the performance of cities for higher productivity and competitiveness, and (iii) boosting export growth through economic diversification.

1.3.1. Enhancing agricultural productivity and structural transformation

29. Agriculture remains the largest sector for employment but does not deliver on its potential. The agriculture sector accounts for about 39 percent of total employment and 25 percent of GDP. However, labor productivity in the sector is very low and structural transformation is slow**.** While labor productivity has increased in the industry and services sectors, it has remained relatively constant in the agricultural sector. Expansion in agricultural output over the last three decades (3.1 percent annually) was almost only due to increased cropped area (2.8 percent annually) with little due to growth in use of other inputs (0.3 percent), and 0.0 percent due to technical or allocative efficiency or technological progress. Low labor productivity does not only impact earnings but also food security and the ability of the country to increase participation to regional and global value chains.

30. Exploiting the potential of Togo's agricultural sector is also essential for sustainable growth and export promotion. Global demand for some of its main agricultural products is increasing, reflecting rising world population and incomes, as well as changes in diet and increased demand for biofuel. Consequently, a significant increase in agricultural productivity is needed, not only to meet domestic demand, but also to access larger markets at regional and global level. This last point is all the more relevant as Togo is a small economy with a domestic market.

31. To make the agricultural sector more productive, more investment is needed. Togo's low agricultural productivity can be linked to multiple factors, including difficulties in accessing inputs, low levels of mechanisation, limited access to finance, insufficient infrastructure and insufficient innovation

reflecting declining spending on agricultural research (Figure 1.7). Therefore, more feeder roads are needed to enable farmers to get their produce to market. Innovation needs to be promoted and relevant incentives including a less distortionary taxation should be put in place to attract private investors and offset the low level of public expenditures allocated to the sector. Policies have been pursued under the government's National Agricultural Investment and Food Security Programme (PNIASA) to address these weaknesses. But the results have fallen far short of expectations.

32. As agricultural productivity increases, fewer workers will be needed to produce crops, allowing more workers to shift to higher value-added activities. No doubt some workers will choose to migrate to Lomé and/or work in the service sectors. But many others will remain close to the farm and their families. These workers could move into rural non-farm activities, such as food processing or agricultural marketing and services. These workers and new activities would also benefit from more productive and resilient secondary towns and greater agglomeration effects.

1.3.2. Improving the performance of cities to increase productivity and competitiveness

33. When cities function well, they are engines of economic growth and prosperity. Urban densities better connect workers to jobs and bring people physically closer together, facilitating the exchange of ideas and innovations, fuelling opportunity and productivity, and reducing the cost of infrastructure and services. Cities that work support the structural transformation of an economy by absorbing freed-up agricultural labour into urban factories, where workers specialise in performing a few narrowly defined tasks - a process that generates specialised skills and increases productivity (Collier and Jones, 2015). Specialisation and production at scale interact and generate the productivity gains that drive economic growth and prosperity. Given these dynamics, it is not surprising that no country has achieved middle-income status without urbanisation (Spence et al, 2009).

34. Togo has seen rapid urbanization but coupled with limited economic growth in smaller cities. This reflects poor connectivity, lack of access to basic services, crowdedness and high cost of living**.** Togo's urban economy is not specialised and does not produce tradable goods and services. Of Togo's nearly 3.5 million urban dwellers in 2019, 53 per cent live in slums (UN DESA, 2020), lacking essential services, skills and connectivity, which reduces their ability to interact productively with the urban economy. In 2019, just over half of the urban population resided in Lomé. Recent urban population growth has occurred in secondary cities, which have less funding and capacity to manage urban growth effectively. The result is growing neighbourhoods in urban centres that are unserviced, unplanned and disconnected. For Togo to benefit more effectively from urbanisation in a fiscally constrained environment, it must urgently prioritise sub-national investments where they generate the highest returns to economic growth.

Figure 1.7: Selected indicators on agricultural expenditures and urbanization

Figure 1.7.a. Togo's agricultural research expenditures (% of agricultural GDP) are declining since 2001, in contrast with peers

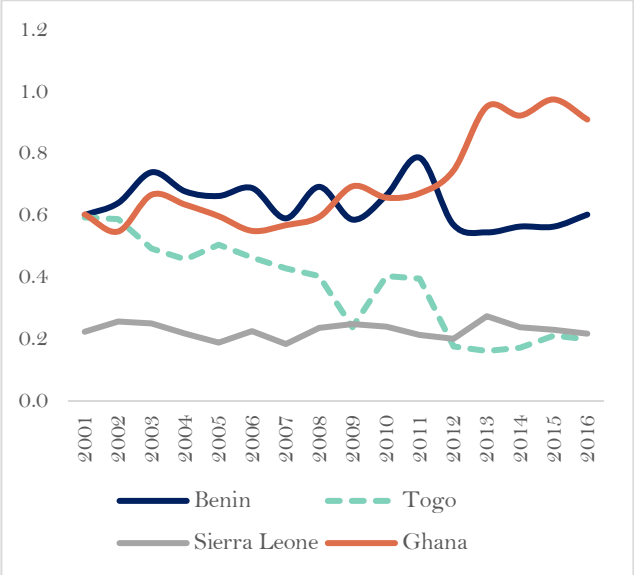
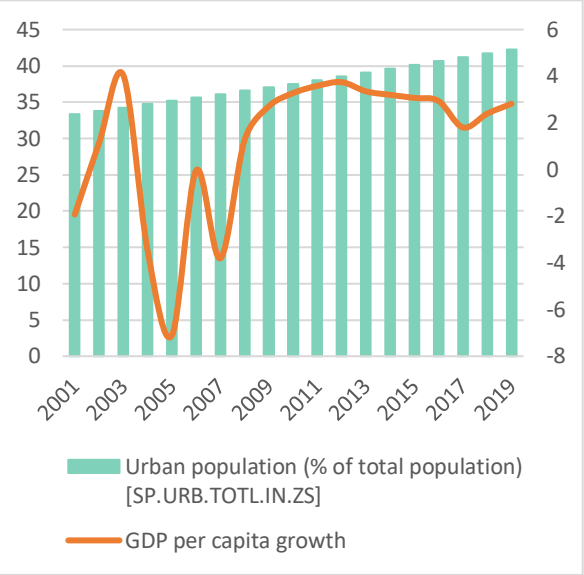


Figure 1.7.b. Urbanization increased with mitigated impact on output per capita growth



***Source**: ASTI database. International Food Policy Research Institute (IFPRI). Accessed at: https://www.asti.cgiar.org/data and World Development Indicators, 2020*

35. The cities play different roles. Lomé is in a class of its own - as the seat of government, the financial centre and, most importantly, the home of the Port of Lomé, Togo's gateway to the world. The port of Lomé is the second largest transhipment port in sub-Saharan Africa, behind Durban (South Africa) and ahead of Mombasa (Kenya) and Lagos (Nigeria). It is also the main port serving landlocked Burkina Faso and could potentially become the main port for landlocked Niger. However, Lomé's contribution to national GDP was only 20% of GDP in 2015 (Oxford City Data, 2015) even though its share of the total population was 22%. Clearly, Lomé is not yet exploiting its potential as a major urban agglomeration. For it to become an engine of growth, it must become a more efficient and productive gateway to the world, attracting private investment to create more formal jobs. To achieve this, urban planning capacity needs to be strengthened to link capital investment to city functions.

36. Secondary cities have not yet exploited their full potential for agro-logistics activities and value-added industries, such as textiles. Closer to rural areas than Lomé, they could support new agro-industries, manufacturing industries and growth poles. However, to reach their potential, secondary towns need the necessary infrastructure: secondary roads and feeder roads to agricultural areas, adequate access to water, sanitation and drainage, ICT and electricity. This would help them to generate the expected benefits of productive economies of scale and become engines of growth and job creation. The government has already noted in its National Development Plan the interest in developing agro-industrial activities in the northern town of Kara, which is located near the most intensively cultivated region and on the Lomé-Ouagadougou corridor.

1.3.3. Boosting export growth through economic diversification

37. As a small economy, Togo's growth prospects depend on its ability to export goods and services within the region and globally. As argued in Togo's 2010 CEM and the 2017 Diagnostic Trade Integration Study (DITS), long-term growth is typically driven by exports. This is particularly true for Togo, given the narrow size of the domestic market and its low purchasing power. Togo still needs to improve its trade competitiveness to capture additional market opportunities and connect to global value chains (GVCs). Expanding export sectors serves as a catalyst for foreign direct investment that would bring additional finance, market access and technology. Exports can also play a significant role in raising Togo's productivity through higher competition, market expansion, and the efficient allocation of resources. The more a firm exports, the more it is exposed to foreign competition and ideas, which in turn enhances its efficient use of resources. In addition to productivity gains within firms, trade fosters reallocation of resources between firms from less productive toward the most productive. Thus, exporters and importers tend to be more productive than domestic firms (Sharma and Mishra, 2015). Indeed, to fully harness the potential of an export-led growth model, Togo needs to implement relevant policies to improve its competitiveness.

38. Togo's export performance has deteriorated over recent years, revelling potential trade competitiveness issues. Exports of goods and services as a percentage of GDP have experienced a continuous decline from 2013, dropping from 46.5 percent in 2013 to 31.1 percent in 2019. While some previously identified constraints holding back export performance (see 2010 CEM) have been partially addressed – such as poor transport infrastructure and an unfavourable business climate – other barriers remain, including weaknesses in logistics services, the burden of custom procedures (especially the time to import) and firms' lack of capabilities and access to markets. These barriers also tend to be sector specific and could be linked to the relatively low sophistication of products, insufficient human capital (sector specific skills due to the lack of vocational training) and the lack of a consistent trade policy to build comparative advantage in sectors relevant for productivity and growth. In addition, there is a need to identify sectors with high potential for driving future export growth and to increase the country's participation in regional and global value chains.

1.4. Drawing lessons from the COVID-19 pandemic to build back better and stronger

39. Togo should accelerate the transition toward private sector-led growth to achieve its development agenda while ensuring fiscal sustainability. To better exploit the opportunities to sustain growth while maintaining macroeconomic stability, there is a need to rethink the current growth strategy, particularly in light of fiscal vulnerabilities. Indeed, fiscal pressures remain considerable due to weak domestic revenue mobilisation and rising capital expenditures. Also, the slowdown in global economic activity would put pressure on the various financial flows to Togo, including remittances from the diaspora, Foreign Direct Investment (FDI), and Official Development Assistance (ODA). Togo is likely to emerge from the crisis with less fiscal space, which will limit its ability to pursue its public investment-led growth model. Thus, constraints to the development of a productive private sector should be addressed. This involves facilitating access to finance, improving

the quality and reducing the cost of access to electricity and telecommunications services (internet, mobile telephony), reducing the burden of taxation on businesses and strengthening human capital.

40. Accelerating digital transformation, strengthening human capital and gradual adoption of green energy are key to boost productivity and create jobs in the post-COVID-19 era. The potential of digital technology remains underused in Togo. Increased adoption of digital technologies by households, governments and businesses will support overall productivity growth and long-term sustainable growth. It will also enable the development and improvement of access to public services. To boost the digitalization of services, the priority is to facilitate reliable and affordable access to an internet connection for the entire population. This also requires a regulatory framework that is conducive to competition, innovation and citizen participation in public action. Strengthening human capital is crucial both for the adoption of new technologies and more generally for increasing innovation and productivity. One of Togo's challenges in this area is the improvement in quality of education. In addition to improving the quality of the formal education system, it is important to adapt training to the requirements of the labor market. Also, the transition to greener energy and technologies has the potential of boosting GDP growth and employment, as well as to protect the future by contributing to a further reduction in CO2 emissions.

41. Building resilience to future crises. The COVID-19 crisis has demonstrated the importance of strengthening country's resilience to shocks. Resilience can significantly be improved by strengthening the protection of the workforce through efficient social safety net programs. While social safety net programs perform well, their performance could further be improved by adjusting the targeting mechanism**.** The targeting mechanism needs to be as efficient as possible at selecting the poorest households to maximize impact and minimizing possible inclusion or exclusion errors. Also, the operationalization of the social registry could further improve the efficiency of the social protection system. Finally, there is a need to build an institutional, legal and infrastructural architecture of a public guarantee system for SMEs that extends to business activities and can be easily deployed in times of crisis.

Conclusion and options of reforms

42. The objective of this chapter was to analyse the Togo's history and summarize policy options identified in the rest of the report to accelerate growth and make it more inclusive. The analysis revealed that growth was relatively volatile over the last two decades and was mainly driven by government investment and private consumption. Also, per capita growth was mainly associated with low labor productivity and slow structural transformations. Despite significant improvement in the Doing Business, mainly in recent years, structural constraints, including insufficient quality infrastructure (energy and ICT), relatively weak governance and weak trade competitiveness slow the shift toward a private-sector-led growth.

43. The chapter identifies three key constraints for sustained and inclusive growth. Togo needs to increase labor productivity as a necessary condition to improve competitiveness and structural transformation. Also, there is a need to overcome the challenges that prevent urbanization from contributing to economic growth. Finally, the trade competitiveness should be improved to increase Togo's participation to regional and global value chains.

44. Improving agricultural productivity is key to increase labor productivity and accelerate structural transformation (Chapter 2). This implies (i) increasing spending allocated to the agricultural sector and improving the efficiency of their use; (ii) providing additional and predictable funding to the agricultural research; (iii) Review taxation across different forms of industrial organization in agriculture.

45. Togo should enhance the economic potential of urbanization to sustain growth and significantly improve living standards of the population (Chapter 3). This implies (i) increasing connectivity within and between cities; (ii) improving access to vital infrastructure (energy, water and sanitation, public transportation); (iii) improving urban planning and financing.

46. To achieve strong and sustainable economic growth, Togo should improve its trade competitiveness (Chapter 4). This implies (i) further diversification in terms of products and partners; (ii) leverage its potential as regional hub to further tap into regional trade; (iii) strengthening trade facilitation by simplifying and reducing the cost of custom procedures.

Chapter 2. Improving agricultural productivity for enhanced structural transformation

***Summary**: Successful structural transformation in Togo will require agricultural productivity growth as a necessary condition. However, labor productivity for most farms remain static while total factor productivity growth has been low over the past 30 years. This mainly reflects lower and inefficient spending on agricultural innovation available to large numbers of small farms . In addition, formal agro-industries face unfair competition, particularly from the the informal sector, diminishing their number and hindering regional competitiveness. Achieving higher productivity growth in agriculture will require: (i) significantly increased and efficient investment in agricultural research, extension, institutional innovations, and digital technology on a par with neighboring counries; (ii) intensifying comprehensive multi-stakeholder platforms for the main agricultural commodities to improve concertation and buy-in on priorities; (iii) reversing the ongoing degradation of productive landscapes that has been the substitute for lack of investment in intensification of production; (iv) review and reduction of inequality in taxation across different forms of industrial organization in agriculture to create a more level playing field for efficiency; (V) promotion of agribusiness processing and marketing of horticultural products that Togo appears to have comparative advantage in; (VI) evaluation of returns to public and donor funds invested in Public-Private Partnerships (PPPs) for agriculture more systematically as their breadth and reach expands; and (VII) exploration of the feasibility of facilitating formal East-West trade running from Ghana to Benin through Kara. response.*

Introduction

1. Chapter 1 makes the case that structural transformation in Togo has been very slow relative to other countries in the WAEMU area, despite robust overall economic growth since 2008. Recall that GDP grew at 5.7 percent 2008 to 2016, and then 4.8 percent to 2019. Furthermore, GDP growth was driven primarily by growth in urban services stemming from rapidly rising mineral exports, debt-funded investment, and a slow recovery of cotton exports after near collapse in 2006**.** However, it was also shown that there is an only weak structural transformation occurring in the sense of output increases due to transferring workers from agriculture to non-agriculture. The average sectoral shares of employment amongst agriculture, manufacturing and services barely changed from 1990 to 2006 and only very slowly thereafter, highly unusual in West Africa (WDI 2020). The share of employment in agriculture decreased about 0.6 percent per annum after 2006. This slow rate of labor transfer is despite the fact that average labor productivity in agriculture between 2017 and 2019 was estimated to be about half of that in non-agriculture:service sector jobs are clearly better remunerated those in the agricultural sector.

2. Furthermore, rural workers, especially women and youth, have been struggling for some time, which would seem to provide a further incentive to migrate. This situation exists despite aggregate demand growing faster than very high urban work force growth (4 percent) since 2008. It turns out that nearly all gains in waged employment since 2008 were in urban services such as commerce.[5] Agricultural waged work however fell, and so did agricultural real wages between 2011 and 2018. Underemployment in both rural and urban areas rose steadily from 2011 to 2018; it doubled

to more than 60 percent for all working age groups of rural women and for rural male youth. Both median and mean rural service earnings fell from 2011 to 2018. In sum, the Togolese labor market since 2008 has been creating more productive jobs for better educated workers in urban services, but not for less skilled urban or rural workers.

3. **This situation is concerning for employment given the remaining economic importance of agriculture and demographic trends.** Primary agricultural production still accounted for 39 percent of employment and 20.4 percent of GDP in 2019. Adding agricultural inputs provision and all post-harvest activities throughout the value chain, agriculture and food account for at least 2/3 of jobs and 1/2 of GDP. Further, 3.4 million young people will reach working age in the next 15 years, equivalent to 40 percent of the current total population.[6] There is simply no way that non-agriculture alone can absorb a majority of these new job-seekers in this time frame, especially in view of growing unemployment of the unskilled in urban areas. In addition, the departure of young people from rural to urban areas makes the labour force available for the agricultural sector scarce. It will be shown that labor productivity is stagnant. Average incomes in rural areas continue to fall behind urban areas and increasing degradation of the agricultural landscape makes finding solutions harder over time.

4. **This chapter will make the case that steady increases in average labor productivity in agriculture are a necessary condition for any solution to these problems.** This is not to deny the importance of non-agricultural interventions such as in improving the trade and business environments and skills development for non-agriculture. However, only sustained increase in average agricultural labor productivity that impacts most of the agricultural population, it will be argued, will have the effect of lifting significant constraints to structural transformation that are presently preventing it from happening.

5. **Structural transformation is not happening for structural reasons rooted in agriculture.** Unlike countries with more dynamic agriculture such as in Ghana, Morocco or Rwanda, the average product of labor in traditional Togolese agriculture is low and not far removed from the minimum for subsistence. This is because of the weak adoption of technological change in farming systems, unlike its aspirational peers, and even neighboring Benin. Togo's low average product of agricultural labor is persistently equal to the corresponding marginal product of labor, and thus wage rates. This is unlike countries like Rwanda where land constraints force more and more people to stay on the same piece of land, leading to falling marginal product at the same time that technological change is raising yields. It will be argued that up until recently, most smallholders in Togo had the option to expand cultivated area regularly as existing farms become too crowded or the soil too depleted. This meant that staying at home on the farm was feasible, even if not necessarily desirable. On the other hand, rising underemployment for the unskilled in urban areas is not very enticing for migrants without at least a high school degree which will decrease agricultural productivity by depriving the sector of needed skills.

6. **Dealing with constraints on structural transformation requires allowing agricultural production levels to be at least maintained despite out-migration, and preferably to increase faster than migration.** Not only is labor released for non-agricultural work but growing value-added in agriculture from broad-based technological change increases rural purchasing power and savings. These can both help sustain the process of technological change in agricultural and help create additional non-agricultural jobs at scale by boosting market demand. Ultimately the objective should be to have some of this non-agricultural employment in rural areas, or at least in secondary towns.

7. Widespread and non-excludable technological change in agriculture is necessary to achieve widespread and growing increases in agricultural production and productivity. Non-excludable in this case is interpreted as technology, skills, institutions, and infrastructure that can be accessed freely by smallholder famers and that is appropriate to their conditions. Such innovation and dissemination mechanisms and institutions are key public goods in agriculture and in developing countries need to be provided by public means, as has occurred in all developing countries that have achieved rapid agricultural growth to date (WB 2007). Fertilizer, seeds, tractors, or production finance may embody public technology but are still private goods in the sense that the persons who use them are the sole or main beneficiaries. Thus, they are commonly sold or rented. Countries that have tried to subsidize private goods like fertilizer, seed, tractors, and production finance for immediate productivity gains while neglecting the necessary public goods needs of agriculture have invariably failed to produce sustained productivity growth (WB 2007). public subsidies to develop a small number of aggregated parcels intensively for private interests succeed in raising income and production at least temporarily in the immediate areas concerned but have a mixed record of success. They also tend to eat up the scarce public resources that need to be used for public goods investment in agriculture. In any event, their impact on rural populations is neither large nor rapid enough to solve the widespread and growing underemployment and low agricultural productivity problem at the root of Togo's slow structural transformation. In response to this problem, Togo has chosen to develop agropoles in partnership with the private sector.

8. Ghana, Morocco, and Rwanda are examples where agricultural productivity growth produced by provision of non-excludable agricultural public goods has served to promote sustained structural transformation through the private sector.[7] A large proportion (historically most) of workers in these countries earned their living from agriculture. Growth in average agricultural labor productivity from technological change in agriculture based on public goods investment and private agribusiness response facilitated the transfer of labor and savings to off-farm work, typically increasing overall labor productivity. A vibrant agriculture sector stimulated upstream jobs in the production of farm inputs such as seeds, fertilizers, tools and equipment, created waged jobs on commercial farms, and generated downstream off-farm jobs in transportation, storage, and pack houses. In time, growing commercial surpluses of farm products led to the development of downstream off-farm jobs in agri-processing plants, including for exports, which flourished. In addition, income flowing to remote areas from agricultural sales outside the local region increased demand for local services and non-tradable goods, such as locally processed and perishable prepared foods. The net income effect can be substantial in remote areas where labor is underemployed, whether due to seasonality or to high costs of transferring local products out (Delgado et al. 1998, WB 2007).

2.1. Overview of the Agricultural Sector in Togo

2.1.1. Structure of the Agriculture Sector

Natural endowment: climate, land, and people

9. Compared to the Sahelian trade partners to the north, agricultural potential in Togo is high in terms of soils and rainfall. Togo has a total land area[8] of 56,785 km^2 with an average width of 100 km between Ghana and Benin, running inland approximately 620 km by road (537 km by air) from Lomé to Dapaong, the closest market town to the border with Burkina Faso.[9] The climate is tropical in the southern region and semiarid in the North. Togo encompasses rolling hills in the north, a southern plateau, and a low coastal plain with extensive lagoons and marshes.[10] In the northern areas roughly equivalent to the administrative regions of Centre, Kara, and Savanes, the rainy season tends to go from May through October, and the dry season from November to April. Annual rainfall averages 900 to 1,100 mm and the plant growth period is less than 175 days. In the southern regions roughly equivalent to the administrative regions of Plateaux and Maritime, two distinct rainy seasons occur between April and November with a short break in August, and annual rainfall averages 1,000 to 1,600 mm.[11]

10. The national population in 2019 was estimated to be 8,088,000, with 58.5% living in rural areas (United Nations 2021); the number of people living in rural areas will continue to grow for the foreseeable future even as the share declines. This share in rural areas is a little higher than Benin, but much higher than Ghana's 45 percent. Between 2000 and 2019, Togo's national population grew at just over 2.6 percent per annum compounded, and the rural population by just under 1.9 percent per annum. Accordingly, national population density increased from 90.5 persons/km^2 to 148.6 persons/km^2 over the same period. Even though urbanization is occurring (the urban population growth rate over the same period was 4 percent per annum), the absolute number of people living in rural areas will continue to increase for the foreseeable future, even if the shares of population in rural and urban areas are expected to be equal in only a few years.[12] Further, the rate of growth of cultivated area expanded very rapidly late in the period, growing by 3.8 percent per annum in the ten years prior to 2017,[13] implying both significant forest and bush clearing.

11. Considered to be one of the poor countries in Sub-Saharan Africa, over 45.5 percent of the national population lived below the national poverty line in 2018-19 of 743.2 FCFA/day, and 46.3 percent after the onset of COVID in 2020.[14] However, the share of national extended poverty that was in rural areas even prior to COVID was thought to be 69 percent, concentrated in the north and center of the country.[15] Moderate to severe food insecurity afflicted close to 70 percent of the population in 2016.[16] COVID extended poverty and food insecurity to urban and peri-urban areas that previously were better off than most rural areas in Togo's northern regions of Centre, Kara, and Savanes. Forty-six percent of total land area was utilized for cultivated field crops in 2016, while another 3 percent supported permanent crops such as fruit- and nut-bearing trees.[17] Area harvested grew at 1.1 percent in the 1980s, 3.4 percent per annum from 1990 to 2005, and then at 2.8 percent to 2019.[18]

Main crops and livestock

12. Table 2.1 lays out the distribution across primary commodities and the growth of food and export crop production from 1990 to 2019. Starchy and bulky staple food crops, mainly cassava, yams, maize, millet and sorghum, account for two-thirds of crop production by weight. They are primarily consumed domestically.[19] Production of these relatively lower value-to-weight items grew rapidly, as did poultry products and rice, also primarily for the domestic market. Growth in the two main starchy food staples consumed domestically, cassava and maize, rose from 1,196,000 tons per annum in 1999-2001 to 1,968,000 tons per annum in 2017-2019.[20] This implies a 2.8 percent annual compound growth rate for the principal staples, close to the overall population growth rate of around 2.6 percent per annum.[21] The higher growth of rice production reflects a lower starting point in 1990, technological progress throughout West Africa in rice cultivation, and rapid demand growth fueled by a strong urban preference for easier to prepare staples such as rice amongst starchy staples. However, milk production has declined and beef stagnated, even though domestic and regional demand for them have also surged. Rapid milk demand growth is largely serviced by imports of cheap milk powder, and cattle are supplied by northern neighbors.

Table 2.1: Togo Livestock and Crop Production 1990-2021(thousands of metric tons)

	1990-1992	2017-2019	CAGR 1990-92/ 2017-19
High value to weight mostly for domestic food			
Eggs (million)	115	473	5.4%
Chicken	7	47	7.0%
Beef	5	6	0.7%
Cow Milk	30	12	-4.8%
Lower value to weight starch mostly for domestic food			
Cassava	518	1,083	2.8%
Maize	265	884	4.6%
Paddy Rice	20	96	6.0%
Both export and domestic food			
Groundnuts	27	44	1.9%
Oil Palm	120	157	1.0%
Primarily for export			
Seed Cotton	98	124	0.9%
Coffee	15	20	1.1%
Cocoa	6	10	2.0%
Cashew Raw	1	11	12.0%

Notes: Compound annual growth rates (CAGR) are computed between mid-points of the three-year periods shown to mitigate effects of annual fluctuations. Milk is calculated from 1991-93 due to missing 1990 data, eggs are in millions, cotton is seed cotton, coffee is green, cocoa is bean, cashew is raw in shell.

Source: U.N. FAO FAOStat, accessed March 5, 2021.

13. The main traditional export crops include cotton, cocoa, coffee, palm oil, and groundnuts; they have all grown less quickly than population. These are mainly exported in only moderately processed form, such as cotton lint or cocoa beans. Domestic palm oil and groundnut consumption have grown more rapidly than production, limiting growth of net exports. On a gross basis, these 5 export crops constituted roughly 16 percent of recorded national merchandise exports by value in 2017-2019.[22] The traditional five export commodities crops are sold in global rather than regional markets, with the exception of palm oil, which Togo both imports from and exports in quantity to regional neighbors. Production of the main crop grown for global agricultural export, seed cotton, is recovering after a long crisis. Production reached an annual average of 124,000 tons for the 2017-2019 agricultural seasons. This is less than the 175,000 ton record annual average in 2002-2004, but up from an average of 53,000 tons per year in 2008-2010. Cashew production is a notable newcomer amongst exports, expanding very rapidly from a low base, similar to what has happened in recent years in Cote d'Ivoire but at much lower scale.

Lack of formal sector agribusiness development

14. In Togo as in most African countries, hopes for making agriculture a stronger player in the economy have the development of formal sector agribusiness as a key pillar[23], but the current reality is different. Togo has a very small number of formal sector agriculture-related enterprises. The Enterprise Survey (ES) carried out by the Government excluded informal primary agricultural production such as smallholder farms, but included formal sector firms, even small ones, involved in supplying inputs or processing and marketing outputs, as long as the place of work had a physical presence.[24] The ES enumerated 119,318 enterprises over the entire national territory in 2016-2017. Only 55 of these had activity descriptions including terms such as "Agriculture" or "Livestock-Rearing". Of these, only 19 have the commercial profit as the primary motive. In fact, agriculture is the only major sector of those enumerated in the ES where no results are reported in the numerical summaries of activities due to so few observations.

15. The specifics of taxation of the agricultural value chain promotes informality, discourages economies of scale, and reduces competitiveness in regional markets.[25] Whereas agriculture typically receives preferential tax treatment in other countries in the region, in Togo the formal agribusiness sector largely does not, although the net incidence of taxes shrinks with the size of firms. Informal firms, by definition without a tax ID and usually small, largely escape paying any official commercial taxes. Agricultural firms with revenues over 30 million FCFA (circa US$50,000) are subject to a series of taxes. These include: *Impôts sur les Sociétés* of 27 percent, an *Impôt Minimum Forfaitaire* (IMF) tax, calculated as 1 percent of revenues (from which businesses in the first 12 months of operation are largely exonerated), and a *Taxe Professionelle* (TP), which was replaced in 2019 by the patente and varies from 0.25 to 1.0 percent of revenues. In contrast Ghana sets zero profit tax for the first 3–10 years, then a rate ranging from 0 percent in rural areas to 20 percent in Accra thereafter (compared to 32.5 percent for most industries). Firms with sales over 60 million FCFA (US$110,000) are also subject to VAT of 18 percent.[26] Benin however exempts agriculture entirely from VAT and exempts agricultural cooperatives from taxes on net income.

16. While in principle formal taxation of agribusiness follows the same rules as other kinds of business, import tariffs on agriculture are higher than on non-agriculture. Togo in principal

levies the common external tariff of ECOWAS and WAEMU on agriculture, which varies across items, but which have been harmonized across countries since 2014.[27] In 2018 the actual trade-weighted average of Most Favored Nation (MFN) tariffs applied on agriculture by Togo was 18.8 percent, compared to 11.0 percent on non-agriculture.[28]

17. The combination of tariffs and taxes levied on imported agricultural inputs are generally higher than for Benin and Ghana. Most imported machinery, equipment, and parts are subject to at least a 5 percent duty in Togo, plus 18 percent VAT and a community tax ("*taxe communautaire*") of 6 percent on some items. Nevertheless, the 2021 Finance Law has exempted agricultural equipment from all taxes to mitigate the impact of Covid-19 and support the recovery of the economy. [29][30][31]

18. Differences with comparator countries are mixed in terms of the favorability of regulatory approaches to agribusiness. The most recent *Enabling the Business of Agriculture*[32] brought together rankings of Togo's agricultural business policy and investment environment versus both structural and aspirational peers for the 2018/19 agricultural year. Consistent with the logistics issues above, Togo did worse than most countries in terms of time and cost of documents to trade food and food quality regulations. However, Togo did better than Ghana and Rwanda and much better than Benin in terms of the time and cost to register new seed and in terms of financial regulation.

Labor force in agriculture and job seekers

19. As shown in Table 2.2, the share agriculture and food value chains more broadly defined employ about half of all persons. Over the period 2015-19, the INSEED employment data show that food processing accounted for a further 4.4 percent increase of the overall labor force. The largest groups in the INSEED dataset are transport and commerce, notably directly linked to agriculture and food. However, since the agricultural and food share is not differentiated, it is not included here, except to note that the total employment linked to food and agriculture is seriously underestimated at 43 percent. When those aspects of the food chain facing consumers are included (bar/restaurant and hospitality), at 18 percent of total jobs (also from INSEED), we arrive at an estimate of the food and agriculture value chain accounting for 62 percent of all employment, not including trade and transport of agricultural and food items

Table 2.2: Togo's Changing Shares of Agriculture and Food Processing in Employment and GNI (1991-2019) (%)

	Agric Employment	Food Processing	Agric VA/GNI
1991-96	49.5%	---	34.0%
2002-06	47.0%	1.2%	34.0%
2015-19	38.9%	4.4%	25.2%

Note: Agricultural employment is in primary production only.

Sources: *Agricultural employment data are from World Bank (2021c) for 15-64 year-olds actively working. Agricultural Value Added (VA) and Gross National Income (GNI) (used as Total VA) are from the Togo CEM datascan.*

20. Employment profiles of agriculture are likely to be linked to whether the region is in food crisis or not. Analytical work by the World Bank Jobs Group shows that rural underemployment in Togo (defined as working less than 35 hours/week) was 27 percent of the rural active working population in 2011, compared to 52 percent in 2018.[33] Further, waged work was 14.2 percent of all agricultural work in 2001, compared to only 7 percent in 2018. Explanations for the rapid increase in rural underemployment and decrease in the share of waged work are still to be established. They may have something to do with differences in statistical approaches in the years cited. They are surely also linked to the fact that demand in the Sahel for food from coastal countries remained especially high in 2011 compared to before 2008 and after 2013, not having recovered from the rapid changes associated with the global food crises of 2008 and 2010.[34]

2.1.2. Government Strategy and Agriculture Policy

Evolution of official agricultural strategy

21. Togo signed the Comprehensive Africa Agriculture Development Programme (CAADP) compact in July 2009. CAADP is the African Union Commission policy framework for agricultural development and transformation. CAADP commits countries to spend at least 10 percent of their budget on agriculture and take the measures required to achieve an annual agricultural growth rate of 6 percent. CAADP is also a process that requires the drafting of a national agricultural investment plan that is peer reviewed and evidence-based, including consultations with smallholder groups and the private sector. Togo was the first country in West Africa to go through the CAADP process, which also facilitated securing substantial assistance from development partners committed to supporting CAADP. Togo also adopted the Economic Community of West African States (ECOWAS) common agricultural policy (ECOWAP), which is intended to operationalize the CAADP process in West Africa.[35]

22. Togo's national agricultural plan as part of the CAADP process was the *Programme National d'Investissement Agricole et de Sécurité Alimentaire* (PNIASA) (National Agricultural Investment and Food Security Program), covering 2010-2015.[36] PNIASA investments were channeled through 5 sub-programs: (1) crop industries (including the promotion of agricultural exports through a value chain approach, with a focus on cotton, cocoa and horticulture) ; (2) animal production; (3) fish production; (4) agricultural research and extension (focused on sustainable intensification of agriculture); and (5) institution strengthening and coordination. As shown when assessing performance, there is a gap between aspirations and outcomes under PNIASA. Towards the end of PNIASA, Togo set down its agricultural policies and intended initiatives to 2030 in an agricultural policy document titled, *La Politique Agricole Assortie du Plan Stratégique pour la Transformation de l'Agriculture au Togo à l'Horizon 2030 (PA-PSTAT 2030).*[37]

23. The investment plan to implement PA-PSTAT was finalized in December 2017 as the *Programme National d'Investissement Agricole et de Sécurité Alimentaire et Nutritionnelle* (PNIASAN) 2017-2026 (National Agricultural Investment and Food and Nutrition Security Program 2017-2026).[38] This is a FCFA 766 billion (US$ 1.35 billion) ten-year investment plan to be funded half-half by the Government and development partners. The hope is also expressed that the private sector will commit another 500 billion FCFA (US$ 880 million). PNIASAN is formulated as 4 pillars, each with implementation pathways. First, growth in agricultural production and value added are targeted, primarily implemented through organization of rural space into Zones d'Aménagement

Agricole Planifiées (ZAAPs), and through expanded agri-parks. The first pilot was launched in February 2019, the *Agropole du bassin de la Kara*, with funding of approximately FCFA 64 billion from a consortium of development partners and appraisal led by the African Development Bank.[39] Second, directly improve access of stakeholders to land, hired labor, and finance while modernizing rural infrastructure; this includes both input subsidies to smallholders and in the form of infrastructure and privileged access to large firms investing in agri-parks. Third, promote innovation and knowledge transfer. Fourth, improve governance and the institutional support framework for agriculture, implemented through land titling and consolidation into larger and more coordinated holdings.

24. PNIASAN clearly fed into the overall *Plan National De Développement (PND) 2018-2022*[40], and the new Togo 2025 Government Roadmap, the *Feuille de Route Gouvernementale Togo 2025*[41], which explicitly recognize agriculture as a lead sectorfor growth. The 2025 Roadmap sets out the four main priorities for agriculture**.** It targets boosting productivity, food security, industrial processing of high value agricultural products, and improvement of producer access to finance and markets. Indicators of success by 2025 were: (a) mapping and delimitation of 500,000 ha of cultivated land (about ¼ of all land cultivated presently); (b) consolidation of 1,400,000 ha (or 70 percent of all parcels und 0.5 ha); (c) 8 to 10 percent annual productivity growth between 2021 and 2025; and (d) an increase of 120 billion FCFA in the agricultural balance of payments (amount required to have agricultural exports pay for agricultural imports).

25. Despite the commendable specificity of the Roadmap 2025 in terms of activities and results, there is no clear mention of programme actions dedicated to economic recovery in a COVID-19 situation and in the absence of external financing. Domestic funding and implementation of agricultural investment has been low in the few years leading up to COVID. Donor funding for long-term agricultural development was more forthcoming in the past, but presently is being retargeted to helping vulnerable populations adapt to the COVID shocks, likely through safety net or other short-term asset transfer programs.

Actual policy implementation is not conducive to boosting agricultural productivity

26. The main policy or institutional issues affecting agricultural productivity fall into four areas: taxation, input market regulations, output market policies, and agricultural public expenditures. The issue of taxation was explored above as an important factor for the development of the formal sector agribusiness. However, the combination of a concentrated tax base and under-taxation of the many (informal) brings additional problems. The tax burden on the formal agricultural sector usually raises the price to farmers of buying quality inputs from formal sellers or lowers the price they receive for output from formal sector buyers. The large majority of Togolese smallholders sell to the informal sector at lowest-common-denominator prices.

27. Estimates of use of improved seed and fertilizer vary. The conventional ones from international organizations are 20 percent of area sown with improved seed and mineral fertilizer applied on average at 11 kg/ha of cropped land in 2016.[42] These are lower than either Ghana or Benin the same year in the same source. However, a credible inquiry in Togo completed in 2019 estimated that only 15 percent of area was sown with improved seeds at that time.[43] Further, if 2019 fertilizer imports are divided by cropped area for the main commodity groups in 2019, one gets an estimate of 26 kg of fertilizer per ha that year.[44] The likely conclusion is that in 2019, use of improved seed was less and of fertilizer more than previously thought. In any event, Togo had two private seed companies

producing 300 tons of improved seed combined in 2019, compared to 8 companies producing 6,000 tons the same year in Ghana.[45] While actual fertilizer use may be comparable to neighbors, fertilizer markets sell products at higher cost and with less selection to farmers in Togo than is the case for farmers in Ghana and Benin.[46] A quasi-monopoly in officially-sanctioned fertilizer imports limits the flexibility of the system to provide fertilizer of the optimal type and at the appropriate time. Although the Government subsidizes fertilizer marketed through public channels, until recently the subsidy program has been less reimbursing than in neighboring countries and lacks appropriate targeting and results-based monitoring and evaluation, which reduces the likelihood of efficient outcomes.[47] Irrigation use is very low, at 7,000 ha.[48]

28. Recent developments, accelerated perhaps by the needs and opportunities for COVID response, are promising for progress on the inputs use area. In addition to financing inputs to support producers at the beginning of the Covid pandemic, Togo has acquired and made available to producers in partnership with the private sector more than 100,000 tonnes of fertiliser for the 2020-202 agricultural season.18 In addition, Togo has just drawn up a soil fertility map, with recommendations for appropriate formulas according to the nature of the soil and crops in each prefecture with a view to optimising the use of mineral fertilisers and increasing yield [49][OBJ] Although intended primarily for use in other countries, this will clearly add to Togo's own fertilizer use when implemented. Finally, the Government, in partnership with Électricité de France (EDF) and BBOXX, is making 5,000 solar pump irrigation kits available to producers, subsidised at 50%, with staggered payment facilities through the Programme d'Appui aux Populations Vulnérables (PAPV) for the 2021-2022 season. A similar initiative is being developed by the Project to Support the Risk-Sharing Incentive Mechanism for Agricultural Finance (ProMIFA). [50].[51]

29. Access to output markets (and thus lower and less reliable producer prices) is among the most frequently cited obstacles to agricultural growth and is listed as a key obstacle by over 60 percent of communities surveyed.[52] Domestic price incentives depend on many factors and are only part of changes in incentives to producers, which include the opportunity cost of land, labor, and capital, technological progress, and the cost of inputs. Yet producer output unit prices of agricultural goods have changed quite a bit over the past two decades and help convey the direction of change in producer incentives over time and between crops. Table 2.3 shows the evolution of inflation-adjusted prices for Togo's main crops 2000-2019 in 2010 FCFA.

Table 2.3: Selected Togo Crop Producer Real Prices CFA/kg (averages of annual figures deflated by Togo CPI base 2010)

	Beans	Cassava	Cocoa	Coffee	Cotton	Grndnts	Maize	Rice	Sorghum	Yams
2000-02	256	66	880	396	672	257	121	165	164	128
2008-10	270	80	1,206	477	447	243	165	161	193	162
2017-19	353	132	970	579	231	283	136	164	203	252
%Chg 2008-10/ 2017-19	31	65	-20	21	-48	16	-17	2	5	56

Notes: The percentage price changes at bottom are the entire change over the periods shown. Cotton is lint equivalent at 40 percent ginning ratio.

Sources: *Producer prices are from U.N. FAO, FAOStat (UN/FAO 2021); the Togo CPI is from World Bank (2021c).*

30. Real agricultural producer prices mostly either fell or stagnated over the last 20 years, forcing farmers to rely on either yield growth (not widely seen) or area expansion to maintain or expand their incomes, and in some cases to shift out of traditional export crops to food staples. Cotton producers were paid only about 86 percent per kg. in 2017-2019 what they were paid in 2000-02 in real terms, as shown in Table 2.3. Togolese cotton producers—spread around the Plateaux, Kara, Centre, and Savanes Regions—in 2020 were paid 25% less per kg of first grade cotton than producers in Cote d'Ivoire, and 15% less than producers in Benin. Cocoa producers, mainly in the hill country in the west of Plateaux, did well in the first half of the period but have taken a 20% price cut in the second half of the period. Coffee producers, also in the west of Plateaux, have done better, with a 21 percent total real price increase since 2008-10 over a nine-year period. Rice producers, mainly in Savanes, received prices that were about the same in 2017-19 as they were in 2000-02. Sorghum producers, mainly in Kara and Savanes, saw a small increase in the first half of the period, but almost none in the second half. Most notably, producers of maize, the main food grain grown throughout the country, experienced a temporary one-third price increase during the 2008-2010 food crises, but have now reverted to where they were in 2000-02. Cotton producers could trade the proceeds from a kg of cotton lint for 5.5 kg of maize in 2002-02, but only 4.25 kg in 2017-19. Finally, unlike other staple crops, cassava (mostly in maritime and Plateaux) and yams (Plateaux, Centre and Kara) have done very well over the period, especially in the second half, with price gains of about 65 and 56 percent, respectively.[53]

31. Approaches to improving producer prices might include interventions to establish traceability and quality certification, improve access to better storage, improve transport infrastructure, and reduce trade barriers. A successful strategy would have major impacts on the efficiency of Togo's agricultural output markets, especially for exports. Problems of market access for producers are illustrated for export crops by the low percentage of the world price that producers receive for products for which the government regulates or otherwise influences the price. To some extent low prices likely reflect relatively low bargaining power of producer groups, which efforts to improve traceability and quality might improve.

32. Producer prices paid for the main export and food crops relative to world prices in 2017-19 either were stable relative to 2000-02, or increased, except for cotton and rice. As shown in Table 2.4, producers received 85 percent of world prices for cocoa, 59 percent for coffee, and 57 percent for cotton (lint equivalent). Producers of maize, sorghum and rice[54] received premia on world prices, including 22 percent for rice and 64 percent for maize. The high 2009/2011 ratio for cocoa tied to massive unrecorded inflows of cocoa from Ghana into Togo in those years due to very heavy price taxation of cocoa by the Ghanaian Cocoa Board at that time.[55] In any event, there is little evidence of long-term significant increases in price taxation of crop producers over the 2000-2019 period.

Table 2.4: Ratios of Togo Producer Prices to International Prices 2000-2019

Year	Cocoa	Coffee	Cotton	Maize	Paddy Rice	Sorghum
2000/02	0.78	0.59	0.65	1.41	1.88	1.86
2009/11	0.91	0.47	0.45	1.57	1.29	1.99
2017/19	0.85	0.59	0.59	1.64	1.22	2.41

Note: Ratios are computed by year and then averaged. US$ to FCFA conversion rates are calculated from IMF daily exchange rates for EUR to US$, converted to FCFA at the 655.957 per euro peg and averaged within years.

Sources: *International prices are from the World Bank Commodity Price Data (The Pink Sheet) database in nominal U.S.$. Togo producer prices are from FAOStat in nominal FCFA and exchange rates are from the IMF Exchange Rate database.*

33. Togo has been self-sufficient in maize over the 2000-2019 period, exporting small amounts regionally in surplus years. The Government has engaged in maize buffer stocking out of domestic production from time to time and engaged in regional maize exports at a profit through the food security agency created during the 2008 food global price crisis, the *Agence Nationale de la Securité Alimentaire du Togo* (ANSAT).[56] However, imports of feed maize for the rapidly growing domestic poultry industry are beginning to overcome any net exports of food grade maize, and increasingly Togo will be a net maize importer. And as the price premium vis-à-vis the world market grows larger, local maize producers will doubtless need to be increasingly concerned about competition from abroad, including food grade maize from South Africa.

34. Finally, rice unlike the other two cereals, is becoming more competitive with imports over time. As shown in Table 2.4, it still received a 22 percent premium over world prices in 2017-2019, but if the rate of improvement continues, it is possible to foresee Togo as both producing its own needs for rice and exporting on the regional market. Although an in-depth examination of the factors behind the improvements in rice competitiveness in recent years remains to be done, it is very likely linked to the major technological advances in rice value chain productivity in West Africa more broadly over the last decade, including for rainfed rice.[57]

Trends in agricultural public expenditures in Togo

35. It is instructive to look at public spending on agriculture in the light of the priority of official agricultural strategies for increasing agricultural productivity, and the possibility that government spending on agricultural public goods such as productivity-increasing research and extension could balance high taxation of the sector. The overall last public expenditure review (PER) that includes specific attention to agriculture was in 2016.[58] This includes insights from the last in-depth sectoral agriculture public expenditure review.[59] This comprehensive PER only runs through 2014. However, detailed data on expenditures of the Ministry of Agriculture are available through 2019 and give insights to the evolution of spending after 2014.[60]

36. The New Partnership for Africa's Development (NEPAD-currently the Africa Union Development Agency, AUDA)'s Committee on Functions of Government (COFOG) definition of agricultural public expenditure is the one used here and by most analysts.[61] This includes the on-budget expenditures excluding rural roads of the Ministère de l'Agriculture, de la Production Animale et Halieutique (formerly the Ministère de l'Agriculture, de l'Elevage et de la Pêche and henceforth "MAg" for short). It also includes off-budget expenditures on agriculture, typically coming from development partners, supervised by the MAg.[62] Finally, public agricultural spending analyzed here also includes public funding for agriculture supervised by other Ministries, such as the Ministère de l'Equipement Rurale (MER) (23 percent), and the balance managed through the Ministère de l'Environement et des Ressources Forestières (Ministry of Environment and Forest Resources or MERF), and the Ministère du Développement a la Base (MDB). Altogether the share of total public agricultural spending managed by the MAg in 2014 was about 60 percent.[63]

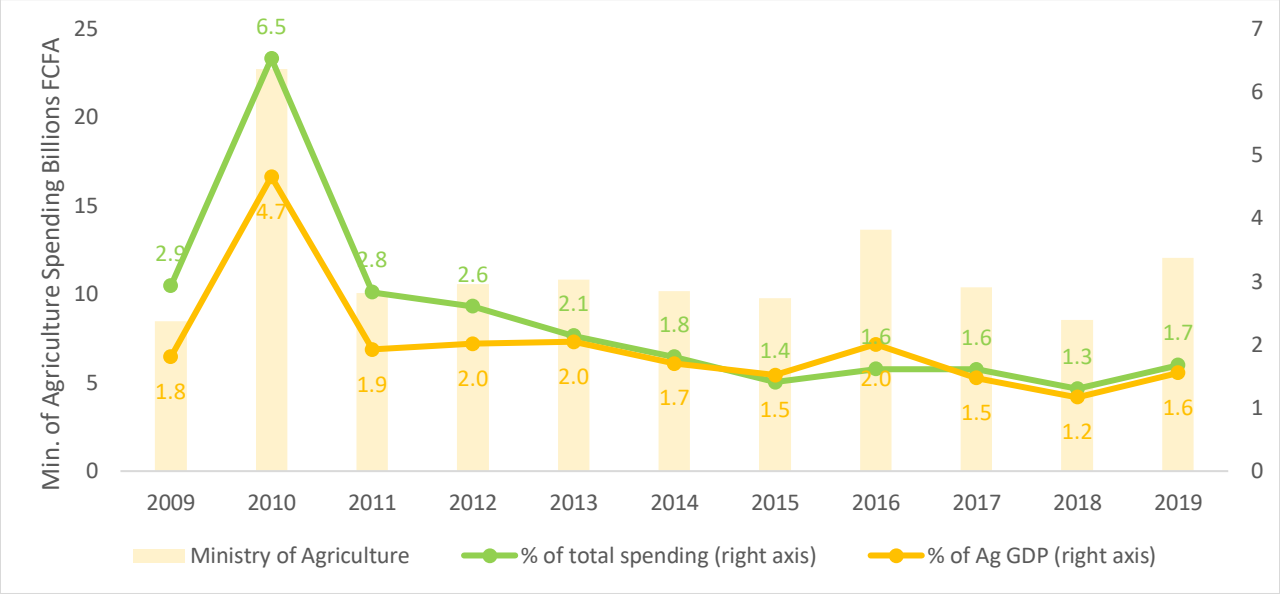
37. Governments and development partners increased public funding for agriculture investment during and after the world food crises of 2008 and 2010, leading in Togo to higher shares of agriculture in public spending. This increase resulted in a growth in contributions from donor countries, and a much greater share of public investment in the agricultural sector. Actual

public agricultural expenditure all agencies increased 53 percent in nominal terms 2010-2014 compared to earlier, reflecting the Government's increased priority to agriculture under PNIASA and a cutting in half of outturns[64] in agricultural budgets. Most of this was an increase in spending by the Ministry of Agriculture in 2010, compared to earlier, as shown in Figure 2.1. As a result of global concern about food issues in 2009, the share of external funding of all agricultural public spending increased from 36 percent in 2002-2010, to 45.5 percent on average by 2011-2015. Finally, the share of investment in total agricultural public spending more than doubled between the two periods to end at 64 percent of total in 2014.[65] This can be compared to average of 50 percent for all public expenditures, all sectors, the same year[66] For the MAg specifically, spending continued to grow until peaking in 2016, and fell thereafter by 12 percent in nominal terms by 2019, when the budget was less in real terms than in 2014.[67]

38. However, public spending on agriculture dropped off as rapidly after 2010 as it had grown since 2009. Figure 2.1 captures only public spending by the MAg, 60 percent of all public spending on agriculture, but indicates main trends. It shows absolute amounts of MAg spending in the background and as a share of agricultural GDP and of overall government spending. Once the crisis atmosphere of 2008-2010 receded, the MAg's share of overall public spending fell back to 2.8 percent in 2011 from 6.5 percent in 2010. In 2011, MAg spending was once again less than 2 percent of agricultural GDP, as it had been before 2010. This is lower than in peers and much lower than the 10 percent commitment Togo made to partners as part of the CAADP process in 2009, conforming with the Maputo protocol signed in 2003.

39. The declining trend in agriculture spending is compounded by low execution. Togo's MAg accounted for an average of 3.2 percent of all Government spending in 2010-14, but this had fallen to less than half of this, 1.5 percent, in 2017-19.[68] This is below other countries in the region and way below Togo's 10 percent CAADP commitment.[69] In large part of this is poor MAg execution of budgeted spending. In 2010-14 this was 47.6 percent and fell to 24.2 percent in 2017-19. A closer look reveals that underspending is linked to the rise of investment in the MAg budget. In 2017-19, the share of investment in the total MAg budgets had risen to 82.5 percent, a very high share. At the same time, execution of all budget categories in 2017-19 except investment was about 100 percent, suggesting strained resources for anything except investment. Execution of budgeted investment was 47.0 percent, and investment expenditures were 26.0 percent of all actual expenditures. Since donor funding is such a high share of investment funding, it likely would make sense to explore the reasons for low execution in this context. Possible explanations might include (*inter alia*) difficulties with the selection of investment projects, in the procurement process, or difficulties in forecasting the availability of funding, including from donors. Unfortunately, the onset of COVID is only likely to make slow execution of investment spending worse.

Figure 2.1: Agriculture and total public expenditures 2009-2019



***Source**: World Bank. 2021. "Togo BOOST" (https://www.worldbank.org/en/programs/boost-portal), International Monetary Fund World Economic Outlook, and Togo CEM datascan.*

40. Subsidies and transfers are also a large share of actual MAg spending. Subsidies and transfers as a whole averaged 37 percent of actual MAg spending in 2010-14, rose to a peak of 52 percent in 2013-2015, and declined to 46 percent in 2017-19).[70] Thus, roughly half of the public expenditure of the MAg is going to subsidies and asset transfers that are mainly going to public and parastatal entities, but just under 10 percent of subsidies and transfers in in 2019 went non-public or parastatal entities. Unlike many African countries, subsidies to inputs such as fertilizer are modest. Rather it seems that at least half the subsidies going to non-governmental entities appear to be linked to incentives for specific activities and entities favored by Government beyond fertilizer use.

41. Of greatest concern is the very low and declining share of agricultural public expenditure going to agricultural research and extension, as recognized in the National Development Plan.[71] Table 2.5 compares Togo's public expenditure on agricultural research as a share of agricultural GDP to its neighbors over the 1982-2016 period to its neighbors.

Table 2.5: Public Expenditure on Agricultural Research as a Share of Agricultural GDP (%) Compared

	1982-86	1987-91	1992-96	1997-01	2002-06	2007-11	2012-16
Benin	0.6%	0.6%	0.7%	0.6%	0.7%	0.7%	0.6%
Togo	1.3%	1.0%	0.8%	0.6%	0.5%	0.4%	0.2%
Ghana	0.3%	0.6%	0.6%	0.6%	0.6%	0.6%	0.9%

***Source:** ASTI (Agricultural Science and Technology Indicators). ASTI database. International Food Policy Research Institute (IFPRI). Accessed at: https://www.asti.cgiar.org/data*

42. In the mid-1980s, when Togo was one of the most successful agricultural countries in West Africa, it spent twice as high a share of agricultural GDP on agricultural research as Benin, and more than four times as much as Ghana as a share of agricultural GDP; these proportions completely reversed by 2016. The spending in question included not only the national agricultural research institutes, the *Institut Togolais de Recherches Agricoles* (ITRA), but also programs in institutions of higher learning and civil society engaged in agricultural research with public financial support. As Table 5 shows, the situation had completely reversed itself by 2012-16, when Benin spent three times as high a share as Togo and Ghana more than four times. Such a radical turnaround in a little over 30 years suggests that major divergences in agricultural development strategy were occurring between Togo and its neighbors. Relatively speaking, the public sector was not investing in increasing agricultural productivity through the tried-and-true means of intensification and technological change, contrary to the commitments to boost productivity in strategy documents.[72] The high dependency of Togo on donor funding for agricultural investment, which reflects both donor and national priorities, should put some of the burden for this the underfunding of critical agricultural public goods such as research and extension on development partners as well as Government decisions. When the West Africa Agriculture Productivity Program (WAAPP) project under CORAF finished in 2019, there were few donor takers to continue this line of funding.[73]

43. These findings are confirmed by comparing the negative growth rates of inflation-adjusted PPP US$ spent on agricultural research in Togo. In Table 2.6, which shows inflation-adjusted absolute spending, all sources and all actors, Ghana engaged in 4.2% annual compound growth of constant dollar spending on agricultural research from 1990-92 to 2014-16, a stand-out rate of growth exhibiting a high governmental priority to boosting agricultural productivity. Benin had an annual compound growth rate in constant US$ expenditure of 1.5% over the same period. Togo however had an estimated -3.2% per annum compounded shrinking of real expenditure on agricultural research over the same period.

44. Togo could capitalise on the benefits of research from larger regional agricultural research networks, but this is difficult if the national research institutions are not supported.[74] Benefitting from regional research however requires a minimum level of national research and extension infrastructure to relate to regional efforts, and Togo is behind here. Togo hosts the Regional Centre of Excellence for Avian Science (CERSA). In addition, a reference laboratory for quality control is under construction at ITRA. These efforts are to be encouraged and should be continued.

Table 2.6: Agricultural Research Spending Compared (millions of PPP constant 2011 and%)

Year	Benin	Togo	Ghana
1990-92	19.3	17.8	70.8
2001-03	19.3	13.1	101.0
2014-16	27.3	8.1	191.2
CAGR 1990/92-2014/16	1.5%	-3.2%	4.2%

Note: CAGRs are compound annual growth rates between the mid-points of the three-year averages shown. PPP is constant purchasing power parity units of account, base 2011.

Source: *ASTI (Agricultural Science and Technology Indicators). ASTI database. International Food Policy Research Institute (IFPRI). Accessed at: https://www.asti.cgiar.org/data*

45. Togo and its development partners are investing less in agricultural public goods. As a result, the country profits less from regional research than Togo's proximate neighbors, even adjusting for the small size of the country. Figures from the same data source as Table 2.6 for 2016 show that Benin had 11.2 agricultural researchers on a Full-Time Equivalent (FTE) basis per 100,000 farmers. Ghana had 8.6 on the same scale. Togo had 7.2. This lesser investment will, as shown in the next section, have a major cost in terms of relative agricultural productivity compared to neighbors. The progressive disinvestment in productivity-increasing agricultural research over the last 3 decades is bound to have had an impact.

2.2. Agricultural Productivity in Togo: Performance and Drivers

2.2.1. Labor and Land Agricultural Productivity 1990 to 2019

Agricultural labor productivity

46. Trends in average labor productivity give a sense of technological progress and scope for improving livelihoods, with growth in average labor productivity indicating technological progress. They are also useful for comparison across sectors, since diverging labor productivities indicate the scope for aggregate growth from shifting labor successfully from low to high average productivity sectors. Most importantly, average labor productivity indicates the scope for improvement in livelihoods, even if wages are more closely correlated with marginal labor productivity. Where land can be easily expanded and access to technology is not restricted, marginal and average productivities in agriculture are not far apart, although marginal is always lower than average. The ratio of marginal labor productivity to average labor productivity typically begins to fall as the ratio of labor to land increases, as is beginning to happen in Togo.

47. As might be expected from public underinvestment in agricultural public goods discussed in the previous section, average labor productivity in Togolese agriculture grew at modest about 0.6% per annum between 1991 and 2019 and is slowing down. As shown in Table 2.7, the average annual growth rate of average agricultural labor productivity from 2002-06 to 2014-19 was lower than from 1991-96 to 2002-2006. As shown from examination of average labor productivity growth in other sectors in previous chapters, the average labor productivity of the half of the population left on the farm has been steadily falling further behind in a comparative sense. It is to be anticipate that rural-urban migration will continue to increase, but not necessarily that migrants will find jobs.

Table 2.7: Togo Agricultural Labor Productivity 1991-2019

	Constant US$2010	Index base 2007		Compound annual growth rate (%)
1991-96	$861	105		
			1991/96-2002/06	0.67%
2002-06	$927	113		
			2002/06-2015/19	0.55%
2014-19	$995	122		

Source: *Average labor productivities computed annually by dividing agricultural value added from the WB CEM data scan in constant US$2010 by number of active agricultural workers aged 15 to 64 in WDI 2021, and then averaged. CAGRs are computed between the mid-points of the 5 year periods shown.*

Land productivity

48. Togo performs worse than its neighbours in terms of agricultural yields. Table 2.8 makes this comparison across Togo, Benin, and Ghana for 1990-2019 for the main crops grown in Togo except rice, for which data is inadequate. Results show that yields for cassava and cotton in Togo have fallen significantly over both halves of the 1990-2019 period compared to Benin and Ghana. Maize yields grew in both halves of the period in Togo, but only half as much as Benin and one-third as much as Ghana in the second half, reflecting the decline in research spending in Togo compared to its neighbors. Coffee yields in the first half of the period melted down relative to Benin and Ghana but recovered strongly in the second half. By contrast, Togo eked out yield growth in the second half for oil palm and groundnuts, doing better than Ghana for the former and better than Benin for the latter. Overall, except for oil palm where Togo did almost as well as Benin in the second half of the period, agricultural yield growth in Togo has fallen behind its proximate neighbors. It remains to be seen why output growth did better in neighboring countries, the topic of the next section.

Table 2.8: Yields of Selected Major Crops in Benin, Togo, and Ghana 1990-2019 (Annual averages in metric tons/ha and aggregate changes and CAGR in %)

	Cassava			Coffee			Groundnuts in shell			Maize			Oil Palm fruit			Seed Cotton		
	Benin	Togo	Ghana	Benin	Togo	Ghana	Benin	Togo	Ghana	Benin	Togo	Ghana	Benin	Togo	Ghana	Benin	Togo	Ghana
1990-1992	8.2	7.5	9.8	0.16	0.47	0.22	0.73	0.60	0.78	0.93	0.96	1.3	8.9	12.0	6.5	1.2	1.2	0.97
2004-2006	13.0	5.8	12.5	0.19	0.28	1.1	0.96	0.66	0.97	1.2	1.1	1.5	13.2	11.7	6.2	1.1	0.72	0.78
2017-2019	13.5	3.9	20.7	0.19	0.47	1.7	0.94	0.74	1.3	1.4	1.2	2.0	18.0	15.7	7.0	1.2	0.70	0.95
Chg% 90-92 04-06	57	-22	27	25	-42	394	32	10	25	27	18	18	48	-3	-4	-5	-41	-20
Chg% 04-06 17-19	5	-32	66	-1	69	55	-2	13	35	16	9	27	36	34	12	3	-4	22
CAGR 90/92- 17/19	1.9%	-2.3%	2.8%	0.8%	-0.1%	7.8%	0.9%	0.8%	2.0%	1.4%	0.9%	1.5%	2.6%	1.0%	0.2%	-0.1%	-2.1%	-0.1%

Source: *FAO, FAOStat. Accessed March 4, 2021*

2.2.2 Total Factor Productivity Trends in Togo Compared to Benin and Ghana

Decomposition of agricultural output growth in Togo by decade

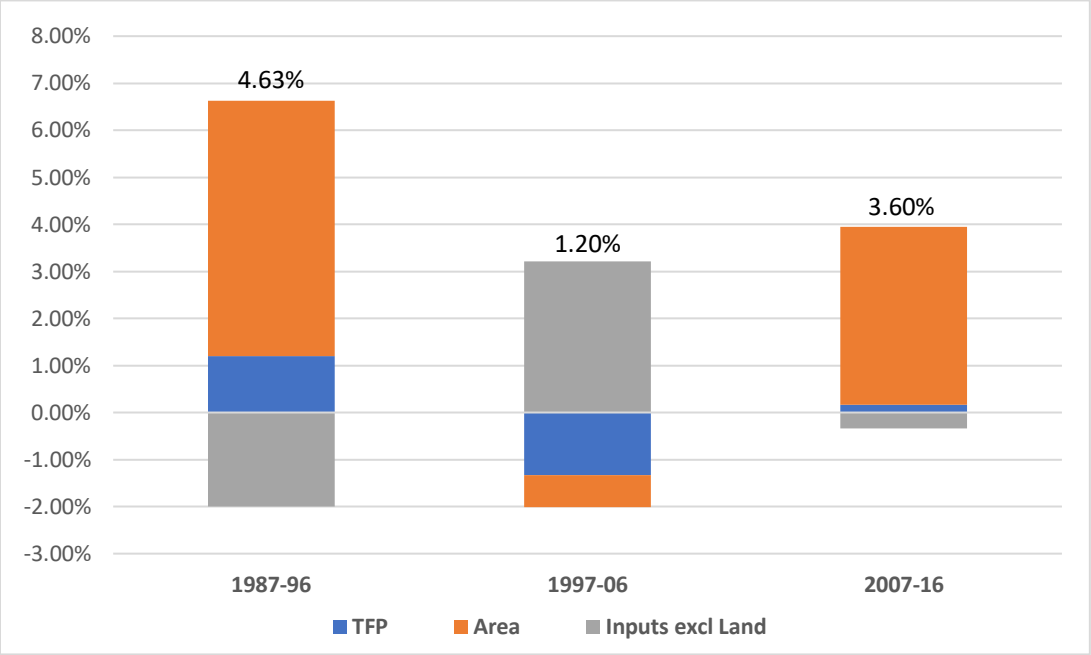
49. Single factor average productivity growth, whether for labor or land, do not control for differences in the use of purchased inputs, weather outcomes, land quality changes, and hard to define technological and managerial factors that may also be driving output growth. For agriculture then, the most appropriate measure is total factor productivity growth, with is simply the growth rate of aggregate output minus the growth rate of all factors used in agriculture (labor, land) and purchased agricultural inputs (embodied capital and production finance). The residual obtained, Total Factor Productivity (TFP), is interpreted as an amalgam of managerial talent (allocative and technical efficiency) and technological change[75].TFP calculations permit decomposing output growth into its constituent components, helping understand what has been driving growth in output. For agriculture, weather outcomes influence results differently across years, so it makes most sense to compare across long time periods (10 years at least) in the same country, and even longer-term comparisons across countries are most appropriate when comparing outcomes in different countries, best done for countries that face similar climate outcomes each year.

50. Most of Togo's growth in agricultural output over the 1987-1996 period came from expansion of cultivated area at 5.4 percent per annum, compensating in part for the effect of a 2 percent annual average decline in use of purchased inputs such as fertilizer. Togo's average annual agricultural output growth by value at constant prices from 1987 to 2016 is shown in Figure 2.2, cut into three 10-year periods, with the period average output growth shown at the top of each column. Output growth was about 2 percent higher than population growth in the earlier period of 1987-1996. This annual growth averaged 4.63 percent by value in constant price terms over the 1987-96 period, consistent with Togo growing its agriculture in an earlier era.[76] TFP grew at 1.2 percent per annum, a good performance in Sub-Saharan Africa at the time, and a return on Togo's former investment in agricultural innovation.

51. In the 1997 to 2006 period, things in Togo looked quite different. Output only grew in real value terms at 1.2% per annum, less than half the population growth rate, resulting in a decrease in per capita production. Growth in purchased inputs at 3.2% per annum accounted for what output growth there was. However, this was not enough to offset a small decline in cropped area (0.7% per annum), leading to a 1.3% decline in TFP per annum.

52. In 2007 to 2016, output grew by 3.6 percent per annum, but this was entirely due to area expansion of 3.8 percent per annum. Inputs declined by 0.3 percent per annum, and TFP stagnated at 0.2 percent per annum. For comparison, TFP during the same period in Rwanda grew at about 2.4 percent per annum.[77]

Figure 2.2: Decomposition of sources of agricultural growth in Togo 1987-2016
(Net agricultural output growth in% per annum at top of column in period indicated)



Notes: (1) The three sources of growth listed sum to output growth in the period in question. Output growth may be different than column height because of negative contributions to growth in the period in question (such as cultivated area or input use shrinking). Growth not explained by area expansion or increased use per ha of inputs (labor, livestock capital, machinery capital, fertilizers, feed) is attributed to TFP.

Source: *Compiled from data in the USDA Economic Research Service International Agricultural Productivity database, available at: https://www.ers.usda.gov/data-products/international-agricultural-productivity/*

Comparisons of Togo's TFP growth with Benin and Ghana

53. Togo's travails with TFP are illustrated further in Table 2.9, which makes the comparison with TFP in Benin and Ghana over the full period 1987-2016 to better wash out distorting factors like differences in weather in different periods as explanatory factors. Further, a comparison of the three countries is supported by the fact that they share borders and a coastline that is essentially horizontal (at similar latitude), and they all run inland about the same distance. Climatic influences therefore are substantially the same across countries in a given year.

54. Similarities across all three countries were that they grew their agricultural output faster than population over the 1987-2016 period and growth in input use was not much of a factor in all three. Togo's output growth shown in Table 2.9 was the slowest, at only about 0.5% per annum faster than population growth. Furthermore, only 0.1 to 0.3% of growth in output in all three countries was explained by growth in input use. Thus, intensification was not a factor in explaining output growth in the three countries over the period.

55. The main differences across countries were the higher area expansion rate and lower TFP growth in Togo compared to its neighbors. Area expansion accounted for 90 percent of agricultural output growth over the period in Togo, a little more than three-quarters in Benin, and only a little

under half in Ghana. On the other hand, TFP accounted for half of output growth in Ghana at 2.3 percent per annum, a stellar performance. It accounted for 0.9 percent per annum in Benin, and 0 percent in Togo. The next section will argue that there are four worsening major threats to productivity growth in agriculture that need attention beyond insufficient innovation.

Table 2.9: The Main Sources of Agricultural Growth in Togo Compared to Ghana and Benin (1987-2016)

	TFP	Area Expansion	More Inputs	Output Growth
Ghana	2.3%	2.2%	0.1%	4.6%
Togo	0.0%	2.8%	0.3%	3.1%
Benin	0.9%	3.3%	0.1%	4.2%

Notes: (1) The first three columns sum to output growth in the country in question. Growth not explained by area expansion or increased use per ha of inputs is attributed to Total Factor Productivity (TFP).

Source: *Compiled from data in the USDA Economic Research Service International Agricultural Productivity database, available at: https://www.ers.usda.gov/data-products/international-agricultural-productivity/*

2.2.2. Major Further Threats to Productivity Growth: Resource Degradation, Climate Change, COVID-19, and Food Insecurity

Degradation of the natural resource base for agriculture

56. Togo lost over 9% of its tree cover (>30% canopy) between 2000 and 2019. The previous section established that in the 30 preceeding years, 90% of Togo's average annual growth in agricultural output of 3.1% per annum came from expansion of cropped area. Its counterpart shows up in remote sensing estimates of tree cover loss in Togo between 2000 and 2019, given in Table 2.10. They confirm that the losses were highest in the humid tropical forest of the Maritime Region, at nearly 15%. The high rate may reflect both higher urbanization in Maritime and the fact that it is the fastest-growing region of Togo. The comparatively low number of ha of forest lost in Maritime since 2000 is due to the fact that so much of the high carbon native rain forest had already been cleared prior to 2000. This is a cautionary tale for Plateaux and Centrale, where the big forest clearing is occurring now.

Table 2.10: Tree Cover Loss in Togo 2000-2019 (000 ha and %)

	Tree Cover >30% tree canopy in 2010	Tree Cover Loss 2000-2019	% Tree Cover Loss
Plateaux	356	32.6	-9.2%
Centre	203	19.1	-9.4%
Maritime	25.7	3.8	-14.8%
Kara	14.5	0.4	-2.7%
Savanes	0+	0+	n.a.
Total	599.2	55.9	-9.3%

Source: *Remote sensing results reported by Global Forest Watch (2021).*

57. Massive tree cover loss of this type, which reportedly has been going on since well before 2000, destroys the fertility of productive landscapes for both agriculture and forestry. Topsoil is lost to rain runoff and wind. Other soils become compacted and lose fertility. Ecosystem services such as windbreaks, habitats for pollinators, water retention, cleaner water, soil stabilization and abundant kindling for fuel decline. Crop yields decline.[78] When slash-and-burn was still feasible, problems could be put off. As population pressure increases on the land (see above), land clearing is no longer feasible on a large scale as an agricultural growth strategy. The loss of soil fertility is compounded by the failure to replace soil nutrients through fertilization, as examined above, where Togo lags behind Benin and especially Ghana.

Climate change and resilience of agricultural households in Togo

58. One of the biggest impacts of agricultural degradation is to reduce even further the low resilience of agricultural households to deal with shocks to their incomes and food security such as from climate change increasing the extremity and unpredictability of adverse weather events. This is because of the increased inflexibility of degraded farming systems to weather outcomes and greater overall poverty. Impacts are already being felt in Togo and it will be vital to increase the options for farm families to adapt. Even the most optimistic estimates using assumptions from the United Nations International Panel on Climate Change (IPCC) suggest the near certainty of further climate change impacts on Togo in the coming decades.

59. Prospects for major increases in mean temperature and amount of precipitation from climate change are low for Togo, but there is a high probability of more extreme temperatures with temperature maximums increasing by 2°C, and more intense rainfall episodes. The number of days hotter than 35°C are likely to increase substantially, especially longer term in the most pessimistic IPCC scenario.[79] These hot days can lead to greatly reduced yields, especially for a strategic food crop such as maize, which is very sensitive to nighttime heat stress during the tasseling period of its growth cycle.[80] Similarly, the average amount of precipitation is not likely to change much, but the extremes will be much more in evidence, with the maximums much higher in all scenarios.

60. Agricultural research programs targeting resilience issues need to address the issues promoting the ongoing degradation of whole landscapes. It will not be enough to target developing and extending resistant crop varieties, which although helpful and the main target of Togo's agricultural research currently,[81] do not address the more fundamental issue of better governance of productive landscapes. Under Togo's smallholder conditions, especially in hilly areas, one farmer's land clearing affects the water availability, wind protection, and soil management of a other farmers, sometimes at some distance away. Climate-Smart-Agriculture under Togo's conditions requires collective action at the landscape level to distribute the costs and benefits fairly.[82]

Innovative response to COVID-19 effects on agriculture through new digital tools

61. Togo adopted a series of strong COVID control measures in March 2020, including closing land borders and strict movement controls around the major cities and limiting large gatherings; these severely impacted agribusiness and those farmers more linked to markets. In April 2020, the Government imposed further restrictions on external and domestic trade and movement of persons. The import and export of agricultural inputs and agri-food products was

disrupted by the control measures, and food prices in Lomé rose by 3.3 percent in April 2020 compared to March. Finance for agriculture and agribusiness became scarcer due to the uncertainty of market prospects and how the pandemic might evolve. The control measures also decreased the supply of raw materials to agro-processors and decreased manufacturing and service sector incomes in urban areas.[83] A survey in June 2020 of agribusiness firms found that as a result of events and control measures stemming from the COVID pandemic, 53 percent of firms lost between 25 to 75 percent of normal sales, and 41 percent lost more than 75 percent of sales.[84] This affected their workforce: 22 percent of their workers went on unpaid furloughs, 17 percent had reduced pay rates, and 59 percent had reduced hours of work.

62. In the context, the Government sought to foster agricultural production and prevent a food crisis in the country, while ensuring the provision of raw materials to maintain the processing capacities of agribusiness firms. The main Government plan for creating smallholder resilience is the Ministry of Agriculture's *Plan de Riposte COVID19: Opération de soutien aux producteurs agricoles pour la campagne 2020/2021*.[85] This rapid response could draw on the years of lesson-learning from the implementation of the AgriPME (agricultural digital wallet) in operation since 2016 and used to subsidize fertilize purchases by farmers.[86] The COVID plan measures include: (i) support for increased access to seeds, fertilizers, and agricultural equipment; (ii) the establishment of a digital platform to facilitate the availability, mobility, and better management of the labor force in the sector; (iii) the establishment of a digital platform for the provisioning of mechanical equipment services; and (iv) the establishment of a digital platform for online training and agriculture advisory services, which will also continue to include good agricultural practices within the framework of climate smart agriculture (Ibid.). The digital and targeting aspects of the plan were facilitated by the drawing up of digital map of the entire country at the 10-meter scale from remote sensing data.[87]

63. Increased access to seeds, fertilizers and agricultural equipment for 256,000 farmers is provided through a new digital platform, "YOLIM", launched in late July 2020 by the MAg with the support of the Ministry of Digital Economy.[88] "YOLIM" means the rainy and sowing season in the Kabye language. Under YOLIM, the State, in partnership with banks and telecoms operators, extends zero-interest credit to qualified smallholder farmers towards the cost of quality inputs (seeds, fertilizer, pesticides, inoculum) and renting modern farm machinery from over 200 partners nationwide. YOLIM's loans of 96,000 FCFA (about US$ 160) per farm-household are paid directly to farmers' mobile wallets in the form of electronic vouchers that can only be used for approved agricultural transactions.[89] Loans are targeted to cover up to one hectare of maize, rice, soybeans, or cotton production. This is a temporary measure meant to mitigate credit constraints faced by farmers in launching farming activities at the beginning of the cropping season and stimulate agriculture production. This aligns with Government plans over the medium-term to reduce the level of subsidies significantly while limiting the use of subsidies to highly vulnerable groups under exceptional circumstances.[90]

64. The plan also aims at facilitating labor mobility and improving the management of the labor force. As the labor mobility restrictions taken by the Government to prevent the rapid spread of the pandemic has negatively affected the availability and provision of farm labor in many regions of the country. To mitigate this, the Ministry of Agriculture set up a platform for an agricultural labor

hiring service operated with the support of workforce placement companies to facilitate the availability, mobility, and better management of the labor force in the sector, and through the issuance of a "laissez passer" travel document for hired workers.

65. The establishment of digital platforms for online training, agricultural advisory services, and the provision of mechanization-related farming services will support e-extension services as an alternative form of dissemination of technologies and knowledge. This is required in the COVID-19 environment as extension services agents are no longer able to conduct the usual face-to-face trainings with farmers and rural communities, because of restrictions imposed on meetings and gatherings of people. Online training and advisory services also help to increase COVID-19 awareness and the spread of information about ways farmers and rural dwellers could protect themselves. Going forward post-COVID, the digital infrastructure expanded by COVID response could be used to improve the breadth of outreach of extension services, reaching more farmers. Given low internet penetration in rural areas, e-extension services in the future as with COVID emergency response today should make use of both internet and mobile phones (SMS instant messages) to deliver advisory and training to producers. The country's mobile penetration rate is above 82 percent. By establishing a digital platform through which private service providers could deliver these services to producers at a reasonable cost, timely land preparation for farming activities and labor productivity could increase.

66. The Government is also experimenting with ways of utilizing the maps underpinning YOLIM within the context of its flagship social protection program "NOVISSI", a digital cash transfer scheme aimed at providing a social safety net for vulnerable groups affected by the COVID-19 pandemic. Their aim here is to understand which communities have significant concentrations of smallholder farming activities for critical crops. These areas could then be prioritized for cash transfers under the program or may be included in a dedicated social protection campaign to protect farmers from shocks triggered by the pandemic which may negatively impact national food security.[91]

Food insecurity under COVID-19

67. The main pathways through which COVID affected smallholders were that input supplies and hired labor were harder to access.[92] It was more difficult to sell output, and purchasers increasingly wanted to buy on credit. It became harder to purchase feed and breeder animals, and theft of animals increased. Inflows to rural households from remittances and off-farm work also shrank, as did the possibility of migration, the most extreme coping strategy.

68. Fourteen percent of rural households purchased cereals during the pandemic, roughly up from 10 percent before; 48 percent purchased cassava. The rise in the share of cereals purchased may seem counter-intuitive, as cereals prices rose significantly early in the pandemic (March-April 2020). However, it is likely that rural households sold a slightly higher proportion than normal of their household stocks of cereals from own production in response to higher prices, buying cereals back later. Cassava is typically grown in the more humid zones, but its ready availability throughout the year make it a favored crop in times of cereals shortage, especially before the main cereals harvest further north. Clearly rural households are not immune from price increases for staples. A market price assessment between the end of March 2020 and early May (at the time of the sealing off of certain cities and the closing of borders) found that the price of rice rose nationally by 29 percent, but

the prices of other staple crops were barely affected. Rice is heavily imported and imports are the main rice supply for Lomé and environs, where the lockdown prevented incoming supplies. It is significant that the rice shortage did not provoke large price increases for other staples, suggesting that decreased food consumption was a big part of adaptation to the rice price increase.

69. There is no doubt that food security was impacted in both urban and rural areas: food intake reported by households decreased; 52 percent of urban households had diets judged inadequate in terms of calories, which suggests the significant disruption of food markets. Yet rural households had an even worse level of dietary inadequacy at 55 percent. This is likely due more to long run structural factors as well as a lower ability to cope with income shocks than urban people. Diversity of diet also declined. Although there was considerable variation within each region, as a rule food intake adequacy and diversity in rural areas tended to decline from south to north, and from west to east.

70. Perhaps paradoxically, Togo's five Regions, Maritime and Plateaux—the two southernmost ones—had the greatest prevalence and also the greatest severity of vulnerability to food shocks from COVID-19: 81 percent of households showed some vulnerability in Maritime and 63 percent in Plateaux. This likely indicates greater exposure to markets for income and food supply in these Regions compared to the other three, and perhaps also greater dependence on rice imports specifically. In all the Regions, coping behavior consisted in decreasing food intake, substituting cheaper calories (starch) for more expensive ones (animal and horticultural products), sales of assets, borrowing and out-migration.

2.3. Opportunities from Evolving Demand for Togo's Agricultural Products at Home and Abroad

2.3.1. Opportunities from the shift to consuming higher priced calories

Changing food systems in West Africa

71. Agricultural growth in a low income country like Togo will depend on the ability to meet new demands for new agricultural and food products, including demands from outside. The commodities of most interest here have changed. Even as recently as 30 years ago, the term "cash crops" was commonly used in countries such as Togo as a synonym for traditional "export crops" such as cotton, cocoa, and coffee. This arose because the returns per unit of land and per person-hour were thought to be higher in those crops. Food sales for the small domestic market were considered less remunerative and primarily arose from smallholders having a small surplus over subsistence needs, sown to assure adequacy for own needs in poor growing years.[93] In the meantime, the trend had been reversed with a preponderance of food crops. In recent years, products such as maize, soya and sesame have acquired economic value. Togo would benefit from encouraging the promotion of organic agriculture and certain high value-added crops such as cashew nuts and pineapples.

72. Food in Sub-Saharan Africa is now a major trade item, both for import and export, and dwarfs traditional export crops in aggregate value in production and increasing in trade.[94] Food is also much more than raw grains and tubers. Sub-Saharan Africa's food import bill stood at US$ 43 billion in 2019, but food exports were not far behind at about US$35 billion, even excluding the higher

income countries such as South Africa.[95] Other parts of the food exporting world want to export food to Africa, and to procure from Africa. In this context, regional food trade takes on new importance for African countries.[96] Togo's longer run interest in exporting agricultural commodities, including high income ones, is to target major metropolitan areas at home as within the West African Region. These major cities are going through the nutritional transition that substitutes higher priced animal source foods and horticultural foods for lower priced starch calories. Even more surprising, the will to consume higher priced calories is as strong in rural as urban areas in those cases where income is increasing.

73. A second major set of changes relevant for agriculture strategy going forward arises from what has been called the "processed food revolution" in Africa.[97] African consumers have purchased increasing amounts of processed food over the past 50 years. The opportunity cost of time of women and men has increased along with incomes as more of them work outside the home, driving them to buy processed food and food prepared away from home to save arduous home-processing and preparation labor. In the past several decades, this trend has accelerated with a surge on the supply side of the processing sector and small and medium enterprises (SMEs) and large private companies making massive aggregate investments. Packaged, industrialized, ultra-processed foods and sugar-sweetened beverages are a growing proportion of the processed food consumed. COMTRADE data for a sample of 8 countries, including Nigeria, in 2014 showed that 28 percent of food imports were unprocessed (such as grain), 15 percent were partially processed (such as flour or other ingredients of food manufacturing), and 57 percent were highly processed food products, such as noodles, bread, cheese, bottled and canned items, cookies, chips, processed meat products, yogurt etc.

The enduring income responsiveness of food demand even for starches

74. High income change response rates of demand for higher value and more processed/prepared food items have been widely estimated throughout West Africa in both urban and rural areas. This are summarized for the Region in Table 2.11, , which synthesizes estimates from household panel studies in 8 West African countries, including Togo. These are consumption responses to income growth for the half of food commodities most responsive to increases in household income. For example, in rural areas, a 1% increase in income is associated with a 2.26% increase in expenditure on food consumed outside the home, such as in a market stall, bar, or restaurant. A very high but lesser response rate was observed in urban areas. While high-value calories such as animal-source and prepared foods have high income elasticities of demand, as expected, it is striking that even basic starches such as rice and cassava have unitary income elasticities in rural areas and rice has a high 0.75 elasticity in urban areas. Contrary to the developed world and even much of East Asia and Latin America, demand for food staples is far from saturated in West Africa, and especially in relatively low-income Togo.

Table 2.11: Urban and Rural Income Elasticities of Demand for Foods in West Africa
(% demand response to 1% increase in income)

Item	Urban consumers	Rural consumers
Food outside the household	1.97	2.26
Dairy products	1.38	1.38
Beverages	1.31	1.38
Meat	1.24	1.55
Wheat products	1.19	1.35
Yams	0.92	1.33
Fruits & vegetables	0.89	1.07
Fish and seafood	0.84	1.00
Rice	0.75	1.11
Oil and oil seeds	0.74	n.a.
Cassava	n.a.	1.07

Note: Income elasticities measure the percentage response in consumer demand associated with a 1 percent increase in consumer income. Food consumed outside the household is typically purchased and consumed as prepared meals served in a bar, restaurant, or roadside stall. Only the top 50% of income response parameters are shown. Maize, millet and sorghum, for example, have much lower income responses but much higher shares of household food budgets.

Sources: *A synthesis by Staatz and Hollinger (2016) of empirical work in Burkina Faso, Cote d'Ivoire, Ghana, Mali, Niger, Nigeria, Senegal, and Togo over the 2002-12 period.*

2.3.2. Togo's changing competitiveness in international and regional trade

Trade with global destinations and sources

75. Togo's main recorded agricultural exports continue to be mainly with non-African sources and involve net exports of cotton (India and China), coffee (France), cocoa (France), and most recently organic soybean (France and the Netherlands) and cashew (India).[98] Table 2.12 shows the inflation-adjusted values of net agricultural trade (exports minus imports) in constant US$2010 for the principal crops traded by Togo in the recorded statistics. As expected, cotton is by far the most important agricultural net export, although in real terms in 2017-2019 it brought in 16 percent less than it did in 1990-92, but 250 percent what it did at the low point for the Togolese cotton sector in 2005-07. The constant US dollar value of net exports of coffee have declined significantly since 1990-92. This reflects increased domestic use and stagnant production growth. The value of cocoa exports has also declined in real terms since 1990-92. Togolese recorded net exports of cocoa of over US2010 $92 million in 2005-07 were a temporary phenomenon due primarily to large unrecorded net imports of cocoa from Ghana, where cocoa producer prices were being kept low by the Cocoa Board at the time, and world prices were very high.[99]It is unlikely that either coffee or cocoa present a major growing export opportunity for Togo going forward.

76. Certified organic soybeans and cashew nut exports have been high points for agricultural exports in recent years. Togo is now the number one country origin for EU imports of organic soybeans, at 42,300 tons in 2019, ahead of China and India. This is more than double the amount Togo exported to the EU in 2018.[100] Cashew exports, still very small on a West African scale, are mainly to Asia and mainly in raw form, similar to experience in other West African countries. The value of net exports of cashew in the last decade surpassed both those of cocoa and coffee in 2017-2019. Based on the example of Cote d'Ivoire and developments in world cashew markets, this growth in exports of raw cashew nuts (RCN) has room to run.

77. However, Togo appears to be repeating the mistakes of a few established African cashew exporters that have tried to promote domestic processing through fiscal policy with poor results. Presently, RCN exports are taxed at 40 FCFA/kg, whereas kernels are taxed at 5 FCFA. Experience in Mozambique, once the dominant cashew exporter in the world and now with low cashew productivity and shrinking cashew footprint, shows the danger of this form of processing promotion strategy. Problems arise for both cashew producers and processors because of loss of income and competitiveness from adding an export tax onto the export prices of a price-taking country, competing with countries with major economies of scale in processing, and severe tariff escalation in the main Asian markets for cashew. Further, scarce Government funds for agriculture from the Incentive Mechanism for Agricultural Financing (MIFA) are being used to subsidize private processors for cashew export, as in a FCFA 600 million (a little over US$ 1 million) concessional loan to a mid-sized privately owned processor of 2,000 tons/year of kernels (8,000 tons of RCN).

Table 2.12: Inflation-Adjusted Value of Recorded Net Agricultural Trade in Selected Commodities 1990-2019 (US$ 000 base 2010)

	Cocoa	Coffee	Cotton	Soybean	Cashew	Palm Oil	Chicken	Rice	Maize	Onion & Tomato
1990-92	19,586	24,066	89,466	0	0	-934	-461	-17,396	-23	-747
2005-07	92,638	6,547	29,948	0	0	-4,244	-2,391	-21,424	-288	-196
2017-19	5,612	3,328	74,917	8,385	6,406	-19,059	-11,180	-42,334	-195	-250
CAGR (1990/92-2005/07)	10.90%	-8.30%	-7.00%	n.a	n.a.	-10.60%	-11.60%	-1.40%	18.30%	-8.50%
CAGR (2005/07-2017/19)	-19.40%	-5.10%	7.30%	n.a	n.a.	-12.20%	-12.60%	-5.40%	2.90%	-1.90%

Notes: Net recorded trade is estimated as the value of gross recorded exports minus the value of gross recorded imports, except as noted. CAGR is compound annual growth rate; a negative CGAR implies that net exports are decreasing or net imports are increasing. All figures are deflated by the US$ Consumer Price index base 2010. CAGRs are compound annual growth rates between the mid-points of the three-year annual averages indicated.

Sources: *Calculated from data series in U.N. Food and Agricultural Organization, FAOStat. The CPI deflator is from World Bank (2021c).*

78. On the domestic food supply side, net imports have increased significantly since 2005-07 for rice (Thailand), chicken (France and Brazil), and palm oil (Indonesia), all key to the urban diet. There is little doubt that most food imports into Togo from world markets are for domestic use, primarily in Lomé and the surrounding region. As shown in Table 2.12, Togo has been ramping up its net imports of rice for a long time, at a growing rate, consistent with the urban income growth of Lomé and the surrounding area, and despite significant progress in increasing domestic production. Similarly, net imports of chicken and palm oil—staples of the urban middle class—have grown on the order of 12 percent per annum compounded for three decades. Togo is approximately self-sufficient in maize overall, although it mainly exports food maize in West Africa and imports animal feed maize from the world market. Chicken, rice, and palm oil are all ripe for investment in domestic production if close to Lomé, by far the main consumption center.[101]

Regional agricultural trade

79. As shown in the Trade chapter, Togo is an avid trader with its immediate and immediate neighbors (Ghana, Burkina Faso and Benin) and near neighbors (Cote d'Ivoire, Niger and Nigeria), and it seems likely that the share of re-exports of imports is large. This propensity for regional trade is especially prevalent in agriculture, where Togo is a hub for trade flows from the coast to the inland countries and from west to east (much of it likely ending in Nigeria). The small numbers for net exports of onions and tomatoes in Table 2.12 belie the fact that trade flows are in fact large, but they are balanced between imports and exports. Recorded regional agricultural trade flows of Togo in 2019 with its immediate neighbors and near neighbors are shown on a net basis (exports minus imports) in Table 2.13. For interior countries such as Burkina Faso and Niger, Togo's recorded exports dominate as opposed to imports. The five agriculture and food commodities listed account for nearly half of all of Togo's net trade with Niger all sectors. Although Togo had net exports of more than US$ 25 million of palm oil to Niger, it also had net imports of more than US$20 million of palm oil from all sources (Table 2.12, data for 2019 alone). Further, although Togo had small cereal net exports to Burkina and Niger, it had much larger cereal net imports from Ghana. Overall, agriculture and food recorded exports exceeded imports.

80. Unrecorded regional agricultural trade in food commodities is also quite significant and may be more than one-third the size of Togo's recorded agricultural trade within the region. This is the case even when excluding temporary phenomena such as the Ghanaian policy-induced US$70 to US$ 75 million clandestine cocoa exports to Togo for re-export in the mid-2000s discussed above. The Government undertook an assessment in 2019 of unrecorded trade by land border to and from neighboring countries.[102] Estimated net unrecorded trade (exports – imports) to the three countries (Benin, Burkina Faso, and Ghana) came in at about US$ 67.6 million all sectors, compared to recorded net trade in Table 13 of 363 million. Thus, adding the unrecorded portion would increase recorded estimates of total net regional trade in 2019 by about 19 percent. Agriculture and food accounted for 53 percent of unrecorded regional imports (10 percent processed food, 43 percent raw agricultural products), and 70 percent of unrecorded exports (41 percent processed food, 30 percent raw agricultural products).

Table 2.13: Togo's Net Recorded Regional Trade with Proximate Neighbors in Selected Processed Agricultural Commodities in 2019 (in nominal US$ as indicated)

Partner	Sugar	Beer	Palm Oil	Cereals & Preparations	Animal Feed	All Commodities
			000s US$			Millions US$
Benin	368	3,220	3,457	139	198	102.6
Burkina Faso	675	877	--	1,260	--	125.5
Ghana	132	449	3,139	-16,285	--	23.9
Niger	8,177	2,145	25,547	2,747	649	81.7
Nigeria	1,047	--	--	-47	--	-10.4
5 countries Total	10,399	6,700	32,143	-12,186	847	323.3

Notes: The precise COMTRADE categories reported here follow STIC rev 4 categories. Net trade is net officially recorded exports minus imports between Togo and the partners indicated. A negative number implies that Togo is a net importer from the partner concerned.

Source: *United Nations International Trade Statistics (COMTRADE) database, accessed March 15, 2021, available at: https://comtrade.un.org/data.*

81. All regions of Togo were actively and relatively evenly engaged in unrecorded exports, especially of agricultural products, but the Maritime region is thought to have accounted for substantially more than half of all unrecorded exports in 2018.[103] The main partner for unrecorded imports (66 percent) was Benin, which also accounted for 53 percent of unrecorded exports of all sectors. It is not clear how much of the unrecorded trade with Benin was actually to and from Nigeria, but it is likely that it was the majority.

82. There has long been a desire in West African policy circles, especially ECOWAS, to improve regional food security through expanded and more formalized regional trade in starchy staples, although this is not likely to work for Togolese exports. Following historical precedent, proposals in this regard have usually focused on North-South major trade corridors, such as along Togo's N1 route north to Burkina Faso and then on to Niger, perhaps because cereals production is seen as more reliable in the coastal countries and ruminant livestock raising more suitable in the Sahel.[104] The more realistic version is that cereals are more likely to be imported from outside the region and re-exported north as needed in some years and consumed in coastal countries all years. Coastal countries with significant FOREX earnings from mineral exports, such as Togo, are also likely to import a significant share of animal-source foods from outside the region, for consumption at least in large coastal cities such as Lomé. An indication of why Togo is not likely to grow its share of regional exports of starchy food staples is shown in Table 2.14. Nominal producer prices on a comparable FCFA basis went up in Togo from 2009/11 to 2016/18 compared to Ghana and Benin for all three staples. This was especially true for cassava, but also for rice and on a marginal basis for maize. Note that real maize prices actually fell in Togo. Togo however is a relatively high unit cost cereal producer, even on a regional basis. On the other hand, as will be seen, Togo has regional comparative advantages in other areas of agriculture that can be expanded by appropriate policy action.

Gross agricultural exports are currently the most lucrative.

83. Although traditional commodity exports such as cotton (30.6% of recorded agricultural export earnings) still bring in the most FOREX, prepared and higher value foods are becoming significant. These include palm oil preparations, concentrated sugared milk (likely made from imported milk powder), wine (likely including palm wine), beer, confectionary, snack nuts, tropical fruits, mixed seasonings, and fruit juices. The relative values of Togo's top 20 gross agricultural exports by 4-digit commodity level are shown in Table 2.15. Together the products mentioned above total above US$100 million in 2019, of the same order of magnitude as cotton, and significantly better in some years. Opportunities abound for agribusiness that can import and export without undue costs from tariffs on inputs, excess taxation, or logistical issues in exporting.

Table 2.14: Comparative producer prices per kg. for food staple starches in nominal CFA

	Cassava			Maize			Paddy Rice			Togo CPI
	Benin	**Togo**	**Ghana**	**Benin**	**Togo**	**Ghana**	**Benin**	**Togo**	**Ghana**	**index 2010**
2009-11	225	83	78	150	152	184	360	159	239	101
2016-18	159	142	83	152	161	177	369	202	99	112
% Chg	-30	71	6	1	6	-4	2	27	-59	11

Sources: Producer prices are from U.N. FAO, FAOStat, in local currency. The Togo CPI is from World Bank (2021c). Both were accessed March 2, 2021.

Note: *Annual 3-year averages, Ghana prices in Cedis converted to FCFA using mutual US$ exchange rates.*

84. Much of this trade diversification for Togo into higher-value prepared foods is regional trade, as suggested by Table 2.14. This view is reinforced by other sources that report double digit growth rates (from a very low base) for regional fruit and vegetable exports from Togo since the mid-2000s.[105] It also is consistent with Enterprise Survey results showing that export-oriented vegetable firms have grown faster in number than anything else in agriculture since 2015.[106] Rice may also have a future as a net export in the region under technological progress in production. Cassava flour has strong domestic partnerships linking private capital to emerging (if not smallholder) farmers living in proximity to big urban markets, especially Lomé.[107]

Table 2.15: Top 15 Togolese Gross Agricultural Exports by Value 2019 (HS 4 digit as reported by Togo)

	Nominal US$	%Tot-al Export	% Ag Exp-orts	Rank in Ag
All commodity exports from Togo all sectors	917,084,613	100%		
All Togo agriculture exports	280,350,089	30.6%	100%	
Cotton; not carded or combed	97,864,453	10.7%	34.9%	1
Palm oil and its fractions; whether or not refined, but not chemically modified	36,195,245	3.9%	12.9%	2
Milk and cream; concentrated or containing added sugar or other sweetening matter	22,320,931	2.4%	8.0%	3
Soya beans, whether or not broken	15,270,059	1.7%	5.4%	4
Wine of fresh grapes, including fortified wines; grape must other than that of heading no. 2009	15,152,860	1.7%	5.4%	5
Cocoa beans; whole or broken, raw or roasted	10,244,910	1.1%	3.7%	6
Cane or beet sugar and chemically pure sucrose, in solid form	9,879,011	1.1%	3.5%	7
Coffee, whether or not roasted or decaffeinated; husks and skins; coffee substitutes containing coffee in any proportion	8,759,726	1.0%	3.1%	8
Beer made from malt	8,133,617	0.9%	2.9%	9
Waters, including mineral and aerated waters, containing added sugar or sweetening matter, flavored; other non-alcoholic beverages, not including fruit or vegetable juices of heading no. 2009	7,451,475	0.8%	2.7%	10
Nuts, edible; coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled	7,381,113	0.8%	2.6%	11
Sugar confectionery (including white chocolate), not containing cocoa	6,104,929	0.7%	2.2%	12
Oil seeds and oleaginous fruits, n.e.c. in chapter 12; whether or not broken	5,603,595	0.6%	2.0%	13
Fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined; but not chemically modified	5,528,269	0.6%	2.0%	14
Wheat or meslin flour	3,637,172	0.4%	1.3%	15
Ice cream and other edible ice; whether or not containing cocoa	2,652,621	0.3%	0.9%	16
Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens; fresh or dried	2,264,332	0.2%	0.8%	17
Sauces and preparations therefor; mixed condiments and mixed seasonings, mustard flour and meal and prepared mustard	1,948,937	0.2%	0.7%	18
Fruit juices (including grape must) and vegetable juices, unfermented, not containing added spirit; whether or not containing added sugar or other sweetening matter	1,362,613	0.1%	0.5%	19
Nuts (excluding coconuts, Brazils and cashew nuts); fresh or dried, whether or not shelled or peeled	1,155,222	0.1%	0.4%	20

***Source**: United Nations COMTRADE HS4 digit as reported by Togo to all destinations*

2.4. Opportunities for Structural Transformation of Agriculture: The way forward

2.4.1. The unavoidable need to boost resilient TFP in agriculture and an approach

Togo's lack of agricultural TFP growth and structural transformation

85. It is clear from the evidence presented above that agricultural productivity in the sense of agricultural total factor productivity (TFP) is neither growing, nor driving either agricultural or overall growth. Overall agricultural growth at 3.1 percent is lower than in neighboring countries and almost all of it is driven by land clearing associated with loss of forest cover and loss of ecological resilience. The average product of labor in agriculture has remained for decades about equal to the marginal product. Each new agricultural worker produces approximately the same value as existing agricultural workers, or not much less, and both find themselves at a low level near subsistence, hence the nearly 58.2 percent poverty rate in rural Togo according to the results from the EHCVM 2018-2019. Steadily increasing average agricultural labor productivity would be a pathway out of this poverty trap. However, it has only grown about 0.6 percent per year since 1990, as seen previously. Even this very slow growth of labor productivity in agriculture would not be possible without the supply of crop land growing at least as fast as the agricultural workforce in the absence of technological change in agriculture. Otherwise, a Ricardian process of diminishing marginal returns to labor would set in and remaining in agriculture would simply not be viable. Continuous land clearing for new agricultural workers has saved the day.

86. Even under the most favorable assumptions about the employability of rural migrants in urban areas, the gains from migration for structural transformation are modest. The situation described in the previous paragraph implies that migration of workers out of the agriculturural sector to urban areas in the hope of finding a service sector job will in the first instance lead to a decline in agricultural output about equal to the average productivity of labor in agriculture. Chapter 1 showed that average labor productivity in the urban service sector is about twice that of agriculture. Therefore, even if rural migrants become employed right away in the urban service sector find work, the net benefit to the national economy will only be equal to an amount equivalent to the low average productivity of labor in agriculture.[108]

87. Underemployment for the under-educated and under-skilled is growing in urban areas, especially in Lomé, and especially for youth and women more generally. This almost ensures that migrants will not be fully employed immediately, and possibly not for a long time. Thus, the net benefits from structural transformation thus defined will be even less than the amount equivalent to the low average product of labor in agriculture.

88. Continuing along the path of continuous land clearing for agriculture in the absence of productivity growth for most farmers is a limited-term strategy destined to fail. The evidence presented earlier suggested that the marginal product of labor in agriculture is now increasingly likely to fall due to increasing population density in agricultural areas and limits to slash-and-burn clearing. This scenario will ultimately lead to falling real agricultural wages and further rural immiseration if agricultural productivity growth and increased efficiency do not happen through technological change on a wide scale. It will also be very difficult for the urban settings to develop if the large rural economy is becoming increasingly poor. The relative size of agriculture prevents the urban sector from being able to rely on using mineral rents or other non-agricultural income not related to agricultural purchasing power to subsidize the problem away. A far preferable and more reliable strategic

approach, based on the experience of countries such as Ghana, Morocco and Rwanda (and many others), is to have a viable plan to boost agricultural TFP.

Outline of a five-pronged approach to agricultural TFP growth

89. Facilitating sustained agricultural TFP growth requires a five-pronged approach. Togolese agriculture for the foreseeable future will be driven primarily by growing demand and not in the first instance by the appearance of new technologies for supply, unlike the Asian Green Revolution. First, Togo needs to address realistically where its best bets are for dynamic agricultural growth based on observed market developments and assessments of potentials for competitiveness. Other countries in the region are in the same boat and the competition for farmers in an open trading economy such as Togo is extensive and developing further all the time. Second, there is a need to review policies and address market failures that are preventing or slowing down domestic market responses to rising demand for agricultural products. If there were no rigidities or market failures in agriculture, the market would do the prioritization and resource mobilization on its own. Unfortunately, agriculture in most countries and especially Togo is full of market externalities such as those leading to resource degradation and big risks, uncertainties and asymmetric information that prevent market responses by smallholders. Third, and relatedly, there is a need to mobilize a much larger volume of private sector investment to work with farmers to bring new technologies and practices to bear and to get the product to market in the most remunerative form. Institutional development is key driver in this area. Fourth, public investment in rural infrastructure and public goods such as agricultural research and extension, including better adapting what is available from regional networks such as CORAF, is vital both to boosting productivity where it is needed and mobilizing private investment. Fifth, any hope for resilience of agricultural incomes and productivity growth requires better maintenance of and explicit efforts to restore productive landscapes. These items are elaborated on in the next section.

90. Togo has opted for digitalisation as a strategy for increasing agricultural productivity and developing value chains. The strategy is based on four pillars: (i) launch of an e-learning platform, aimed at students, farmers, and anyone wishing to learn about issues related to agriculture, livestock and fisheries; (ii) the establishment of an electronic wallet for farmers--Agri-PME--which aims to support the agricultural sector more effectively in the distribution or acquisition of fertilizer subsidies via mobile phones; (iii) the launch of YOLIM, a digital credit programme for access to inputs in the form of electronic purchase vouchers worth 96,000 CFA francs, designed as part of the agricultural response plan to COVID-19. This is a decisive step in the integration of small farmers into agricultural value chains, and (iv) the validation of the traceability and digitalisation system for agro-industrial value chains by Togo in collaboration with the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organisation (UNIDO).

2.4.2. The five prongs to promoting TFP growth in Togo

First, target demand opportunities

91. As has already happened in many other parts of the world, including the middle-income East Asian and Latin American countries, food demand in Togo and surrounding countries is expected to continue to shift dramatically from rural diets cooked using barely transformed staples to urban diets including pricier horticultural and animal-sourced food products that were extensively transformed before reaching the retail consumer. Greater use of industrially

processed ingredients will bring more attention to food safety.[109] Food system growth of this type likely will be predominantly in the South and particularly the transit corridor from Ghana to Benin running through Lomé. This is the zone that will be driving non-farm incomes and population growth under urbanization and better health care. The impact of rising and changing food demand on Togo's farmers will depend on the ability of production systems to respond in quantity and quality and their competitiveness vis-à-vis imports in doing so.

92. Increasing demand for highly processed foods can be a double-edged sword for Togo's farmers; it will be important to partner with firms for products that can compete in increasingly mor complicated markets. Demand for yogurt may be soaring in Lomé, for example, but milk is only a share of value added for yogurt, and imported milk powder is a cheaper and more reliable ingredient than domestic fresh milk in Lomé as in most cities of coastal Africa. Similarly, the demand for wheat crackers and snack chips may be soaring throughout the country, but it will likely be cheaper to import the starch to make them or even the finished product for coastal agglomerations than to use local commodities produced inland.[110] On the other hand, fresh fruits and vegetables can be produced by domestic farmers, organized, graded, and directed to high-value outlets in an acceptable format. This is also the case for processed products such as detoxified cassava flour for cooking.

93. Among the traditional export crops, cotton, the most important and one of the oldest export sub-sectors, is turning around and may regain the energy it once had as a driver of growth in the north as discussed in Box 2 Cocoa and robusta coffee are smallholder crops with the potential to grow incomes but require rejuvenation, reorganization, and becoming more sustainable in a way that will compete—likely unfavorably—with other opportunities for the same resources.[111] Cashew is a global export market that will continue to grow very rapidly for raw nuts, as it has in Cote d'Ivoire, but based on experience in the rest of Africa, will face major issues of quality acceptance and tariff escalation if Togo attempts to force processing at home at this stage.[112]

Second, seek institutions and infrastructure for overcoming market failures excluding smallholders

94. For those commodities where Togo's smallholders have a good chance of being competitive, market failures often prevent them from responding to growing demand. Access of rural people, and especially the poor, to transport infrastructure and services—especially off the main north-south roads, is problematic. In addition, smallholders often face asymmetries of information critical to exchange, such as knowing where prices are highest, where policy is going, the ability to brand their commodity products, and other items that put them at a disadvantage vis-à-vis those they sell to, and competitors. Conversely, it is costly for firms to deal with large numbers of widely dispersed people they barely know and who are hard to hold to account in commercial matters. Lack of, or one-sided, market information and unenforceable contracts in exchange relationships result in lower profits for all. This is the phenomenon of high "transaction cost", costs borne by both sides in an exchange relationship as firms are only able to pay reduced prices to smallholders due to uncertainty about what they are buying and unreliable deliveries, and in turn have lower revenue from the less reliable processed products they sell. This very commonly results in poorly functioning or missing markets, likely including much of rural Togo and its neighbors.[113]

95. One response to the situation portrayed is to have the Government reach out directly to sub-groups of local cooperatives to provide highly subsidized credit, inputs, and advice, perhaps by funding other entities such as rural shops to do this, but it is unlikely to be sustainable over

time. This is not unlike the innovative COVID-19 agricultural response plan discussed above. While this works well on a short-term basis once targeting issues are resolved, it can only be done with a constant source of public finance subsidy for the task. This likely will not be feasible outside a crisis situation and would also displace public funding of vital public goods like research, as was seen to have increasingly been the case over the last 30 years.

96. Togo in fact has a long history of collective action of smallholders in the form of cooperatives and collective responsibility groups covering roughly half of all farms, dating from the period when Togo was an agricultural leader in West Africa.[114] The essence is that individuals benefit from loans or other contractual obligations, while responsibility for reimbursement or fulfillment lies with a small group of farmers. Traditionally, the maximum size of these collective responsibility groups ("*groupe solidaires*") is 6 smallholders per group. The groups are then organized into larger cooperatives that deal with the government or private firms. This structure and the culture that has arisen with it is now being used by the Government for a variety of outreach activities to smallholders, including helping with the response to COVID-19 and better economic inclusion of women and youth. Presently coops cover about half of all farms. The cooperatives are organized by crop and region. Cotton has the most coops and "*groupes solidaires"*, concentrated in the Plateaux Region, and 'fruits and vegetables' is the newest group. The numbers as of 2020 are shown in the Table 2.16 below.

97. Thus, the necessary coordination and integration of small producers by firms can be promoted as a business practice of firms that provide "vertical coordination" of smallholders through their cooperatives with contractual obligations to deliver and repay credit borne by "groupes solidaires" of 4-6 smallholders. This coordination can be done by domestic firms or multinationals, either will have a financial stake in the farmers' success. Provision of credit, inputs, extension advice, and transport by the integrating firm in return for guaranteed sales from farmers at prices that take into account loans outstanding is usually central to such arrangements.[115] "Horizontal coordination" can arise through smallholder producer organizations, such as cooperatives, that band together to achieve common objectives. A mixed form of vertical and horizontal coordination arises when large farms are linked to their small farm neighbors through cooperatives or outgrower schemes run by larger farms, which provide inputs and marketing outlets to smallholders.[116] However, at the end of the day, independent wholesalers with the necessary logistics to handle fruits and vegetables for quality markets are almost non-existent in Togo (World Bank 2019b). Vertical integration of smallholders led by larger firms will be necessary to compete at large scale.

98. Experience shows that integrated value chains are more likely to be effective for high value crops and animal products such as fruits, vegetables, eggs, dairy, and some meats, as opposed to bulky and low value starchy staples. The prices of the high-value products are very quality sensitive, they tend to be perishable, and attributes such as taste, food safety, and length of storability at each stage of the chain depend on care taken at earlier stages. This requires considerable effort and cost to monitor. This may not be feasible in the absence of institutions, branding, and trust built through contracts. In other words, some products, especially from smallholders in countries such as Togo, are particularly subject to high transaction costs for search, monitoring, and evaluation that arise from asymmetries of information between parties to exchanges along the value chain.[117]

Table 2.16: Togo's cooperative structure 2020

Crop focus	No. of Cooperatives	No. of Groupe Solidaires	Number of farms
Cotton	5,296	33,742	148,695
Soybean	1,766	5,962	67,765
Maize	412	1,842	40,347
Rice	406	2,132	14,486
Fruits & Vegetables	2	1	22
Total	7,882	43,679	271,315

Source: *Ministère de l'Agriculture, de la Production Animale et Halieutique*

99. Vertical coordination of smallholders in Africa is perhaps best seen of as a commercialization strategy for smallholders run by the private sector, adding additional market risk for both farmers and firms to the many other risks they face.[118] Government has the option to provide one-shot or continuing subsidies to specific firms to encourage them to expand their number of smallholder growers, but the record of success here is mixed. Governments can also provide complementary public goods and services, thereby leveraging private sector investment in a way that is not capturable only by specific firms. Examples include investment in roads, electricity, water, or warehouses that can be shared under various forms of expense recovery. Both the partial privatization of the cotton parastatal as discussed in Box 1 and the "*agropoles*" (or agri-parks in English) planned seem to follow this model. There are reasons for both optimism and caution in the case of agri-parks.

Third, promote agribusiness better

100. There are certainly a large majority of farmers and a large number of informal intermediaries in agriculture without Tax IDs, who do not pay taxes directly on their businesses themselves and have an incentive to stay that way. The analysis above painted a picture of a largely undeveloped formal agribusiness sector characterized by only a very few middle-sized firms and a larger number (but still few) of very small establishments with Tax IDs. It also was clear that such firms face complicated and very high degrees of overall taxation from a variety of taxes and tariffs, varying by activity and size of firm. The tax burden increases very quickly once firms cease to be small enterprises. On the other hand, Togo is an open trading economy with a large and diverse agriculture requiring inputs, selling outputs, and engaging in considerable agricultural trade globally and with neighbors. Nevertheless,t least 20 percent of agro-industrial enterprises are unrecorded and certainly untaxed from an official viewpoint.

101. On the other hand, formal sector firms (entities with a tax ID) control food imports and manufactured agricultural inputs (sometimes under government directive, as in the case of fertilizer) through the port of Lomé and official border crossings on the coast. Thus, intermediary agricultural enterprises, whether formal or informal, if they are to remain supplied with imports, need to pay both the cost of the imports and their share of any the taxes paid by the formal sector importers. These taxes are prohibitively high unless specific importers or products get exonerations from the taxing authority or direct Government subsidies as sometimes happens.[119]

102. The dual structure of agribusiness—formal and informal—raises four problems. First, it encourages informality, smuggling, and provides a strong incentive for seeking special favors from officials. Second, it makes it harder for agribusiness to compete with other sectors for finance,

especially since agriculture pays higher applied tariffs than non-agriculture as shown above. Third, it makes it hard for legitimate tax-paying enterprises to compete with rivals in other countries for remunerative and growing yet increasingly contested regional markets for high-value agricultural products. Fourth, it discourages purchased input use in Togo compared to its neighbors. Together these four elements prevent development of formal sector agribusiness that allocates its resources to activities with the highest economic return, and instead encourages seeking special favors and subsidies as a means of being viable.

103. The privatization of cotton aside, agribusiness development is presently promoted by the Government mainly via agro-parks. The Government has recently enlisted a global multinational, OLAM, to breathe new life into the large cotton sector, heretofore under parastatal control, using private sector approaches, see Box 1. Beyond cotton, the main implementation plan for promoting agribusiness going forward is the creation through public and development partner finance of 10 agro-parks or "Agropoles".[120] The first of these is the "Togo Agro-Food Processing Zone" in the Kara Region (henceforth referred to as the "Kara Agropole") within 420km of Lomé. This was launched in 2019 and is being implemented as a pilot, with provision for formal monitoring and evaluation. It is worth going into more detail as this is presently the centerpiece of long-term agricultural strategy. This pilot project, launched in 2019, is currently being implemented. The production areas have been mapped and partially developed with basic socio-community infrastructure (boreholes, health care units, etc.). The agri-park area dedicated to the agro-industrial units is being developed. The institutional mechanism and governance have been strengthened.

104. The commodity priorities for the Kara Agropole are to increase productivity and production of import substitutes (rice, maize, soybean, broiler meat) and exports (cashew nuts and sesame).[121] In addition, related goals are to: (a) increase the share of agricultural products processed *in situ* from 19 to 40 percent through private investment in the agri-park, (b) strengthen food and nutritional security; and (c) create wealth and employment, including for young people and women.[122] Funding is roughly 35 billion FCFA (US$60 million) over five years, financed by the Government (17 percent) and the balance by a consortium of donors led by the AfDB. Private companies are seeking support from the public funds.

105. The main impacts expected by the Ministry of Agriculture from the Agropole for 300,000 proposed direct beneficiaries are improved food security and incomes from better access to markets, agricultural inputs, agricultural services and financing. The Government seeks the establishment of infrastructure such as small dams, irrigated areas, and rural roads, and funding and capacity building for operators in 10 multipurpose agricultural transformation centers providing financing and inputs, farm equipment, and seeds to farmers. The Agropole public and donor financing also includes subsidies for firms willing to locate within the Agropole and infrastructure such as electricity, clean water, roads, and other amenities for a core industrial park of agricultural firms, direct access to consolidated land by companies, and compensation payments for displaced smallholders. The present size of initial operations is 5,000 ha, but the intention is to scale up significantly.

106. It is difficult to fault the idea of using public capital to mobilize private capital to partner with smallholders to promote growth in a formal sector business framework. The Kara Agropole is a pilot, and therefore will provide hard data on the public cost and actual social benefit of the exercise for 5 years while seeking funding and private partners for another 9 other Agropoles. The fact that

scarce public money is being used in part to subsidize benefits for private firms and private farmers raises the question of what happens after the initial public finance is exhausted, and the value and sustainability of what is left behind. The answer must be that it depends on whether the nucleus of agricultural processors and financed farms at the end of the project are self-sustaining in the same sense that other farmers are. There are legitimate concerns in this regard that it will be important for the monitoring and evaluation component of the Agropole to address and offer any recommendations indicated to authorities.

107. The experience of other agri-parks around the world suggests that they fare better when: (a) the product is quality-sensitive and high value (i.e. not bulk commodities like starches), (b) there is clear demand for what they can produce, (c) they provide services that are not otherwise available to producers, and (d) the end product is competitive in the end market. Clear examples are the several successful agri-parks in Latin America (Panama, Colombia, Mexico, and Ecuador) and East Africa (Kenya and Ethiopia) that supply flowers, fruits, and processed vegetables by air at negotiated rates to high value U.S. and European markets and to a minor extent to the highest-value urban markets such as fancy hotels at home. Although like all demand-driven industries they took a hit during COVID-19 lockdowns, they are bouncing back because buyers want what they can supply and cannot get it more cheaply elsewhere. On the other hand, agri-parks intended as subsidized supply-side transformation agencies for smallholder agriculture producing low value and bulky products such as maize do not have such a good record. Examples would be in the D.R.C., Nigeria, and South Africa, where it is not clear that the entities in question could do a better job servicing effective demand for agricultural products than other options available to the same consumers.[123] As a result, they have tended to close once concessional finance has stopped.

108. The business sustainability issue for the Kara Agropole and the other agri-parks contemplated is whether they can compete in the targeted markets, how those markets will evolve, and the comparative private return on invested capital where the opportunity cost of capital is high.[124] The analysis so far has concluded that the growing markets for two of the main crops targeted by the Agropole (paddy and maize) are not ones in which Togo presently has a comparative advantage, and indeed the objective of the Agropole is portrayed as import substitution. However, these crops participate in a lucrative value chain although they are not very competitive from a strict production point of view. The main locus of consumption of these crops and where growth is occurring fastest is in and close to Lomé. The question then arises whether relatively high-cost grain produced in the north and processed with start-up technology in a start-up location in terms of infrastructure, in relatively small amounts, will be able to compete with imports in the Lomé market. If not, either public spending will need to continue to subsidize the activity, or consumers will need to pay more through higher import tariffs on rice and maize, which likely are not feasible. [125][126]

109. The Kara Agropole priorities also includes production of processed poultry and feed ingredients. There is no doubt that demand here is soaring in Togo and throughout West Africa, and will continue to do so once the COVID-19 disruptions cease. However, there is very significant evidence from other countries that there are strong private incentives to situate broiler and egg farms in close proximity to main consumption centers,[127] which here is primarily Lomé. Broiler and egg margins are especially weak (typically 4 percent) and as a result especially vulnerable to any delays.[128] Finally, agri-parks are a form of territorial development. As such, economies of scope and scale are important to

their success. However, economies of agglomeration are their fundamental justification, and are especially important for poultry.[129]

110. With regard to export promotion, the plan for the Kara Agropole mentions sesame and cashew, growing in demand, but their international markets for processed products are not straightforward. Sesame and cashew both have strong global demand, especially in Asia for raw nuts or broken kernels in the case of cashew or yellow or mixed sesame (cheaper that pure white). Cashew however is a global market fraught with protective behavior at the low quality end, including tariff escalation to protect processors in export destinations such as India, and food safety and quality-motivated multinational vertical integration at the high end, which mostly involves large processing firms in the OECD countries.[130] Cote d'Ivoire has done very well expanding production for export in a short time period to become a major global player in cashew. But it only processes 1/10th of its production domestically; Mozambique—once the world's leading producer—has seen its cashew industry languish in recent years while trying to enforce full domestic processing of its crop. If the rationale for cashew in the Kara Agropole is processing, it will be imperative to secure a long-term market via contractual relationships with international buyers for kernel sales. Sesame exports from Africa are typically raw or barely processed seeds sold in bulk at the lower yellow seed price.

111. Perhaps the most consequential issue for the long-term viability of the Kara Agropole is improvement of transport through Kara from Ghana to the west and Benin to the east. A corridor from Ghana to Nigeria would surely be a candidate to develop economies of agglomeration in agricultural processing, much like what occurred in the very dynamic growth corridor through northern Rwanda from Uganda to the D.R.C..[131] The trade evidence presented earlier highlighted growth in regional demand. Benin is already a top agricultural export destination for Togo, fourth behind China, the E.U. and India (WTO 2021). Re-exports from Benin to Nigeria and Niger very likely are part of the story of Togo's agricultural exports to Benin. Evidence presented earlier suggests that processed horticultural exports have traction in those regional destinations.

Box 2: Reinvigorating Cotton in Togo Through Partnership with the Private Sector

Cotton remains Togo's main cash crop. Presently the cooperative system central to cotton aggregation involves just under 150,000 farms, primarily in the Plateaux, Savanes and Kara regions, and, to a lesser extent, the maritime and central regions. In 2019, the net value of cotton exports, mainly to Asia, was US$ (constant 2010) 86 million, an amount that exceeds by far the value of the rest of recorded primary net agricultural exports (exports minus imports for each primary commodity, summed). This is about 8% of net primary agricultural value added. Yet current cotton production is a shadow of its former self in terms of profitability and efficiency. Togo was a successful cotton producer three decades ago, with average yields regularly topping 1,200 kg/ha, similar to Benin. In the last three years, Togolese yields have averaged around 700 kg/ha, whereas in Benin they are still just under 1,200 kg/ha. Inflation-adjusted producer prices over 2017/19 in Togo fell by14% relative to 2000/02, compared to an 8% decline in real international cotton lint trade prices over the same period. Faced with both declining yields and lower producer prices that together halved producer real revenue per ha, farmers risk losing faith in the crop. Cotton farm income since 2005 was only partially restored over the period primarily by sharp increases in cropped area.

The parastatal *Société Togolaise de Coton* (SOTOCO) handled cotton in Togo from 1974 until 2009, and was replaced as cotton production fell to and even lower level than presently with a new parastatal, the *Nouvelle Société Cotonnière du Togo* (NSCT). The Government owned 60% of shares in NSCT and producer organizations owned 40%. It is likely that attempts to achieve cost recovery on inefficient parastatal operations and especially ginning were responsible for reducing the share of the Togo (lint equivalent) prices going to farmers from 65% of world prices around 2000 to 24% in 2019. NSCT supplies seed, pesticides, fertilizer, and extension to farmers, secured by the collective responsibility of small "*groupe solidaires*" within larger cooperatives and recoups payment at harvest made possible by land clearing.

Recognizing an impasse, the Government sought private sector assistance, culminating in a purchase in 2020 for US$ 40 million of a 51% share of NSCT assets and operations by the OLAM Group, Ltd., a major multinational agricultural processor headquartered in Singapore. As a result, the cotton producer organizations share fell to 25%, and the Government will retain the remaining 24%. OLAM stated goal is to double yields, modernize processes and equipment all along the supply chain, and to seek quality premia on markets by developing the brand "Cotton made in Togo". OLAM has already demonstrated its capacities for successful cotton sector revitalization in Côte d'Ivoire and Chad.

Sources: FAOStat, USDA, and World Bank historical data on production, yields, and prices, MAg data on cooperatives, and press reports of the OLAM deal.

Fourth, public investment in public goods is needed to mobilize the private sector

112. The very low share of public investment in agricultural research and to agricultural public goods more generally compared to other countries in the region and to needs is the fundamental reason behind Togo's lack of virtually any total factor productivity growth in agriculture since 1990. The right levels of public spending on and in agriculture will depend on the ability to use funds well (timely and based on evidence) and other opportunities both in agriculture and other sectors. More detailed work is required to ascertain what the shares of additional effort should be among basic and applied research, technology adaptation, extension advice, and agricultural education.[132] However, experience in Togo itself in an earlier era and elsewhere currently is clear that more needs to allocate more to agricultural productivity. Consider that Togo would need to boost its funding to its overall agricultural innovation system by a factor of six to get close to where it was as a share of agricultural GDP in 1990, when agriculture was a strong sector, or at least by a factor of four to match its current regional competitors. It would also need to boost overall agriculture public expenditure by a factor of six to get close to its CAADP commitment to partners and the Africa Union. Further, it seems clear that from an efficiency standpoint the subsidy share of overall agricultural public spending needs to fall from its current level of 45 percent in order to orient the new spending to public goods that allow market processes to improve productivity and competitiveness.

Fifth, maintenance and restoration of the productive landscape is essential

113. Agricultural productivity growth under climate change cannot endure under the high rate of tree cover removal and lack of nutrient replacement by farmers experienced over the last decades. Togo has a good if underfunded record of agricultural research targeted to Climate Smart Agriculture that has focused on varietal selection. Yet soil fertility and biomass degradation of the productive landscape has been a growing problem throughout the tropics due to biomass removal that exacerbates water run-off and degrades soils used for agriculture. In much of Africa and especially

Togo, landscape degradation from biomass removal is aggravated by soil mining, whereby farmers continue to use up soil nutrients in the same fields over years without replacing them through natural or synthetic fertilizers or nitrogen-fixing plants.

114. A major paradigm shift related to land use is occurring in semi-arid tropical agriculture, reversing earlier advice to clear all obstacles in fields that could impede heavy mechanization. Countries as diverse as Mali, Niger, Ethiopia, and Malawi have shown major large-scale land restoration and productivity growth from farmer-managed natural regeneration (FMNR) of trees by allowing old roots and wind and animal borne seeds to grow inside working crop fields, and then by avoiding excess trimming that would kill the tree. For example, Niger offers a prime example of a successful landscape level intervention combining improved land and water management with selective tree and shrub regeneration in and around farmers' fields that might have direct applicability to Savanes and Kara.

115. Since the 1990s, Niger has significantly increased agricultural productivity on 5 million ha of farmland and helped restore at least 250,000 ha of severely degraded land that had become of little use for agriculture or forestry. Farmers in the Maradi and Zinder regions have interplanted nitrogen-fixing trees on cropland, or allowed roots and stumps to regenerate, increasing tree and shrub cover 10-to 20-fold. Rigorous evaluations have found that farmers in the affected regions of Niger now regularly produce at least 100 kg/ha more grain than previously. Gross real annual income in the region has grown by US$1,000 per household for over a million households as a result of FMNR, more than doubling real farm incomes and stimulating local non-farm services. Yet all of this required only modest additional government spending or business investment. The main driver was revised legislation on tree ownership and civil society extension over decades; giving farmers more control of the resource provided them with incentives for better care of the trees and sustainable partial harvesting of branches, which allowed the trees to keep growing.[133]

116. In more humid zones, and especially on slopes, many "climate-smart" agricultural interventions involve planting or refraining from clearing trees or large shrubs on farmland and restoring and protecting forests around agricultural areas; **institutions are needed for sharing the communal costs and benefits of resilience with everyone in the community.** Trees play a crucial role in retaining topsoil and water in the soil, fixing nitrogen and carbon, and also producing other ecosystem services needed for agricultural productivity and resilience. In these cases, beneficiaries of needed behavior change (downhill) are not necessarily the same people as those who need to change what they are doing (cutting vegetation uphill). The most famous case of stupendous success in agricultural landscape restoration occurred on China's Loess Plateau, which went from a four-province degraded wasteland to a much higher-income agricultural area in little more than a decade. However, Rwanda and Ethiopia have also had well-known successes in this area.

117. The key in all these cases was effective governance of the productive landscape or local watershed.[134] More formal land rights--currently actively promoted in Togo--are important to farmer incentives for investment in and conservation of one's own land and can evolve into a collateralizable asset to facilitate access to credit. However, they do not address fully the externalities inherent in smallholder agriculture. What one farmer does, especially in hilly areas, affects all those down-hill or downstream, regardless of land rights. China, Ethiopia, and Rwanda all have a strong culture of collective action and acceptance of local authority for communal purposes. Togo's strong cooperative system and rural traditions of social solidarity and collective responsibility suggest that it is especially

well-positioned to emulate the experience of these countries by embarking on agricultural landscape restoration through incorporation of trees and community forestry with cropping. The returns are high and development partners are engaged; REDD+ and Global Environment Facility (GEF) funding are sometimes options to assist.[135]

Conclusion and policy options

118. Togo's articulate strategies and aspirations for agricultural growth over the years have only been modestly realized in recent decades, on a par with overall population growth, and almost all from expansion of cultivated area. Unlike neighboring countries, Togo has experienced weak growth in technical and allocative efficiency in agriculture for 30 years. Under continuing growth of rural population in absolute terms and low input use rates, clearing forest and moving on from degraded fields has been the only way to maintain even minimal food consumption levels in most farming areas, especially in the center and north. This solution is reaching its natural limits.

119. Analysis in the chapter shows that new approaches will be needed for Togo to realize its agricultural growth aspirations and avoid growing immiseration over time of the majority of the rural population. The *de facto* agricultural strategy has been to concentrate public agricultural resources in a few capital-intensive integrated schemes in partnership with a comparatively small numbers of farmers and agribusiness firms. However, spending on publicly-available and widespread agricultural research, extension, agricultural education, other skills acquisition and diffusion initiatives, facilitation of input distribution, and construction of agricultural infrastructure has shrunk over the years. It is presently a much smaller amount than in peer countries as a percentage of agricultural GDP, an almost complete reversal of the situation 40 years ago. Examples from neighboring countries and aspirational peers cited in the chapter give elements on which a new approach agriculture could be built. These insights underly the following three sets of sequenced, but time-overlapping recommendations to the Government of Togo.

First, build substantial capacity to invest more and better in agricultural growth

120. At 1.5 percent of all public spending, the Ministry of Agriculture (MAg) is underfunded for the job it needs to do, even if it is just 60 percent of all agricultural public spending. For comparison, this is less than 1/6th the CAADP norm, and half as much as other LICs in West Africa. Current allocations (such as 46 percent to asset transfers and subsidies) and an oversize role of donors (45 percent of all agricultural spending, perhaps half of this off-budget) suggest that both the quality and amount of spending are issues. The MAg appears to be missing the capacity to distill, summarize, and present--in the form and time needed by policymakers--desirable policy options from the mounting amount of hard evidence on relevant issues available nationally, regionally and globally.[136] This also complicates exchanges with other ministries executing agricultural spending and is vital to national ownership when donors play such an oversized role.

121. The evidence presented above showed execution of the non-investment parts of the budget of MAg to be close to 100 percent, but the execution of the agricultural investment budget to be only 60 percent in the 5 previous years. Explanation for this may lie outside of MAg, and this should be clarified so that something can be done. This under-utilisation of capital expenditure in agriculture can be explained both by shortcomings in the public procurement process and by the difficulty of adequately forecasting funding from external resources.

122. Much of the current agricultural policy effort seems incremental and not strategic, perhaps in part due to the high donor role in agricultural investment in the context of a

multiplicity of donors. Where it is strategic, such as in the support of agri-parks, it is questionable whether available knowledge from other experiences with agri-parks and familiarity with how markets are evolving for what agri-parks can produce has been adequately brought to bear in the design. Without this capacity, the quality of internal decision-making has suffered. Through its membership in CAADP, Togo can draw for examples and technical assistance on African-led and owned and high-quality policy analysis and information networks such as the Regional Strategic Analysis and Knowledge Support System (ReSAKSS) to assist in the process.[137] Large concentrations of public outlays in only a few areas have starved arguably higher public priorities elsewhere in agriculture for the scarce public resources available to the sector.

123. Many other countries have found that agricultural policies can be improved, trade-offs better brokered, the private sector better mobilized, and a communal sense of purpose advanced by institutionalizing multi-stakeholder platforms, typically organized by commodity.[138] Usually coordinated by one government ministry, they need strong participation by other relevant ministries, private sector processors and traders/retailers, civil society including producer organizations, and knowledge institutions. Their role is to provide institutional memory and a forum for improving awareness, hosting debate, and occasionally formulating requests or recommendations. The logistical support aspect is minimal and can fit within a ministerial budget. However, it will be important to build local ownership and to avoid capture by specific donor agencies.

Second, invest more and better in the widespread growth of technical and allocative efficiency of existing and new farms

124. For at least three decades, Togo has been "spending" without replacement its productive natural resourcesin the form of decreasing soil fertility and compaction, degrading agricultural fresh water, and disappearing biomass (especially trees). There is a corresponding loss of the capacity to secure vital ecosystem services for the continuation of agriculture and employment of at least half the population, and significant release of sequestered carbon. The rural population continues to grow (1.9 percent per annum) and over half of all land area is now cultivated. As argued above, tree planting around and within (to some extent) agricultural fields and pastures is a vital part of Climate Smart Agriculture, well used in many other African countries. Togo needs its agricultural innovation system to urgently explore options for promoting agro- and community forestry and bringing the experience of other countries to bear. This will also assist with fulfillment of Togo's current Nationally Determined Contribution to the U.N. climate change control process. However, to feed its growing population without further land clearing, sustainable intensification of agriculture—which has been largely missing—is a necessary part of any strategy.

125. Boosting agricultural productivity in a meaningful way for the large majority of farms requires rejuvenating and expanding the agriculture innovation system, including increasing the funding and improving the organization of the *Institut Togolais de Recherche Agricole* (ITRA) and associated university and civil society researchers in agriculture, and the dissemination infrastructure. Funding levels here need to grow eventually by a factor of four over time to compete effectively with similar expenditure levels relative to agricultural GDP in other countries in the region and to make adequate use of agricultural knowledge available through CORAF[139] and WAAPP[140], including insights for extension and education. If this level of finance seems ambitious, one should consider that the level would still be less than it was 40 years ago, and also commensurate with present levels in Togo's regional competitors and less than in aspirational peers. The issue in the allocation of resources as funding is scaled up is similar to the that of Ministry of

Agriculture as a whole, as discussed above, and multi-stakeholder consultations might also be part of the solution.

126. Togo has made significant strides in recent years in the digitalization of agricultural services, thanks to the partnership of MAg with the innovative Ministry of Digital Economy. Examples discussed in the chapter include initiation of a digital wallet program (Agri-PME) for funding input procurement through mobile phones, and a rapid response platform for financing agricultural production under COVID (YOLIM). Implementing these digital programs involves using remote sensing maps and geo-referencing to know who are farmers and where they are, and which shops can supply them. They represent a tremendous advance in cutting the unit cost of a central authority or source of expertise to interact with hundreds of thousands of small farms at the same time. As set out in the chapter, they are also being applied to agricultural training. These efforts need to be expanded and backstopped by commensurate progress in the quality of agricultural innovations and messages being diffused and ground-truthing in the field.

Third, support agribusiness development more effectively

127. Work towards a revenue-neutral but more level playing field in taxation of agribusiness. The analysis showed that formal sector agribusiness firms face at least three separate forms of taxation, in addition to tariffs on imports that on average are higher than for non-agriculture. Moreover, the total actual tax per unit of output differs across products, time periods, locations, and even firms. If firms obeyed all the rules to the letter, in the absence of exonerations, many would need to pay up to half of profits to tax. In consequence, as seen above, there are very few large agribusiness firms in Togo compared to neighboring countries even when adjusting for the size of the economy. This is despite the fact that processed high value foods are booming in the markets served. Further, the recent Enterprise Survey suggests that the survival time for new medium-sized agribusiness firms engaged in regional markets is low,[141] perhaps due to difficulties competing. Besides the high levels of consolidated taxes, the diversity of tax rates and procedures interferes with market allocation of resources to the highest return areas. Meanwhile, small and informal operators largely escape paying taxes directly. This makes it hard for formal sector firms to compete, even if they are more efficient than their smaller competitors. While retaining an objective of revenue neutrality, it will be vital to harmonize and simplify the taxation system to create a level playing field among formal sector firms, and eventually with informal ones. This is necessary to allow better entrepreneurs to be compensated.

128. Target facilitation of private agribusiness processing and marketing of local high value agriculture of export quality. The Enterprise Survey also shows that the only agribusinesses that grew in number after 2015 were in horticulture (especially vegetable).[142] Growth in livestock product and general food companies was modest. This is consistent with demand trends in the Lomé or regional export markets, economies of scale in animal source food processing, and the tough competition posed by imports of animal-source foods. Togo has significant opportunities to continue to grow horticultural exports. This is an area where a multi-stakeholder platform as discussed above might be especially valuable to support decision-making affecting the sub-sector.

129. Evaluate returns to public and donor funds invested in Public-Private Partnerships more systematically. Perhaps as the consequence of very high taxation of agribusiness, subsidies or exonerations from specific taxes seem to be required frequently for firms doing what the Government wants, especially in agriculture. Often these are couched as public-private-partnerships (PPPS). They are at the heart of the Agropole model discussed above. One common feature in Africa of PPPs, also

found in Togo, but not usually seen in Asia or Latin America, is a lack of a process for systematic and transparent evaluation of the impact returns to public funding in PPPs against credible benchmarks. Where such evaluation is done in Africa, it is typically within the context of a donor project and is carried out by the donor in question, not the Government.[143] Recently, the PPP Unit was created to carry out the functions of advice, support, evaluation and monitoring of PPPs. Systematizing the publication of an evaluation report on the PPP portfolio would be an important complement to this reform.

130. Promote West-East trade, including exploring the feasibility of gradually promoting an inland E/W trade corridor. Given historical trade patterns for Togo with the outside world via the Port of Lomé and the vital needs for routes to the sea from the interior countries, road investment has understandably been in the N1 north-south corridor.[144] However it will be vital for agriculture and agribusiness to improve East-West road communications in view of the relative dynamism of Ghana, Benin, and Nigeria. Regional agricultural trade is already substantial. The more formal sort tends to be via the congested coastal road. It is time to explore options for developing an East-West corridor along the Yendi (Ghana), Kara (Togo), and Nikki (Benin) axis, which to be successful will depend on Nigeria seeing an interest in linking on its side of its border with Benin. This might be implemented incrementally but would highly benefit Togo agriculture for certain—potentially also including the Kara Agropole.

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Chapter 3. Revitalizing the economic power of cities

***Summary**: Togo still exhibits significant growth potential inurbanization. While in 1950 under 5 percent of people lived in Togo's urban areas, it is now estimated that around 42 percent of the country's population do. However, growth in GDP per capita was not on par with this positive urbanization trend. Rapid urban population growth seems to be driven more by migration than by variation in fertility rates and most migration in Togo is in the directio of Grand Lomé and the wider Maritime region. Benefiting from the economic dividends of urbanization requires addressing several constraints, including: (i) weak agro-industrial linkages; (ii) low agricultural productivity, connectivity to rural areas and limited production for export (with exception of Kara); (iii) weak urban planning and inefficient use of land; (iv) limited access to vital utilities like electricity and water, and an unsatisfying state of urban transport infrastructure; and (v) high cost of living cities, limited resources for municipal governments.*

Introduction

1. Togo's population has grown fivefold since 1950. Like many nations in Sub-Saharan Africa (SSA), Togo has seen fast population growth in the past 70 years. As shown in Figure 3.1.a, below, Togo's population has increased from just over one million people in 1950 to an estimated 8.4 million in 2020. This rapid growth has been characterized by an equally quick process of urbanization: while in 1950 under 5 percent of people lived in Togo's urban areas, it is now estimated that around 42 percent of the country's population do. Togo is expected to become predominantly urban – that is, with a higher share of its population living in urban areas – within the next 15 years[145].

2. But per capita value added have only grown modestly since the 1960s. As shown in Figure 3.1.b, per capita value added in Togo has increased only modestly since the 1960s. While this trend is generalized across SSA, with many nations experiencing periods of no (or even negative) growth in the 1980s and 1990s, it has been particularly pronounced in Togo. Togo has experienced lower GDP per capita growth relative to peers like Benin, Rwanda and Ghana. Moreover, the poverty rate (using the national poverty line), while having fallen in recent years, remains significant at an estimated 45.5 percent of the population in 2018[146].

3. In the past 15 years, Togo has posted steady economic growth and enacted a number of key reforms. Togo's economy has grown steadily and without interruption since 2008, averaging over 5 percent annual GDP growth (although the economic impacts of the ongoing COVID-19 pandemic have upended this trend). The government has enacted important reforms regarding property laws, business registration and financial markets, which have made Togo a much better place to do business[147].

4. Togo is seeing fewer benefits from urbanization than observed in Asia and Latin America. Like many other nations in SSA, Togo's GDP growth has not kept up with the rate of urbanization. As a result, the country is lacking the capital investment needed to make this process a success. This phenomenon is at odds with the experiences of countries in South and East Asia, where urbanization began at a higher level of economic maturity and was associated with a process of economic transformation and growth.

Figure 3.1: Growth in real per capita value added from 1960-2018: Togo versus neighbouring nations & Sub-Saharan African average

Figure 3.1.a Urban and rural population growth in Togo, 1950-2020

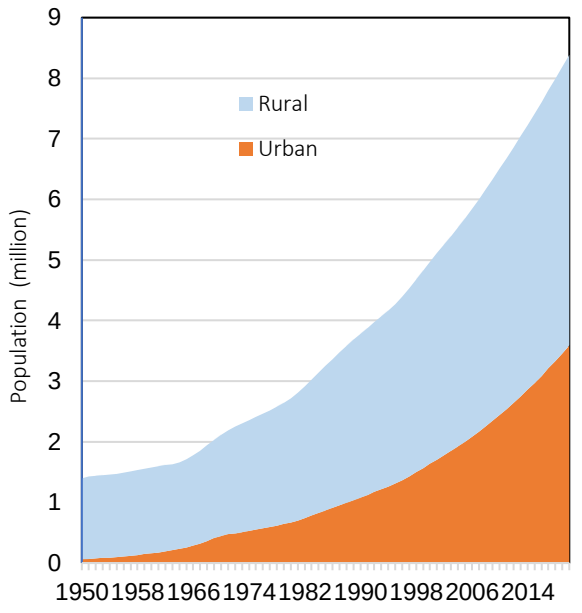
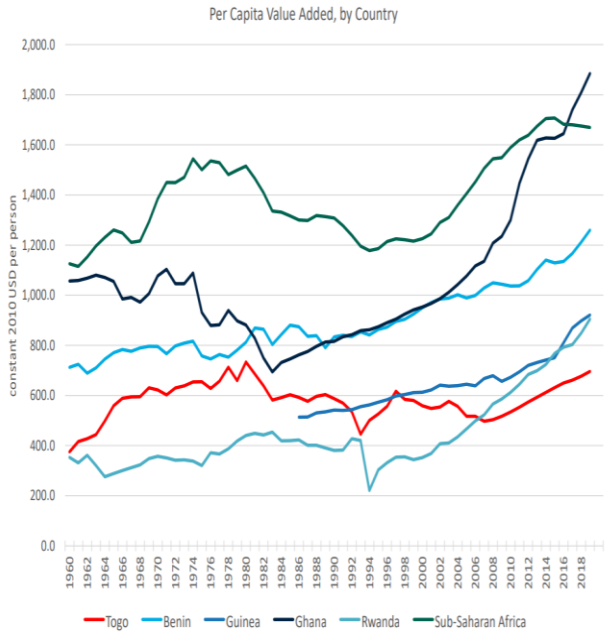


Figure 3.1.b. Growth in real per capita value added from 1960-2018: Togo versus neighboring nations & Sub-Saharan African average



Source: *World Development Indicators (WDI) and World Urbanization Prospects, UN Department of Economic & Social Affairs (2018).*

5. This chapter seeks to identify the likely constraints to economic growth pertaining to how Togo's urbanization took place, while highlighting opportunities that could be seized to help Togo's cities become engines of growth. It is structured as follows. Section 3.1 provides a description of the patterns of urbanization and economic growth in Togo. Section 3.2 contains an analysis of the specific constraints that are emerging from a careful review of Togo's urban areas, and how these are holding back the development of cities. Finally, and based on the identification of these constraints, Section 3.3 provides a number of policy recommendations for Togo's cities to better reap the potential benefits of urbanization.

3.1. Patterns of urbanization and economic growth in Togo

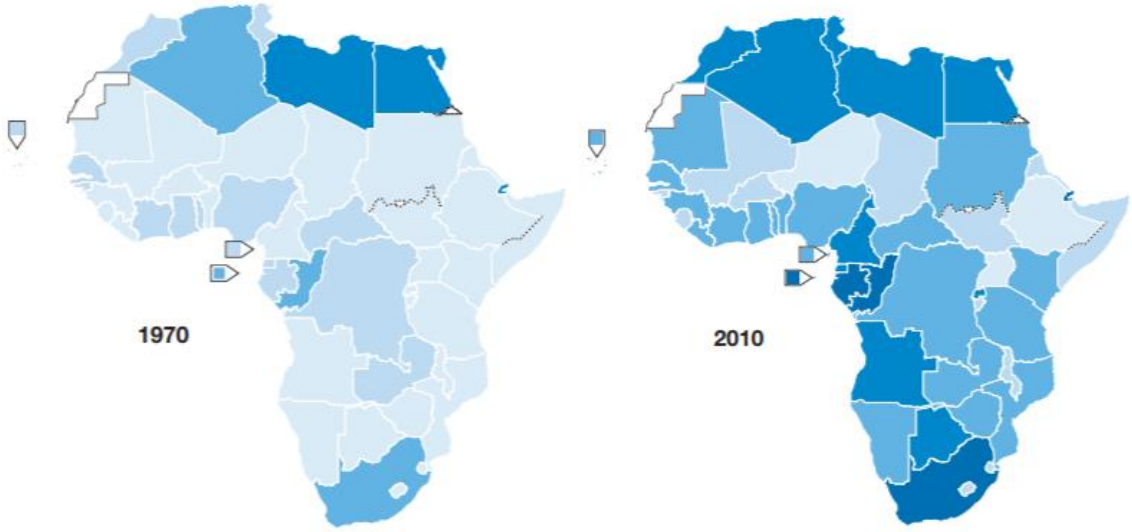
3.1.1. The growth potential of urbanization

6. Togo is a geographically small but strategically-located nation blessed with fertile lands, mineral resources and a natural deep water port. Its land resources and rainfall patterns are generally favorable to agriculture, with a significant amount of Togo's land cover being cropland (see Figure A3.1 in the Appendix). Togo benefits from a seasonal Sudanean climate with two rainy seasons,

although the northern regions are drier and at increasing risk of drought due to climate change[148]. The country is also home to some of the world's largest phosphate reserves[149]. Lomé's natural deep-water port of nearly 17 meters is unique in the wider sub-region, and is today the second busiest transshipment port in Africa (after Durban)[150]. These natural assets, combined with Togo's strategic location at the heart of Africa's densely populated Western coast, have helped Togo to become a regional leader in logistics and trade – even if its full potential remains undertapped

7. Togo's fast urbanization is not unique in the broader context of Sub-Saharan Africa (SSA) region, which has urbanized rapidly during the past 50 years. As shown in Figure 3.2, below, as recently as 1970 there was only one country in SSA (Djibouti) with more than half its population living in urban areas. Forty years later, in 2010, 15 countries had breached that threshold in Africa, including 10 in SSA. According to data from Africapolis, just between 1990 and 2015, the percentage of African populations living in urban areas increased from around 28 to almost 50 percent, so that the continent could be considered more urban than rural[151].

Figure 3.2: Countries in Africa by share of urban population, 1970 and 2010



Share of urban population in total (%)
[Number of countries]

	< 20%	20-32	33-49	50-65	66-79	> 79%
2010	[3]	[12]	[20]	[8]	[5]	[2]
1990	[17]	[14]	[13]	[3]	[2]	[1]
1970	[30]	[13]	[4]	[3]	[0]	[0]

***Source**: OECD & SWAC (2020)*

8. In other countries and regions that have experienced a rapid process of urbanization, this was accompanied by a period of strong economic growth. This can be seen particularly in the case of South and East Asia. Figure 3.3, below, shows how countries such as China, Vietnam and Myanmar saw GDP per capita more than triple between 1990 and 2016, in tandem with urbanization.

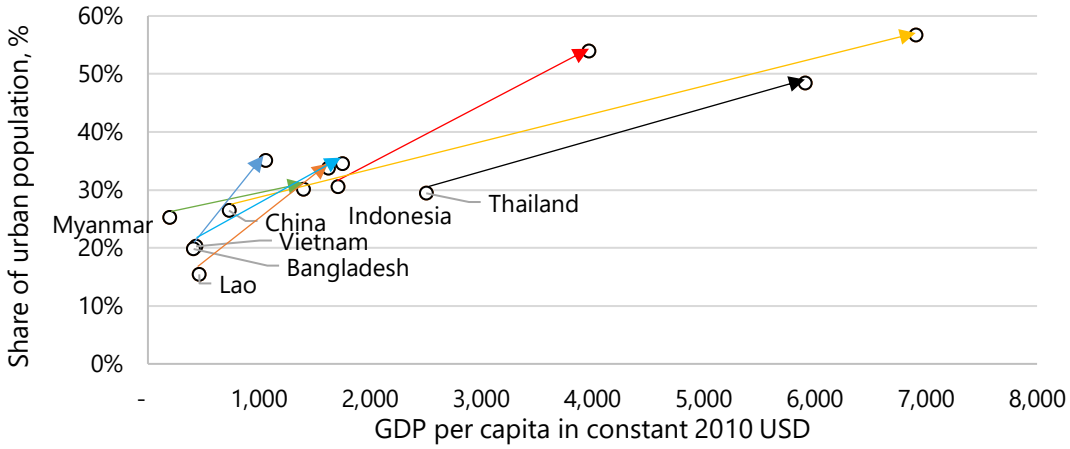
9. Urbanization in regions like South and East Asia helped unlock numerous productivity benefits to drive economic growth. As workers migrate to cities, industries that require repetitive, specialized work – such as manufacturing – gain access to a huge, cheap supply of labor. As such specialized industries begin to grow, they are additionally 'super-charged' by the opportunities for global trade, as factories can produce for larger markets and consequently at bigger, more efficient scales. Urbanization, in short, lets countries begin to take advantage of the economies of specialization

and scale (Collier, 2017). The result is that, as many countries began to urbanize, the share of manufacturing jobs increases, and with it the productivity and overall size of the economy.

10. But in many African countries, urbanization has not been associated with an increase in the relatively productive, specialized manufacturing sector. Figure 3.4 plots the urbanization rates of most African nations against their rate of employment in the manufacturing sector in 2017, including Togo and its structural and aspirational peers. It shows that the level of urbanization is – if anything – negatively correlated with the share of manufacturing employment.

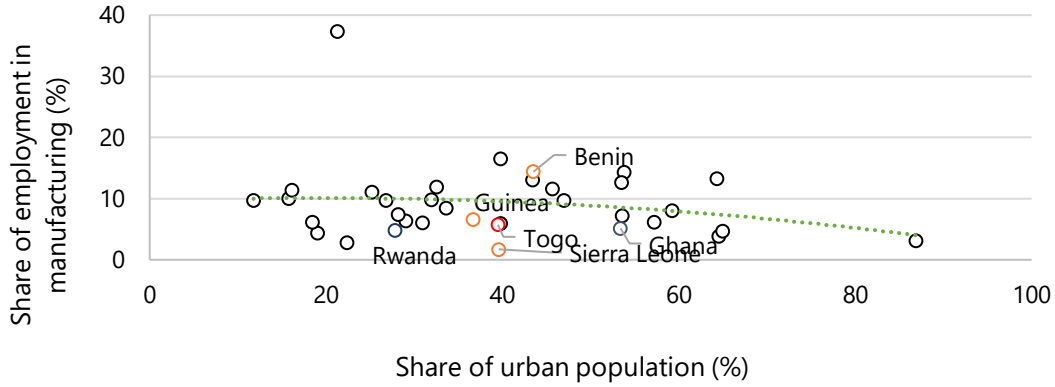
Figure 3.3: Growth in urban share of population and GDP per capita between 1990 and 2016, South & East Asia

Source:



Constructed using WDI data, based on Hommann & Lall (2019).

Figure 3.4: Urbanization rate versus share of employment in manufacturing in Africa, 2017



Source: *Henderson, Lall & Venables (2019)*

11. African countries like Togo are urbanizing while at lower levels of development, making it harder for productive industries to form. Many African nations began to urbanize without many of the foundations for urbanization to be a success, such as finance for basic capital investments that help firms operate efficiently. This means that African cities are struggling to generate the scale and specialization economies that higher productivity industries require. Many Africans are limited to the production of non-tradeable goods and services, often in small-scale commercial sectors where the

scope for scale economies is limited. Even within the small tradable sector, this often entails the production of locally-consumed goods, with limited opportunities for growth. Instead of creating the "production cities" seen in Asia and parts of Latin America, urbanization in Africa seems to be bringing about "consumption cities" (Glaeser 2001).

12. Consequently, the economic dividend of urbanization seems to not be materializing in Africa, at least nowhere near the scale seen in other regions. The relationship between urbanization and rapid economic growth observed in other regions is much more ambiguous in the case of Africa. Only a few countries seem to be growing in tandem with urbanization, and even fewer (Ghana and Nigeria) have grown at anything like the rates seen in Asia. Even though Togo did not incur negative GDP per capita growth with urbanization – like Guinea-Bissau, Madagascar or Zimbabwe – its trajectory between 1990 and 2016 suggests mostly urban population growth and little GDP per capita growth. This can be seen in Figure 3.5, which replicates Figure 3.3 but for Togo and its selected peer countries.

Figure 3.5: Urbanization and GDP per capita in Togo and selected African countries

Figure 3.5.a Urbanization rate and GDP per capita, 1990-2016, in Togo plus peers

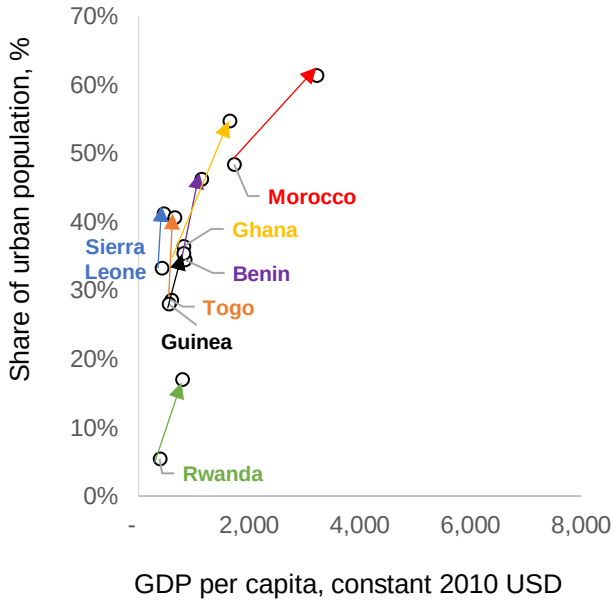
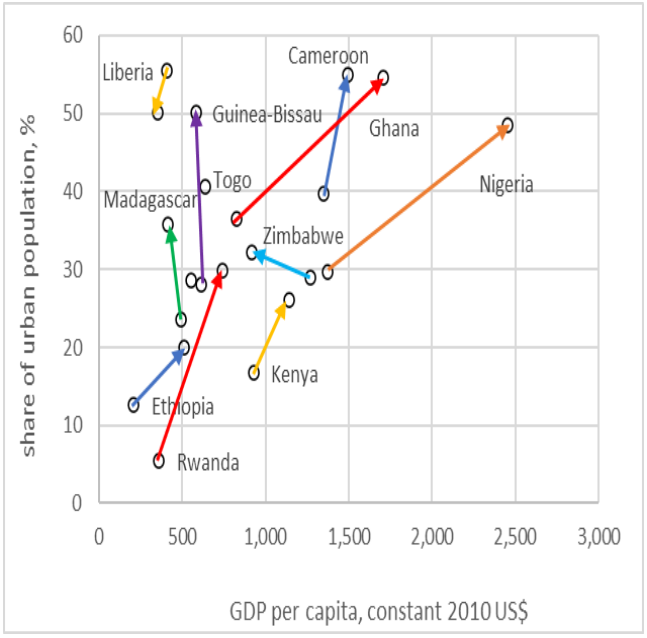


Figure 3.5.b. Urbanization rate and GDP per capita, 1990-2016, in selected SSA nations



***Source**: Elaboration based on Hommann & Lall (2019), replicated using WDI data.*

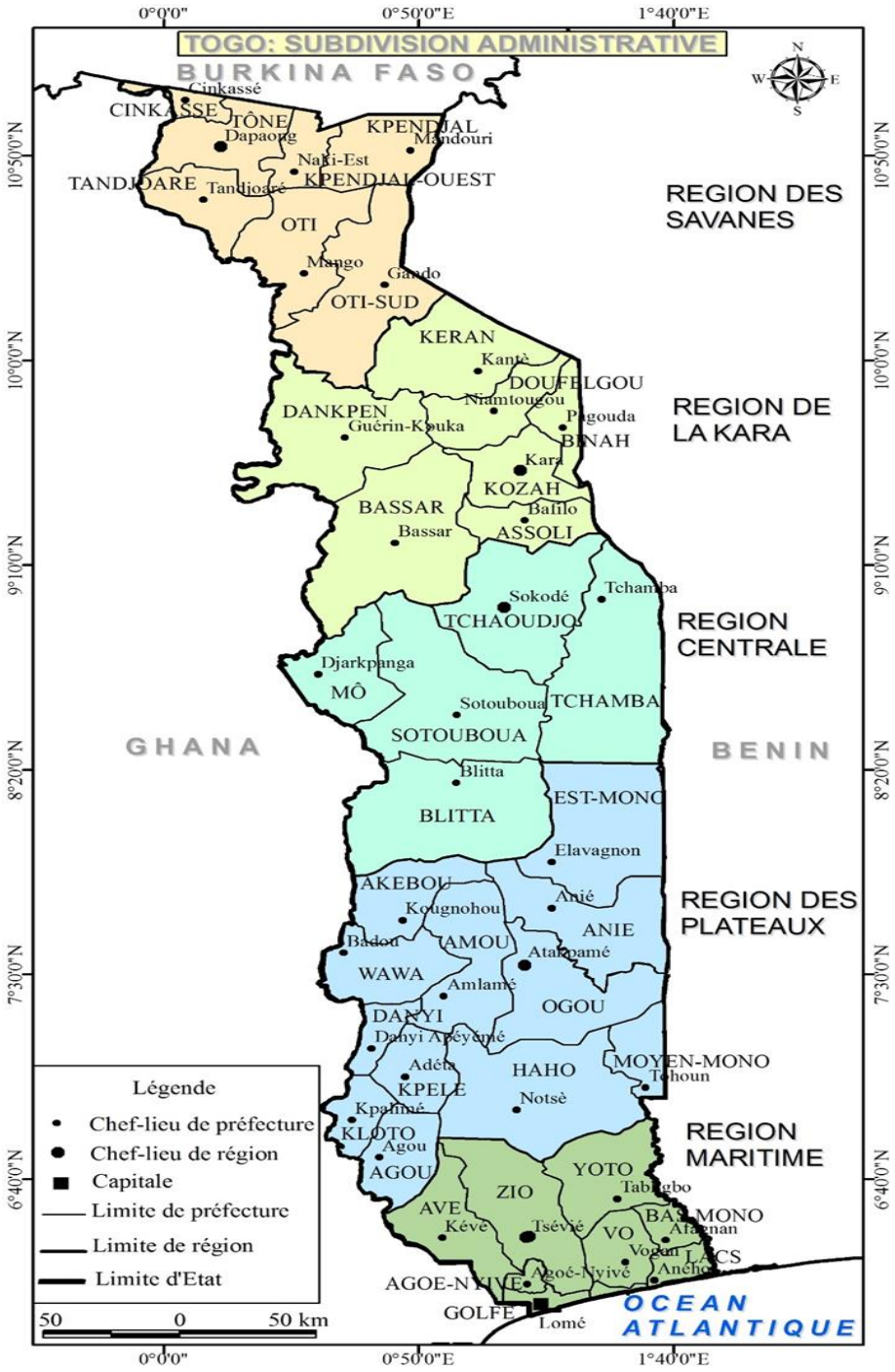
3.1.2. Dynamic and drivers of urban population growth in Togo

3.1.2.1. Brief description of Togo's administrative geography

13. Togo is subdivided into 5 administrative regions, an economic region (Greater Lomé Autonomous District), 39 prefectures, 117 communes, and 394 cantons. The five regions, from south to north, are Maritime, Plateaux, Centrale, Kara and Savanes. The location of these, plus that of the cities that this chapter focuses on, is shown in Figure 3.6. The next level of administrative division

(level 2) are its prefectures, shown in Figure 3.6.b. It should be noted that these are Togo's 2010 prefecture boundaries. They were redrawn in 2016[152], effectively creating three new prefectures and bringing the total to 39. Nevertheless, most of the analysis presented in this chapter will however be based on the 'old' 2010 prefecture geography, as little data is available at the newer definitions.

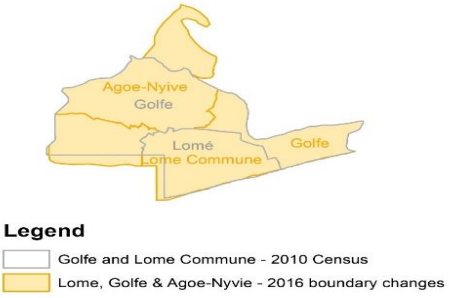
Figure 3.6.: Togo's regions and administrative levels (administrative level 1)



***Source**: Togolese authorities.*

14. Communes officially constitute the third and most localized level of administration, although traditional Cantons retain a role. Togo's 1991 (Article 141) constitution organizes the country into a unitary state with three levels of local collectivities, of which the third and geographically finest is the Commune. In its decentralisation process, Togo held communal elections in 1987. With reference to law n°98-006 of 11 February 1998 on decentralisation, special delegations were established in 2001. In order to strengthen development at the local level, communal elections were organised in 2019, thus allowing for the full decentralisation of the country with 117 communes in accordance with law 2017-008 of 29 June 2017 on the creation of communes. These young communes are in the capacity-building phase to gradually assume the missions devolved to them in terms of local development. **The autonomous district of Grand Lomé is defined as the Commune of Lomé plus the entirety of the Golfe Prefecture.** The definition of Togo's capital and its immediate urban area, known as Grand Lomé, has been defined slightly differently over time and by different sources. In the 2010 Census, Grand Lomé was defined as the Lomé Commune and all of the Golfe prefecture minus the canton of Legbassito. Following the 2016 changes, Grand Lomé was redefined as Lomé Commune and the entirety of Golfe prefecture, plus a segment of the old Zio prefecture. Due to data limitations, the definition of Grand Lomé used in this chapter is simply Lomé Commune plus the whole of Golfe prefecture. These three definitions, are shown in Table 3.1, below.

Table 3.1: 2010 Census definition of Grand Lomé, 'new' Grand Lomé, and definition used in this chapter

Definition	Population in 2010	Geographical extent
2010 Census Greater Lomé – Golfe prefecture (incl. Lomé Commune) ***minus*** canton of Legbassito.	1,477,000	
'New' Grand Lomé – Lomé Commune plus 'new' prefectures of Golfe and Agoe-Nyvie.	1,611,000	
Definition of Grand Lomé used in this chapter – Lomé Commune plus all of Golfe Prefecture.	1,591,000	

***Source**: RGPH IV (2010) & author's own elaboration.*

3.1.2.2. Regional demographic and economic dynamics in Togo

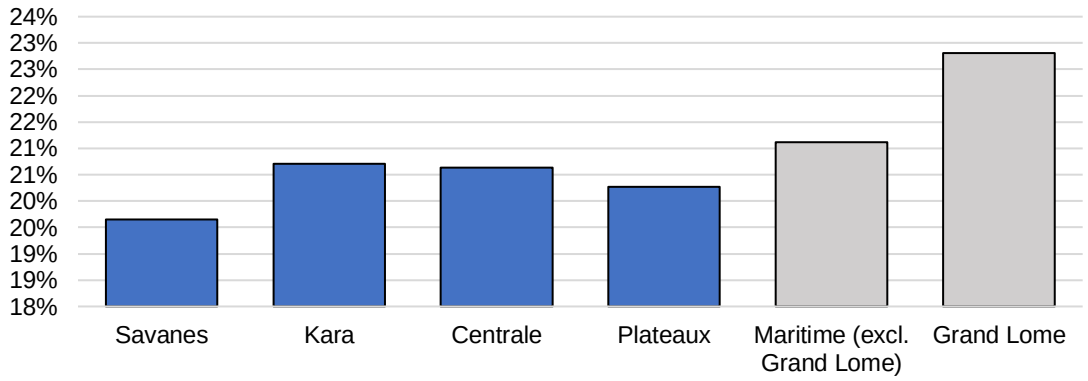
15. Togo's population is concentrated in the capital Grand Lomé and wider region of Maritime (Table 3.2). In 2010, Maritime was home to close to 40 percent of Togo's population. Between 1981 and 2010 – the dates of the two latest population censuses – Maritime was the second fastest growing of all five regions, having increased by 153 percent. As can be seen in Figure 3.7, this growth was surpassed only by Savanes. Between 2010 and 2019, meanwhile, Maritime was by far the fastest growing region. This dynamic was largely driven by growth in Grand Lomé, although the remainder of the region also grew more than Savanes, Centrale, Plateaux and Kara. Unsurprisingly, and as reported in the agriculture chapter, Maritime was also the region in which forest cover has decreased percentage wise the most in recent years. This suggests that population and agriculture is encroaching into forest areas, which could exacerbate the region's vulnerability to climate risk.

Table 3.2: Population of Togo's regions in 1981, 2010 and absolute % change

Region	Population in years (Thousand)		Absolute % increase
	1981	2010	
Maritime	1,040	2,634	153
Plateaux	650	1,402	116
Centrale	273	630	131
Kara	427	784	84
Savanes	329	841	156

***Source**: RGPH III (1981); RGPH IV (2010).*

Figure 3.7: Absolute % growth in population by region, 2010-2019



***Source:** RGPH IV (2010); UNFPA (2019)*

16. Regional differences in population growth seem to be driven more by migration than by variation in fertility rates. In 2010, the fertility rate in the Maritime region was 4.5 births per woman, only slightly higher than the national average of 4.3[153]. Moreover, the fertility rate in Grand Lomé – where population growth was highest – was in fact considerably lower than the national average in 2010, at 3.1 births per woman.

17. Most migration in Togo is toward Grand Lomé and the wider Maritime region. Table 3.3, below, shows the net migration balance for every pair of regions for 2010 – the latest year for which such data is available. It can be seen how Maritime and Grand Lomé are in fact the only two regions with a positive migration balance – that is, they received more immigrants than the emigrants that left. It is however noteworthy that some migrants chose more rural regions above Grand Lomé: for example, 4,553 people left the region of Centrale for Kara. This suggests that the picture is more complex than one of migrants simply heading towards the primary city, Grand Lomé, and that there may well be 'pull' factors from other regional cities.

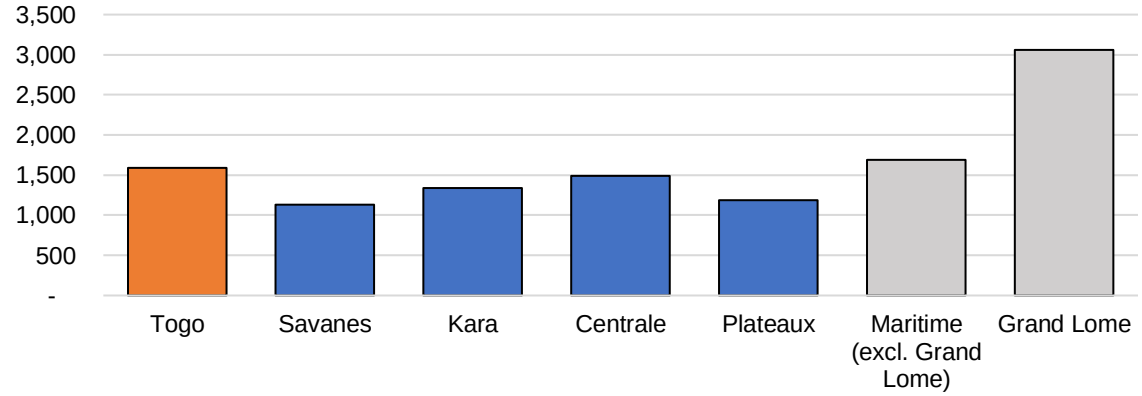
Table 3.3: Migration flows for people moving region between 2005 and 2010

	Region of residence in 2010					
Region of residence in 2005	GRAND LOMÉ	MARITIME	PLATEAUX	CENTRALE	KARA	SAVANES
GRAND LOMÉ	-	9,413	-27,249	-11,712	-8,334	-3,410
MARITIME	-19,413	-	-2,455	-688	-2099	-2,078
PLATEAUX	27,249	2,455	-	4,160	-811	-2,533
CENTRALE	11,712	688	-4,160	-	-4,553	-689
KARA	8,334	2,099	811	4,553	-	-893
SAVANES	3,410	2,078	2,533	689	893	-
Migration balance	**31,292**	**26,733**	**-30,520**	**-2,998**	**-14,904**	**-9,603**

***Source**: RGPH IV (2010).*

18. Grand Lomé and to a lesser extent the wider Maritime region are the richest on a per capita basis, potentially explaining these migration flows. There are notable differences in economic development between regions. The country's economic hub, Grand Lomé, had a GNI per capita of just over $3,000 in 2018, about twice the national average. The remaining regions, including the rest of Maritime, range between $1,100 to $1,700, as shown in Figure 3.8.

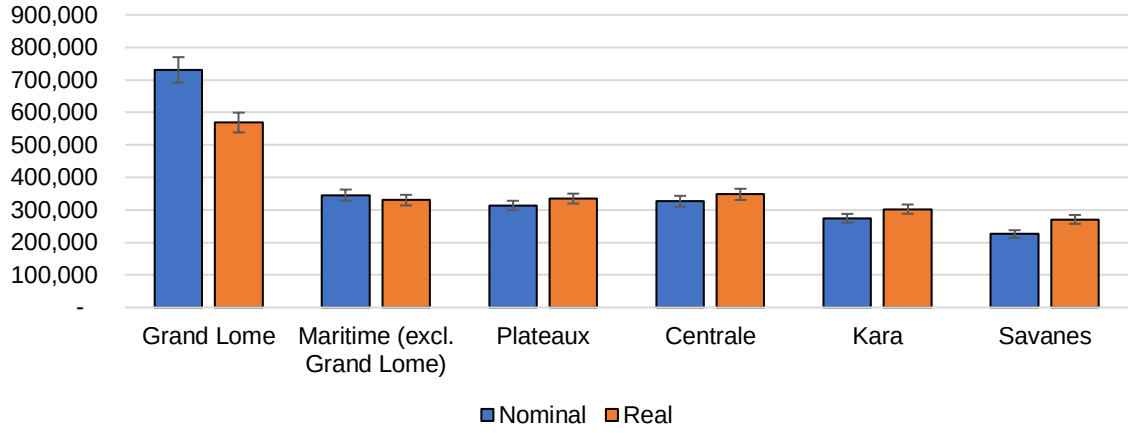
Figure 3.8: 2018 GNI per capita by region (USD 2011 PPP)



Source: Computed by Global Data Lab, on the basis of national GNI and variation in household wealth (IWI) across subnational regions.

19. That said, high living costs in Grand Lomé mean that real consumption levels in Maritime are in fact not much higher than other regions. As shown in Figure 3.9, below, in line with their higher income levels, Grand Lomé's residents have by far the nominal highest consumption, at over twice that seen in other regions. However, after factoring in price differences, the disparity decreases significantly, as shown by real consumption per capita. Grand Lomé's residents, in particular, have their purchasing power significantly decreased by the higher costs of living there. This suggests that the real incentive to emigrate from other region to Grand Lomé may in fact be less than what income differences initially imply.

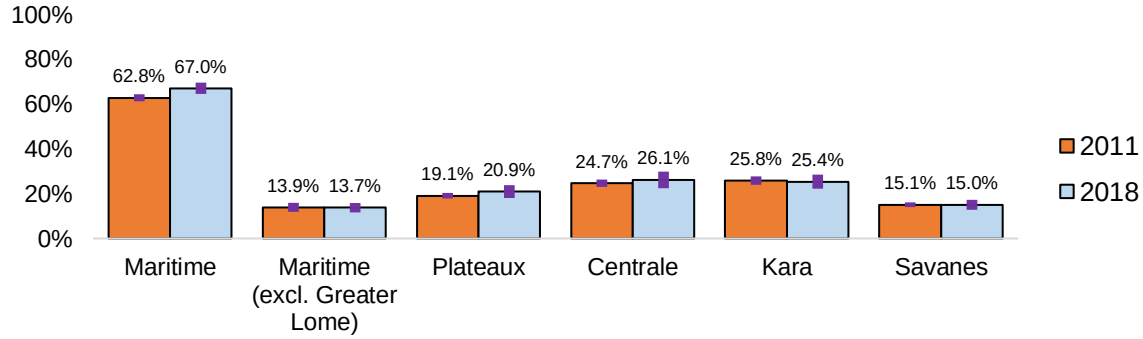
Figure 3.9: Per capita consumption in 2018 by region



***Source**: EHCVM 2018. Note: nominal and real (2018 cfa/annum, with 95% confidence intervals)*

20. The Maritime region is the only region where the urban share of the regional population exceeds 50 percent. In terms of the level of urbanization, there is a clear distinction between the Maritime region and the rest of the country. As shown in Figure 3.10, as of 2018 over two thirds of the Maritime region's residents lived in urban areas. This compares to under a quarter for all other regions. The high rate of urbanization in the Maritime region is largely down to Grand Lomé – in fact when the capital is excluded, the urban population of Maritime shrinks to just under 14 percent. Figure 3.10 also shows how, while urbanization rates have changed little between 2011 and 2018, there was a notable increase in the urbanization of Maritime, again driven by Grand Lomé's growth.

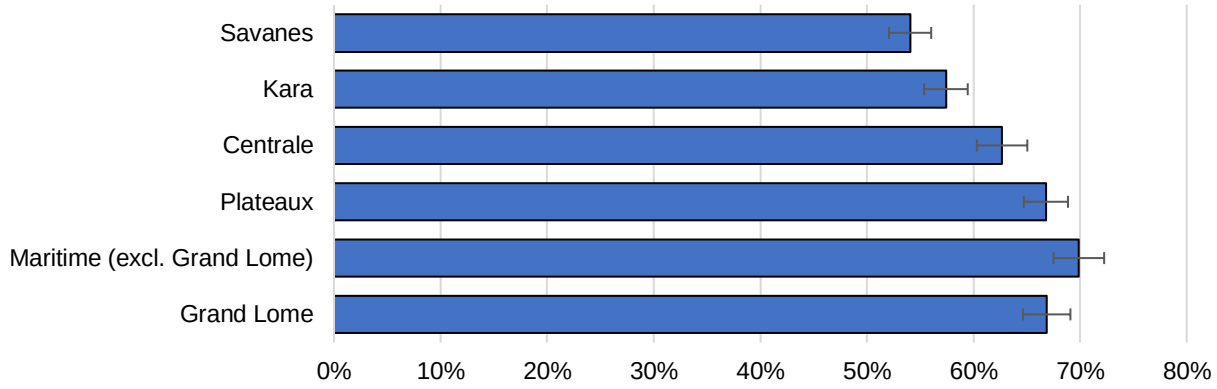
Figure 3.10: Proportion of population living in urban areas by region, 2011 & 2018 (with 95% confidence intervals)



***Source**: EHCVM 2011; 2018.*

21. Employment rates vary by region but are highest in the Maritime region. Figure 3.11 shows how Grand Lomé and the Maritime region as a whole have the highest proportion of employed people, at around 70 percent. At the lower end are Savanes and Kara, both below 60 percent, although domestic work – not counted as employment – is significantly higher in these regions.

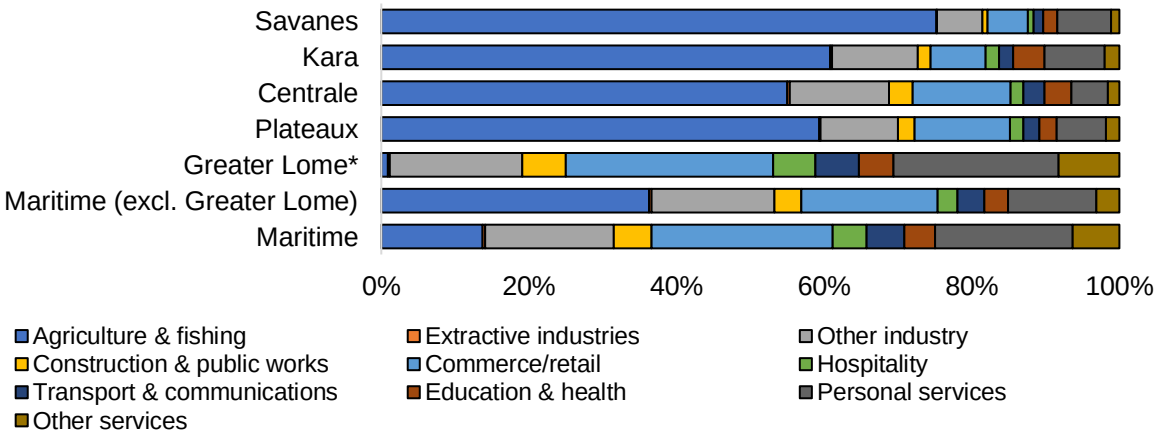
Figure 3.11: Employment level by region in 2018 (working-age only), with 95% confidence intervals



Source: *EHCVM 2018.*

22. The workforce in Grand Lomé and to a lesser extent Maritime as a whole is considerably more diversified than the remaining regions, where agriculture is the biggest employer. As shown in Figure 3.12, above, there is a marked difference between Maritime and the rest of the country in terms of the composition of employment. Largely due to the weight of Grand Lomé, Maritime's workforce is significantly more diversified, with the biggest segments of the population employed in commerce and retail, industry and personal services. In the remaining regions, including Maritime without Grand Lomé, agriculture is by far the biggest sector. In fact, in the regions of Savanes, Kara, Centrale and Plateaux, over half of the workforce is employed in agriculture.

Figure 3.12: Employment by sub-sector and region, 2018 (working-age only)

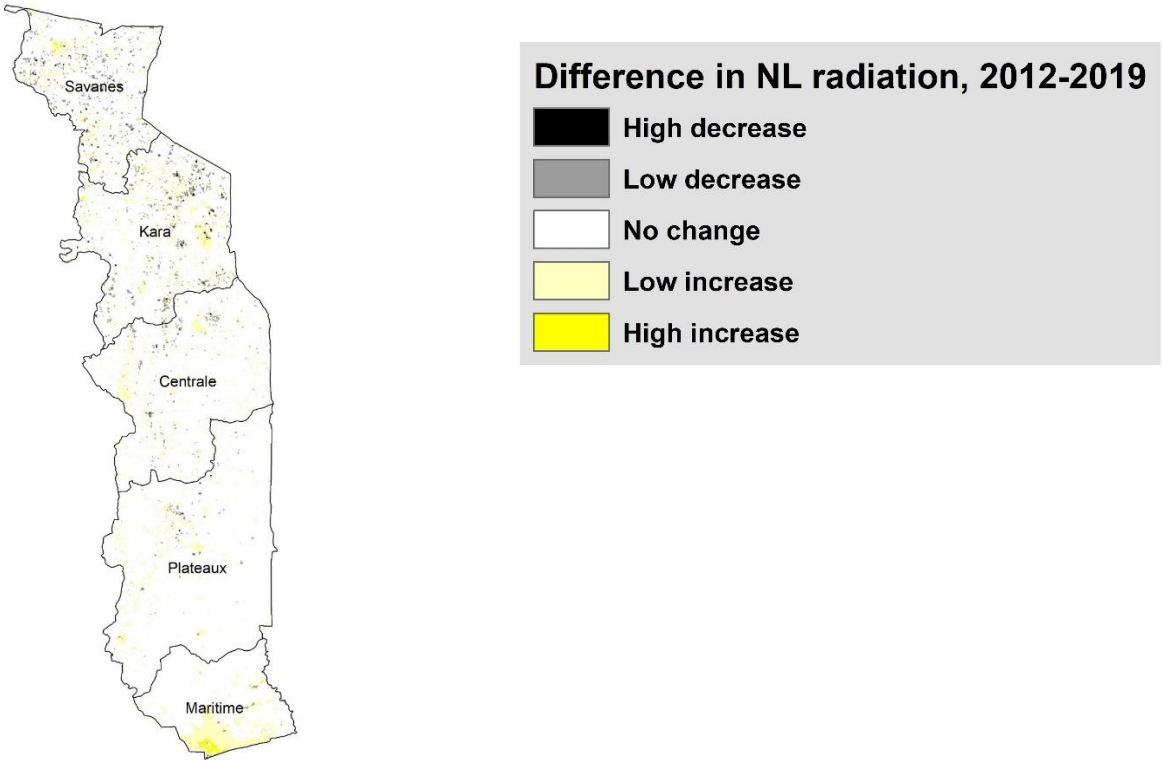


Source*: EHCVM 2018.*

23. Changes in night light, often used as proxy for economic growth, suggest that economic activity has grown the most in Grand Lomé and Maritime region. Few data are available on how economic growth differs by region. This would be particularly useful to determine whether the less developed regions are catching up and therefore converging with Grand Lomé. What is available, however, is data on absolute changes in night light radiation. Insofar as the increasing level of light radiation is a signal for increased wealth (enabling people to afford electrification), it can serve as a proxy for economic growth. Figure 3.13 shows this for the whole of Togo, between the years of 2012 and 2019. It can be seen how the region with the greatest absolute growth (in bright yellow) concentrate around Grand Lomé. That said, there are in fact areas of other regions where this is also evident, notably Savanes and Kara in 2018. Since an increase in nightlight could be due to increased GDP, GDP per capita or population, it is often difficult to disentangle the empirical finding without supporting statistical evidence.

24. Climate change-related disasters such as flooding, drought and fires are expected to affect northern regions more. Over the past decade, six major floods have affected Togo, inflicting significant economic damage, displacing thousands of people and significantly degrading the quality of arable land. Similarly, over the past 60 years, Togo has experienced three major droughts (between 1942-1943, 1976-1977, and 1982-1983) leading to severe famines[154]. The likelihood of these events – particularly flooding – is likely to increase with climate change, with the regions of Savanes and Kara expected to be most affected[155].

Figure 3.13: Absolute changes in night light radiation, 2012-2019



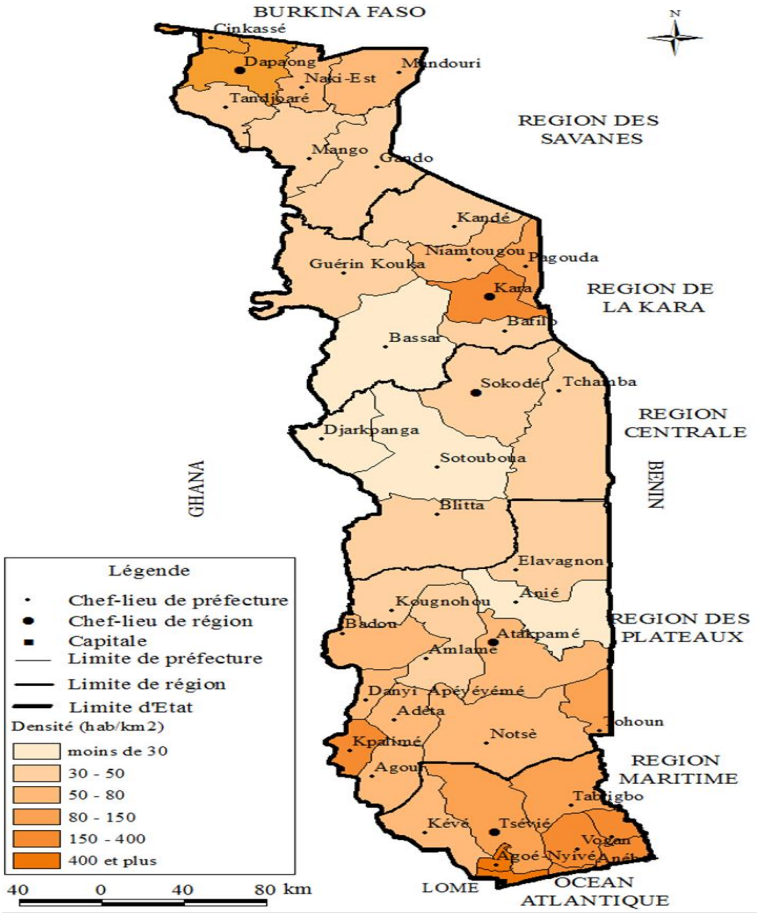
Source: *VIIRS DNG Night Light data (via Earth Observation Group at Colorado School of Mines).*

3.1.3. Characteristics and profiles of Togo's cities

3.1.3.1. General overview

25. Togo's urban geography is dominated by Grand Lomé, which is by far the largest urban area in Togo. Grand Lomé makes up around a quarter of the country's population. Togo's second largest city, Sokodé, had an estimated population of just over 95,000 at the time of the last census in 2010. In fact, just six cities other than Grand Lomé (Tsévié, Kpalimé, Atakpamé Sokodé, Kara et Dapaong) had a population of over 50,000 in 2010 (see Figure 3.2). The location of these cities, which can be considered Togo's major cities, is shown in blue below (Figure 3.14).

Figure 3.14: Togo's urban geography



***Source**: Togolese authorities*

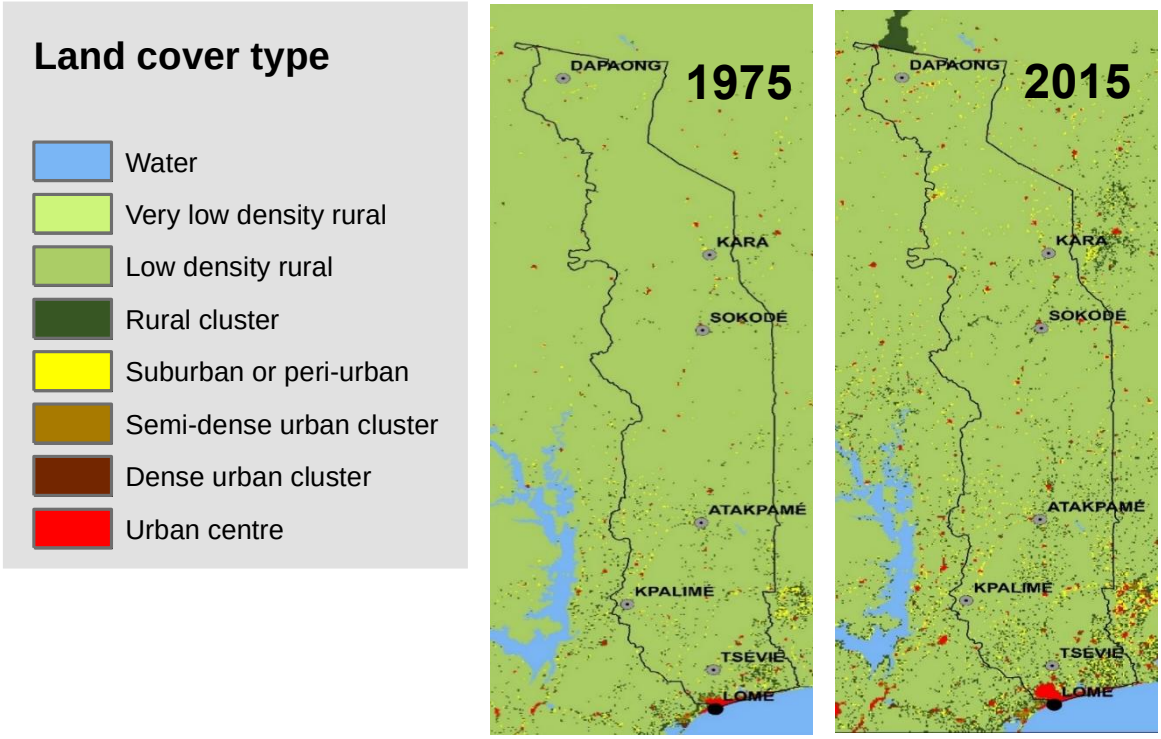
26. While all cities have grown significantly in population in the past 40 years, Grand Lomé has grown the most. It experienced an absolute increase in population of 279 percent between 1981 and 2010, higher than any other major city (Table 3.4). Similarly, since 1975, Grand Lomé's urban extent has grown more dramatically than other cities, as seen in the satellite-generated imagery below (Figure 3.15). In the past 10 years, Grand Lomé is predicted to have grown twice as quickly as Togo's next 5 largest cities. As shown in Figure 3.16, below, Grand Lomé's population was almost 50 percent greater in 2020 than compared with 10 years prior, while the population of cities like Tsévié are predicted to have barely grown.

Table 3.4: Population of Togo's largest cities in 1981 and 2010

CITY	POPULATION IN 1981 (IN THOUSANDS)	POPULATION IN 2010 (IN THOUSANDS)	Absolute % increase in population
GRAND LOMÉ	390	1,477.70	279%
SOKODÉ	45.7	95.5	109%
KARA	28.9	94.9	228%
KPALIMÉ	28.3	75.1	165%
ATAKPAMÉ	24.1	69.3	188%
DAPAONG	16.9	58.1	244%
TSÉVIÉ	20.4	54.5	167%

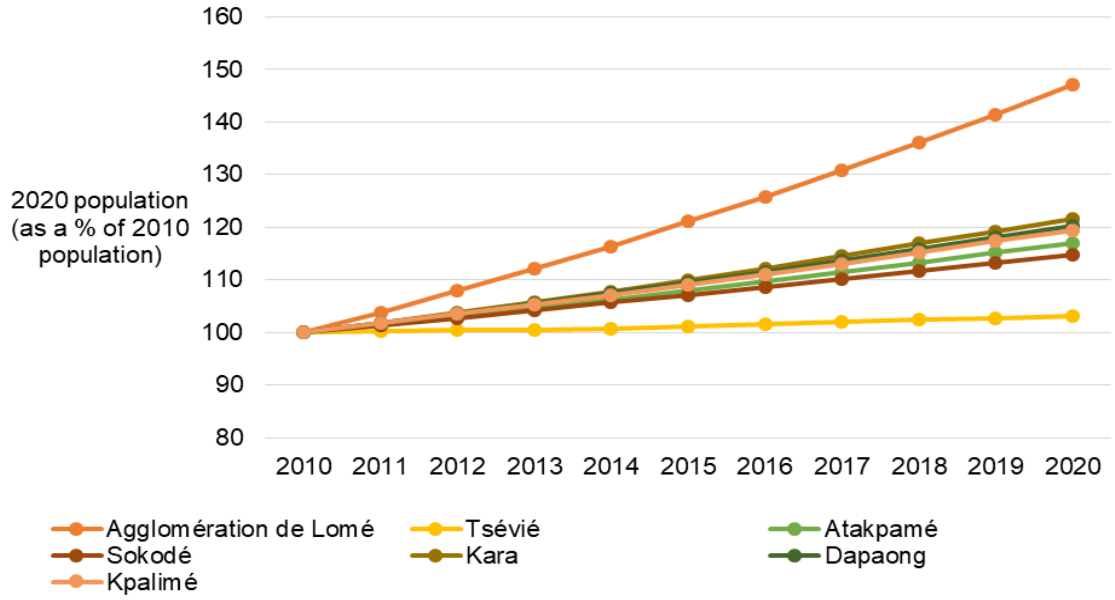
***Source**: RGPH III (1981); RGPH IV (2010).*

Figure 3.15: Growth and location of urban areas in Togo, 1975-2015



***Source**: Global Human Settlement Layer, EU Commission.*

Figure 3.16: Projected population growth of Togo's 6 largest cities, 2010-2020



***Source**: RGPH IV (2010)*

27. Taken together, Togo's six largest cities after Grand Lomé make up only around 10 percent of the country's total urban population. Sokodé, Kara, Kpalimé, Atakpamé, Dapaong and Tsévié are the only cities other than Grand Lomé with a population of over 50,000. All these cities, except for Kpalimé, are the administrative capital of the region that they are in. These cities have all grown significantly in population since the beginning of the 20th century, although recently their population growth has been significantly outpaced by Grand Lomé. As of the 2010 census, all of them have seen outward net migration flows.

28. In 2010, Sokodé was Togo's second largest city and an important center for logistics, commerce and distribution. The capital of the Centrale region, Sokodé (population 95,500) is strategically located on traditional north-south and east-west routes. However, its population has grown relatively slowly in recent years, and Kara is estimated to have recently overtaken it as Togo's second largest city.

29. Kara is an important city in the country's agricultural heartland and principal towns of the eponymous region. The city, population 94,900 in 2010, is located relatively far away from Grand Lomé in the northern part of the country but is under 1 hour's drive from Benin to the east. The wider Kara region is known for its agricultural productivity, and Kara city is in fact the pilot site for the Government's first agro-pole project (See Agriculture chapter).

30. Kpalimé is a well-connected border town in an area known for coffee production, cocoa production, and tourist potential.. The city had a rail link to Lomé (even if this is not operational), while its location in the western part of the Plateaux region, very close to the border with Ghana, gives it good access to the densely-populated and fast-growing Volta region in Ghana. Its population in 2010 was 75,100, making it the largest city in the region of Plateaux and the fourth largest in Togo. Furthermore, the city of Kpalimé and its surrounding areas are known for their tourist potential.

31. Atakpamé is the principle town in the Plateaux region and located near to key coffee and cotton producing areas. Thanks to its location on popular North-South trade caravans, in its early history Atakpamé played a key role in commerce and trade, and benefited from the Lomé-Blitta railway line (until services were suspended in 1999). The city had a population of 69,300 in 2010. Along with Kpalimé and Badou, the city is one of the three vertices of Togo's "coffee triangle"[156].

32. Dapaong is the principle town of Savanes, Togo's northernmost region. It is over 10 hour's drive from Grand Lomé, but very close to the border with Burkina Faso. Traditionally, Dapaong and its surroundings have been known for the production of cotton, traditional cloth, and cattle farming. The city has experienced the greatest population growth since 1981 of any city except Grand Lomé. In 2010 its population stood at 58,100

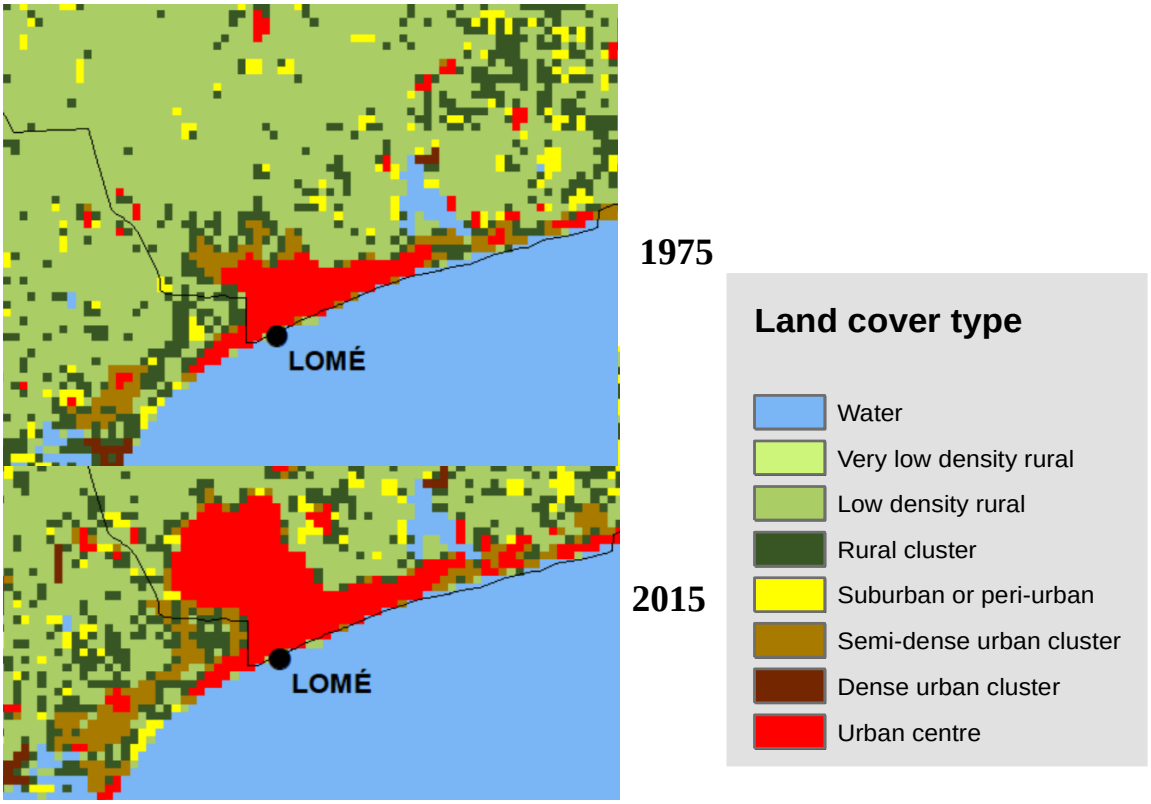
33. Tsévié, the principle town of the maritime region, is a small town close to Grand Lomé. The rapid urban expansion of the capital in the past 50 years means that Tsévié is effectively a part of the Grand Lomé economy, functioning as a feeder city and conduit to more rural areas of the Maritime region. Up until 2010, its population growth was the slowest of any secondary city and its migration balance the most negative.

34. Given the markedly different size and profile of Grand Lomé compared to Togo's other cities it is considered separately below. . Togo's next 6 biggest cities – Sokodé, Kara, Kpalimé, Atakpamé, Dapaong and Tsévié – which can be considered the country's secondary urban areas, are considered collectively, although separate city profiles can be found in Appendix 3.2. The figures quoted throughout are contained in city-level tables, found in the Appendix 1, together with source details.

3.1.3.2. A deeper dive into Grand Lomé

35. Lomé has grown incredibly fast since its establishment as the capital of Togo in 1897, with its natural deep-water role playing a defining role in the city's development. Founded in the late 19th century by the Ewe people, Lomé was in 1897 designated as the capital of the then German-controlled Togoland. After World War I, the city was placed under the control of the French, who developed much of Lomé's current infrastructure (including water supply and the electrical grid) and expanded the railroad network. Following WWII, Lomé grew rapidly: its population surged from 85,000 in 1960 to over 900,000 in 2000. This rapid growth was propelled by Lomé's emergence as a regional trading hub, on account of its natural deep-water port. The increase in exploitation of Togo's rich mineral resources, many of which were exported via Lomé's port, is also an important factor in the city's growth. Today, Lomé remains an important commercial and logistics hub for the West Africa region, with its port ranking as the second busiest for trans-shipment in Sub-Saharan Africa.

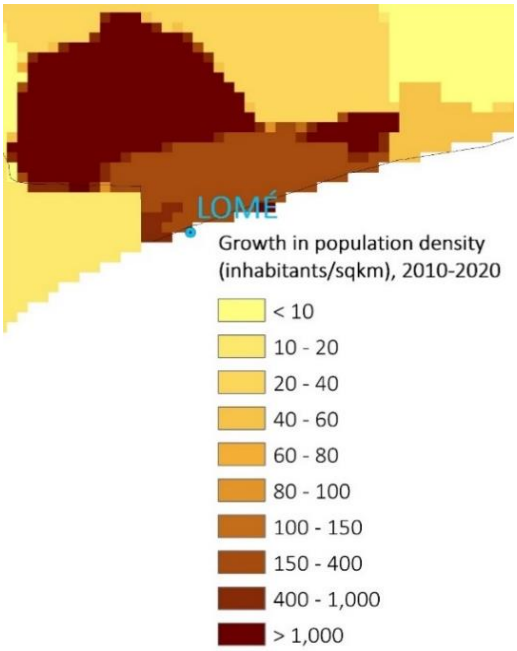
Figure 3.17: Urban growth of Grand Lomé, 1975-2015



***Source**: Global Human Settlement Layer, EU Commission*

36. Lomé and surrounding towns have now become the autonomous district of Grand Lomé, whose area extends 350 km² and population exceeds 2m. The urban growth of Lomé has been especially pronounced in the past 50 years. The functional urban area now extends well beyond the commune of Lomé, covering a much wider area of South-Western Togo known as Grand Lomé. Figure 3.5, above, shows how much the urban extent of Lomé has grown between 1975 and 2015. **Grand Lomé's fast growth is primarily explained by migration from parts of Togo, in particular the wider Maritime region, where economic opportunities are relatively few.** Among the seven largest cities in Togo, Grand Lomé is the only one with a positive migratory balance, having received over 9,000 net migrants from other cities and regions in 2010. The vast majority of migrants are from the southern-most Maritime region, in which Grand Lomé is found. In fact, 31 percent of the city's population in 2010 reported being born elsewhere in Maritime. A further 3 percent of the population had emigrated from another region, and 6 percent from another country. As was seen previously, Grand Lomé's GDP per capita is double that seen in other regions, suggesting that the greater economic opportunities in the capital may be a major factor in driving migration from poorer, more rural parts of the country.

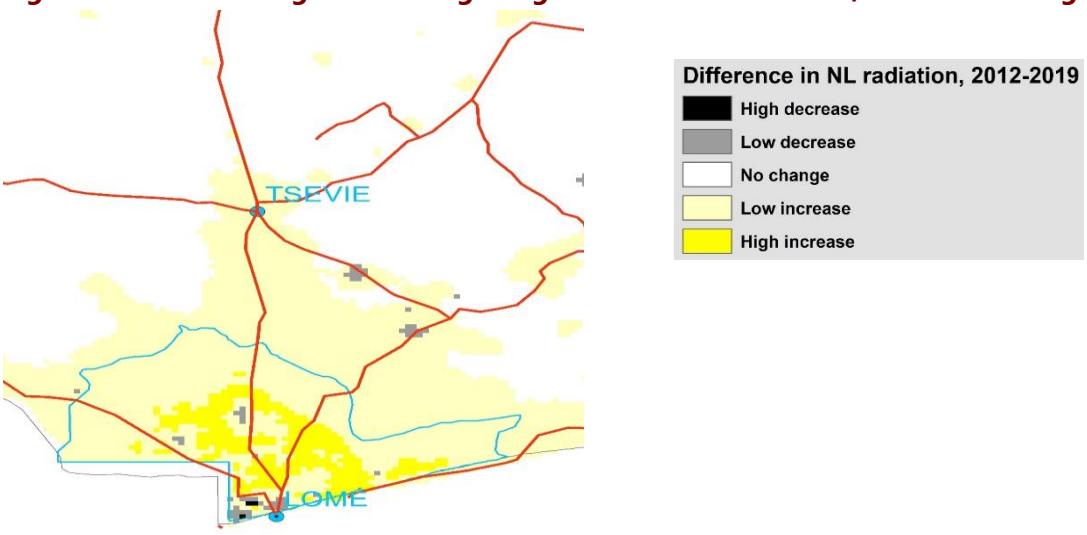
Figure 3.18: Absolute growth in population density of Grand Lomé, 2010-2020



***Source**: UN WPP-Adjusted Population Density, v4.11 (SEDAC via CIESIN at Columbia University)*

37. Grand Lomé is rapidly expanding northwards, with evidence of economic activity growing along key road links. The urban expansion of Grand Lomé is largely taking place northwards, toward where most of the uninhabited land is found. As shown in Figure 3.18, which depicts the absolute growth in population density between 2010 and 2020, the northern half of the city has added over 1,000 inhabitants per square kilometer in the past 10 years. Grand Lomé's urban expansion is matched by a corresponding increase in night light radiation, as shown in Figure 3.19. Particularly, between 2012 and 2019, there has been a notable brightening along the major roads extending away from the city, particularly those leading to Tsévié and Kpalimé.

Figure 3.19: Absolute growth in Night Light radiation 2012-2019, South West Togo

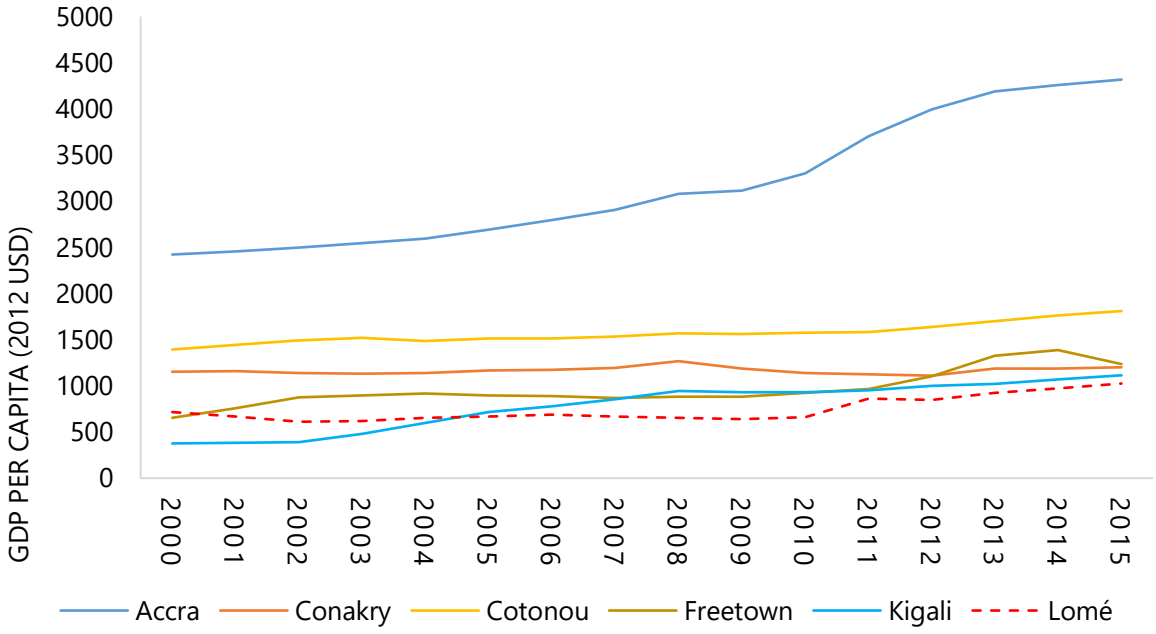


***Source**: VIIRS DNG Night Light data (via Earth Observation Group at Colorado School of Mines).*

38. However, in per capita terms, Grand Lomé's economic development lags that seen in its peer countries' major cities. The biggest absolute increases in night light detected between 2012 and 2019 in Grand Lomé happened precisely in those areas experiencing greatest population growth, so that the greater intensity of light may well not reflect increasing per capita incomes. In fact, compared to the major or capital cities in Togo's structural and aspirational peer countries, Grand Lomé's nominal per capita income has experienced only modest growth and as of 2015 ranked among the last, as shown in Figure 3.20.

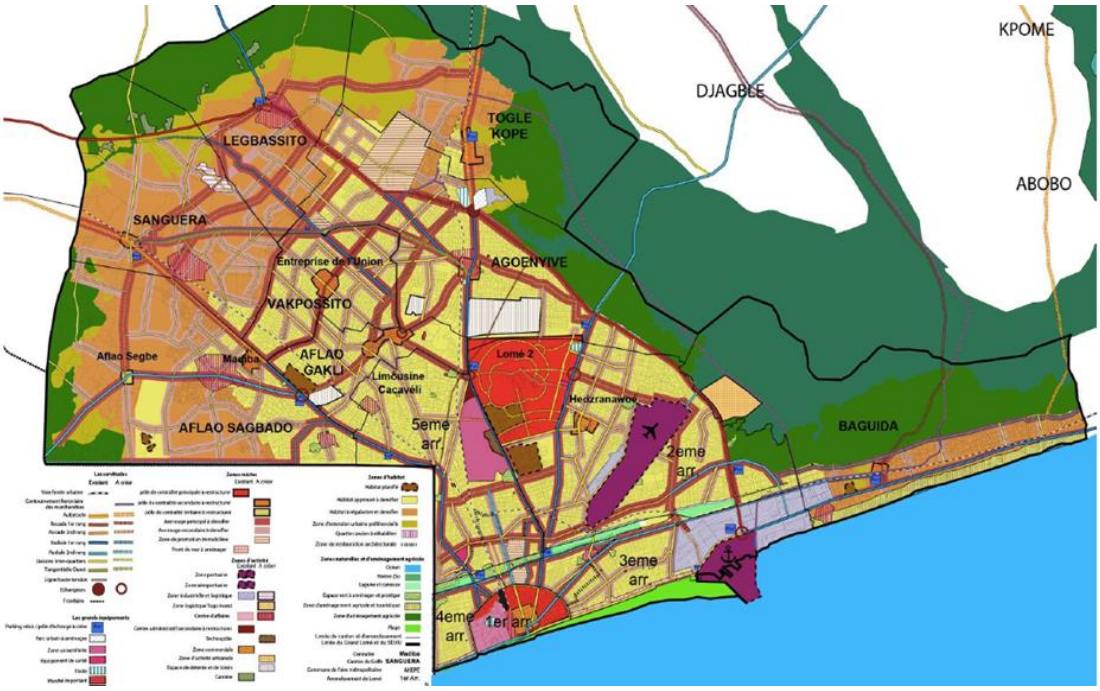
39. Reflecting the city's rapid population growth, many new settlements are informal, crowded and under-served by vital urban infrastructure. There is some evidence that housing supply may not be keeping up with such rapid urbanization, resulting in poor housing conditions and overcrowding. The average household in Grand Lomé had about 3 people per bedroom in 2010, notably higher than in Togo's other cities. As can be seen in Figure 3.21, , the near-totality of northern neighborhoods such as Legbassito, Sanguéra or Aflao-Sagbado – which largely did not exist as recently as 40 years ago – are made up of informal settlements which are consequently poorly connected to the rest of the city. Some of these areas are gradually being regularized, however this is often a slow process[157].

Figure 3.20: GDP Per Capita 2000-2015, Lome Vs. Primary Cities In Peer Countries



***Source**: Oxford Economics*

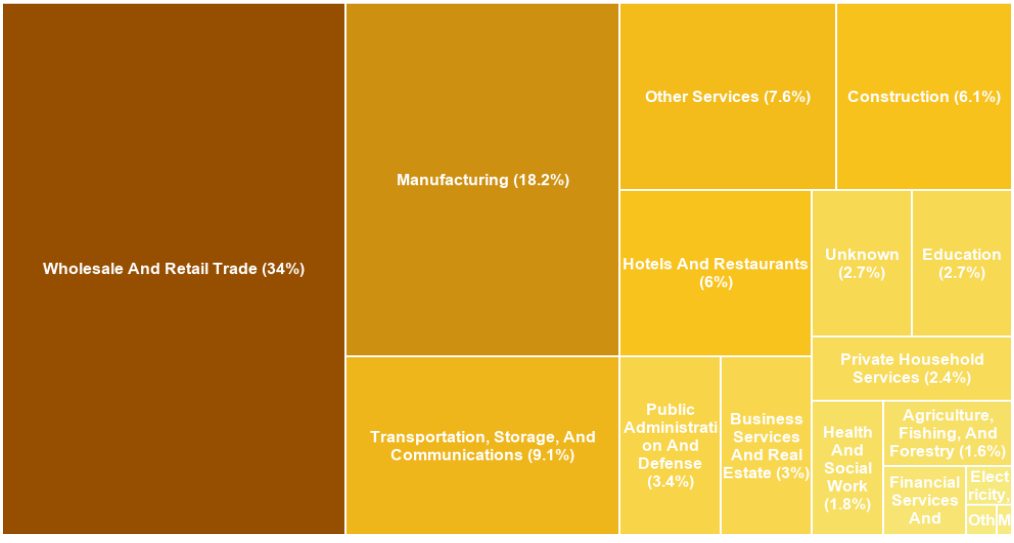
Figure 3.21: Land use in Grand Lomé, 2016



***Source**: Ministry of Infrastructure and Transport plans for Grand Lomé*

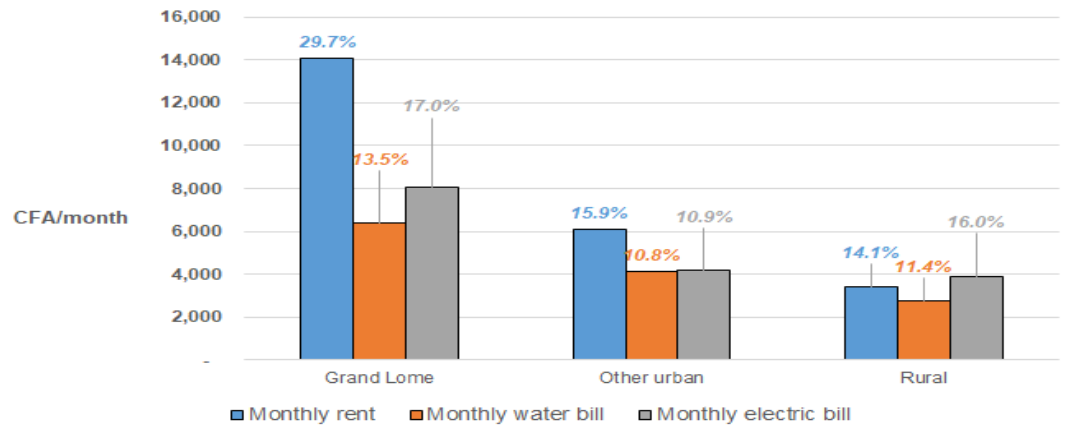
40. **Grand Lomé's workforce is more diversified than other cities in Togo, but there is little evidence of employment in tradable sectors.** As often seen in cities, Grand Lomé's workforce is relatively diversified and dominated by sectors such as retail/wholesale trade, manufacturing and construction, and other services to individuals and businesses. Moreover, as shown in Figure 3.22, the transportation sector is also important in Grand Lomé, reflecting the important role of its port. While the manufacturing sector constitutes almost one in five of all jobs in Grand Lomé, it is not necessarily a sector with high productivity and producing tradable goods. In fact, only 5 percent of firms are exporters, with the vast majority of manufacturing firms (just over 1 percent) being classed as small or micro.

Figure 3.22: Distribution of employment by sector in Grand Lomé, 2010



Source: *RGPH IV (2010)*

Figure 3.23: Average monthly cost of rent, water and electricity (monthly amounts and percent of total per capita consumption) in Grand Lome, all other urban areas and rural areas



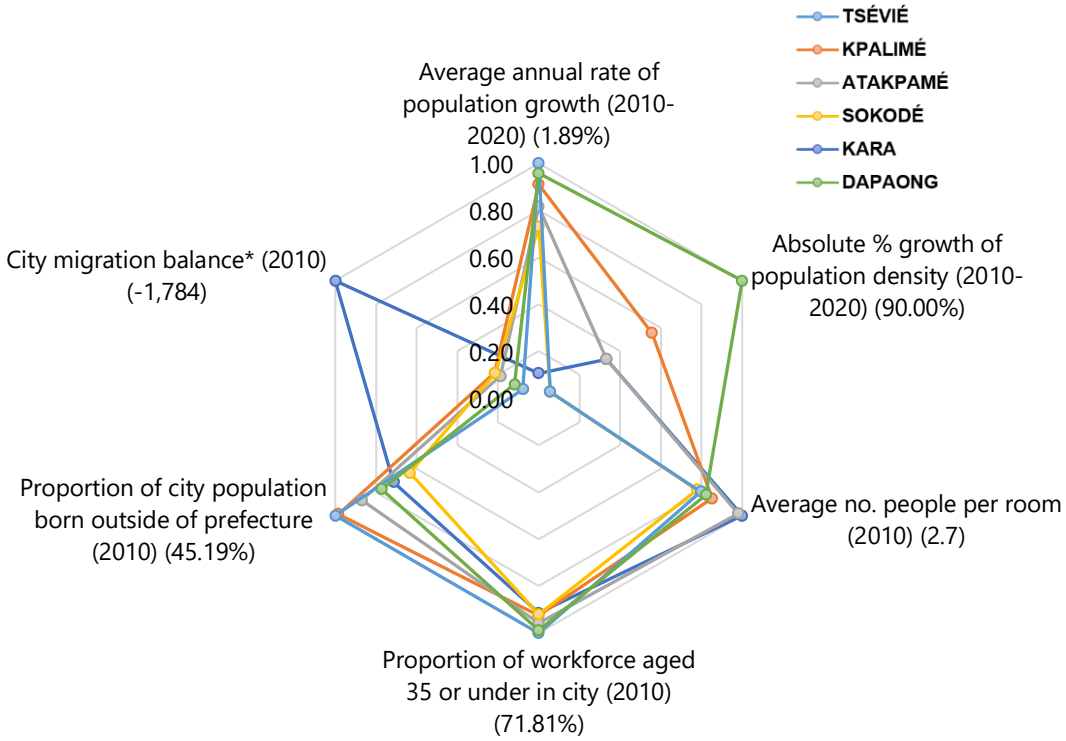
***Source**: RGPH IV (2010).*

41. **Grand Lomé's inhabitants have better access to key services and infrastructure, but face higher living costs and worse levels of pollution and congestion**. Over half of the population has access to electricity and piped water, and over a third are accessing services like the internet or banking. However, Grand Lomé is also more expensive than other cities. As shown in Figure 3.23, the average cost of rent in Grand Lomé, for example, is over twice the average in other urban areas, while electricity and water bills are significantly higher. This effectively reduces Grand Lomé's citizens' purchasing power. Grand Lomé's rapid population growth, combined with its stretched resources and weak environmental protections, has come with significant increases in congestion and pollution levels. Studies have shown that the presence of key pollutants in the city's air, such as carbon dioxide, have increased consistently in recent years, making Grand Lomé the most polluted urban area in Togo (Amouzouvi, Koffi & Dzagli, 2019).

3.1.3.3. A deeper dive into secondary cities

42. **The radar diagrams below plot a number of demographic, economic and accessibility related indicators for each of Togo's 6 secondary cities**. The values shown are normalized, meaning that each city is shown in relation to the highest scorer (denoted as a value of 1) for each indicator. The actual highest value for each indicator is provided in brackets, for reference, while all actual values can be found in Appendix 3.1. This also provides more detail on how city-level data is calculated from the main data sources used (RGPH IV, EHCVM 2018, RGE 2018).

Figure 3.24: Key demographic indicators for Togo's secondary cities



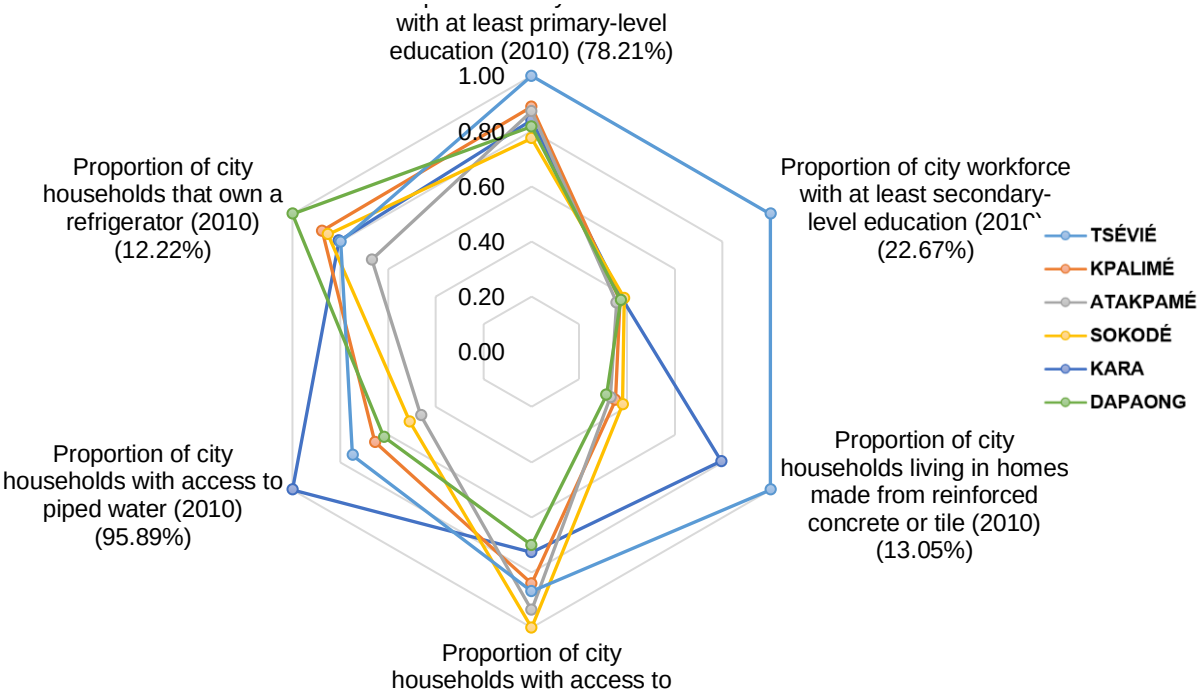
***Source**: RGPH IV (2010); EHCVM (2018); CIESIN (2020).*

43. Togo's secondary cities are fairly similar in their demographic characteristics. As was discussed previously, all secondary cities are growing more slowly that Grand Lomé. This is particularly noticeable in the case of Tsévié (Figure 3.24, above), whose population growth was minimal from 2010 to 2020, owing to a highly negative migration balance. At the other extreme, Dapaong stands out for its rapid population and population density growth in the past 10 years. All cities have similarly youthful populations, while there is little variability in the average number of people per household (an indicator for the level of overcrowding). In all cities, a sizeable proportion of the population born outside of the prefecture, although this ranges from almost half of the population in Tsévié and Kpalimé to just a quarter in Sokodé.

44. Kara stands out for its significantly better levels of education compared to other cities. As shown in Figure 3.25 below, the proportion of residents in Kara with at least primary or at least secondary education is higher than in other cities (especially for secondary education). Kara also exhibits a higher level than other secondary cities when it comes to the proportion of households having access to piped water or whose homes are built from durable materials such as reinforced concrete or tile.

45. Overcrowded housing with poor quality materials and informally-developed land are common in Togo's secondary cities. In 2010, only around 10 percent of these cities residents lived in houses built from reinforced concrete or tile, while cities like Atakpamé and Tsévié are almost as overcrowded as Grand Lomé (as proxied by number of people per bedroom). Many residents have built their homes irregularly, or often do not have any title or document certifying their ownership of the land. In Dapaong, for example, just 30 percent of land-owners had a land title in 2018.[158]

Figure 3.25: Key development indicators for Togo's secondary cities



***Source**: RGPH IV (2010).*

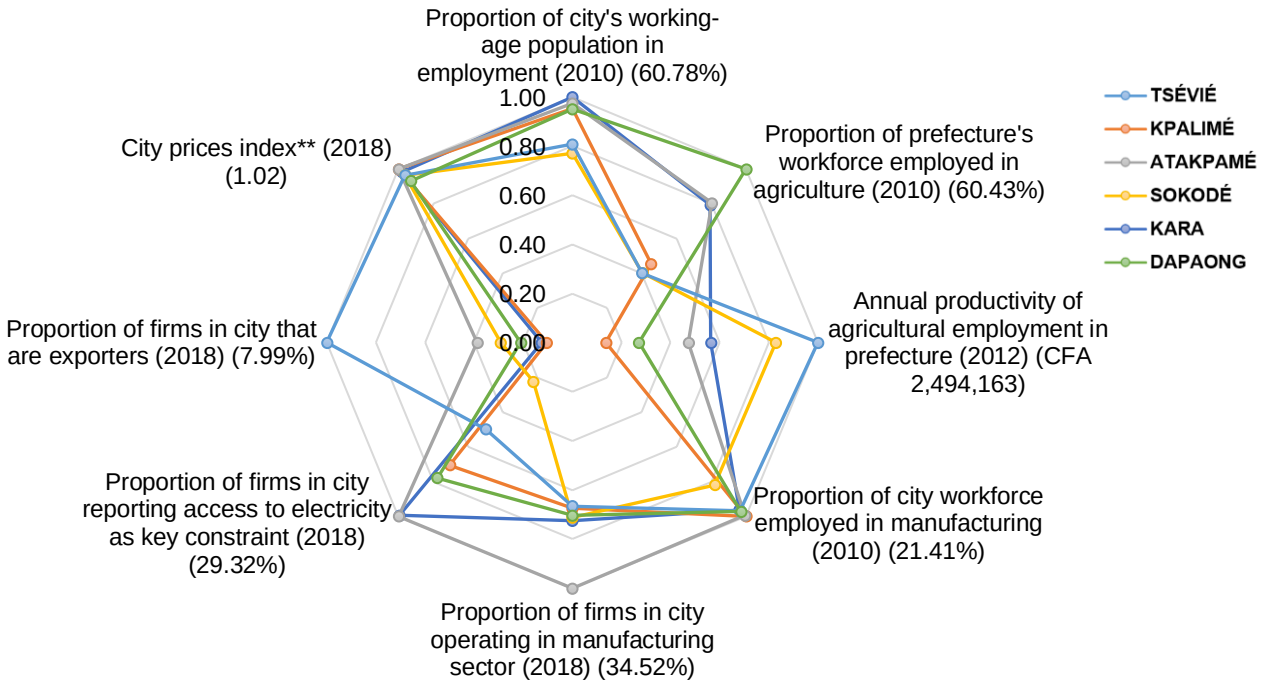
46. Access to vital utilities like piped water or electricity remain a major challenge for most secondary cities. In cities like Dapaong and Tsévié about one third of the population had no access to electricity in 2010. Moreover, even if a household reports having access to electricity, this is likely to be an informal connection that is often unreliable or unsafe. In fact, in all of the city PDC reports reviewed find that reliable access to electricity is a major challenge for residents and businesses. Similarly, the proportion of city households with access to piped water in 2010 was under half in cities like Atakpamé and Sokodé. The PDC reports also identify this as part of a broader challenge with access to sanitation in Togo's cities. However, while recent census data is not available to capture developments at the city level, survey data (EHCVM, 2018-2019) suggests that access to electricity has reached 42% in the Maritime region and 25% in the Savanna region.

47. Employment in Togo's secondary cities is on the whole lower and less diversified compared to Grand Lomé. As shown in Figure 3.26, the highest employment rate (in Tsévié) reaches 61 percent, whereas Grand Lomé has an employment rate of 62 percent. The employment profiles of secondary cities (available in Appendix A3.2) show that the workforce is less diversified than Grand Lomé, with the services sector and manufacturing playing a greater role. These secondary cities sit within wider prefectures and regions that are highly agricultural. Looking at the prefectures that Dapaong, Atakpamé and Tsévié are in, for example, it can be seen (as shown in Figure 3.25) that over 50 percent of the workforce is agricultural. Moreover, city authorities report that over 75 percent of the income generated in Dapaong Commune is from agriculture[159].

48. The share of employment in tradeable sectors is actually higher in Togo's secondary cities compared to Togo, but these jobs are often in small-scale production for local consumption. Employment in key tradeable sectors like manufacturing hovers at around one fifth of the workforce in Togo's secondary cities, which is slightly higher than Grand Lomé. However, there is

little evidence that the tradeable sectors in these cities are actually engaging in production for export. As shown in Figure 3.26, the vast majority of firms in these cities are micro in size, while a tiny percentage (with the notable exception of Kara) actually export their goods abroad. Instead, most of such employment constitutes the manufacture of textiles and wearing apparel for local consumption, or very small-scale agricultural production.

Figure 3.26: Key economic indicators for Togo's secondary cities



***Source**: RGPH IV (2010); UNFPA (2012); RGE 2018.).*

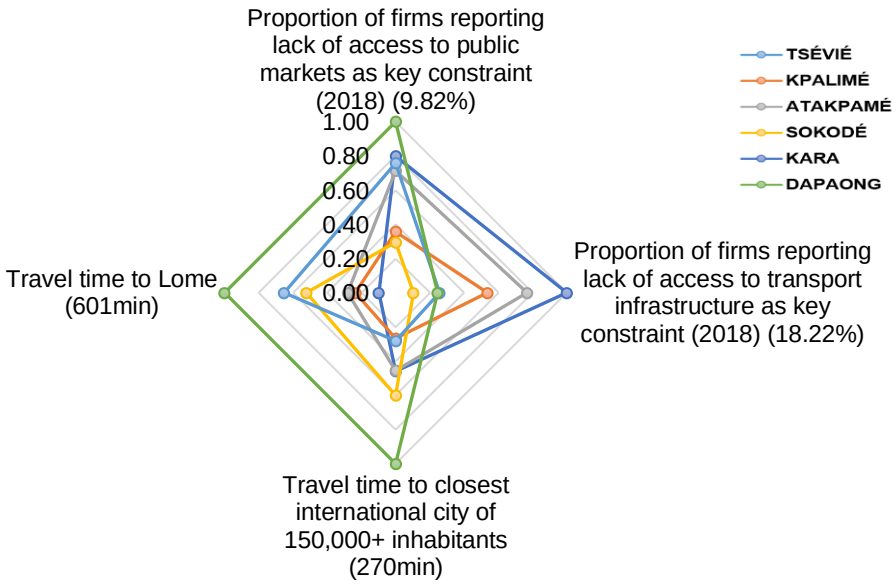
49. Kara stands out for the agricultural productivity of its surroundings and relatively positive signs regarding exports. The region around Kara has the greatest levels of agricultural labor productivity in the country. Moreover, 8 percent of firms in Kara are exporters – a rate significantly higher than in any other city, including Grand Lomé. This reinforces the idea that Kara is particularly well-placed among Togo's secondary cities to foster the kinds of agro-industrial linkages that can reap the benefits of scale and specialization.

50. Dapaong is relatively isolated from large markets, including Grand Lomé and cities in neighboring countries. Travel time by land from Lomé to Dapaong in the extreme north of the country is over 10 hours. Similarly, the city is a long way away from international markets (defined as cities of over 150,000). Even travel to relatively nearby markets in neighboring Burkina Faso is difficult, owing to poor quality roads and lengthy procedures at the Togo-Burkina Faso border crossing. On the other hand, southern cities, particularly Tsévié and Kpalimé, are well-connected by road to Lomé and neighboring Ghana and Benin.

Improving the quality of transport infrastructure, including city roads and taxi services, is a challenge in most cities. In Tsévié, Sokodé and Dapaong, for example, the PDC reports reviewed

highlighted the poor condition of city roads. Similarly, taxi-moto services are poorly organized, with most drivers lacking a formal license or a place to store their vehicles.

Figure 3.27: Key accessibility indicators for Togo's secondary cities



***Source**: RGE 2018; Google Maps (2021).*

51. All cities are at risk from climate change, particularly those whose economies rely most on agriculture and those in the drier northern regions. The economies of Togo's secondary cities are highly reliant on agriculture, one of the economic sectors most sensitive to phenomena associated with climate change like drought, flooding, soil erosion or fires. This is particularly the case in Kara and Dapaong, located in Togo's north where rainfall is more infrequent and extreme heat episodes more pronounced. In Dapaong, for example, 90% of households surveyed in 2018 already reported being affected by the effects of climate change. Other than the effects on cities' agricultural sector, climate change also affects how well Togo's already limited transport networks can function, with cities like Kara, Sokodé and Dapaong each facing issues with extreme rainfall that effect quality of roads.

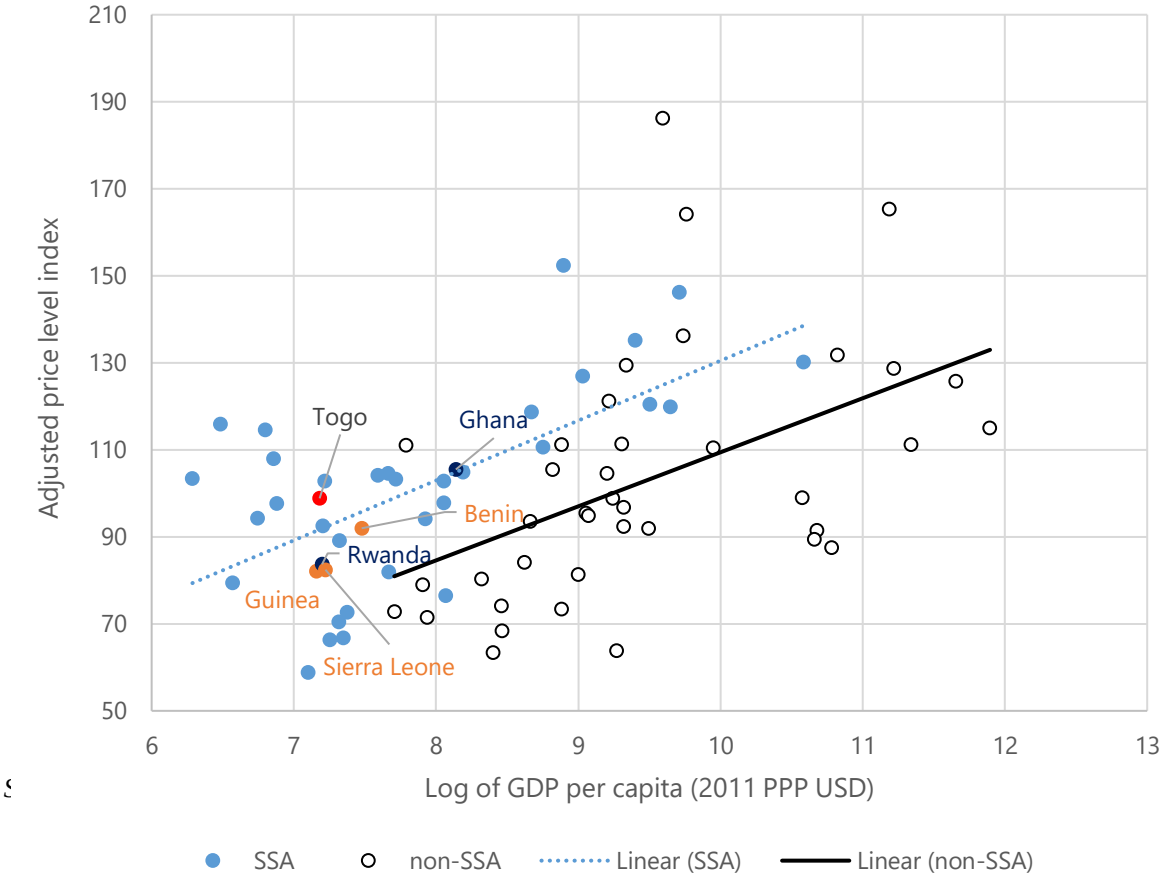
52. A high-level typology of Togo's secondary cities suggests a potential network of logistical centers, agricultural hubs and budding manufacturing cities. The city of Tsévié can be characterized as a feeder city for Grand Lomé, playing a vital role in supplying the capital with the inputs for its rapid expansion. The city of Sokodé is similarly defined by its role in national logistics and trade, drawing on its strategic position to act as a distribution point for goods, both domestic and imported. Kpalimé benefits from its strategic location close to Grand Lomé, Ghana's Volta region and Togo's fertile "coffee triangle", suggesting its potential to act as a center for food processing and export to rapidly growing regional markets. Kara is drawing from its proximity to Benin, exhibiting high levels of agricultural productivity and the relative internationalization of local firms in its drive to become a national hub for the agro-industrial sector. Lastly, given their location at the heart of cotton-growing regions and existing (albeit small-scale) textile manufacturing sector, Dapaong and Atakpamé show potential for the development of the textile industry.

3.2. What are the constraints holding back Togo's cities

3.2.1. The typical constraints for African cities

53. African cities are often not sufficiently connected, both internally and with markets abroad, raising transaction costs for firms and workers. An important body of research has described how cities in Africa tend to develop quickly and with little planning, leading to a characteristically fragmented urban form. Many areas are informally urbanized, so that its residents are poorly served by transport links and other vital public amenities like electricity or sewage systems. Paved roads occupy only a small share of city land in Africa, and often drop off significantly with distance from the city center (Henderson, Lall & Venables, 2017). The result is that it is difficult and expensive to move around within African cities. If workers cannot easily travel to their place of work, and factories find it difficult (and costly) to transport their goods because of a lack of adequate infrastructure, then higher productivity industries cannot reap the scale and specialization advantages that make them flourish.

Figure 3.28: GDP per capita and prices, SSA countries (incl. Togo and peers) vs. non-SSA low-income economies



Sources: Nakamura et al (2016), based on 2011 ICP data.

54. Closely linked to this connectivity issue, many African cities are characterized by a crowded and inefficient urban form that prevents scale economies from materializing. In Sub-Saharan Africa, close to 60 percent of people live in informal, poorly-built settlements like slums (United Nations, 2015). Such a situation can in part be attributed to many African countries' lack of planning capacity and outdated land laws, which make it harder to house people adequately and use commercial space efficiently. The result of crowded, unplanned cities is an urban geography where economic capital is confined to a select few blocks in the city center, while population tapers out radially (often along key roads) in a mostly uncontrolled fashion. Often, plots of land in prime city-center locations remain vacant and unused due to excessive or dysfunctional planning and zoning regulations. Instead of becoming the sites of positive externalities that can fuel economic growth, crowded African cities are instead often plagued by negative externalities such as congestion, pollution and environmental destruction, which not only affect residents' welfare but have been shown to reduce firm productivity (Roy, 2016; Sopelsa, Lozano-Garcia & Xu, 2019).

55. As a result, African cities have become costly for both workers and firms. Combined with the connectivity problems outlined above, crowded but economically fragmented African cities struggle to generate the cost efficiencies that firms in higher-productivity sectors rely on. These include the ability for firms to share suppliers, which may instead be scattered and costly to access, or being able to match firms with workers – many of whom may face high costs in travelling to their job. In fact, quite the opposite seems to be happening: African cities have become particularly costly places in which to live, work or invest in. This can be seen clearly in Figure 3.28, above: low-income Sub-Saharan countries (including Togo and its selected peers) have urban living costs that are considerably higher than the level seen in non-SSA, low-income countries at a similar level of economic development.

56. Smaller or mid-sized African cities, which make up the majority of Africa's urban population, experience these same constraints but at a different scale from Africa's primary cities. It is important to point out how this phenomenon of poorly connected, crowded and costly cities, while observed generally across many African countries, nevertheless varies by urban scale. Large primary city regions are often observed to face these challenges in different measure and combination than smaller, secondary urban areas. This is particularly important to consider in Africa's case, not least because a sizeable chunk of the continent's urban population actually lives in smaller cities. In 2015, it is estimated that 60 percent of Africa's urban population lived in cities of under one million inhabitants, and 32 percent in cities of under 100,000 inhabitants[160].

57. For such cities, it can be argued that urbanization has delivered even fewer benefits than in Africa's largest metropolises. Available evidence suggests that, in many African nations, secondary cities have on average grown in population more slowly, penetrated even less into higher-wage tradable sectors, and seen overall slower economic growth (Henderson & Kriticos, 2018). This is particularly evident in Togo's case, with Grand Lomé far outpacing the country's secondary cities in population and economic growth.

58. Far from not having a role to play, secondary cities in Africa are essential in strengthening rural-urban linkages. They are often better suited to acting as key conduits between rural and non-rural economic activities (Christiaensen & Todo, 2014), a key role within most African countries' system of cities. This could entail, for example, establishing agro-industrial linkages that connect rural agricultural producers and city-based food traders or processing facilities. Moreover, while secondary cities may not necessarily have the scale to efficiently produce goods for global

supply, there are often opportunities for trading across sub-regions (for example, WAEMU) which, if seized, can certainly help grow local industry. Despite the different context, the challenges being faced by Africa's secondary cities in this regard are ultimately similar in nature to those affecting their primary city counter-parts. They are often poorly connected, both internally and with their agricultural hinterlands, while residents have poor access to transport infrastructure and utilities. In the absence of planning and coordinated investments, secondary cities in Africa often grow rapidly but not efficiently, becoming expensive to operate in and struggling to realize their economic potential as key regional hubs.

59. At the root of challenges with connectivity, crowdedness and costs are a series of common institutional dysfunctionalities, affecting both large African cities and smaller secondary ones. Many African cities began to urbanize before key institutions, for example an effective land registry, tax office or urban planning structure, were mature enough to efficiently function in lubricating the economic processes for urban economic growth. Often these institutions simply suffer from a lack of capacity: In 2011, a survey of 12 African countries found, on average, 0.89 planners for every 100,000 people (Africa Planning Association and UN-Habitat 2014) — a far lower the ratio than in high-income countries.

60. The effects of climate change only serve to intensify these pressures. The problems with disconnectedness, crowdedness and costliness in African cities are only made more difficult by phenomena associated with climate change. As extreme rainfall events become more common, for example, many neighborhoods already difficult to access in African cities can become persistently harder to reach. Moreover, the cost of basic utilities and foodstuffs will likely rise even further as unpredictable weather patterns affect the agriculture and energy sectors. The strengthening of agro-industrial linkages that can help secondary cities in Africa prosper, meanwhile, can only viably occur if agricultural producers adapt and become more resilient to new climate patterns.

3.2.2. The specific constraints identified in Togo's cities

61. A number of more specific challenges pertaining to the broader constraints of connectivity, crowdedness, costliness and institutions have been identified in Togo's cities. These are listed below, and elaborated on ahead in turn.

1. Insufficient transport connectivity and other constraints to trade
2. Weak agro-industrial linkages and low agricultural productivity
3. A weak capacity for urban planning and inefficient use of urban land
4. Weak quality of/access to utilities and other vital urban infrastructure
5. High costs of living and working, particularly in Grand Lomé
6. Limited resources and capabilities of municipal administrations
7. Deficiencies in governance.

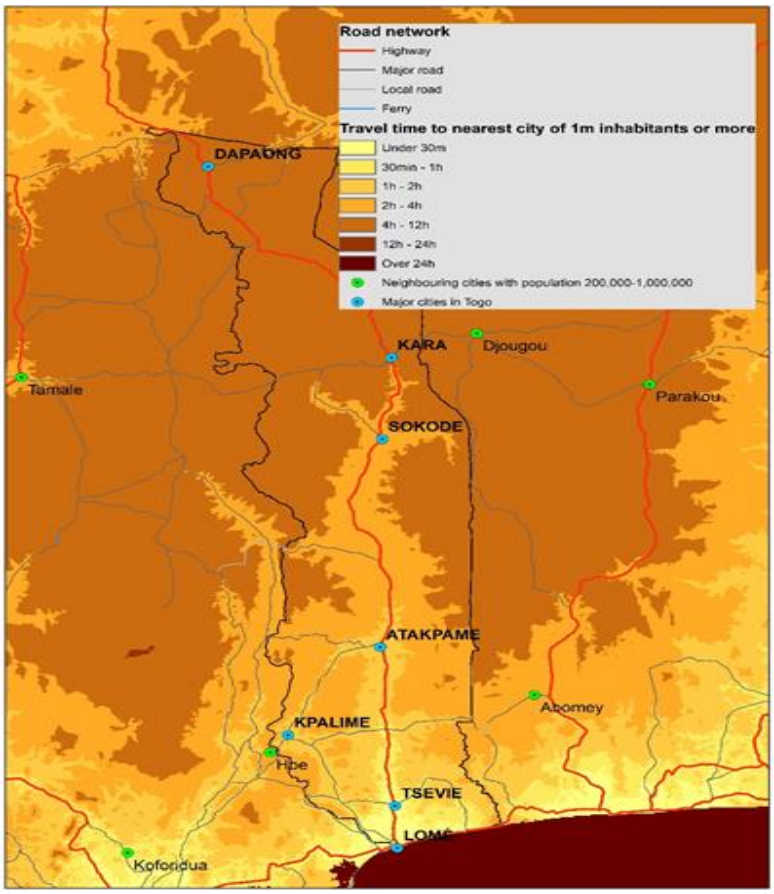
3.2.2.1. Lack of adequate transport connectivity and other barriers to trade

62. Close by, large markets are often hard to access, particularly for Togo's northern cities. As can be seen in Figure 3.29, which shows travel times to the nearest city of over 1m people, shows how people and firms in Dapaong and to a lesser extent Kara face long travel times to such cities. In

Dapaong's case, this is despite the relative proximity of Ouagadougou, which is just over 300 km away. The closest international market to Dapaong is 4 hours 20 minutes away in Djougou, Benin . Togo's rail network, meanwhile, which connected Grand Lomé with Tsévié, Kpalimé, Atakpamé and a number of[161].

63. Underlying these accessibility difficulties is the weak state of certain sections of key North-South and East-West road links, which leaves cities poorly connected and therefore limited in their economic potential. Segments of Togo's vital N1 highway, between Sokodé and Kara, are in a particularly poor state. Moreover, as discussed in the agriculture chapter, vital East-West trade links connecting Kara with large markets like Djougou (Benin) or Yendi (Ghana) are currently not served by a continuous primary road. The result is that firms and producers in Togo's cities are effectively disconnected from key markets, even if these are not far away. Even in cities that in theory appear better connected, such as Tsévié, almost one fifth of firms in the firm census identified lack of access to transport infrastructure as a key constraint for their business. If firms struggle to distribute their goods or obtain key inputs, then transaction costs will become such that higher productivity, tradeable sectors cannot take hold. Additionally, if larger consumer markets become within reach for a city, then more efficient scale production becomes an option.

Figure 3.29: Travel time from Togo's main cities to nearest city of 1million+ inhabitants, plus location of key cities in neighboring countries

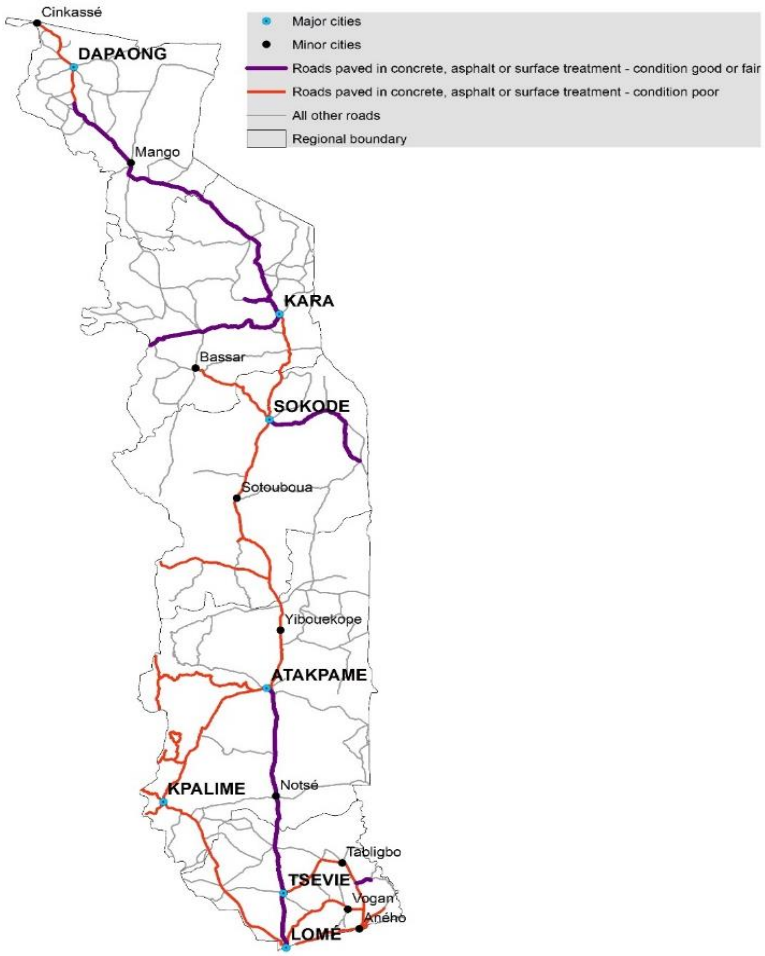


***Source**: Author's own elaboration based on data from Nelson, Weiss, van Etten, Cattaneo, McMenomy & Koo (2019)*

64. There is also evidence that transport links within regions are not in a good state. This could be particularly important for the generation of agro-industrial linkages, whereby rural areas supply their agricultural produce for processing in cities. As can be seen in Figure 3.30, the vast majority of paved roads that are in good condition connect Togo's major cities; the roads that tend to connect major cities with its rural hinterlands are either paved but in poor condition (shown in red) or not paved at all (shown in grey).

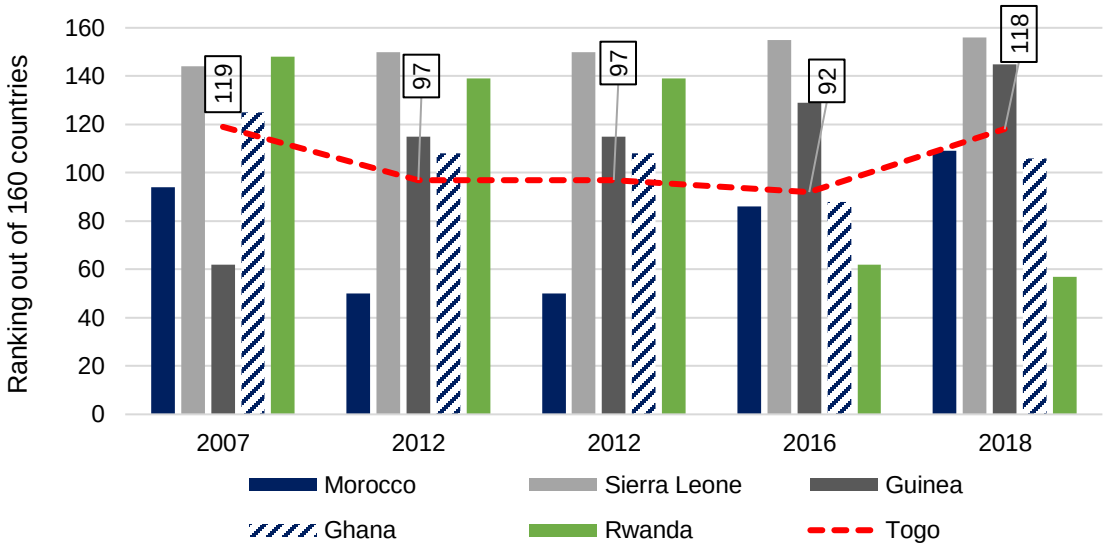
65. Difficulties with border procedures, particularly in terms of cost, are barriers to connectivity and trade. Even if firms can quickly transport their goods by road, they often face long waits and costs once they wish to cross over into another country. At the Togo-Burkina Faso crossing in Cinkassé, these costs amount to US$164 plus an additional US$25 informal fee on the Togo side and US$68 on the Burkina Faso side. Efforts have been made to tackle this, most notably through the introduction of One Stop Border Posts (OSBP) such as the one at Cinkassé. These are intended to serve as a single stop for trucks to jointly carry out each states' border crossing formalities, therefore reducing the time and cost of transit significantly. In practice, however, these OSBPs are not fully operational, so that there remains effectively a multiplicity of Customs offices and mandatory holding areas that cause disruptions in the processing of vehicles and goods. As shown in Figure 3.31 below, Togo has fallen behind its peers. The challenge of overcoming barriers to trade, therefore, does not stop with simply improving roads and rail links, but rather includes other "softer" frictions that slow down the movement of goods and people.

Figure 3.30: Road quality in Togo



Source: *World Bank Data Catalogue, 2017.*

Figure 3.31: Logistic Performance Index, Togo vs. peers



Source: *Connecting to compete 2018, trade logistics in a global economy*

3.2.2.2. Limited tradable sector and weak agro-industrial linkage

66. The tradables sector[162] in Togo's cities is small. Figure 3.32 below shows how employment in sectors that can be considered tradeable constitutes only about one quarter of the workforce across Togo's main cities. In fact, the share of employment in tradeable sectors is lowest in Grand Lomé although this may reflect the fact that agriculture, which is considered a tradeable sector, employs a tiny proportion of the workforce in the capital. This reflects the broader pattern across African cities discussed earlier, whereby urbanization is not accompanied by growth in higher productivity, export-oriented industries.

Figure 3.31: Employment in tradable goods sector: goods with links to agricultural sector vs. all other tradable goods

Source*: RGPH IV (2010).*

67. Even within such tradeable sectors, evidence suggests that most activity consists of very small-scale and artisanal production. As shown in Table 3.5 below, data from the firm census indicates that the vast majority of firms in Togo's cities are in the informal sector, often micro in size, and (with the exception of Kara) do not export goods abroad. Even though around a quarter of firms in Togo's cities are in the manufacturing sector, these appear to be smaller-scale, irregular operations, such as artisanal manufacturing for local consumption, rather than the larger-scale, more productive production for export.

Table 3.5. Key firm statistics for secondary cities & Grand Lomé, 2018

CITY	% of firms in formal sector	% firms in manufacturing sector	% of all firms that are exporters	% firms in formal sector classed as micro* in size
GRAND LOME	14.7%	18.8%	4.6%	89.0%
TSÉVIÉ	3.5%	25.0%	1.0%	89.9%
KPALIMÉ	3.9%	23.3%	0.8%	91.7%
ATAKPAMÉ	3.2%	34.5%	3.1%	90.4%
SOKODÉ	3.5%	24.6%	2.3%	88.0%
KARA	5.9%	23.0%	8.0%	88.5%
DAPAONG	3.8%	24.3%	1.7%	92.9%

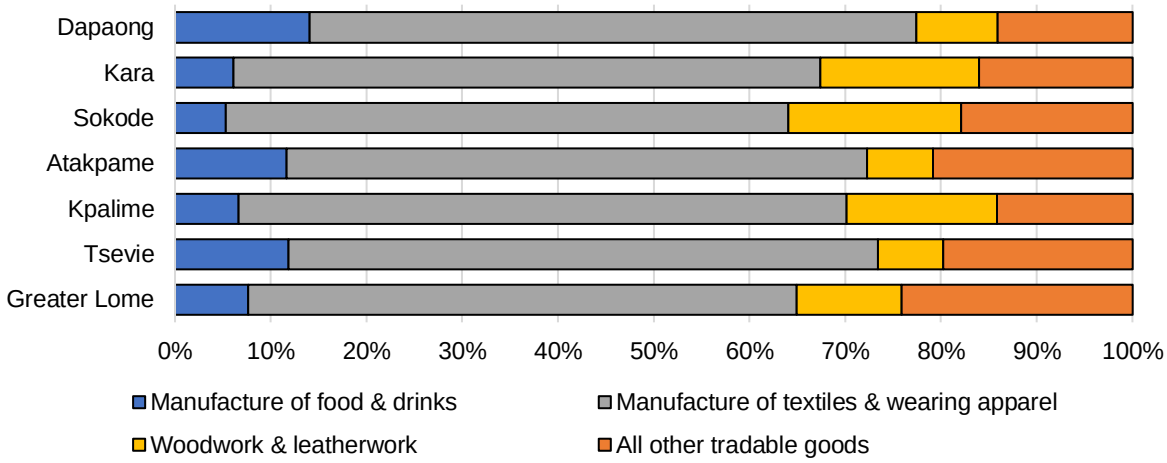
***Source**: RGE 2018 (Firm Census 2018). *Micro firms defined as those with average annual revenues between 2015 and 2017 under $100,000.*

68. That said, the tradeable sectors in Togo's secondary cities do exhibit potential to establish productive agro-industrial linkages. A big segment of manufacturing employment is precisely in sectors that could build links with the agricultural sector, such as the manufacture of food and drinks or of clothing. As shown in Figure 3.32, in Dapaong and Tsévié, almost 80 percent of all manufacturing employment is in these sectors. However, little is known about whether these manufacturing sub-sectors are in fact using local agricultural inputs (for example, vegetables or local cotton), or whether it may in fact be cheaper to import raw materials from elsewhere.

69. Togo's low agricultural productivity may be hindering the generation of agro-industrial linkages to power city economies, and this is exacerbated by the effects of climate change. Figure 3.33 below, shows how agricultural total factor productivity in Togo has dipped below the average for West Africa and SSA. Data for agricultural productivity at the regional level, most recently available for 2012, shows how agricultural labor productivity is especially low around Kpalimé and to a lesser extent around Dapaong[163]. This suggests that agro-processing may simply not be competitive, not only vis-à-vis Togo's neighbors, but especially with respect to China. So, even if connectivity between agricultural producers and cities were improved through better roads, agricultural productivity needs to be upped to reliably produce at large enough quantities to supply other markets. The challenge of low agricultural productivity is only made more acute by ongoing climate change, in particular the increased frequency of flooding or drought episodes that can hamper yields (if not

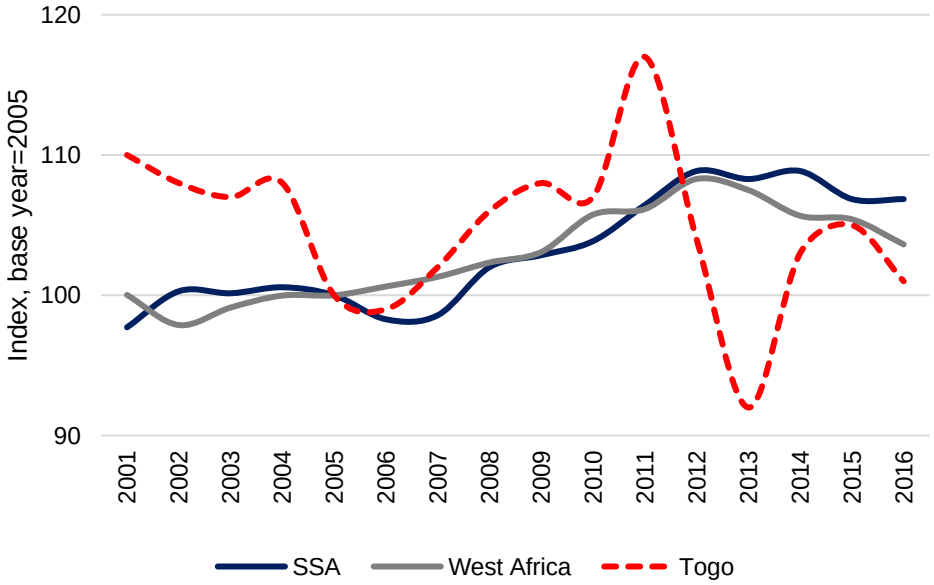
destroy crops altogether), something which Togo's mostly small-scale agricultural producers are especially unprepared for. It is important to bear in mind, nevertheless, that some of this data is now relatively old. Since 2010, a number of projects have been set in motion with the explicit aim of strengthening agro-industrial linkages, most notably the agro-pole pilot in Kara.

Figure 3.32: Employment in tradeable goods sector: goods with links to agricultural sector vs. all other tradeable goods



***Source**: RGPH IV (2010).*

Figure 3.33: Agriculture Total Factor Productivity for Togo, West Africa and SSA, 2001-2017



***Source**: US department of Agriculture, 2019 and author's calculus.*

3.2.2.3. Weak capacity of urban planning and inefficient use of land

70. Like in many African cities, Togo's urban areas are characterized by over-crowding and insufficient housing with high-quality materials. Across all of Togo's main secondary cities, over-crowding and quality housing are challenges. Table 3.6 shows some key statistics in this regard, for the year 2010. In all cities, more than half of the population live with extended family, with close to three people per bedroom. The quality of buildings is often hindered by poor quality materials, particularly outside of Grand Lomé where only a small percentage of people live in homes built from concrete or tiles. In Grand Lomé, vast swathes of the recently urbanized north

Table 3.6: Key statistics on over-crowding and building quality in Togo's cities

CITY	Average no. people per bedroom, 2010	% living with extended family	% living in house made from concrete or tile
GRAND LOME	2.79	61%	36%
TSEVIE	2.67	64%	10%
KPALIME	2.27	62%	5%
ATAKPAME	2.61	69%	4%
SOKODE	2.08	50%	5%
KARA	2.12	66%	13%
DAPAONG	2.19	63%	4%

***Source**: RGPH IV (2010).*

71. Urban planning in Togo is a challenge. Key tools and procedures used for urban planning, such as the Detailed Urban Plan (DUP), are complex and require an update.[164] The DUP must be in place before a parcel of land is "approved" for development and connection to basic urban amenities. The process of regularizing informally developed land, known as the three stamps procedure, has improved significantly since the adoption of the new land and property code. Thus, the number of stamps required has been reduced from three to one and the time required for regularisation from six months to eleven months165. What's more, authorities often lack qualified staff to enforce urban planning guidelines. The responsible institutions are under-staffed and often lack adequate technical capacities, particularly around digitalization and better use of data[166.]

72. Togo's land administration systems are insufficient, leaving citizens and residents with very limited land security and making the task of urban planning harder. Out of an estimated 570,000 urban households in Togo, under 10 percent actually had a corresponding, formally registered land title167. In Dapaong, city officials similarly found that over 70 percent of residents were not in possession of a land title or any official documentation certifying their right to occupy the land. In fact, 76 percent of all court cases in Togo in fact relate to land disputes168. However, the proportion is declining, having reduced to 53.7% in 2020. These difficulties in turn make it harder for city officials to carry out proper urban planning, and therefore organize a city's trunk investments into connective infrastructure, residential housing and business activity in a functional and effective way.

73. It is important to recognize, nevertheless, that Togo has recently undertaken important strides to tackle its land regulations and institutions. In 2017 and 2018, a package of reforms have been implemented, including the adoption of a new land code and the launch of the process of setting up a digital registry.

3.2.2.4. Limited quality and access to economic and social infrastructure

74. Closely related to urban planning, Togo's cities would benefit from improving the infrastructure and services accessible to many of its urban citizens. The census and survey data analyzed within this chapter shows that these are often not available to a sizeable portion of the population. As shown in Table 3.7, below, in 2010 access to piped water inside the dwelling is low, while access to a functioning sewage system or cesspool was lower (particularly in cities outside of Grand Lomé). In fact, in many of the secondary cities' PDC reports, insufficient sanitation and waste management infrastructure was often highlighted as a key concern for the city's development.

Table 3.7: Key indicators on access to social and urban infrastructure in Togo's cities, 2010

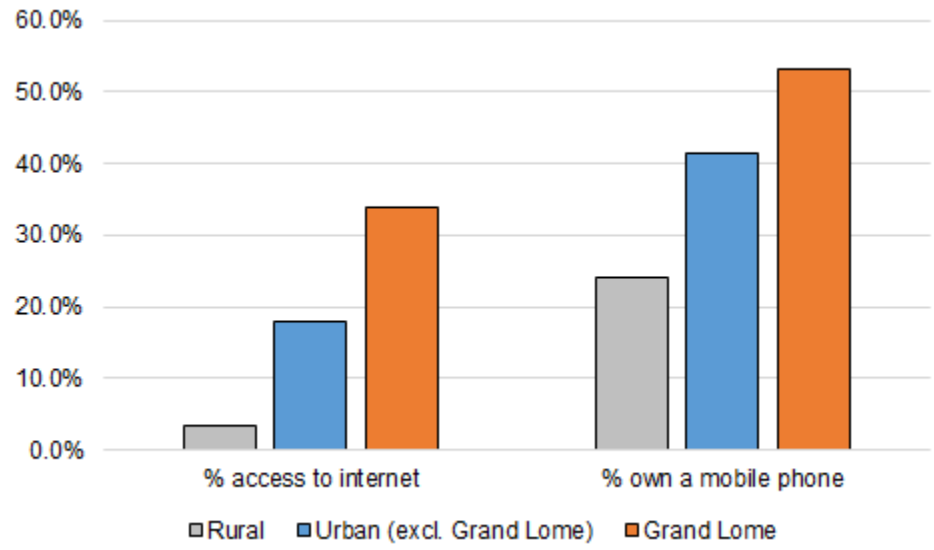
CITY	% households with access to piped water - any	% households with access to piped water - inside dwelling	% households with access to electricity	% households with access to sewage system
GRAND LOMÉ	50%	15%	77%	16%
TSEVIE	96%	8%	60%	3%
KPALIME	63%	6%	70%	5%
ATAKPAME	44%	6%	77%	2%
SOKODE	49%	12%	83%	4%
KARA	72%	17%	72%	4%
DAPAONG	59%	18%	58%	5%

***Source**: RGPH IV (2010)*[169].

75. Access to electricity is more common, but this is often through informal and often unsafe connections. Around three quarters of the urban population in the reviewed cities had access to electricity in 2010. However, a portion of households living in the outskirts of the cities is illegally (and often unsafely) connected to the electricity network. This is corroborated by the Firm Census findings, where an average of 20 percent of firms reported poor access to electricity as a key challenge or constraint for their business operations.

76. Urban transport options and infrastructure within cities is often also severely lacking in Togo's cities. Improving the quality of roads is a challenge. Public transit options, meanwhile, are few and far in-between, particularly outside of Grand Lomé. The few data available on city-level travel (in Dapaong's PDC report) shows that over 90 percent of journeys are actually made on foot. The taxi-moto services that operate in a number cities are often poorly organized, or expensive for the majority of the population it is supposed to serve.

Figure 3.34: Percentage of people with access to the internet or mobile phones, Grand Lome vs. other urban and rural areas in Togo (2018)



Source: EHCVM 2018.

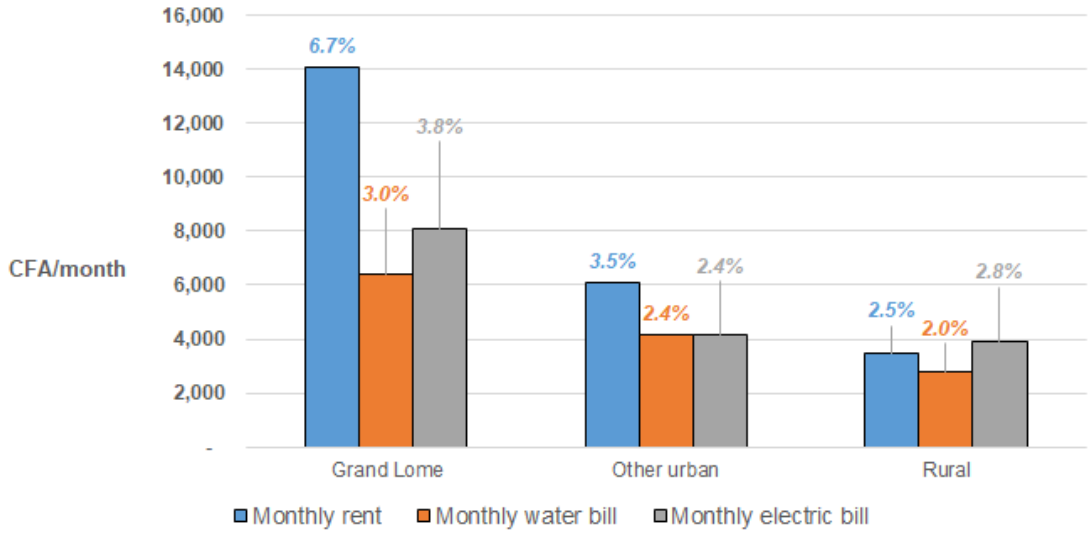
77. There is evidence of a digital divide between Grand Lomé and Togo's secondary cities, and even more so with the country's rural areas. As shown in Figure 3.34, around one third of people in Grand Lomé had access to the internet in 2018, while the rate in Togo's other cities is about half this, and under 5 percent in rural areas. Regarding ownership of mobile phones, the gap is less pronounced.

78. The result of insufficient access to sanitation, energy, transport and digital services in Togo's cities is not just lower standards of living and welfare for citizens. It also affects how productive its workers, business-owners, and consumers can be. Sub-standard living conditions due to a lack of sanitation often result in a less able workforce, while poor-quality transport or impassable roads means that there is a mismatch in terms of accessibility between firms and workers, and consumers and markets.

3.2.2.5. High urban living costs

79. In line with the literature on African urbanization, Togo's cities are relatively expensive in terms of costs of living and salaries. In Togo's case, this is most salient in the context of Grand Lomé vis-à-vis its other cities and its rural areas. The figures below show basic costs, household consumption andreported wages for Grand Lomé, all other urban areas, and the remaining (rural) population, as per the 2018 EHCVM survey. As a result of fragmentation, congestion and high demand, living in Grand Lomé is far more costly than in other secondary cities. In Grand Lomé, rent and basic utilities make up a significantly greater proportion of household consumption compared to other urban areas and rural Togo.

Figure 3.35: Cost of rent and basic utilities (monthly amounts and percent of total monthly household consumption) in Grand Lomé vs. other urban and rural areas



Source: EHCVM 2018. Note: Percentages refer to the share in total monthly household consumption.

Figure 3.36: Annual wages in rural Togo, Grand Lomé and other urban areas, real terms

***Source**: EHCVM 2018.*

80. Grand Lomé's living costs are so high compared to other cities in the country that, in real terms, there is no wage premium to workers moving there. IWhile higher costs of rents and services may well be reflecting better quality in Grand Lomé, as shown in Figure 3.36 for housing, wages do not seem to be high enough to compensate for these higher costs in Grand Lomé (Figure 3.35). In fact, in a regression of urban setting on real wages (key results shown below and full results in Appendix 3.3), there is no statistically significant correlation between living in Grand Lomé and having a higher real wage. There is, however, a notable wage premium associated with living in any other urban area (albeit only at a weak level of statistical significance). High wage demands to compensate for costs make it hard for Grand Lomé to remain competitive and attract businesses.

Figure 3.37: Quality of housing in urban areas, Grand Lomé vs. all other urban areas

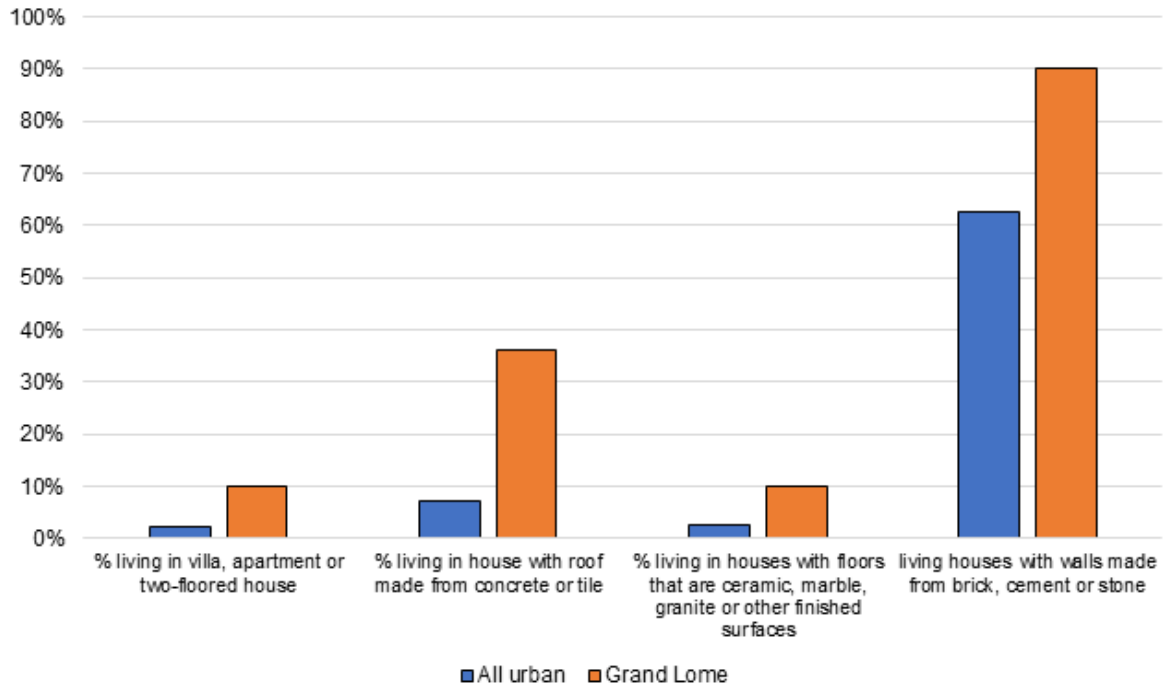


Table 3.8. Grand Lomé's nominal wage premium is eroded due to high cost of living

MODEL	(1) *Household demographics*	(2) *(1) plus controls for urban category*	(3) *(2) plus controls for employment type*	(4) *Household demographics*	(5) *(4) plus controls for urban category*	(6) *(5) plus controls for employment type*
VARIABLES	Log nominal weekly wages (LD)	Log nominal weekly wages (LD)	Log nominal weekly wages (LD)	Log real weekly wages (LD)	Log real weekly wages (LD)	Log real weekly wages (LD)
Rural		***0***	***0***	***0***	***0***	***0***
		.	***.***	***0***	***.***	***.***
Grand Lome		***0.292******	***0.300******	***0***	***-0.0236***	***-0.00881***
		-4.46	***-4.61***	***0***	***-0.36***	***-0.14***
Other urban		***0.221****	***0.213****	***0***	***0.159****	***0.154****
		-3.16	***-3.26***	***0***	***-2.27***	***-2.37***
Constant	10.85***	10.89***	12.79***	10.98***	10.95***	12.88***
Observations	1314	1314	1270	1314	1314	1270
Adjusted R-squared	0.242	0.253	0.39	0.231	0.236	0.378
* p<0.05	** p<0.01	*** p<0.001				

***Source**: EHCVM 2018.*

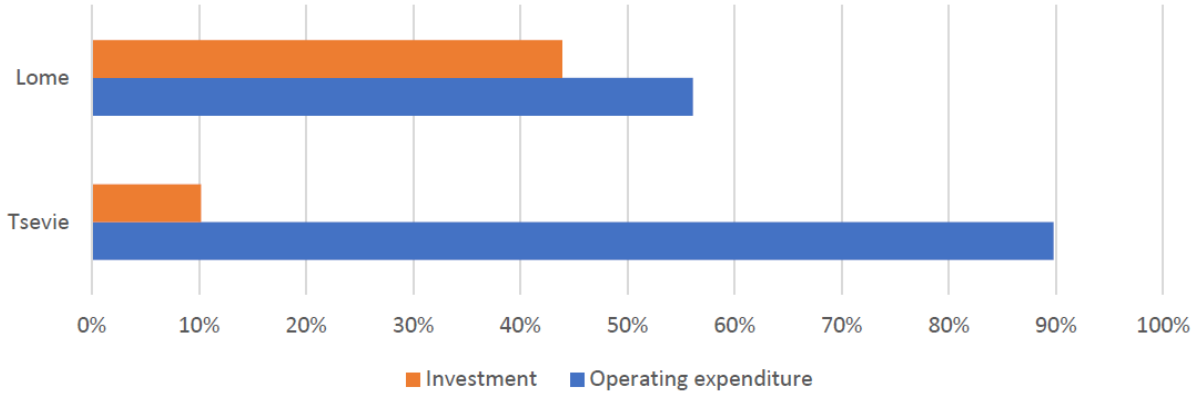
3.2.2.6. Limited resources and capabilities of municipal administrations

81. Togo's cities, particularly smaller ones, have very few financial resources for investing in vital city needs. Local authorities are a key player in ensuring that Togo's cities have the vital services and infrastructure necessary for urban economies to thrive. Yet in many cases, these efforts are

hampered by an acute lack of financial resources for such investments. As shown in Figure 3.37, below, in Tsévié the vast majority in city expenditure (90 percent) went to cover operating costs, leaving very little for investment. The Government of Togo has committed to increase the funds available for investment by local authorities such as Communes. The Fund to Support Local Governments (Fond d'appui aux collectivités territoriales – FACT) was set up to achieve this back in 2001 (and re-affirmed by a decentralization law passed in 2018)[170]. It is operational from 2020 with the government's commitment to allocate 3 billion to the 117 municipalities and will accelerate investment in the vital needs of the country's cities.

82. Many local authorities, particularly Communes, lack the technical and administrative capacities (and staff) to deliver basic services. Most of the communes do not have the resources to hire vital technical staff, namely a Director of Administration and Finance and Technical Services Director. The human resources situation is better in major urban cities such as Kara and Lomé, which have the resources needed to recruit core positions and more, including directors of communications (in Lomé), accountants and other front-line, citizen-facing staff. Such communes are the exception rather than the rule171. In other important cities, such as Sokodé, Kpalimé and Tsévié, key donors like GIZ and the EU (ProdeGOL) have assisted authorities in developing important policy tools, namely the Plan de Développement Communale, however many other communes do not yet have this in place[172].

Figure 3.38: Composition of commune expenditure in 2017, Lomé and Tsévié

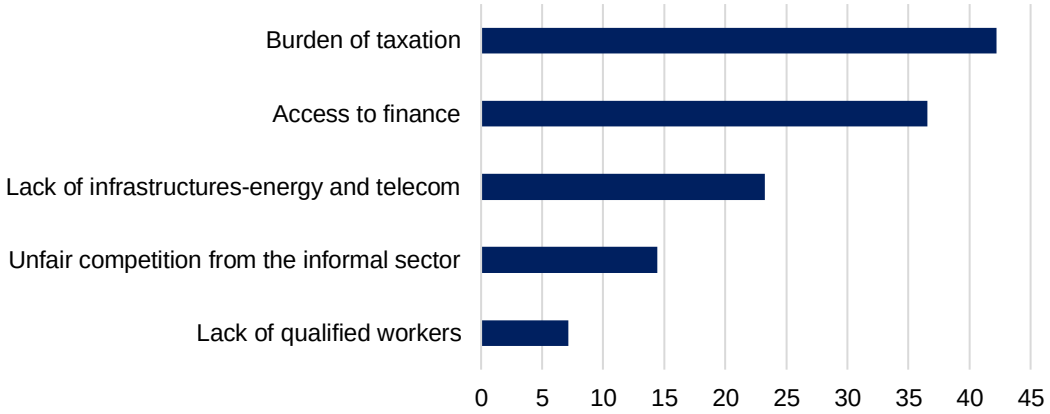


Source: Togo – Decentralized Service Delivery (Policy Note), 2019.

3.2.2.7. Improving institutions and governance

83. It is important to recognize that Togo has made significant progress in institutional development over the past 10 years. Togo's CPIA score increased from 3.1 in 2017 to 3.5 in 2020, reflecting important reforms made in the areas of public financial management, improvement of the business climate, governance and transparency. In addition, Togo was among the top ten performers worldwide in their improvement of business climate. With an improvement score of 7 points, Togo gained 40 places compared to 2018 and ranks 97 out of 190 economies in the Doing Business Indicators.

Figure 3.39: Major obstacles for private sector development in Togo (2017)



***Source**: World Enterprise Survey (2016) and Togo Economic Update (2020)*

Conclusions and policy options

84. For urbanization in Togo to deliver on its potential, concerted policy action to connect, finance and plan are required at all levels of Governance. Drawing on the specific challenges and priorities that have been identified for Togo's cities in this chapter, a number of specific policy suggestions are proposed. These can be grouped under three broad themes: connecting, financing and planning.

- Under the theme of **connecting**, the objective is simply that: to ensure that businesses, workers and consumers are well-connected, so that trade can flow without barriers and Togo's urban workers can actually get to where the jobs are. Policy action to improve transport infrastructure and cross-border customs procedures are essential for Togo's cities to realize the benefits of agglomeration.
- The second critical policy theme concerns **financing**. The actions within this strand seek to increase the resources available for cities to deliver vital services to its citizens, plus to build the capacities (particularly at local levels of governance) to do this effectively. It also considers policy action to help encourage often-lacking capital financing from the private sector, and boost the access to finance by individuals.
- **Planning** is the third axis for policy action on Togo's cities. Specific action within this arena should aim to ultimately optimize the often inefficient, sparse use of land in Togo's cities, improve the availability of services and coordination of vital urban infrastructure investments, and make it easier for businesses to access the vital services they need in cities.

85. Table 3.9, below, lists these objectives along with suggested policy actions to achieve them. These actions are further detailed below, for each of the three themes in turn.

Table 3.9: Themes for policy action, objectives and proposed policy actions

THEME	OBJECTIVES	ACTIONS		TIME HORIZON	PRIORITY
CONNECTING	Connect industry with more and bigger consumer markets Foster links between agricultural producers and other industries Integrate isolated neighborhoods where people are cut off from jobs	▪ Carry out needed repairs and regular maintenance of Togo's vital N1 highway.		▪ Planned under Lomé-Ouagadougou-Niamey Economic Corridor Project	▪ High
		▪ Upgrade roads connecting border cities (e.g. Kara, Kpalimé) with neighboring countries.	▪ Medium-term and upon further feasibility assessment	▪ Medium	
		▪ Undertake an assessment of regional connection needs to guide investment in better city and/or urban-rural roads.	▪ Medium term	▪ Medium	
		▪ Improve the functioning of the One-Stop Border Post (OBSP) in Cinkassé between Togo and Burkina Faso.	▪ Planned with neighboring countries, but yet to be implemented	▪ Medium	
		▪ Improve the quality and uptake of ICT services within customs administration.	▪ Planned and ongoing under Trade and Logistic Services Competitiveness Project	▪ High	

THEME	OBJECTIVES	ACTIONS		TIME HORIZON	PRIORITY
		▪ Taking steps to professionalize the trucking sector.	▪ Planned and ongoing under Trade and Logistic Services Competitiveness Project	▪ High	
		▪ Regulate and better organize city taxi-moto services.	▪ Short to Medium Term	▪ High	
FINANCING	Increase investment in basic services that cities require to function Incentivize capital investment - either by the private sector or individuals - that boosts productivity	▪ Clarify and communicate the political roles, responsibilities and requirements of decentralisation to Communes.		▪ Short to Medium Term: Ongoing national policy dialogue	▪ High
		▪ Accelerate process of fiscal decentralization to Communes.	▪ Medium Term	▪ High	
		▪ Equip local authorities such as Communes with better administrative and technical capacities.	▪ Medium Term	▪ High	
		▪ Reform and update financial institutions known to function poorly in Togo.	▪ Medium Term	▪ Medium	
		▪ Improve access to finance by both firms and individuals.	▪ Medium Term	▪ Medium	

THEME	OBJECTIVES	ACTIONS		TIME HORIZON	PRIORITY
PLANNING	Optimize urban land use to promote economic density Increase access to basic urban infrastructure and safe, affordable housing Incentivize private sector investment	▪ Update urban planning tools like the Detailed Urban Plan.		▪ Ongoing and Medium Term	▪ High
		▪ Disentangle the process of approving land parceling (lotissements) for development from the land tenure considerations.	▪ Ongoing and Medium Term	▪ High	
		▪ Improve competences, tools and capacities to enforce urban guidelines.	▪ Ongoing and Medium Term	▪ High	
		▪ Prioritize the financing of affordable housing for the lowest-income residents	▪ Medium Term	▪ High	
		▪ Pilot schemes to upgrade slum settlements into better connected, safer neighborhoods.	▪ Medium Term	▪ Medium	
		▪ Accelerate the implementation of land reform.	▪ Medium to Long Term	▪ High	
		▪ Modernize procedures and systems for carrying out basic land-related processes like land regularization.	▪ Medium Term	▪ High	

3.3.1. Connecting

Improve the quality of roads and passenger services connectingTogo's cities

- **Carry out needed repairs and regular maintenance of Togo's vital N1 national highway.** Togo's vital N1 highway, which connects the country from South to North, has long stretches that are in poor condition. Travel times from Grand Lomé to far northern cities like Dapaong can be in excess of 10h, with average travel speeds of just 60km/hour. The 110km segment between Auoda and Kara, which is in bad shape, will be restored under the Lomé-Ouagadougou-Niamey Economic Corridor (P168386). Beyond this, policy action should determine what other stretches may be in need of repairs, and introduce more regular maintenance to ensure this vital link operates as efficiently and safely as possible.
- **Undertake a technical options and feasibility study for an East-West corridor connecting Togo's cities to important markets in Ghana and Benin.** A number of key connections between Togo's border towns and major neighboring country markets are currently secondary roads, often reported to be in poor condition. This particularly pertinent in the case of Kara, whose aspirations to become a leading agro-pole for the region may well be curtailed by its poor road links, including to nearby major markets like Djougou in Benin. In this vein, and as covered in the agriculture chapter, a technical options and feasibility study should be undertaken regarding the upgrading of the vital Yendi-Kara-Nikki road corridor.
- **Undertake an assessment of regional connection needs to guide investment in better city and/or urban-rural roads.** Many roads connecting cities with surrounding rural areas are unpaved and in a particularly poor state, potentially blocking the generation of productive linkages between agriculture and city-based industry. It is important to identify where these linkages have particular potential but are hampered by difficult accessibility, and on the basis of this undertake a program of investment into urban-rural road upgrading.

Improve the operation of Togo's border crossings

- **Ensure full operationalization of Togo-Burkina Faso One-Stop Border Post (OBSP).** The OBSP for Togo-Burkina Faso at Cinkassé is not fully in operation, meaning that customs clearance continues to be enforced separately at either side of the border. This is onerous, time-consuming and costly, and has an impact on how easily Togo's cities can export to or access inputs from neighboring markets. Immediate policy action and coordination with authorities in Burkina Faso is required to ensure that the OBSP protocol is followed.
- **Reinforce quality and accelerate uptake of ICT services within customs administration.** Part of the problem at Togo's border crossings, and in the trade/logistics sector more broadly can be traced back to a reliance on manual processes and insufficient adoption of ICT systems. As a part of Togo's broader efforts to improve logistics efficiency and therefore retain its competitive edge in the sector, specific focus should fall on how customs procedures can make better use of information technologies already available.

Professionalize and regulate key transport sectors

- **Take steps to professionalize the trucking sector.** The sector is strongly unionized and characterized by a strong influence of informal intermediaries and trade unions, as well as a multitude of formal and informal rules that increase transport costs and reduce incentives to modernize fleets. Policy action to tackle this could include setting minimum standards for the operators (professional training, vehicles, licensing of the activity), developing capacity building programs (training programs and certification schemes), as well as supporting mechanisms (access to finance for fleet renewal, grouping of operators to reach a critical and viable size). It needs to be acknowledged that the Government has already taken on board certain recommendations in this regard, particularly through the Trade and Logistics Services Competitiveness Project (P158982). In such a case, policy action needs to build on existing efforts.
- **Regulate and better organize city taxi and taxi-moto services.** Public transport options for Togo's urban populations are often limited to taxis or taxi-moto services, which are an informal and badly organized service. Many taxi-moto drivers do not hold a license to operate, while most cities in which these operate lack a proper station for these vehicles. City authorities should take action to better regulate who works in the sector, define and enforce certain minimum standards, and where possible invest in infrastructure to help the system function more effectively.

3.3.2. Financing

Pursue political momentum around decentralization of resources and powers to Communes

- **Clarify and communicate the political roles, responsibilities and requirements of decentralization to Communes.** Many Communes, particularly among the 96 newly created ones, are struggling to operationalize their new political, administrative and financial competences. Action should be taken to clarify the roles of elected Mayors and Counsellors, including specifying residency requirements, remuneration, and detailed responsibilities, and to ensure newly created Communes have all assigned Secretaries General and core staff in place. Additionally, it is imperative to establish regular inter-governmental dialogue between Central Government and local collectivities (including regions, prefectures and communes).
- **Accelerate the process of fiscal decentralization to Communes.** This is essential to progressively provide local authorities, in particular communes outside of Grand Lomé, with more financial resources to invest in key city needs. Key actions in this regard should be to strengthen and allocate more resources to the Fund to Support Local Government (FACT – Fond d'Appui aux Collectivités Térritoriales). Additionally, policy options to explore include introducing a system of general-purpose, formula-based transfers to communes, and to consider making property tax administration (and collection) 100 percent local. The case of Sierra Leone, which in 2006-2007 reformed municipal property tax administration and subsequently saw municipal revenue from property tax increase by up to 500 percent, is a notable example for reference (see Jibao & Prichard 2013).
- **Equip local authorities such as Communes with better administrative and technical capacities.** To make the most of new and prospective future resources or powers, including the ability to raise (more) local revenue through taxation, Communes will require guidance and

capacity building from Central Government and/or donors. Action in this regard should seek to firstly undertake a capacity needs assessment of Communes' human resources, particularly with regards to financial management and the ability to operate efficient local taxation systems. Similarly, Communes themselves should be supported to undertake their own analyses of revenue mobilization potential, including a census of all properties, businesses and tax payers.

Tackle some sturctural barriers to business expansion

- **Pursue reforms to improve tax fairness, accelerate the digitalisation of procedures and services, and strengthen contract enforcement.** Firms operating in Togo continue to face certain barriers, among them a tax system focused on a narrow base, manual procedures, and the difficulty in enforcing contracts. Policy action to address these should focus on reforming or updating the systems and improving the efficiency of procedures for example by investing in digitalization and simplification to make paying taxes easier, or improving the storage and application of data for the enforcement of contracts.
- **Improve access to finance by both firms and individuals.** The second biggest constrained identified by the private sector in Togo was access to finance. In the context of cities, this is particularly important as it could constrain investments that improve productivity or make trade possible. In particular, and in light of Togo's low levels of agricultural productivity relative to peers, actions could be taken to strengthen the local finance element of projects like agro-poles.

3.3.3. Planning

Upgrade urban guidelines and competences

- **Update urban planning tools like the Detailed Urban Plan**. Key tools and procedures used for urban planning, require updating. These include the Detailed Urban Plan (DUP), a document needed in the process of formalizing a patch of land for urbanization and access to basic services, but whose approval requires fulfilment of needlessly stringent criteria. Policy action is needed to simplify and/or reduce the requirements made in the DUP.
- **Improve the process of approving land parceling (lotissements).** In Togo, the process of approving a parcel of land for development requires several onerous checks around land ownership and registration, which are effectively a duplication of procedures done separately through the land cadaster. These elements of the process should be suppressed in order to make the process of land formalization and/or development smoother. The adoption of the new land code and the establishment of a one-stop shop for land tenure make it possible to ease these constraints.
- **Improve competences, tools and capacities to enforce urban guidelines.** Togo's city authorities and urban planners more specifically often lack the capacity or authority to properly implement land and urban planning regulations, making it particularly difficult to curb the spread of informal settlements and slums. Action should be taken approve Grand Lomé's new Urban Planning Master Plan (Schéma Directeur d'Aménagement Urbain Togo), which enshrines the official city limits in regulations. Another priority is keeping better records of where formally settled or public land is, and physically demarcating these so as to prevent informal settlements.

Extend vital infrastructure and improve housing in slums

- **Prioritize the financing of affordable housing for the lowest-income residents**. The majority of people in Togo's cities live in poor quality housing, often in slums, with very limited access to basic sanitation and services. The Government should seek to tackle this by incorporating the financing of affordable housing for residents of informal settlements a part of the Budget, while also working to tackle the key bottlenecks in land management and regularization that tend to exacerbate the issue of slum formation (see below).
- **Pilot schemes to upgrade slum settlements into better connected, safer neighborhoods.** Most residents of slums and informal settlements in Togo lack access to vital services, including piped water, reliable electricity or basic sewage systems. The Government could consider investing in pilots to systematically upgrade slums, perhaps by following the example of Tunisia's successful slum upgrading program from 1975-1995. As above, coordination of these action with efforts to strengthen and streamline the functioning of land markets (below) will be key for success.

Strengthen functioning and administration of land markets

- **Make reforms to land management institutions a national priority, with its corresponding legal and institutional framework**. Reforms to the functioning and administration of land markets in Togo are being held back by the lack of a robust institutional and legal structure. The introduction of the new Land Code, in 2018, was a step in this right direction, but designating or creating dedicated bodies to oversee its implementation remains a priority.
- **Modernize procedures and systems for carrying out basic land-related processes like land regularization.** The process for registering a parcel of land in Togo, or determining land ownership, is notoriously complicated in Togo. One important step to address this would be establishing a single agency for all land-related procedures under the Togo Revenue Office, to replace the multitude of overlapping and often confusing bodies involved. The process via which land can be regularized, meanwhile, which currently follows the onerous "3-stamp" procedure, could also me simplified. The experience of Rwanda, which from 2005 to 2012 implemented a nationwide program to issue land titles based on photomapping technology at a cost of less than $10 per parcel, is a useful example for reference (Sagashya, 2012).

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Chapter 4. Boosting export growth through Economic Diversification

Summary: *As a small economy, Togo's economic prospects depend on its ability to export goods and services within the region and globally to sustain its economic growth. Togo's trade openness has weakened in recent years although trade in goods, particularly agricultural goods, continues to play an important role in the economy. Apart from cement and phosphate, Togo traditionally exports several cash crops, cocoa, coffee and cotton, and some new non-traditional ones are becoming increasingly important: cashew nuts, oilseeds and soybeans, most of which are being exported to Asia. Togo's exports are geographically concentrated in the top ten destinations, which account for 80 percent of total exports. Similarly, 70 percent of Togo's imports come from its top ten partners and have been dominated by China in recent years. Togo's is relatively well diversified in terms of products but showed a tendency to concentrate in terms of market destinations in recent years. However, when exports of gold and cotton are taken into account, Togo's economy shows much higher levels of concentration. Also, Togo's Participation into Global Value Chains is low compared to certain structural and aspirational peers as well as the integration to global markets. In addition, the potential of Togo as a regional trade hub remains undertapped. Fostering Togo's export performance will require enhanced diversification through: (i) streamlining non-tariff measures; (ii) Regional Trade Integration and Preferential Market Accesses; (iii) reviewing and reducing barriers to trade for small scale cross border traders; (iv) adopting regulations that support greater competition in the logistics sector and (v) establishing an operational and fully independent Export and Investment Promotion Agency.*

Introduction

1. This chapter examines Togo's export performance and its role in building an inclusive, green and resilient recovery. It evaluates the main links between export diversification and economic growth and the main factors influencing competitiveness of exporters in Togo. It does this based on a review of recent literature and then adds to this through a trade diagnostic that includes analysis of standard trade data but also newly available firm level export and import customs transaction data. A major challenge in analysing Togo's export performance is the presence of refined petroleum as a major export in the country's export statistics but especially in mirror export statistics (other countries recorded imports from Togo). These data suggest that refined petroleum accounted for almost 50 percent of total exports in 2018 (Annex 4.1). Given that Togo has no crude oil reserves and it is unclear if it has the refining capacity that would be required for the flows that appear in the trade statistics, this raises questions about the role of petroleum in trade. In particular, if this is simply petroleum that is being transshipped from Nigeria to the global market via Togo then there will be very limited if any value added in Togo and therefore impacts on growth, incomes and employment will be negligible (see Box 4.1 for a more detailed discussion of the issue of petroleum in Togo's exports). Since the focus of this chapter is on how export diversification can drive more inclusive growth, these petroleum exports are excluded from most of the statistics and analysis.

2. Togo's economic prospects depend on its ability to export goods and services within the region and globally to sustain its economic growth. Togo's economy performed relatively well between 2009 and 2016 with strong growth supported by peace and stability as well as improvements

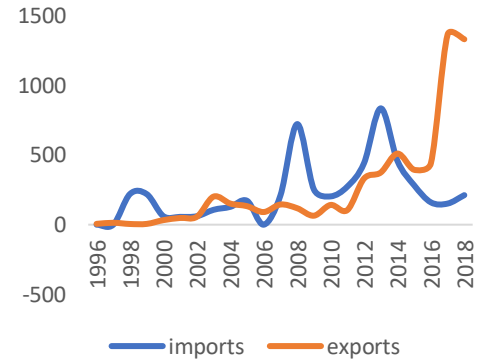
in agricultural productivity, phosphate production, and public investment in transport. Yet, this growth cannot be sustained unless the government continuously supports export diversification through regional trade integration, trade facilitation, and market access, and reinforces efforts to address climate change risks. Experience from other developing countries that have experienced strong and sustained trade driven growth suggests Togo would benefit from more open trade if local producers and providers of services were able to participate in regional and global value chains.

Box 4.1: Togo's trade situation for petroleum products

Togo has no hydrocarbon resources and all petroleum products are imported. Exploration work has been carried out offshore from the 1960s to the present, but oil deposits are not exploitable or economically viable. As a result, Togo relies on the importation of petroleum products to meet domestic demand or to re-export.

The value of imports of crude oil is zero and the value of imports of refined petroleum is much lower than would be expected given export values. Togo imports crude oil, primarily for domestic consumption and re-export. However, import values are very low compared to the amount of refined petroleum exported by Togo (see figure), suggesting that smuggling activities are taking place. It could be that crude oil imports are zero because they were reported under refined petroleum imports. But, the amount of refined oil imported is far below the export values. According to US Energy Information, the average processing gain at US refineries in 2019 was about 6.8 percent[173] higher than crude oil input.[174] This is not the case for Togo, where refinery exports have been similar to or higher than imports since 2014. Another possible reason that could explain a sudden peak in refined petroleum would be the misclassification of transshipments as re-exports.

Figure: Togo's' exports and imports of refined petroleum from 1996 until 2018



***Source**: WITS exports mirror data, Author's computations.*

Togo's imports of refined petroleum are relatively diverse, while exports are regional[175]. As the table below shows, Togo's refined petroleum products were mainly exported to Angola in 2018, but Angola is a crude oil producer. Upon closer examination, the data shows that there has been an important increase in exports to Angola since 2017 which is also responsible for the increase in total exports of refined petroleum from US$441 million to US$1.3 billion. On the import side, the diversity of imports of refined products suggests they are destined for domestic demand. However, there are no imports of crude oil from Nigeria, and when looking at Nigerian statistics, there are no exports of crude or refined oil to Togo.

A. Petroleum imports 2018

Rank	Country	Value (M)	% of total
1	United States	55.4	26.1%
2	Netherlands	53.5	25.2%
3	India	25.6	12.0%
4	Barbados	22.4	10.6%

B. Petroleum exports 2018

Rank	Country	Value (M)	% of total
1	Angola	952.2	71.5%
2	Cote d'Ivoire	160.2	12.0%
3	Congo, Rep.	95.6	7.2%
4	Senegal	32.9	2.5%

5	Russian Federation	10.4	4.9%	5	Nigeria	29.6	2.2%
6	United Arab Emirates	9.4	4.4%	6	Benin	16.3	1.2%
7	Senegal	7.5	3.6%	7	Burkina Faso	11.1	0.8%
8	Spain	6.1	2.9%	8	Vietnam	9.0	0.7%
9	Egypt, Arab Rep.	4.2	2.0%	9	South Africa	6.6	0.5%
10	Norway	3.9	1.9%	10	Cape Verde	6.0	0.4%
Total		198.5	93.5%	Total		1319.5	99.0%

***Source**: WITS exports mirror data, Author's computations.*

3. Countries that have experienced inclusive economic growth through better living standards, lower poverty, and shared prosperity have undergone varying degrees of export diversification through regional trade integration and by moving from traditional trade to a stronger integration with global value chain (GVC) trade. No country has achieved economic growth and poverty reduction without integrating into the global economy (World Development Report, 2020). Export diversification remains a challenge for most developing countries. Therefore, policy makers in low-income countries have a strong interest in understanding and achieving economic diversification. This is particularly true for small economies with relatively high dependence on commodities and low income, such as Togo, for which economic growth and poverty reduction are inextricably linked to their degree of connectivity with foreign markets in the region and beyond (WB growth report, 2019).

4. This chapter finds that Togo has definite, yet undertapped potential to increase export diversification in higher value-added and more inclusive exports, manufacturing, through the integration of regional and global value chains. Togo's exports have historically been relatively well diversified but mainly in capital-intensive commodities such as gold and phosphate, and other traditional and non-traditional commodities which are often unprocessed or lightly processed primary exports. However, for Togo to move out of subsistence agriculture and create more sustainable jobs and incomes, participation in regional and global value chains is a key element in moving to more complex and diversified exports. The agricultural sector which dominates the economy is likely to play an important role. With this in mind, and under the right conditions, it is likely that export diversification can lead to more inclusive growth.

5. Moreover, a resilient and inclusive recovery requires the thriving of small-scale cross-border trade, which has been particularly hard hit by the current crisis and subsequent restrictions. Unlike official and recorded trade, statistics for small-scale cross-border trade are few and often non-existent. Yet, the available information suggests that such trade is a great importance and has strong spillovers to the local economy and poverty reduction. Moreover, trade facilitation measures do not usually take into account the reality of these traders and the need to help them improve their export growth, especially in the wake of the current pandemic. It goes without saying that regional economic integration and export diversification will not occur without adequate attention to small-scale cross-border trade, which can often account for a significant portion of total official trade. After all, small-scale cross-border trade is important for regional peace and security, it builds bridges between communities, but also improves market access for marginalized communities and ultimately secures jobs for the most vulnerable.

6. Togo faces several challenges to boost its export growth, which have been exacerbated by the COVID-19 pandemic. The main challenges to Togo's regional trade integration and GVC participation are related to the lack of an efficient information system to define export opportunities from production and consumption patterns; to the common external tariff policy that can often prevent domestic firms from accessing necessary inputs or upgrading their technology. At the level of constraints, one can equally note the onerous border procedures and low quality of infrastructure, underutilization of preferential market access granted by the EU and the US, lack of market access and coordination, and finally, climate change. All reduce firms' competitiveness and exports diversification.

7. The chapter is organised as follows: Section 4.1 provides a brief overview of the link between export diversification and economic growth. Togo's trade structure and performance are analyzed in Section 4.2 while engagement into regional and global market is discussed in Section 4.3. Section 4.4 focuses on regional trade integration as a way to diversify Togo's trade. Finally, Section 4.5 highlights the challenges to be addressed to boost Togo's integration to regional and global trade.

4.1. Export diversification and economic growth

8. Countries with a high export concentration on a handful of primary commodities, tend to focus on a few products and do not manage to achieve trade-driven growth and poverty reduction. Countries that depend on a few products are likely to struggle to increase export growth as their export performance will depend on the price of their primary export good, which is imposed by world markets and out of control of domestic policy makers. Thus, commodity-exporting countries are highly susceptible to commodity price fluctuations and face significant macroeconomic challenges, struggling to grow in a low commodity price environment.

9. The benefits from export diversification in terms of products and destinations is to limit risks from external shocks and improve productivity. Export diversification can be an objective in itself to reduce vulnerability to adverse terms of trade shocks and stabilize export revenues, as well as driving output diversification. Indeed, export diversification appears to be associated with less output volatility in low-income countries as well as faster sectoral reallocation. The empirical evidence also shows that quality upgrading of export products is closely correlated with greater impact of domestic production diversification on productivity growth (IMF, 2014). In addition, it is widely believed that productivity gains arise from export diversification from the learning by doing processes and technology transfers. Thus, a relationship exists between export diversification and economic growth.

10. Recent research has helped clarify the determinants of successful export diversification in developing countries. In a recent paper, Giri et al (2019) identified key factors, from large set of potential determinants[176], that explain the variation in export diversification across countries and over time. Their analysis suggests that in order to diversify, policy makers should prioritize human capital accumulation and reduce barriers to trade. Other policy areas include improving the quality of institutions and developing the financial sector. For commodity exporters, reducing barriers to trade is the most important driver of diversification, followed by improving education outcomes at the secondary level and financial sector development. Their analysis only considers variables that are widely available for a large group of countries; thus, a potential missing variable problem may exist. Another limitation with this type of analysis is that if more variables were available, they may be potentially correlated with existing ones.

11. The pattern of increasing diversification through competitiveness can be exemplified by agriculture. When agricultural exporters have access to international markets, they are likely to improve their production processes either by knowledge sharing or through technological acquisition. However, Togo's agriculture producers consist of vulnerable communities often located in the hinterland and isolated from external and even internal markets due to insufficient infrastructure, financial capital and market information. Overall, connectivity between agricultural producers and markets is weak. Thus, providing disincentives to export in foreign markets in favor of non-tradable and domestic-oriented sectors.

12. Finally, it is difficult to create the right framework for public investment and policy reforms that can promote export diversification. This is especially true for economies like Togo, where diversification is limited by the scale and limits of the country's productive capacity. Although there is no blueprint for economic diversification, several policies around trade and competitiveness should be considered to establish key basic elements: (i) an appropriate incentive framework; (ii) investment and policy reforms; (iii) effective measures to support adjustment and reallocation of resources to new activities; and (iv) government interventions that target specific market, policy, and institutional failures. These horizontal policies appear to be relatively important for export diversification. Salinas et al. (2021) finds that horizontal policies (mainly governance, education, infrastructure, and trade openness) are related to sophisticated (non-hydrocarbon minerals), manufacturing, and complex exports, and to a lesser extent to services exports. This underscores the importance for policymakers to include horizontal policies to strengthen the overall framework for trade and investment.

4.2. Diagnostic of Togo's trade structure

13. This section examines Togo's trade structure with a focus on export growth, diversification and GVC participation over the past two decades in comparison to its structural peers (Benin, Guinea, Sierra Leone) and its emerging peers (Ghana, Morocco, Rwanda). The analysis provides a quantitative and qualitative assessment of historical trade performance.[177]

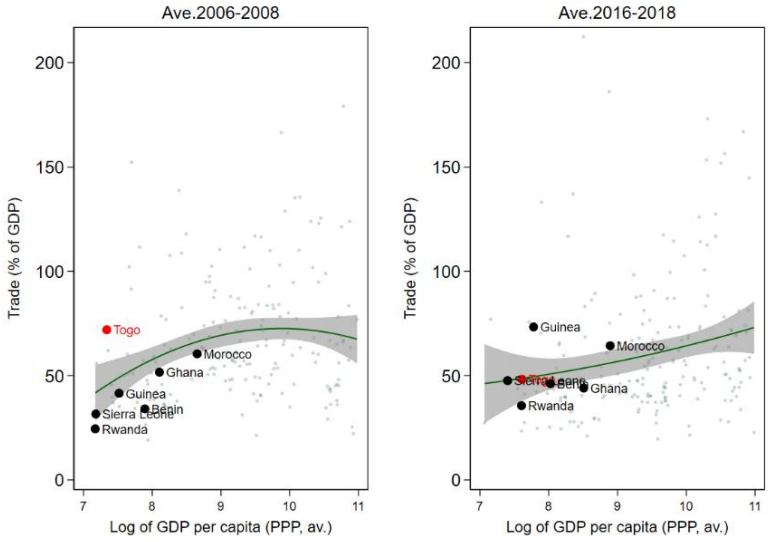
4.2.1. Export growth and orientation

14. Togo's trade openness[178] has weakened in recent years although trade in goods has played an important role in the economy. Figure 4.1 shows the average trade openness for each country in the world for the periods 2006-2008 and 2016-18. In the first period, Togo's trade openness was higher given its level of economic development and higher than all selected peer countries. Nevertheless, Togo's position has weakened in recent years as trade openness has been driven mainly by oil exports, suggesting that the decline in oil prices has negatively affected the openness of its economy. Moreover, in the first decade of the 20th century, Togo also benefited from the disruption caused by the political crisis in Côte d'Ivoire, as trade routes were disrupted and consumer demand for goods from neighbouring countries increased. This is not the case anymore since 2011.

15. On the other hand, Togo's openness in services is higher given its per capita income but has not changed in recent years. Figure 4.2 shows that Togo has not improved its services openness when compared to other countries, such as Ghana and Rwanda, that have dramatically improved their services trade. Trade in services is a key determinant in Togo's participation into global value chains as

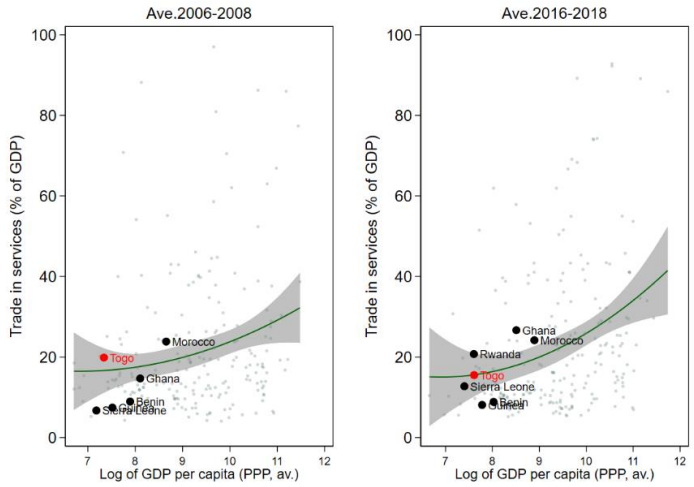
firms' demand for services to export their goods will continue to grow especially for transport, travel, and other commercial services.

Figure 4.1: Togo's trade openness for goods shows a tendency toward deterioration in recent years.



***Source**: Development Indicators, Author's computations.*

Figure 4.2: Togo's trade openness in services shows a tendency tendency toward deterioration in recent years.



***Source**: Development Indicators, Author's computations.*

16. While Togo's openness to trade is structurally determined by trade in goods, trade in services plays a smaller role and has been relatively low since the 1990s. The decline in trade in 2012 was mainly due to lower imports (figure 4.4). Exports also declined, but to a smaller extent. The fact that Togo's trade openness was driven by exports and imports of goods (but mainly imports) is not a trend unique to Togo, as similar paths of openness can be demonstrated in the economies of its comparator countries. It should be noted that imports play an important role in trade openness, as

consumer demand increases in countries that have undergone economic development, as does the demand for more diverse goods (figure 4.5). In addition, imported inputs are key elements that promote the trade and competition agenda of small economies such as Togo by providing and facilitating domestic firms' access to technology and inputs.

Figure 4.3: Togo's trade openness is determined by trade in goods rather than services…

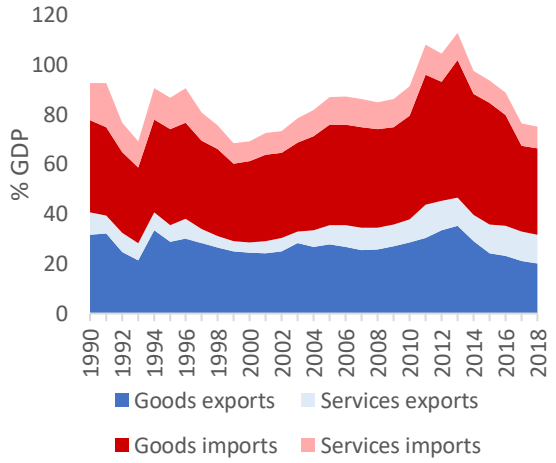
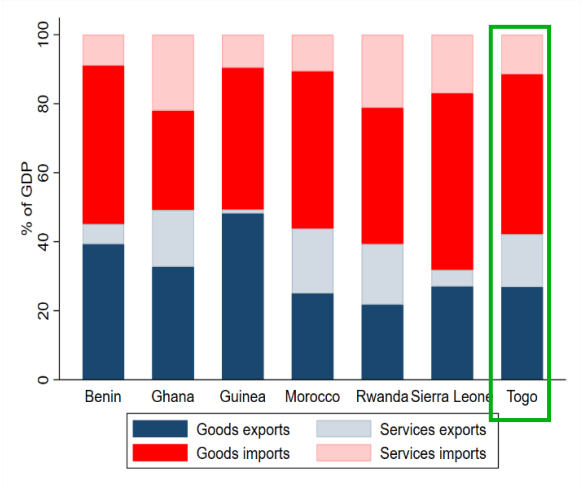


Figure 4.4: But Togo's imports share of its GDP follows a similar trend as its peers in 2018.



***Source**: World Development Indicators, Author's computations.*

17. Exports destinations: Togo's exports are geographically concentrated in the top ten destination countries, accounting for more than 80 percent of total exports. Table 4.1 shows that India, Benin and China were the top three export destinations in 2018, followed by Burkina Faso, Lebanon, Ghana, and South Korea. By contrast to the beginning of the 20th century when Iran and Burkina Faso were Togo's top two export markets. Therefore, in 2018, new export destinations appeared due to the rebalancing of the share of export markets over the last two decades, but also due to trade creation in new market destinations which showed high export growth rates.

18. Exported products: Togo appears to have become increasingly dependent on gold exports (mainly re-exportation); its main non-mineral exports are staple crops, cement and phosphate. In 2018, gold accounted for 23 percent of Togo's exports and while in 2005, it accounted for less than 1 percent. Togo's economy has shown a tendency to become more concentrated on gold re-exports in recent years, increasing risks and vulnerability to external shocks, including global commodity prices and regional geopolitics. This trend makes the economy more fragile and move the attention away from alternative activities. Togo's main staple crops (excluding cotton) are cashew nuts, cocoa, coffee, oilseed and soyabeans.

19. Apart from gold, several traditional and new export products appeared in the top 20 export basket of Togo in 2018. Annex 4.1 show the top 20 exported products in 2018 and 2005, respectively. New and non-traditional agricultural products are cashew nuts, oilseeds and soybeans, as these products did not account for a large share of Togo's total exports in 2000 but have been growing since then and especially in recent years. Traditional cash crops are cocoa, coffee and cotton, all of which have shown a declining trend in recent years. Other traditional exports include cement and phosphate. Leaving aside gold and cotton, Togo's overall export basket shows a higher diversity that

includes, to varying degrees, several products that require higher domestic value addition, such as transport, but also agricultural products in processed and unprocessed forms. Nevertheless, it should be noted that Togo's revealed comparative advantage in foodstuff has recently decreased (annex 4.2).

20. The four principal products, besides, gold, and cotton are two cash crops, cashew and oilseeds, and cement and phosphate, which, with the exception of cement, are mostly exported to Asian countries. Figure 4.5 show the export values and share for cashew, cement, coffee, cotton, oilseeds and phosphate for Togo in 2018. These products together account for US$522 million in 2018. About 76 percent of cotton exports are destined for China, Indonesia and Vietnam. Phosphate is even more concentrated in terms of destination, with 72 percent of exports going only to India, and for cashew nuts, the main destination markets are India at 51 percent and Vietnam at 32 percent. Cement, on the other hand, is exported only regionally, with 76 percent to Burkina Faso, 16 percent to Ghana, 13 percent to Benin, and 12 percent to Niger.

21. Imports origins: about 70 percent of Togo's imports come from its top 10 partners and have been dominated by China in recent years. While France was the main source country for Togo's imports in 2000, China played a relatively minor role at that time (table 4.3). However, this trend was inversed in recent years as China became the biggest source of imports accounting for one-third of total imports and gained significant market share with strong growth – an annual average of 23.2 percent between 2000 and 2018. In addition, new import origins emerged globally such as the US, India, Japan, Malaysia among others, regionally such as Ghana and Nigeria.

22. Imported products: Togo's imports are relatively less concentrated than exports. The share of petroleum imports has declined, and new imported products arose such as electricity, cement, coal and others have been added (table 4.4). Nevertheless, the composition of the import basket suggests linkages with the textile industry in the form of inputs of textiles to domestic firms that could produce either for the local market or for regional exports of textile products. Other linkages exist in the transport sector, most likely related to the second-hand vehicle business which appears to be profitable in the case of Togo.

23. However, an important caveat to this analysis is the existence of small-scale cross border trade, and smuggling in and out of Togo. This trade is not recorded in official statistics and includes agricultural products, petroleum, and to a lesser extent textile. It appears that Togo's unrecorded trade is exported to neighboring Benin, Burkina Faso, Ghana, Niger, and Nigeria. It can be inferred that Togo's statistics may underestimate imports and exports. However, informal trade or smuggling should be differentiated from small-scale cross border trade (SSCBT). There are two types of SSCBT in Togo. One is a lifeline for poor people living nearby the border and creates employment for them, including vulnerable groups. The second one is composed of small traders which travel long distance along the trade corridors (e.g. LON), trade various goods and are mainly men. These traders are not motivated by avoiding border controls and taxes per se but by the income generating opportunities from delivering products and services from where they are relatively plentiful across borders to markets where prices are higher due to stronger demand.

Table 4.1: Top destinations for Togo's exports 2000 and 2018

A. Including gold and cotton

Rank	Country	Value (US$M)	% of total	Rank	Country	Value (US$M)	% of total
1	Iran	17.9	9.4%	1	UAE	261.9	18.2%
2	Burkina Faso	15.7	8.3%	2	India	248.6	17.3%
3	South Africa	13.8	7.2%	3	Benin	147.1	10.2%
4	Italy	10.9	5.7%	4	China	145.7	10.1%
5	Colombia	10.8	5.7%	5	Burkina Faso	118.6	8.3%
6	India	10.8	5.7%	6	Lebanon	104.1	7.2%
7	Philippines	9.6	5.1%	7	Ghana	55.0	3.8%
8	Indonesia	9.0	4.7%	8	Korea	47.6	3.3%
9	France	8.9	4.7%	9	Vietnam	39.4	2.7%
10	Spain	8.1	4.2%	10	Niger	37.1	2.6%
Total		115.5	60.8%	Total		1205.1	83.9%

B. Excluding gold and cotton

Rank	Country (2000)	Value (US$M)	% of total	Rank	Country (2018)	Value (US$M)	% of total
1	Iran	17.9	12.3%	1	India	246.2	24.3%
2	Burkina Faso	15.7	10.8%	2	Benin	147.1	14.5%
3	South Africa	13.8	9.5%	3	China	131.3	13.0%
4	Philippines	9.6	6.6%	4	Burkina Faso	118.6	11.7%
5	Italy	9.2	6.4%	5	Ghana	55.0	5.4%
6	France	8.6	5.9%	6	Korea	47.6	4.7%
7	Belgium	7.4	5.1%	7	Niger	37.1	3.7%
8	Spain	7.0	4.8%	8	Vietnam	27.7	2.7%
9	Poland	6.5	4.5%	9	Australia	23.2	2.3%
10	Niger	6.2	4.3%	10	France	21.7	2.1%
Total		101.9	70.3%	Total		855.4	84.6%

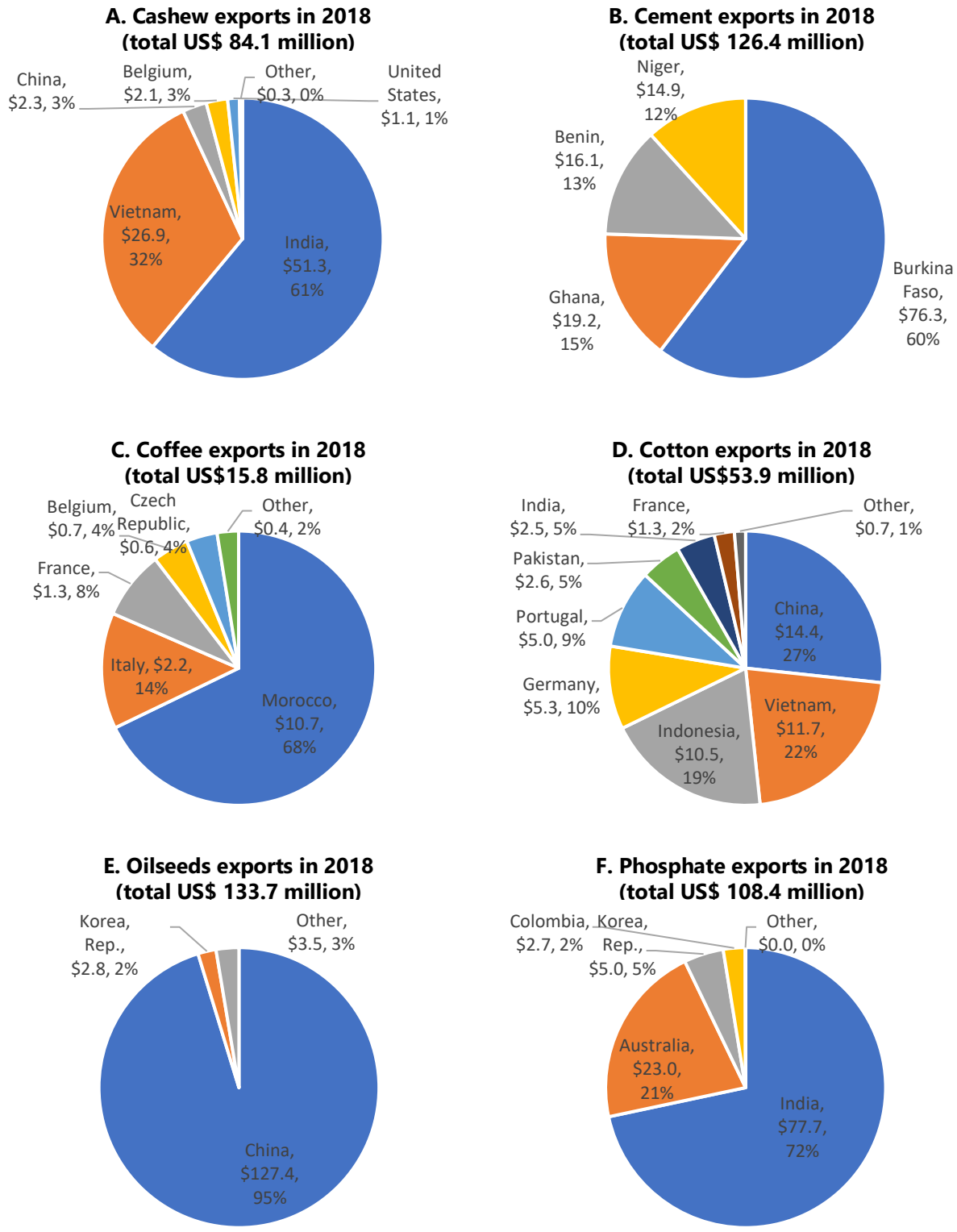
Source: *WITS exports mirror data, Author's computations.*

Table 4.2: Top 20 exported products by Togo in 2018

Rank	HS6	Product	Value (US$M)	% of total	Rank 05
1	120740	Oil seeds, Sesamum seeds	132.3	13.0%	n/a
2	252310	Cement clinkers	111.6	11.0%	2
3	80131	Cashew nuts, in shell	80.5	7.9%	39
4	251020	Natural calcium phosphates, ground	75.5	7.5%	4
5	720449	Ferrous waste and scrap; n.e.c.	62.7	6.2%	6
6	151190	Vegetable oils; palm oil and its fractions, other than crude	36.6	3.6%	13
7	740400	Copper waste and scrap	36.0	3.6%	24
8	251010	Natural calcium phosphates, unground	32.8	3.2%	5
9	760200	Aluminium waste and scrap	24.6	2.4%	171
10	151590	Vegetable fats and oils and their fractions; fixed, n.e.c	23.8	2.3%	13
11	120100	Soya beans, whether or not broken	22.3	2.2%	242
12	180100	Cocoa beans, whole or broken	21.7	2.1%	1
13	854810	Waste and scrap of primary cells, batteries, elec.	19.2	1.9%	1047
14	90111	Coffee, not roasted, not decaffe	15.7	1.6%	7
15	252329	Portland cement, other	14.8	1.5%	3
16	890800	Vessels and other floating structures	14.5	1.4%	n/a
17	721049	Iron or non-alloy steel; flat-rolled, or coated with zin	12.0	1.2%	27
18	440349	Wood, tropical; other than dark red meranti,	10.6	1.0%	8
19	871120	Motorcycles (including mopeds) and cycles;	10.4	1.0%	32
20	670419	False beards, eyebrows and eyelashes, synthetic textile mat.	9.6	0.9%	71
Total			767.2	75.7%	

Source: *WITS exports mirror data, Author's computations.*

Figure 4.5: Togo's destinations markets for exports of for cashew, cement, coffee, cotton, oilseeds and phosphate in 2018



***Source**: WITS exports mirror data, Author's computations.*

Table 4.3: Top origins of Togo's imports in 2000 and 2019

A. Including Petroleum

Rank	Country (2000)	Value (US$M)	% of total
1	France	7,557	24.2%
2	Cote d'Ivoire	3,805	12.2%
3	Netherlands	2,078	6.6%
4	Belgium	1,609	5.1%
5	Germany	1,405	4.5%
6	UK	1,173	3.7%
7	Japan	1,043	3.3%
8	Mauritania	993	3.2%
9	Russia	928	3.0%
10	China	927	3.0%
Total		21517.6	68.8%

Rank	Country (2019)	Value (US$M)	% of total
1	China	40,247	21.9%
2	France	14,999	8.2%
3	United States	12,131	6.6%
4	India	8,877	4.8%
5	Netherlands	8,643	4.7%
6	Japan	7,783	4.2%
7	Ghana	5,568	3.0%
8	Germany	5,424	3.0%
9	Saudi Arabia	5,171	2.8%
10	Malaysia	4,963	2.7%
Total		1138062.2	62.1%

B. Excluding petroleum

Rank	Country	Value (US$M)	% of total
1	France	6,468	25.7%
2	Netherlands	1,568	6.2%
3	Belgium	1,511	6.0%
4	Germany	1,404	5.6%
5	Japan	1,043	4.1%
6	UK	993	3.9%
7	Cote d'Ivoire	932	3.7%
8	Russia	928	3.7%
9	China	927	3.7%
10	Canada	908	3.6%
Total		16682.7	66.2%

Rank	Country	Value (US$M)	% of total
1	China	39,612	23.2%
2	France	14,915	8.7%
3	United States	9,067	5.3%
4	Netherlands	8,176	4.8%
5	Japan	7,778	4.6%
6	India	7,705	4.5%
7	Ghana	5,450	3.2%
8	Germany	5,319	3.1%
9	Saudi Arabia	5,168	3.0%
10	Nigeria	4,544	2.7%
Total		1077349.9	63.1%

***Source**: WITS exports mirror data, Author's computations.*

Table 4.4: Top 20 imported products to Togo in 2019

Rank	HS6	Product	Value (US$M)	% of total	Rank 2005
1	271000	Petroleum oils and oils, crude	168.9	8.9%	1
2	271600	Electrical energy	132.2	6.9%	n/a
3	300490	Medicaments	82.9	4.3%	5
4	871120	Motorcycles (including mopeds) and cycles;	62.3	3.3%	29
5	151190	Vegetable oils; palm oil	55.6	2.9%	15
6	870390	Vehicles; for transport of persons	41.8	2.2%	11
7	271320	Petroleum bitumen	39.2	2.1%	69
8	252329	Portland cement, other	36.2	1.9%	1005
9	270119	Coal	34.9	1.8%	2114
10	540490	Filament, synthetic; strip (textiles)	33.3	1.7%	n/a
11	721391	Iron or non-alloy steel	33.3	1.7%	3
12	30329	Fish; frozen, Nile perch	31.0	1.6%	1097
13	170199	Sugars; sucrose, chemically pure	30.5	1.6%	43
14	520852	Printed :-- Plain weave, weighing m	29.2	1.5%	12
15	390110	Ethylene polymers; in primary forms <0.94	28.1	1.5%	660
16	630900	Worn clothing and other worn articles	27.3	1.4%	18
17	520859	Fabrics, woven; containing 85% of cotton	27.1	1.4%	56
18	390120	Ethylene polymers; in primary forms >0.94	25.4	1.3%	415
19	100640	Broken rice	24.8	1.3%	21
20	390210	Polypropylene	23.3	1.2%	n/a
Total			967.2	50.7%	

***Source**: WITS exports mirror data, Author's computations.*

4.2.2. Export diversification

24. Togo is more diverse in terms of the number of products than markets but shows a tendency towards deterioration in recent years for both. It can be seen that the number of products exported and markets reached has slightly declined between 2015 and 2018. Aspirational peers, Morocco and Ghana, show greater diversification in terms of both products and markets (annex 4.3). For example, the number of products exported by Togo was 507 in 2018, while Ghana and Morocco exported respectively 830 and 1,820 products. In terms of destinations, the maximum number of destinations reached in a single year by Togo's exports was 72 in 2016. However, evidence suggests that Togo's product diversity remains higher than that of most of its structural peers.

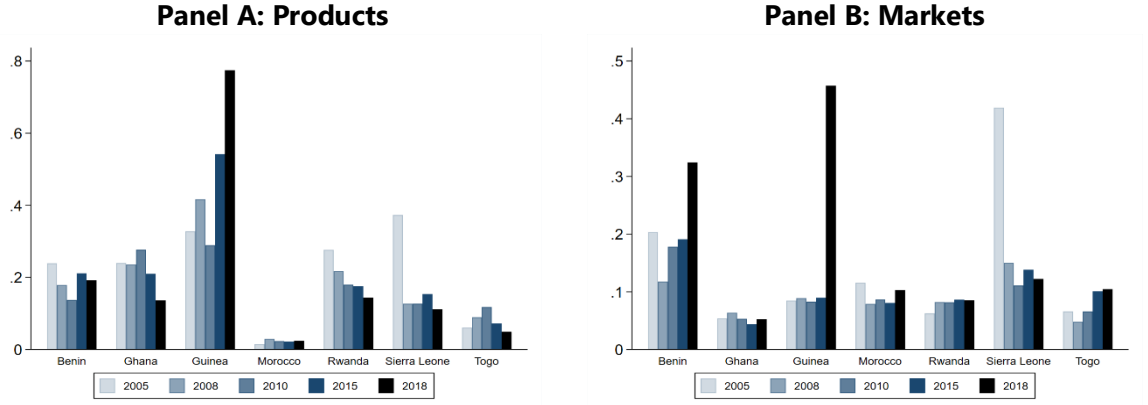
25. Togo's products have shown a tendency to diversify in recent years, while its markets tend to concentrate. The Herfindahl-Hirschman[179] index gives more information about concentration in products and markets (excluding petroleum). Togo is more diversified in terms of products when compared to its peers, with the exception of Morocco (figure 4.6, panel A). Evidence shows that, Togo reached its highest level of product diversification in 2008 before it started to deteriorate as some of

its traditional cash crops, notably cocoa and cotton, lost market share and productivity, which was compensated to some extent by the new cash crop exports, but not as quickly. Moreover, it should be noted that Togo's level of diversification is much lower when petroleum is included in the statistics, mainly due to the inconsistency of existing statistics and the lack of clarity of trade statistics related to petroleum. Togo has a higher degree of concentration in terms of markets than products and showed a tendency toward deterioration since 2008 (figure 4.6, panel B). Another way to understand the degree of concentration is to look at the share of top five products and markets in total exports (annex 4.4). Togo appears to be increasingly dependent on its top five export destinations and shows a tendency to be more concentrated than most of its peers, but Togo is the least dependent on its top five products compared to its peers, with the exception of Morocco.

26. Overall, Togo is relatively well diversified in terms of products but mainly by commodities which make exports more concentrated in certain market destinations diminishing diversification gains in recent years. Concentration is particularly visible in market destinations where there has been a shift since 2008. Also, the analysis excludes refined petroleum, when included export concentration becomes much higher in terms of both products and markets.

27. Togo's market diversification is likely to improve as Togo integrates regional and global value chains through more complex exports that require higher domestic value-added. The right policy measures should be adapted in Togo in order to move away from its traditional trade composed of unprocessed or lightly processed goods, towards more complex participation in regional and global value chains which will have the potential to increase domestic value-added. Countries that concentrate on one primary product that dominates the economy draw resources away from other sectors and certain commodities tend to be exclusively exported to a few markets, thus inhibiting diversification. Finally, evidence suggests that poverty-reducing trade driven growth is likely to happen in the agricultural and processed food sectors, as well as light manufacturing and services sectors.

Figure 4.6: Herfindahl-Hirschman Index, 2005-2018



***Source**: WITS exports mirror data, author's calculations.*

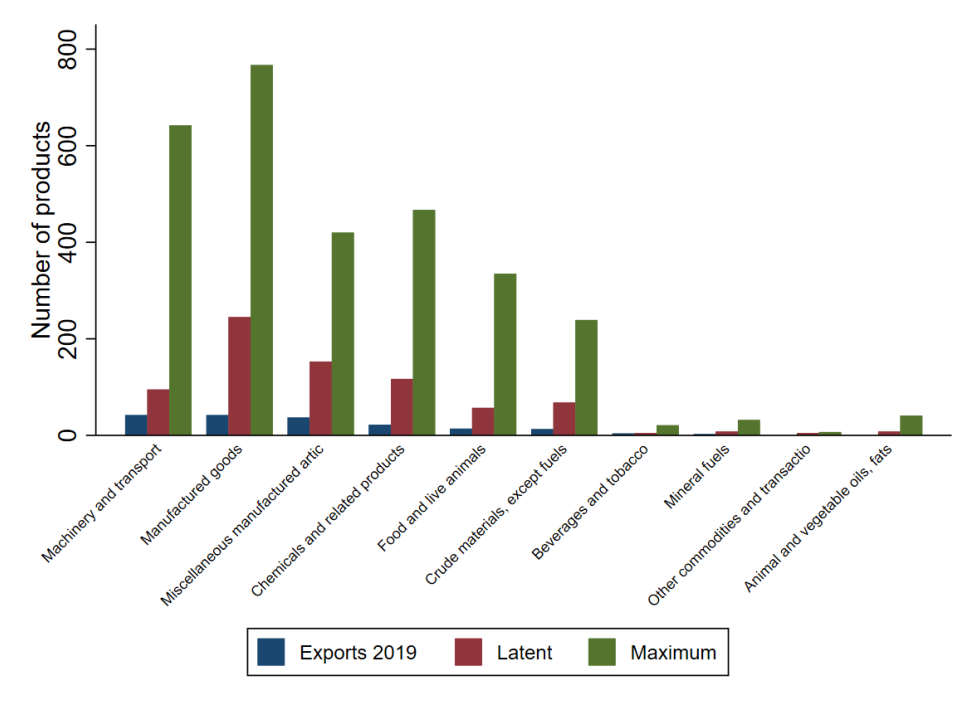
4.2.3. Latent potential for diversification

28. Togo's historical exports can provide relevant information on the country's latent diversification potential and in which sectors it can diversify its product exports. Even if a country seems to specialize in a few products over time, it may have a large latent diversification potential resulting from the constant opening and closing of export product categories. Latent diversification looks at the products that Togo has proven to be able to export at some point in the past and could export in the future if the right endowments are in place, i.e. education and human capital. Latent diversification shows that if Togo's exporters have already paid the fixed costs associated with exporting, they will be able to re-enter the export market once domestic conditions improve. Finally, Lederman, Pienknagura, and Rojas (2019) show that latent diversification is an important determinant of trade volatility and that countries with a more diversified latent export basket have lower trade volatility.

29. There are several determinants to latent diversification. In the short run, countries tend to increase their latent diversification potential in products similar to their export basket, where there may be industry clusters with similar production functions, as suggested by Leamer (1995). However, Lederman, Pienknagura, and Rojas (2015) show that this relationship tends to weaken over time, suggesting that the initial impact of factor endowments on the production sector tends to dim in the long run. Another important determinant is technological change, which can alter a country's revealed comparative advantage (Hanson, Lind, and Muendler (2015). As the literature suggests, countries experience continuous changes in the composition of their export basket and their revealed comparative advantages. This is evident, for example, in the case of Togo, where the revealed comparative advantage of agricultural products has increased while the one of food products has decreased (see annex 4.2). Finally, experimentation and product discovery are other forces that can lead to latent diversification (Hausmann and Rodrick, 2003).

30. Togo's potential to expand its export bundle among the most promising industries[180] include four categories manufactured goods, machinery and transport, mining, and to some extent food and live animals. Figure 4.7 shows the number of products exported within each SITC 1-digit code for Togo. The first bar reports the number of exported products in 2019, the last bar shows the number of SITC 5-digit codes present within each SITC 1-digit code (i.e., the maximum number of exportable products), and the middle bar captures the concept of latent trade diversification proposed by Lederman, Pienknagura, and Rojas (2019). Latent diversification is calculated by looking at the entire history of a country's exports; it is defined as the number of export lines that have been active for at least one year since 1962. Togo's latent diversification potential indicates that the country has the knowledge to produce multiple goods, suggesting under-tapped opportunities to further diversify the export bundle, especially in recent years when the number of different goods exported declined.

Figure 4.7: Latent Diversification

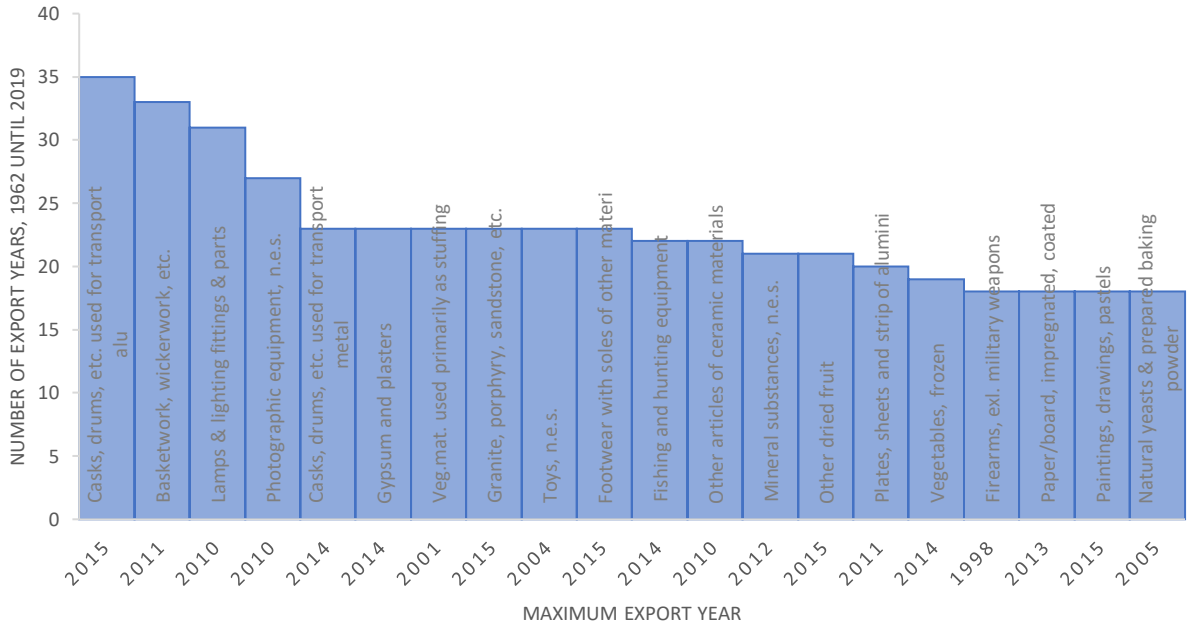


***Source**: WITS SITC data, author's calculations*

31. In the case of Togo, several products were exported for over 25 years, but recently became extinct. Some of these products are manufactured goods such as barrels, plates, gypsum and plaster, shoes, photographic equipment, toys, fishing and hunting equipment. In terms of agriculture, dried fruits, cardamom, natural yeast and frozen vegetables have been identified. See figure 4.8. These products are no longer exported today but were exported over a period of more than 25 years. Togo's exports within the category of food and live animals were frequently exported in the past and are likely to resume when market conditions are better. Moreover, figure 4.9 shows the top 20 products in terms of maximum annual values that survived over 15 years and expired before 2015. Several products went extinct in 2015, including manufactured and agro-processed products. The most important in terms of export values are in the textiles (yarn, women garments followed by roofing tile, dried fruit among others.

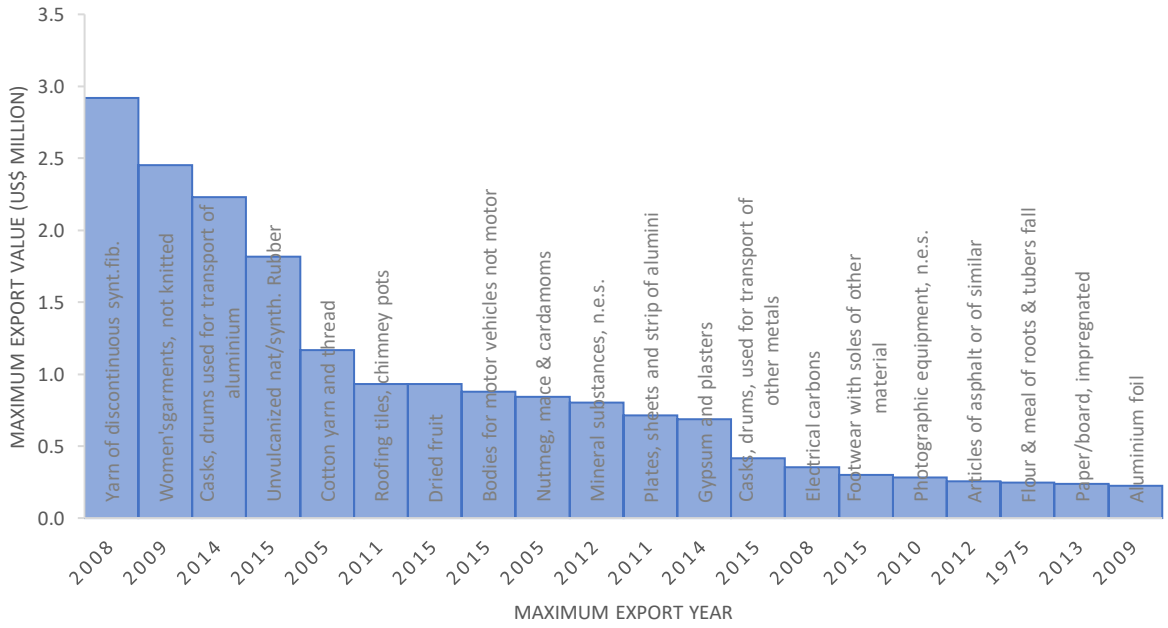
32. Several reasons may explain why exports of certain products became extinct and could be addressed by horizontal measures and lowering trade costs. The extinction of products may be because comparative advantage shifts to other products due to technology acquisition or know-how. But it could also be because trade costs have increased, making these products less profitable. Another possible explanation could be that the industry never got out of the infant industry stage i.e. is the case for Togo's steel industry. Finally, it could be that the mining industry collapsed, as in the case of iron ore in 2015 due to low prices. Better horizontal policies and lower trade barriers will allow some exports to resume by lowering trade costs and attracting FDI.

Figure 4.8: Togo's top 20 latent products in terms of the number of export years



***Source**: WITS SITC data, author's calculations*

Figure 4.9: Togo's top latent products (exported for at least 15 years) in terms of maximum annual export values



***Source**: WITS SITC data, author's calculations*

4.2.4. Services matters for diversification

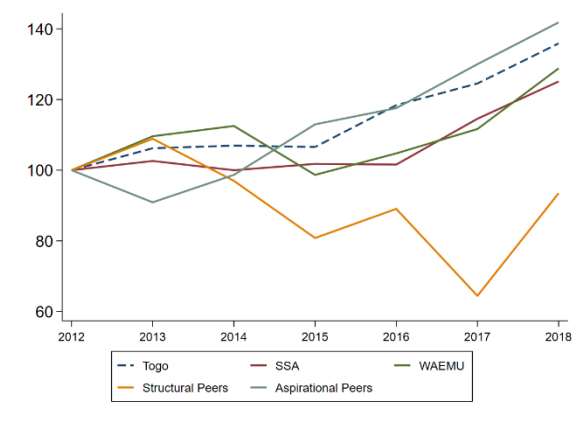
33. Services provide opportunities for a wider range of exports and a broader base of domestic activities. Indeed, ICT such as the internet has been making services more tradable and goods exports reach new customers. Many developing countries have diversified into exports of tourism but are also moving into exports of professional services and in sectors such as health and education. But services are also critically important as inputs into other economic activities. The quality and availability of health and education services play in determining the productivity and capacities of workers for new tasks. Access to efficient energy, transportation and telecommunications, and financial services can be important for export diversification of goods as it will improve producers connectivity to foreign markets. Another key transformation in the global economy is the increasing "servicification" of manufacturing, whereby manufacturing firms increasingly buy, produce, sell and exports services. These increasing complementarities between trade in services and in goods entail that trade policies for goods and services should be jointly defined.

34. Togo's growth in services exports is relatively higher than that of other WAEMU and SSA countries, much higher than that of structural comparator countries. Togo is following a similar trend to its aspirational peers but with a slightly lower growth rate (figure 4.10). It should be noted that Ghana and Morocco have performed particularly well in terms of services export growth. The share of services exports in Togo's total exports has increased over the last decade. Its share is significantly higher than that of all comparator countries except Ghana, Morocco and Rwanda.

35. Regarding the diversification of services exports, three categories – transport, construction and other business services – account for over 96.1 percent of Togo's total services exports, hence export of services remain relatively concentrated. Both transport and construction services categories have shown steady growth in their export values since 2005 (figure 4.11). Transport increased from US$170 million in 2005 to US$280 million in 2019. Construction services increased from US$120 million in 2005 to US$354 million in 2019. Figure 4.12 shows that other business services and financial services remain relatively low, while, travel services and information and communication technology (ICT) services have almost disappeared. and construction services are also important categories at 15.2 percent and 15 percent. The shares of Togo's services export basket have not changed significantly since 2005.

36. In terms of the destination of services exports, Togo is relatively well diversified. Table 4.5 shows that the main destinations for services exports in 2019 are France, China, US and Switzerland. Services exports to France declined by an annual average of 5.6 percent, from US$85.8 million in 2012 to US$72.3 million in 2019. Similarly, exports to the USA declined from US$86.9 million to US$53.1 million in 2019. On the other hand, services exports to China, Switzerland, and the United Arab Emirates (UAE) grew rapidly. In 2019, services exports continued to grow, although some important markets such as France and the USA contracted, most likely due to the change in the destination countries of goods exports.

Figure 4.10: Services growth for Togo and peers (base year 2012)

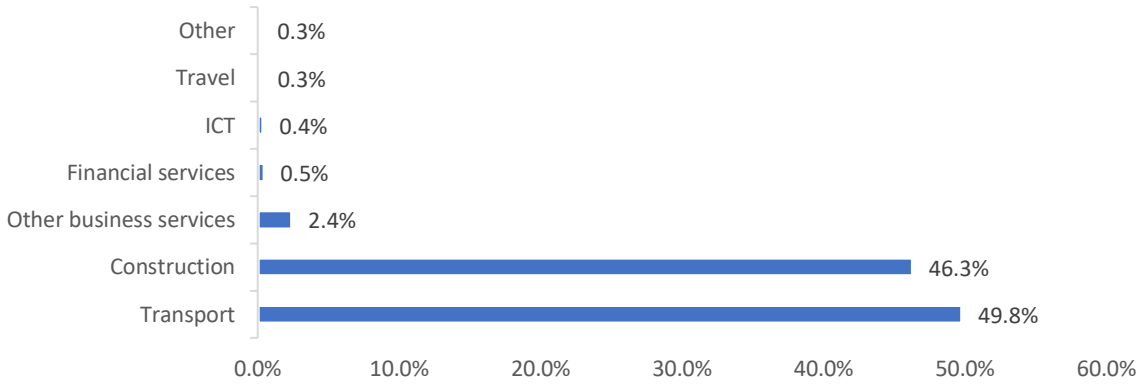


***Source**: UNCTAD, authors' calculations.*
Note: year 2012 is the base year

Figure 4.11: Togo's exports of commercial services and transport 2005-19

***Source**: Balanced International Trade in Services OCED, author's calculations*

Figure 4.12: Togo's composition of services export by category in 2019



***Source**: Balanced International Trade in Services OCED, author's calculations*

Table 4.5: Top services exports destinations US$ Million 2005, 2012 and 2019.

2005	Value	Share	2012	Value	Share	CAGR	2019	Value	Share	CAGR
France	43.2	14.5%	**United States**	86.9	14.4%	10.4%	**France**	72.3	9.5%	-5.6%
Italy	21.9	7.3%	**France**	85.8	14.2%	-0.3%	**China**	60.6	7.9%	3.9%
United States	21.4	7.2%	**China**	36.7	6.1%	6.0%	**United States**	53.1	7.0%	-9.8%
Germany	21.3	7.1%	**Germany**	36.0	6.0%	-2.5%	**Switzerland**	45.0	5.9%	2.0%
India	14.4	4.8%	**Switzerland**	30.9	5.1%	3.5%	**India**	41.6	5.4%	1.8%
UK	14.0	4.7%	**India**	29.0	4.8%	0.0%	**UAE**	38.1	5.0%	25.8%
China	12.0	4.0%	**Italy**	15.6	2.6%	14.5%	**Ghana**	27.2	3.6%	7.5%
Switzerland	12.0	4.0%	**Netherlands**	15.2	2.5%	-2.0%	**Korea**	26.5	3.5%	19.4%
Belgium	9.5	3.2%	**Denmark**	13.5	2.2%	-2.2%	**Canada**	22.4	2.9%	16.6%
Spain	8.7	2.9%	**Ghana**	13.0	2.1%	1.8%	**Nigeria**	18.7	2.5%	2.6%

***Source**: Balanced International Trade in Services OCED, author's calculations*

4.3. Engagement into global and regional markets to boost diversification

37. This section discusses GVC participation as a key area for economic diversification. The section examines Togo's engagement into GVC and firm's participation in some way into GVCs since 2014. The analysis provides a quantitative and qualitative assessment of historical trade performance.

4.3.1. Global value chains and diversification

38. In Togo, as in most developing countries with limited resource endowments, there are often limited alternatives to development strategies than incorporating participation in GVCs into their trade policies. The question for these economies is not whether to participate in GVCs, but how. Although GVCs bring a large number of benefits, notably technology diffusion, skill building, and quality upgrading of products that foster economic diversification, these are not automatic. As a result, developing countries may remain trapped in low value-added activities. A strategic policy in the case of Togo is to ensure that opportunities to upgrade GVCs are realized. Thus, how can Togo move up the GVC ladder to improve its economic diversification?

39. GVC integration can also drive diversification by linking firms to larger markets at finer levels of specialization. For developing countries having a substantial part of the population employed in subsistence agriculture, GVC integration is typically associated with large productivity and welfare gains (WDR 2020). Even if firms engage in labor-intensive, low-skill tasks (ie. apparel; IT back office) GVCs can support the development of new skills and firm capabilities. Through GVC integration, firms from different countries work together in vertically integrated systems of production, sharing blueprints, technicians, and managerial practices. GVCs can give access to 'accelerated learning' and transfer of tacit knowledge at a rate unthinkable in a traditional trade setting.

40. But GVC integration also entails risks. It increases exposure to global business cycles and to supply disruptions due to natural disasters such as the Covid-19 epidemic. Integration into a GVC with a relatively narrow set of skills implies that the competitive advantage is dependent on events in trade partner countries. For producers located in developing countries, export opportunities are driven by the policies of large buyers located in G20 countries (OECD & World Bank 2015). If large buyers decide to concentrate on a few suppliers in order to simplify logistics or quality-control processes, there will be fewer opportunities for new entrants from developing countries (Cadot et al, 2014). Finally, competition to attract new investments exposes countries to a potential race-to-the bottom on domestic regulations or on granting quasi-monopsony control over assets to the foreign investor.

41. Risks are higher in longer and complex value chains or when the relationship with the buyer/key supplier is captive. The relative bargaining power of firms in developing countries as suppliers depends on how rare their capabilities are and whether the transaction can easily be shifted to a different supplier. GVC suppliers positioned in the lower tiers of the chain experience fierce competition with each other. This can lead to the lead firms or turn-key suppliers capturing the trade gains vis-à-vis lower tier suppliers. Lead firms' knowledge in activities such as design, marketing and retail is often not easy to replicate, and therefore often becomes the source of their durably strong market position (Palpacueer, 2000). The gain capture by lead firms or turnkey suppliers can be mitigated through efforts by domestic firms to upgrade or "densify" tasks.

42. But GVC can also be a source of resilience in during shocks. GVC trade flows are more likely to be maintained during a crisis compared to other types of trade. The adjustment is at the intensive margin rather than the extensive margin, as the lead firm bears the fixed costs of identifying and establishing new business relationships with new suppliers, if necessary. Thus, lead firms can provide technical assistance, financing, and other resources to support during the crisis. This type of GVC provides a stronger foundation for recovery once the crisis is over but vary across sectors and firms.

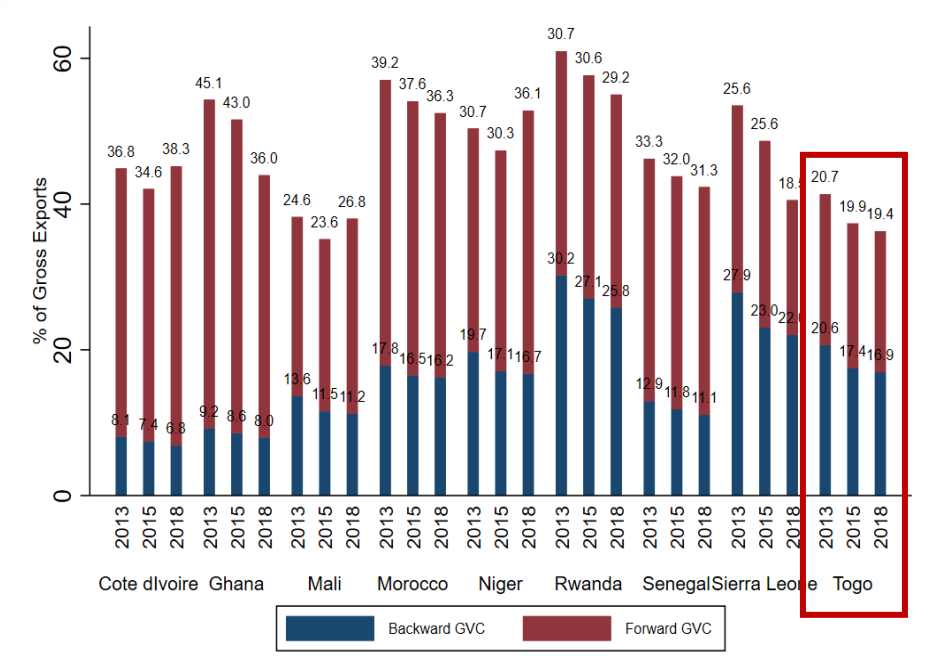
4.3.2. Togo's participation into global value chains

43. In terms of GVC participation, Togo falls into the category of limited commodity[181] exporters and could gain in the transition to more sophisticated participation in GVCs according to the WDR (2020) taxonomy of GVC participation. While all forms of participation in GVCs bring overall productivity and income gains to participating countries, the largest growth spurt typically comes when countries transition from exporting raw materials to exporting basic manufactured goods (e.g., apparel) that use imported inputs (e.g., textiles), as has happened recently in Cambodia and Vietnam. Ultimately, export growth rates cannot be sustained without moving to increasingly sophisticated forms of GVC participation, away from commodities and towards light manufacturing.

44. Togo has the lowest GVC participation among its comparator countries when compared to its aspirational and structural peers. Figure 4.13 shows GVC participation for Togo and peer countries. See Box 4.2 for how to measure GVC participation. Before analyzing results, it should be noted that the overall trend for GVC participation for all countries has worsened since the Global Financial Crisis in 2008 and that Togo's GVC participation has fallen to 1990 levels (annex 4.5). Similarly, the unfolding of the current pandemic COVID-19 is likely to exacerbate this trend. With regards to Togo's type of GVC participation, evidence show that the country has been integrated equally into backward GVC participation and forward GVC participation. Backward GVC participation tends to be more complex as countries participating in such value chains produce intermediates that are exported to other countries. Due to the nature of this type of trade, products are required to cross borders several times, which considerably intensifies trade and increases the need for trade facilitation. On the other hand, forward GVC participation is characterized by the production of inputs for downstream production stages in destination countries.

45. However, the transition from exporting limited commodities to more sophisticated participation in GVCs become increasingly more demanding in terms of skills, connectivity, and regulatory institutions. Winkler and Fernandes (2020) show that the key determinants of backward GVC participation are, in order of importance, factor endowments, geographical location, political stability, tariffs and FDI inflows, and domestic industrial capacity. While some of these fundamentals alone are dictated by destiny, domestic policies such as openness to FDI, human capital development, education and connectivity among others also play an important tole. Therefore, Togo's path toward greater integration global value chains will require a multipronged strategy.

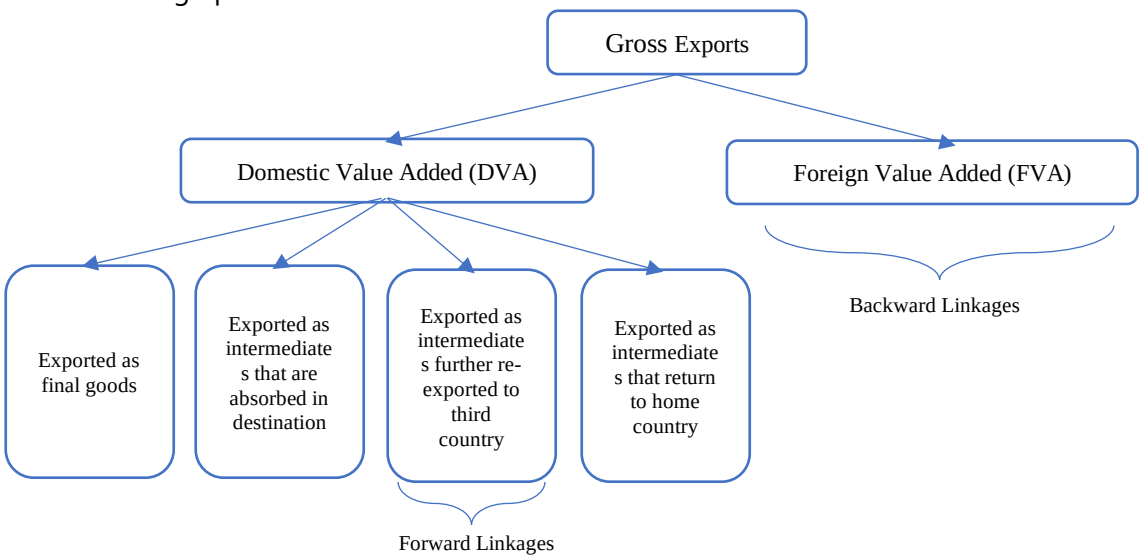
Figure 4.13: Backward and Forward GVC linkages in 2013, 2015 and 2018



***Source**: EORA database, author's calculations. Note: Data for Benin, Burkina Faso and Guinea does not exist.*

Box 4.2: Measuring Global Value Chains (GVCs) participation: Backward and forward linkages

Individual economies participate in GVCs by importing foreign inputs to produce the goods and services they export (backward GVC participation) and by exporting domestically produced inputs to partners in charge of downstream production stages (forward GVC participation). Indeed, in forward GVC participation a country's exports are not fully absorbed in the importing country and instead are embodied in the importing country's exports to third countries, as shown in the graph below.



***Source**: Ignatenko, A., Raei, F., and Mircheva, B. 2019. "Global Value Chains: What are the Benefits and Why Do Countries Participate?" IMF Working Paper 19/18, International Monetary Fund, Washington, DC.*

Hummels, Ishii, and Yi (2001) and Aslam, Novta, and Rodrigues-Bastos (2017) define GVC participation as:

$$GVC_{participation} = \frac{FVA + DVX}{Gross\ Exports}$$

The larger the ratio, the greater the intensity of involvement of a country in GVCs. FVA captures "backward GVC participation", while DVX captures "forward GVC participation".

4.3.3. Globally engaged firms

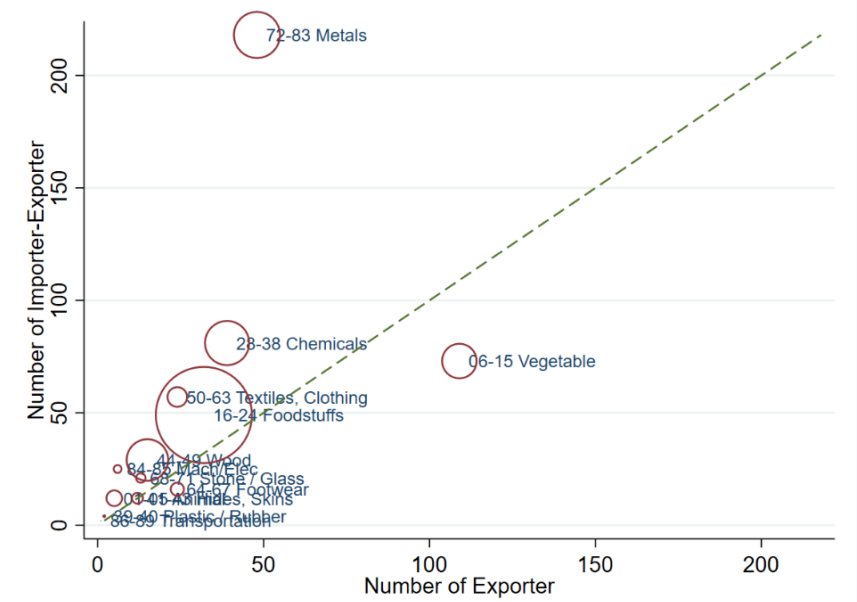
46. This is analysis based on firm level trade transaction data that has not previously been analyzed and allow for a much more granular analysis of the trends in Togo's trade over the past few years. Such type of data provides information on the firm-product-country-year level, by comparison to traditional trade statistics that product-country-year.

47. In 2020, most firms engaged in trade are importers (about 65%). The second largest category is firms that both import and export (about 25%) and the remaining 10% are firms that only export. It can be inferred that firms that import and export participate to varying degree more into global or regional value chains as their import inputs and export goods with domestic value added at regional or global levels[182]. The number of companies only exporting out of Togo and the number of importer-exporter companies has increased between 2015 and 2020. In terms of importer-only firms, the number remained stable over the period of assessment, with a few exceptions in the transport sector where the number of importers increased and the textile sector where the number of importers decreased. Firms are mainly importing products from four main categories – transport, machine and electronics, textiles and chemicals.

48. In all sectors, with the exception of vegetable products, the number of firms that both import and export is higher than the number of firms that only export. Looking at the number of import-export firms compared to export-only firms in 2020, figure 4.14 shows that most sectors are composed of firms that require participation in different types of global value chains. For example, in 2020, the food sector has more importer-exporter companies than pure exporters compared to the fresh vegetable sector. On the other hand, the foodstuff, textiles, metals, and chemicals sectors require inputs from other countries and therefore consists mainly of firms that import and export.

49. Evidence suggests that Togo's transition from commodity-based GVC participation to light manufacturing will be through agriculture, textiles, and services. The most promising sectors driving business participation in GVCs are agricultural processing and sectors that require the export of finished goods, in sectors that require higher domestic value addition such as machinery and electronics, textiles, and transport. Agricultural processing will be key to move away from subsistence agriculture and to increase Togo's participation in the global production process. However, participation in GVCs will also depend crucially on the pursuit of domestic efforts for commercial reforms and improving the business environment.

Figure 4.14: Number of import-export firms relative to the number of exporter-firms in 2020



***Source**: WITS export mirror data, author's calculations. Note: bubbles represent the value of exports in 2019.*

4.3.4 Surviving in global market

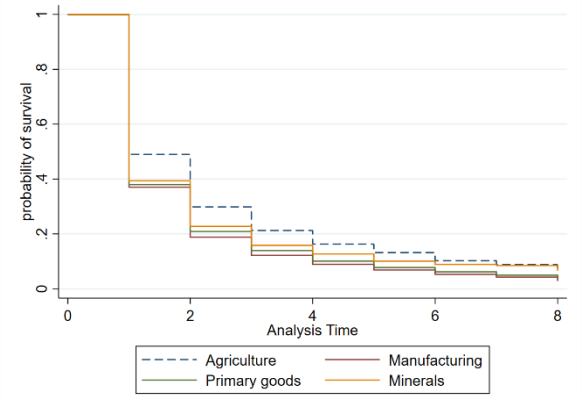
50. For countries to achieve faster export growth and diversification, they need firms to both successfully enter new export markets and to continue to export to them. Export diversification can be driven by the entry of new firms into exporting and/or by exporting into new markets, but often the export survival of these firms is the main challenge. Exporters from developing countries tend to form less long-lasting trade relationships than exporters from advanced economies. From a policy perspective, understanding the main challenges to export survival is key to promoting diversification.

51. Togo's export survival rate is on par with most of its peers, with the agricultural sector having the highest survival rate. Annex 4.6 shows that the probability of Togolese export relationships surviving beyond the first year is less than 35 percent, and the probability of maintaining this relationship for more than two years is about 20 percent. Peer countries follow a similar trend, with the exception of Morocco, where the survival rate is higher, 40 percent (evidence at the product-country level). Agriculture remains the sector in which trade relations are most prevalent and longest over time. Minerals, primary goods, and goods for manufacturing potential have a lower survival rate (figure 4.15).

52. Meanwhile, larger firms had higher survival rates than smaller firms, while small firms tend to survive longer than medium and micro firms. Figure 4.16 shows the survival rate for Togolese exporters by size from 2014 to 2020 using firm-level data. The likelihood of a midsize exporter's trading relationship surviving 5 years is about 78 percent, small exporters have a survival rate of 42 percent, whereas micro-exporters only have a 25 percent chance of trading relationships surviving for just 1 year. The survival dimension of Togolese firms shows that the largest firms tend to survive the most, but then small firms also have a higher survival rate than micro firms and medium firms.

53. According to the WB GVC report, several factors are associated with better survival rates: access to information, strong institutions, and access to trade finance. Addressing information failures can help firms in developing countries become more resilient. This is because firms in developing countries often have a lower financial and managerial capacity and will not risk investing in large exports if there is a lack of information about demand and supply and market uncertainty. Second, stronger contract enforcement institutions create a more trusting business relationship between the exporter and the buyer with respect to their contracts, reducing the likelihood that the exporter will go out of business. While international markets tend to be a more complex environment, regional markets present an opportunity for exporters because of better access to information and easier understanding of contract enforcement mechanisms in nearby markets that have similar legal systems and institutions. Finally, access to trade finance is a critical factor that prevents small firms in developing countries from entering and surviving in export activities. This trend can only be exacerbated by an international shock such as the Covid-19 pandemic, as lack of access to trade finance is relatively important even in period of normality.

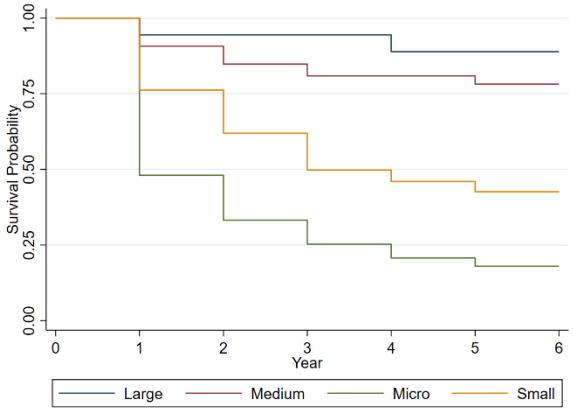
Figure 4.15: Export relationship product-destination by sector 2010-2018



Source: *WITS export mirror data, author's calculations.*

Note: *Agriculture is defined as HS codes between 00 and 24. Minerals are HS25-27. Manufacturing is from HS39-43, HS50-67 and HS84-89. And primary goods are HS28-38, HS44-49 and HS 68-83.*

Figure 4.16: Firm's survival rate by firm size from 2014-2019



Source*: WITS mirror data, author's calculations.*

Note*: Firm size is defined by the yearly amount of exports in US$. Micro: <100'000; Small: between 100'000 and 1 million; Medium: between 1 million and 1 billion; Large: more than 1 billion.*

4.4. Regional trade integration as a way for diversifying trade

54. This section will explore opportunities for regional and global value chains development. It will look at Togo's trade performance in reginal markets and firms operating regionally or globally. It will also assess Togo's position as a trade hub and the importance of small-scale cross-border trade.

4.4.1. Under-tapped export potential at the regional level

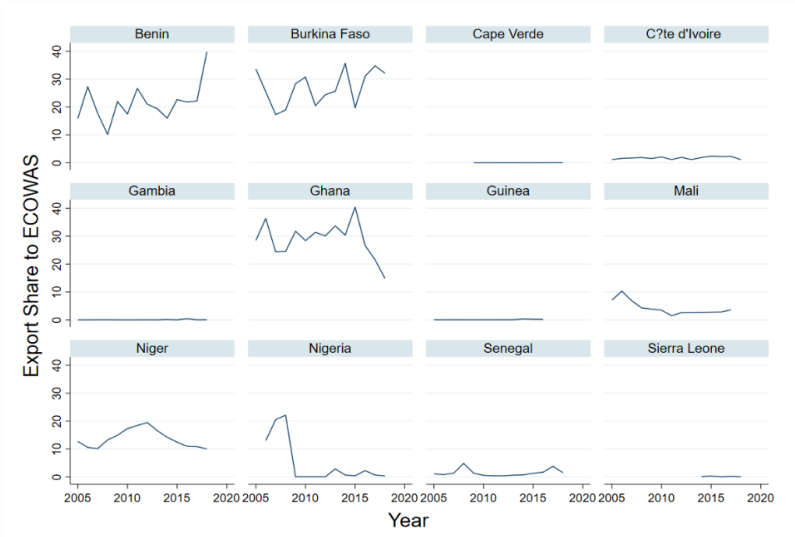
55. African countries have identified regional trade integration as a key driver of economic development. As a result, the African Continental Free Trade Agreement (AfCTA) creating a continental free-trade zone was signed in March 2018 in Kigali, Rwanda. Regional trade integration is

an important building block for the overall economic development of the continent. This includes official trade and small-scale cross border trade. Togo has membership of a number of regional trade agreements. Togo is a member of ECOWAS[183] and WAEMU, two partially overlapping regional agreements that have a Common External Tariff (CET). The country has also deposited its instruments of ratification in March 2018 for the Agreement Establishing the AfCFTA in March 2018, which entered into force on 30 May 2019.[184]

56. For Togo to achieve a higher level of export diversification, regional trade will play a key role. Togo's share of export (excluding petroleum, gold, cotton and some sporadic exports values[185]) to regional countries is 36.4 percent versus 8.7 percent to the EU and 54.9 percent to the rest of the world. Two peaks in exports at the regional level occurred in 2008, with 63 percent of total exports and a value of US$1.1 billion, and in 2013, with 51 percent of total exports and a value of US$544 million. These export spikes were mainly caused by an increase in cement exports to neighbour countries from US$66 million in 2006 to US$257 million in 2013, which did not persist in subsequent years, and fell down to US$126 million in 2018. Finally, regional trade integration is not likely to improve with commodities, but rather with manufactured goods, such as agro-processed products and textiles. These temporary gains in market share are not sustainable in the long run and are likely to be sporadic, so policies to promote regional trade are necessary.

57. Togo's regional trade integration is a great potential for diversification, as well as for more inclusive and resilient trade. The breakdown of exports at the regional level by destination shows that Togo's main exports destinations are with neighboring Benin, Burkina Faso, Ghana, and to a smaller extent to Mali, Niger and Nigeria (figure 4.17). However, the market share of exports to Cape Verde, Côte d'Ivoire, Gambia, Guinea, Senegal and Sierra Leone has been very low. Moreover, the end of the political crisis in Côte d'Ivoire which created resulting diversions for exports to Mali and Niger was over in 2011, making it necessary for Togo to rethink its position as a regional logistics hub and in terms of regional export growth.

Figure 4.17: Togo's Export Share to ECOWAS members from 2005 until 2018

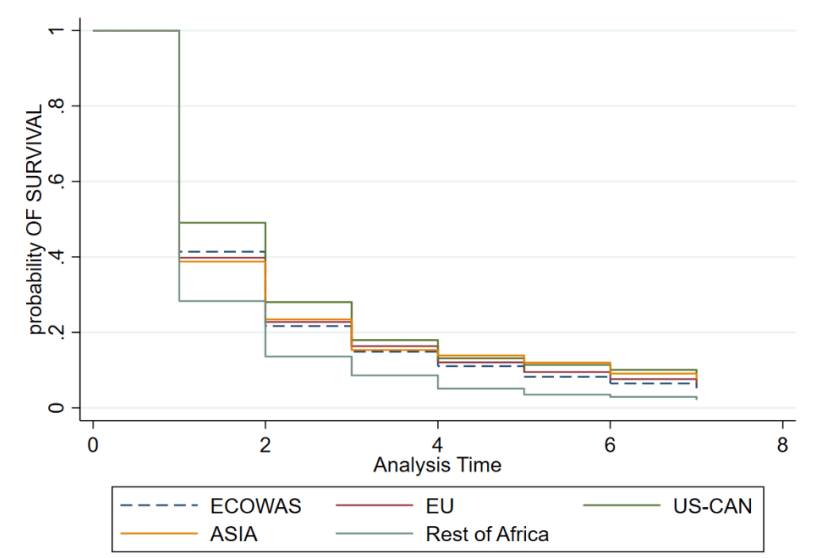


***Source**: WITS mirror data, author's calculations*

58. An important determinant in promoting regional trade integration is survival over years, ECOWAS survival rate is much higher when cotton, gold and petroleum are disregarded. In the case of Togo, the survival of export relationships tends to last longer in US-Canada markets than in regional markets this is mainly due to the fact that Togo's commodities are exported to global markets. Figure 4.18 shows that survival of export relationships in ECOWAS is relatively low with less than 42 percent of firms surviving after one year and less than 22 percent after two years. The highest survival rate of export relationships is in US-Canada, followed by the ECOWAS, EU, ASIA and the Rest of Africa. However, when cotton, gold and petroleum are disregarded, and when directly reported exports are used, survival in ECOWAS becomes much higher. This is likely due to the fact that ECOWAS members are likely to underreport ECOWAS imports, thus mirrored imports will underestimate the importance of regional trade. Firms that can survive for longer in the export relationship are likely to gain knowledge and market experience at the regional level that could serve as a springboard for them to expand into other international markets.

59. Regional trade might lead to higher survival rates for exporters and allow firms to reach a size at which they can successfully enter new markets. It is more difficult for exporters in developing countries to survive at the global level than at the regional level, mainly because of high trade costs, different regulatory environments, higher product quality standards, and stringent safety requirements. In contrast, regional trade is a good learning ground that can play the role of a springboard for smaller firms to grow and expand their exports and market destinations. Regional trade has several advantages: firms operate in markets where regulations and institutions are similar in nearby countries, market information is accessible, and distances are shorter, resulting in reduced management requirements at the firm level and lower trade costs. This process of learning by exporting at the regional level is a more viable option for smaller firms in view of their financial capabilities, as it allows them to grow under better known market conditions to reach a scale that allows them to absorb the fixed costs of entering other global markets.

Figure 4.18: Survival of export relationships by region 2010-2018



***Source**: WITS mirror data, author's calculations.*

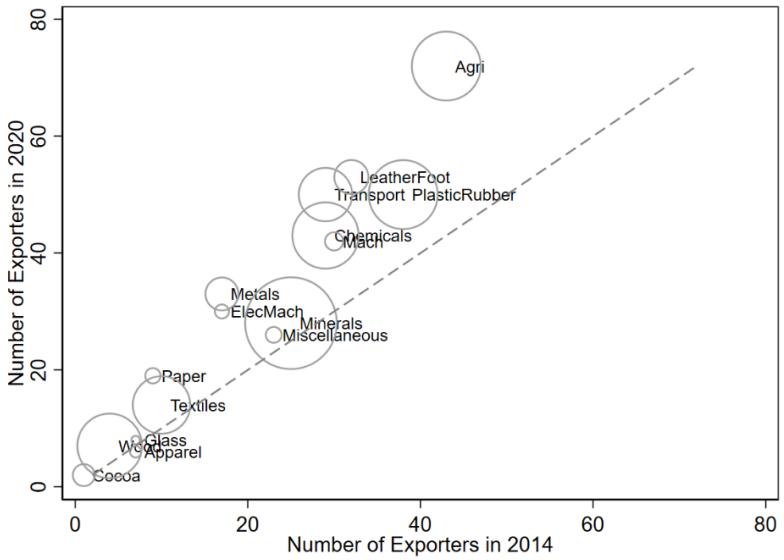
4.4.2. Entering regional and global markets

60. The number of firms exporting to the regional market increased between 2015 and 2020 for most sectors. Figure 4.19 shows that the sector with the highest growth of the number of firms is agriculture, which also has the higher average export value right after plastics and rubber. Most of the prominent sectors, chemicals, minerals, agriculture, and transport showed a positive growth rates of the number of exporters operating in the regional market. This is followed by, leather, plastic and rubbers, machinery and electronics, and metals. The number of firms in the textile and leather industries is relatively small and has actually decreased in recent years.

61. On the other hand, the number of exporters to the EU has declined in recent years, except for the agricultural and minerals sector and, to a lesser extent, the machinery and electronics sector. The other sectors show a relatively low number of firms exporting to the EU market (figure 4.20). Much lower than at the regional level. This shows that more exporters are active in ECOWAS than in the EU.

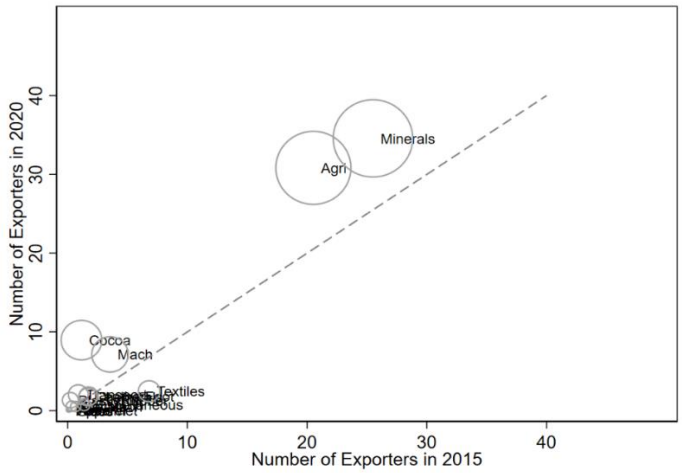
62. Overall, the number of firms entering regional markets is higher than the number of new firms exporting to the EU. Firms operating in regional markets face several challenges (access to finance, logistics and transport bottlenecks, market information and access to human capital) that are likely to limit their ability to improve the quality of their exports, reach new markets and expand their operations. Therefore, the challenges these firms face should be considered when formulating domestic policies so as not to hinder their competitiveness in regional markets and their ability to access international markets. According to the EU Commission's 2019 and 2020 organic import reports, Togo has been the world's largest exporter of organic soybeans to Europe for two consecutive years.

Figure 4.19: Number of Exporter to ECOWAS in 2015 relative to 2020 (bubble average export value in 2020)



***Source**: Customs data from Togolese authorities, author's calculations.*

Figure 4.20: Number of Exporter to the EU in 2015 relative to 2020 (bubble average export value in 2020)



***Source**: Customs data from Togolese authorities, author's calculations.*

4.4.3. Togo's role as a regional hub

63. For landlocked Burkina Faso, Mali, and Niger, regional integration and international connectivity through economic and logistics corridors play an essential role in reducing isolation both within the country and externally. The vitality of their foreign trade depends largely on the optimal functioning of their transport and logistics systems. For their international transport, these countries benefit from the alternatives of multiple transit ports that allow them to take advantage of competition between different access corridors.

64. Transport infrastructure will play a key role in Togo's position as a regional trade hub by connecting people to regional and international markets. In recent years, Togo has benefited from the development of its deep-water port, which serves sea-to-sea transit (transhipment), thanks to recent investments by MSC. However, transit, import and export trade has stagnated since 2011, although it is more lucrative than transhipment. Moreover, road infrastructure is insufficient, limiting market access for marginalised communities, exacerbating their isolation. Facilitated sea-land connectivity will unlock the potential for transit trade and reduce the likelihood of trade route diversion. Demand for transit trade is likely to shift to other regional ports due to lower prices and waiting times, leading to more competition between regional ports. Positioning Togo as a regional hub by leveraging the capacity of its port and linking logistics and transportation bottlenecks within the country through multimodal transportation systems will likely yield benefits.

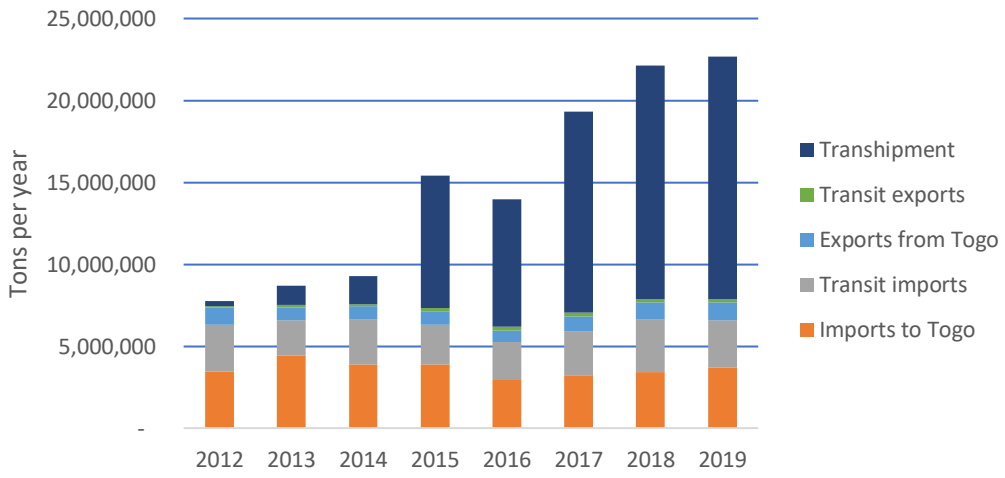
65. The port of Lomé upgraded its position from a secondary port to a regional hub by 2011. Lomé attracted investment in container facilities from the major shipping companies in the wake of the concession wave West Africa in 2011. The port also captured a larger share of hinterland trade due to the diversion of traffic emanating from the political crisis in Côte d'Ivoire until 2011, requiring the country to become more competitive in terms of port logistics and transport to attract more regional transit trade. Finally, Lomé is the only port on the coast West Africa, which today hosts two container terminals (WB, 2019). According to Lloyd's List, a London-based magazine specialising in shipping issues, the Togolese port hub handled 1,725,270 TEUs in 2020, a growth of 15%, and is among the 100 largest container ports.

66. Togo's role as a regional hub is a relatively important source of revenue for the country. Goods imported into Togo fall into three areas: Import, Re-export and Transit trade. The latter two, while difficult to distinguish, have the same implications in terms of tax rates. Imported goods for re-export are not immediately transferred to other countries but must be stored in warehouses near ports. Only when the goods have been purchased by a buyer, will they be exported. Therefore, logistics and transport services are an important part of the income and economic growth for Togo and should be considered in the formulation of national trade policy strategies.

67. Transit trade and re-export also have the potential to create domestic value. For example, Togo has a large market for used cars that are re-exported to the sub-region. Looking at the unit values of these cars, there are profits from this trade. Because the cars are not automatically re-exported, the transaction between the seller in Togo and the buyer leads to profits in this trade. The value-added can reach 40 percent according to the World Bank report (2019).

68. However, the growth in port activity is mainly due to transhipment, while transit and re-export are stagnant. Transhipment accounts for 65 percent in 2019 (Figure 4.21). According to World Bank report (2019), this is the impact of a reorganization of MSC's Asia services, using Lomé as a hub from which all other West Africa trades are served. However, transhipment creates the least value. On the other hand, the more lucrative transit and re-export trade has stagnated since 2011 and even showed a tendency to deteriorate between 2015 and 2017.

Figure 4.21: Traffic structure at the Port of Lomé 2011 to 2019



***Source**: Port Authority of Lomé*

69. The improvement of port activity in transit trade and export must be accompanied by salient trade corridor. The recent developments of the Lomé-Ouagadougou-Niamey (LON) corridor can support the development of the port of Lomé in lucrative trade. Improving connectivity with the hinterland is likely to improve domestic exports and transit trade, which will support the economic development of secondary towns along the corridor.

4.4.4. The role of small scale cross border trade

70. Small scale cross border trade (SSCBT) plays an important role in Togo's regional trade integration, supporting peace and security while reducing poverty. There are two types of SSCBT in Togo. Cross-border trade is also dominated by agricultural and livestock products, making it an essential component of food security in many places. In addition, the SSCBT helps promote peace and security by strengthening solidarity among border communities in fragile and conflict-affected states and enabling vulnerable populations to reconnect. But tensions with neighbors leave small traders limited choices when trading conditions are unsuitable. Finally, by some estimates, SSCBT contributes to the income of 43 percent of the population of sub-Saharan African population (Brenton and Soprano, 2018). Therefore, this trade supports livelihoods and creates jobs for marginalized groups.

71. The first type of SSCBT is along the corridor Lomé-Ouagadougou-Niamey and is of a different nature, than in border cities and villages as traders tend to travel longer distances and to sell a wide variety of goods, and is mainly composed of men. A recent World Bank survey (2020b) showed that the traders surveyed along the corridors belong to a complex network in wide geographical areas. These traders travel long distances, use different modes of transportation, and move a range of different products. They also find that middlemen and transporters play an important role in this complex trading network. These traders also tend to be younger, 60 percent male and 40 female. Therefore, if policy seeks to facilitate trade, it is important to distinguish between SSCBT along borders and SSCB traders who travel to the nearby market to sell mainly food and non-food agricultural goods.

72. The second type of SSCBT in border cities and villages provides jobs for many border dwellers, who are mostly women and the rural poor, but this type of trade remains highly vulnerable to geopolitical tensions and instability as well as shocks such as the COVID-19 pandemic. Small-scale cross border traders face unique constraints at border post due to the nature of their business. Most of the goods are transported by motorcycles, bicycles, pushcarts, and by foot and are not being registered in official trade statistics, thereby underestimating regional trade. Border infrastructure is rarely dedicated to the needs of small-scale traders, with existing structures such as border offices and market stalls often being dilapidated, while lighting, fencing and bathroom facilities might be missing altogether, rendering the environment unsafe.

73. Actual figures for regional trade in ECOWAS underestimate unreported exports and imports by small traders. According to the EFTNE-Togo study (2019), Togo's unreported trade accounts for 52.8 percent of exports, 46.6 percent of imports, and 0.6 percent of transit. Most of the exports are destined for neighbouring countries. The most exported products are food (40.8 percent) and agricultural products (29.5 percent), followed by chemical products (7.2 percent). Textiles account for less than two percent. The main destination countries for these products are Benin and Burkina Faso. However, the export basket for each country varies greatly. In the case of Benin, the export basket consists mainly of agricultural goods, food and chemical products. In the case of Burkina Faso, two-thirds of imports are agricultural products.

74. The main determinant of small trade is the price differential and to a lesser extent seasonality and geographical proximity. Figure 4.22 shows that small trade to Burkina is only due to price and proximity, however, respondents in Ghana and Benin also reported higher demand on the

other side of the border. Disaggregating the data at the regional level in Togo shows that about 20 percent of small traders in the Centrale region mentioned higher demand across the border and a lack of demand in Togo (figure 4.23). These determinants are important for policy makers and should be further developed to better understand constraints for such trade flows and how to facilitate trade flows for small traders.

Figure 4.22: Togo small-scale cross border trade determinants between Togo and border countries in 2019

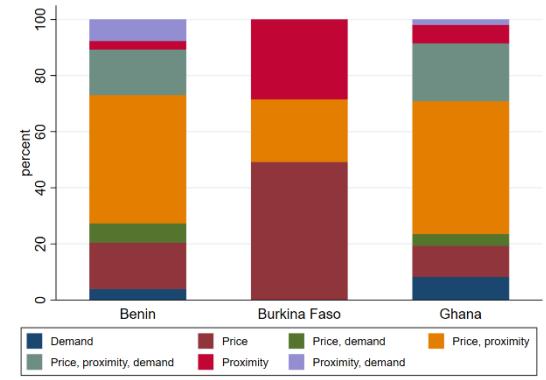
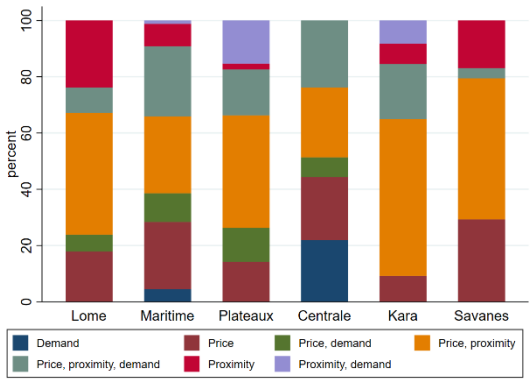


Figure 4.23: Togo small scale cross border trade determinants by region in 2018



***Source**: EFTNE-Togo 2021, Authors computations.*

4.5. Challenges to global and regional trade integration

75. This section addresses the challenges that prevent Togo from improving its participation in GVC and regional trade integration. Several challenges have been identified: tariff policy, trade facilitation, untapped potential from preferential agreements, market access and climate change.

4.5.1. Imports and tariff policy

76. Tariff policy matters for export competitiveness and diversification, as high tariffs on machinery and inputs can hinder downstream exporters that use them. As a member of ECOWAS and WAEMU, two partially overlapping regional agreements that have a common external tariff (CET), Togo does not have full independence to set its own tariff policy or to pursue preferential trade agreements (PTAs) on its own. The CET was adopted by the ECOWAS Heads of State and Governments in October 2013. It comprises five bands (table 4.6). In September 2014, the WAEMU area adopted the ECOWAS CET, instead of its own.[186] When comparing WEAMU and ECOWAS CET, the average rate slightly increased from 12.1 precent to 12.3 percent. Average protection has increased for agricultural products by 0.9 percentage points and also increased for manufacturing products by 0.3 percentage points. The average tariff rate in Togo is 15.8 percent for agricultural products and 11.5 percent for non-agricultural products. However, other high-growth developing countries such as Vietnam have 17.2 percent for agricultural products and 8.4 percent for non-agricultural products. Another example is Indonesia with 8.7 percent for agricultural products and 8.0 percent for non-agricultural products.

77. Extensive international evidence suggests that the use of imported inputs in production is associated with productivity gains, increased diversification, and competitiveness. Access to a wide variety of imported inputs relaxes technological constraints that firms face, as they can choose the input that best matches their production process from a larger pool, and which typically embeds

higher technological contents than domestically produced versions. This becomes all the more important to better shape the future as the private sector plays an essential role in innovation, production and manufacturing to achieve a green and resilient recovery.

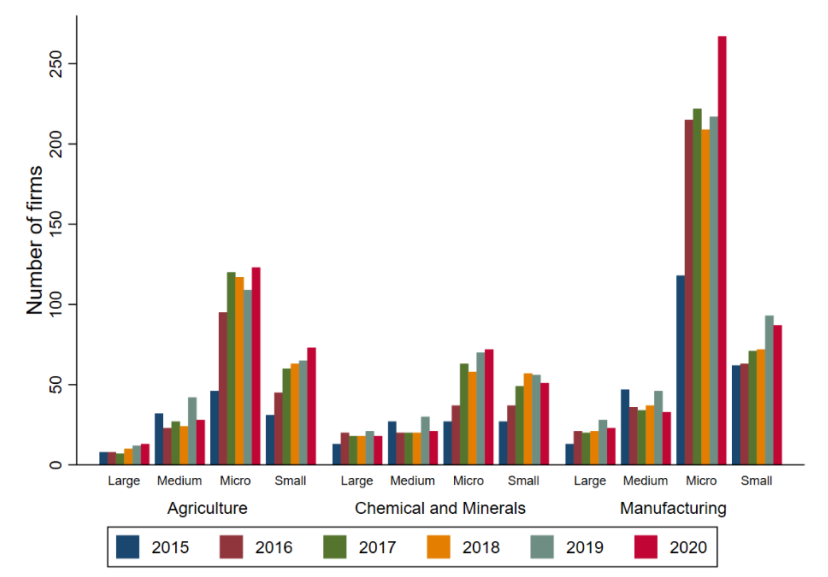
78. While most of the firms exporting do also import goods, tariff policy can hamper their competitiveness and growth prospects by depleting their financial capacity, particularly so for micro and small firms. As mentioned above, about 25 percent of total firms that trade globally do not only export goods but also import goods. In addition, figure 4.24 show that the majority of firms operating a business in the trade sector tend to be in general small and micro firms. Most of the firms are in the manufacturing and agricultural sector, and most of them are micro and small firms. The number of large exporters is relatively stable over time, however the trends for micro firms fluctuate to a certain degree each year. Similarly, for firms in the agriculture sector which are likely lack the necessary financial capacity to acquire new technologies to improve their productions processes.

Table 4.6: Togo's tariffs follow the ECOWAS common external tariff

		ECOWAS	
Type of goods	**Duty rate**	**TL**	**% Total TL**
Basic social goods	0%	85	1.4%
Basic raw materials and capital goods	5%	2,146	36.4%
Inputs and semi-finished goods	10%	1,373	23.3%
Finished goods	20%	2,165	36.8%
Specific goods for economic development	35%	120	2.0%
		5,889	100%

***Source**: WTO Policy Review 2017 and Tariff Analysis Online facility provided by WTO (database), authors' calculations. Note: tariff lines (TL): A product as defined in lists of tariff rates.*

Figure 4.24: Number of exporting firms by sector and by size from 2015-2020



***Source**: Customs data, author's calculations.*

4.5.2. Trade facilitation

79. Togo became a member of the WTO Trade Facilitation Agreement (TFA) in 2015. The global framework for trade facilitation is provided by the WTO's TFA. Each article of the TFA offers potential solutions to the problems faced by trade actors in the international movement of goods. The TFA contains approximately 36 technical measures intended to simplify and streamline border procedures, increase transparency of trade requirements, and improve coordination among the national and regional border agencies. While some reforms have already taken place in Togo, export diversification is only likely to happen if the country put considerable efforts to pursue its trade facilitation reform agenda.

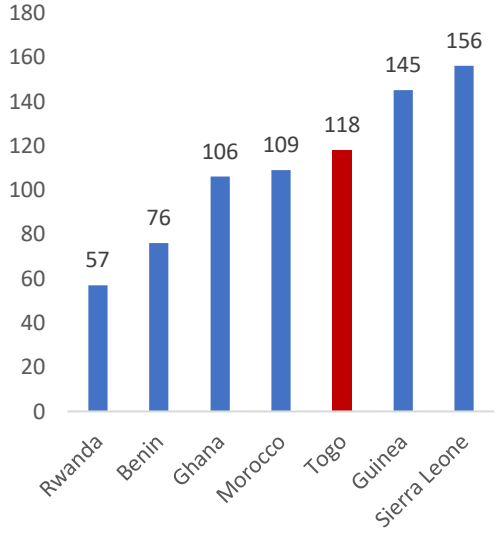
80. For most exporters, lengthy and costly border procedures reduce incentives to export and hinder their competitiveness by limiting their financial ability to invest. The biggest obstacle for exporters is third-party clearance and inspection procedures and document compliance at borders when importing goods. As mentioned earlier, many firms that export products also need to import goods, either because they participate into GVC or because they need the inputs for their production processes and the development of their technological and digital acquisition.

81. Togo's weak performance in logistics and border management prevents it from becoming a major regional logistics hub and benefiting from more lucrative trade. Togo ranks relatively low in export logistics, confirming the need for further investment in its logistics and services backbone. Togo's overall ranking on the World Bank's Logistics Performance Indicator[187] (LPI) was 118th out of 160 economies in 2018, below all comparator countries except Guinea and Sierra Leone (figure 4.25). A modest improvement in border management, logistics capabilities, or trade infrastructure could help Togo improve its connectivity with regional and international markets. Figure 4.26 shows that Togo underperforms in terms of infrastructure and logistics quality and competence. Togo has the potential to become a regional logistics hub, but fierce competition is emerging from neighbouring countries, forcing Togo to differentiate itself and build on its comparative advantages.

82. Togo has made efforts at facilitating cross-border trade, notably those relating to costs and time required to process imports. In particular, the cost and time required for importation and document compliance remains high and, in some cases, even higher than the SSA. For example, border compliance for imports costs over US$252. This is higher than Morocco, Rwanda, and Guinea. On the other hand, the cost and time of border compliance and document challenges for exports are lower than the average of SSA countries. Exports take 3.25 days and imports take 14.5 days overall (Table 4.7). In terms of documentary compliance, costs to export (US$25) are lower than costs to import (US$252) while procedures for both last about 3.5 days.

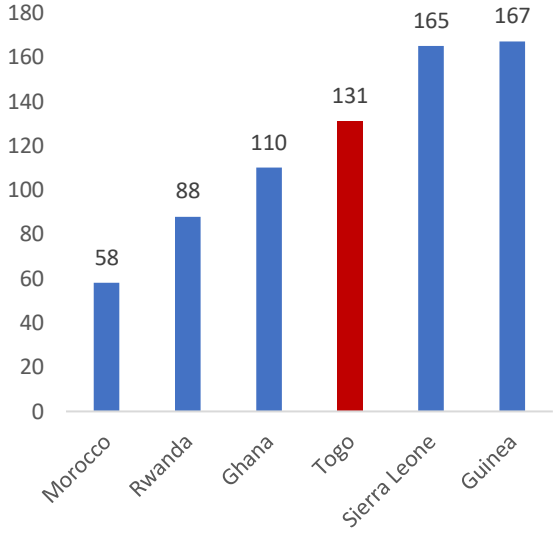
83. Overall, unofficial taxes and bribes are a major problem for export diversification and reduce the ability of firms to improve their competitiveness, especially for small traders at the regional level. Regional trade integration is also hampered by weak customs and border procedures. This is also an obstacle for small traders who often tend to trade across nearby borders in neighboring countries or through corridors, thus traveling long distances. Infrastructure and border crossings play an important role. Trade policy should address these problems

Figure 4.25: Logistics Performance Index ranking for Togo and peers (2018)



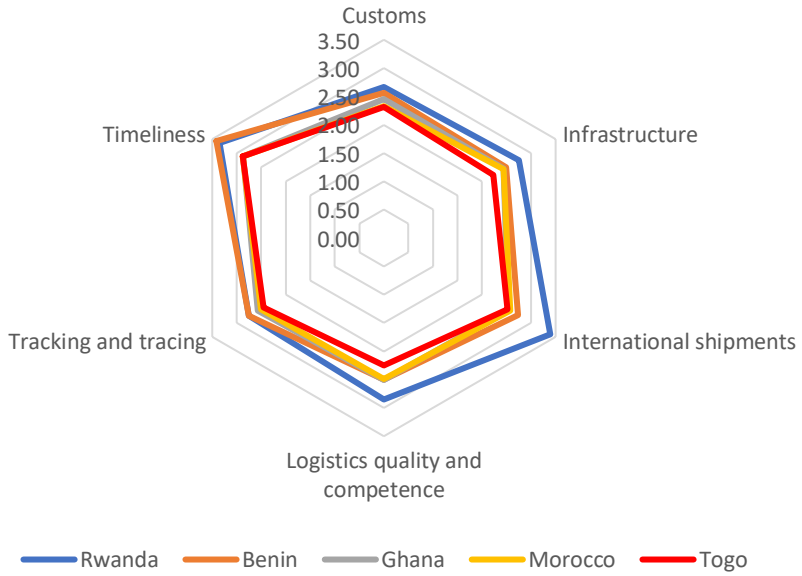
***Source**: LPI, 2018. World Development Indicators, authors' calculations.*

Figure 4.26: Trading Across Border Indicator for Togo and peers (2020)



***Source**: Doing Business Indicator, 2020. World Development Indicators, authors' calculations.*

Figure 4.27: Logistics Performance Index scores by component (2018)



***Source**: LPI, 2018. World Development Indicators, authors' calculations.*

Table 4.7: Trading Across Border Togo and peers 2020

Location	Benin	Ghana	Guinea	Morocco	Rwanda	Sierra Leone	Togo
Trading across Borders rank	110	158	167	58	88	165	131
Time to export: Border compliance (hours)	78	108	72	6	83	55	67
Cost to export: Border compliance (USD)	354	490	778	156	183	552	163
Time to export: Documentary compliance (hours)	48	89	139	26	30	72	11
Cost to export: Documentary compliance (USD)	80	155	128	67	110	227	25
Time to import: Border compliance (hours)	82	80	79	57	74	120	168
Cost to import: Border compliance (USD)	599	553	809	228	282	821	612
Time to import: Documentary compliance (hours)	59	36	156	26	48	82	180
Cost to import: Documentary compliance (USD)	110	474	180	116	121	387	252

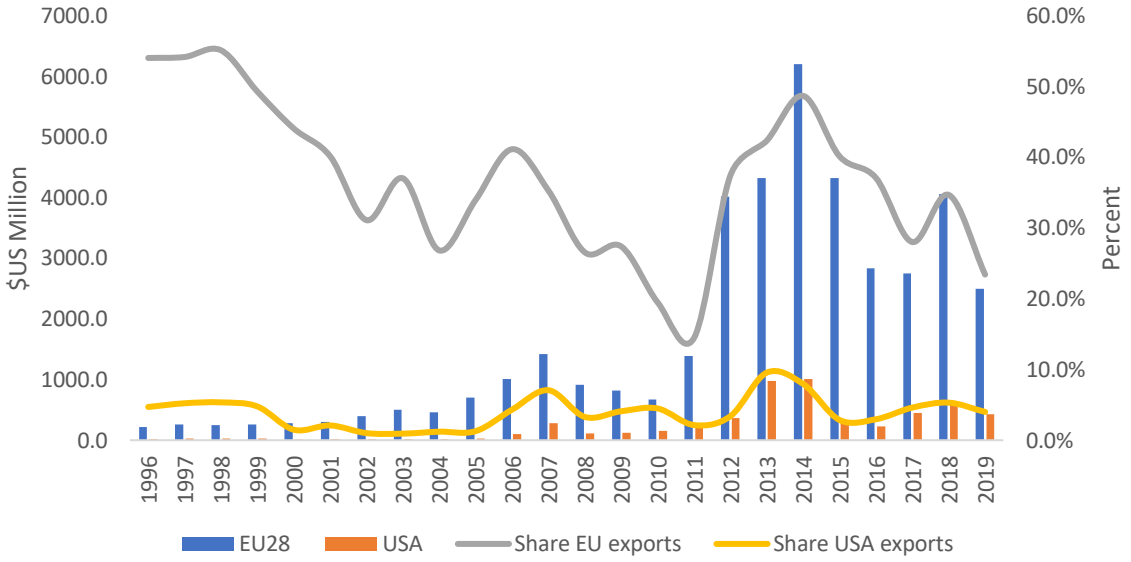
***Source**: DBI, 2020. World Development Indicators, authors' calculations*

4.5.3. The underutilization of Foreign Trade Preferences with United States and EU

84. Despite benefitting from an interim Economic Partnerships Agreement with the EU and from an agreement with the U.S. under the African Growth and Opportunity Act (AGOA), Togo's goods exports to these markets have not grown more than those to the rest of the world. Although benefitting from tariff preferences under AGOA and EPA, Togo has not taken significant advantage of them to increase and diversify its exports to the United States.[188] Figure 4.28 shows that shortly after Togo's admission to AGOA, there was no growth in exports to the United States, which are mainly composed of minerals and remain low in values. For the EU, there were one waves of export growth in the period after the global financial crisis, coinciding with the rise in oil exports and world oil prices. Nevertheless, it should be noted that exports to the EU grew faster than exports to the United States. In any case, Togo could improve its performance in exports other than re-exports of petroleum products. Organic Soya is a product for which Togo has a clear comparative advantage and is today one of Togo's most dynamic export crops. Togo is the first African country to export organic soy to the European Union. This example should be followed in other sectors.

85. However, preferential market access is not sufficient to increase exports without favorable domestic conditions. According to Fernandes et al. (2019), preferential access was not sufficient in itself, but needed to be complemented by specific domestic reforms: Tariff liberalization, reduced regulatory burden and improved connectivity among others. Therefore, if domestic policy environment is weak, preferential margins will not be exploited at their full potential.

Figure 4.28: Togo's export performance to the United States and the EU from 1996 until 2019



***Source**: WITS mirror data, author's calculations.*

4.5.4. Market access

86. Market information on supply and demand is crucial to address the real needs of Togolese traders. Currently, Togo lacks a functioning information system that provides market and price information on domestic exporters and importers. In addition, Togo does not have an export promoting agency lacks capacity to assist domestic firms in accessing new markets, understanding product standards and preferential market access, and providing regional trade agreements. However, some examples of information systems that work include TRADENET, a regional internet platform (which connects buyers and sellers of agricultural products in real time), or cross-sectoral systems such as the coffee and cocoa information system managed by the Coffee-Cocoa Sector Coordination Committee (CCFCC), which provides producers with target prices based on international prices to facilitate local negotiations.

4.5.5. Climate change

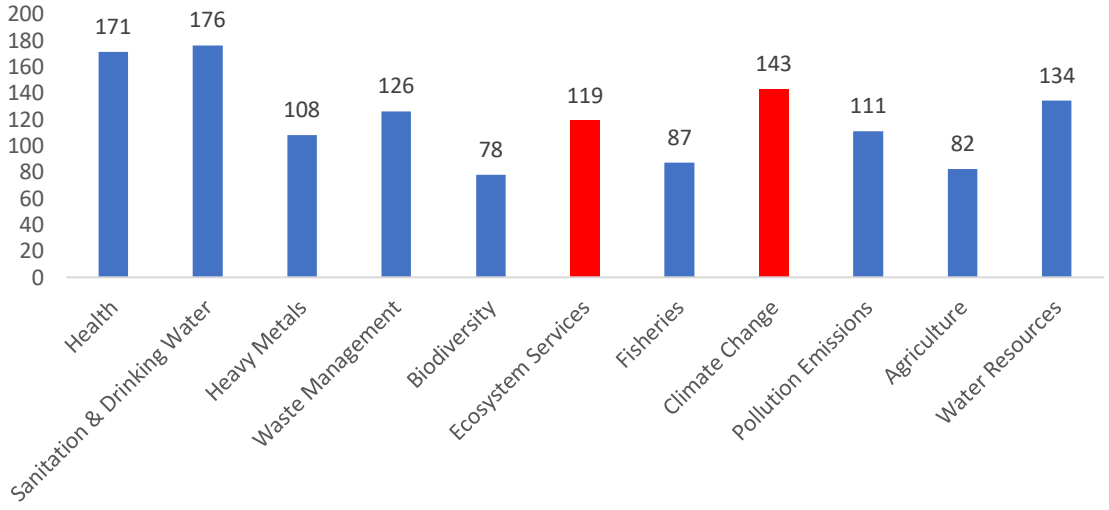
87. Agriculture is Togo's main source of growth, yet it is vulnerable to external shocks and climate change. Togo has a revealed comparative advantage in agriculture, but climate change and land degradation limit Togo's ability to develop the full potential of the sector. Climate change has begun to negatively affect agriculture and increase the risk of flooding. Although Togo spans six different regions, the country's climate is very diverse, varying from tropical to savannah. Developing a green agriculture sector can improve food security and export growth by expanding market access and creating appropriate compensatory land. In addition, value-added services such as packaging or labelling should be environmentally friendly.

88. Climate change increases the vulnerability of populations to weather-related risks and reinforces the need for more resilient and environmentally friendly agriculture. Poor people are also vulnerable to local environmental degradation, which affects their access to fertile soils, water, clean air, and fisheries. In addition, many small-scale traders located in secondary towns or rural areas

near the border are highly dependent on agricultural exports. Togo ranked 159th out of 180 countries in terms of environmental performance, according to the 2020 Environmental Performance Index, with an overall score of 29.5 out of 100. The score dropped on climate change and ecosystem services, two indicators where Togo also ranks below the regional average (figure 4.29). However, as part of the implementation of the roadmap, it is envisaged that one billion plants will be planted by 2030 to achieve 25% tree cover.

89. Low environmental performance also hinders access to new markets and Togo's overall economic diversification, and in particular reduce opportunities that lie in the agricultural sector. For example, Togolese producers are likely to miss opportunities for exports to the EU as the new Green Deal and the farm-to-fork strategy introduce stricter product standards that require climate-friendly production processes and product traceability. Digital traceability will become more and more important in a near future as consumers preferences are shifting towards more sustainable consumption. Trade policy is therefore crucial to transform Togo's environmental performance towards a more resilient and green recovery.

Figure 4.29: Environmental performance index, 2020



***Source**: EPI Yale, author' calculations.*

Conclusion and policy options

90. Economic diversification is a key challenge for low-income countries like Togo and requires a complex set of domestic policies. Togo's exports are driven by cash crops and other commodities, cement and phosphate. As a result, it is difficult to achieve trade growth that leads to poverty reduction because the industrial and private base is narrow, making the economy vulnerable to commodity price fluctuations. While Togo is relatively well diversified in terms of products, most of its exported products are in the form of unprocessed primary commodities. The focus is on specific commodities for specific markets, such as phosphate exports to India, cement to the region, cashew nuts to India and Vietnam, etc. Export diversification will require a transition from traditional trade to GVC trade which creates a more inclusive and trade-driven poverty-reducing growth, sustainable jobs and higher incomes. The move to GVC trade is likely to be facilitated through regional trade integration

which can serve as a springboard for more sophisticated trade flows at the global level. Nevertheless, public investment and policy reforms are difficult to design and implement in such a context as the government's focus is on improving export growth of its primary commodities, which are very much linked to the political economy. Therefore, government attention to other sectors is reduced and could lead to distortionary policies that limit the ability of firms to grow, survive, and move to more complex exports for regional or global markets. The government should therefore do the necessary to establish a strong incentives framework that supports its economic diversification strategy.

91. Policies that enhance economic diversification should be based on a strong incentives framework. First-order policies should set the right framework that will support the trade diversification agenda. If the right framework is not in place, specific policies are unlikely to have the expected effect and could even be detrimental. This chapiter focuses on trade policy and investments that reduce trade costs. But the economic diversification agenda requires a multifaced approach that involves a diverse set of transversal reforms that include business regulations, institutional capacity, governance, investment policy and competition policy. Specific policy recommendations aim at improving regional trade integration and global trade, not only for firms but also for small traders. They are likely to increase exporters' competitiveness at the regional level and their capacity to integrate regional and global value chains, but also to reduce the burden on small-scale cross-border subsistence trade by differentiating it with large scale illicit trade.

Area 1: A strong incentives framework to support the export diversification strategy

Area 1.1: Streamline non-tariff measures as part of the export diversification strategy

92. Assess the need to streamline customs procedures and document compliance in line with the WTO TFA through consultations with the private sector and monitoring and evaluation mechanisms. Allowing firms to grow would likely make them more competitive and eventually improve market diversification and product sophistication. Activities to facilitate trade should include:

(i) Ensure enforcement of the WTO Trade Facilitation Agreement, in particular by strengthening the role of the National Trade Facilitation Committee with a dedicated budget line in the Ministry of Trade, Industry and Domestic Consumption , in order to improve the independence and sustainability of their activities, as they are currently dependent on donor support, and by developing an operational Single Window System.

(ii) Overtime, fees and charges should be reconsidered and reduced to a minimum to avoid any undesirable effects that reduce exporters' productivity and competitiveness.

(iii) A private sector and civil society review process should be established to better understand the needs of small and micro enterprises, which seem to account for the bulk of trade activity. Greater dialog with the private sector will enable policy makers to better understand bottlenecks.

(iv) New studies should be commissioned regularly, and a monitoring and evaluation mechanism should be established under the responsibility of the Ministry of Economy and Finance and in collaboration with other relevant ministries.

Area 1.2: Establish Togo's position at the regional level to support tariff reduction and access to environmental goods and services that are in line with its domestic diversification strategy and sustainable value chains

93. Togo's position at the ECOWAS should be clearly defined and in line with the country's trade diversification agenda and sustainable value chains. Key elements that can support and inform policy makers will require improvements in the following areas:

(i) Analytical support and data are key elements to inform policy makers and establish a solid position within ECOWAS in line with its domestic trade and competitiveness agenda.

(ii) Facilitate the access to environmental goods and services through imports will be essential for Togo to participate in and develop sustainable value chains. A bias toward greener goods is likely to pay off and will need to be negotiated at the ECOWAS level.

Area 1.3: Reduce barriers to trade for small scale cross border traders to promote regional integration and enhance stability and improving monitoring of such trade

94. Ensuring that small-scale cross border traders are reached by intervention aiming at facilitating trade and improving export growth. Government interventions and strategies should reflect the realities of small-scale cross border traders. At present there are two types of small traders in Togo: those who travel long distances along economic corridors (e.g. LON) and export various goods that are not necessarily agricultural products, which is done mainly by men. B However, there are also small-scale traders who trade across borders in remote, poor regions, with a heavy involvement of women and the gender-specific constraints they typically face. Specific governments actions could be:

(i) recognize the importance of small-scale trade both to the overall trade of the country and to the communities who undertake it and work to ensure that the rules and regulations governing trade are clear, transparent, and widely available at the border.

(ii) Create dedicated lanes for small-scale cross border traders with minimal or simplified documentary compliance, while enhancing the risk management capacity of customs officers. Facilitating border crossings should be accompanied by a change in border management strategy that focuses more on identifying valuable illicit trade.

(iii) recognize the important role of women in cross-border trade, target the removal of gender-related constraints, and tackle the particular challenges women face in participating in trade and growing their business.

95. Improve statistics and data collection for registered and small-scale cross border trade. Data is needed to inform policy makers on necessary policy reforms that are more inclusive and resilient for economic recovery. This would require the government to undertake the following steps:

(i) Include small-scale cross-border trade into national trade strategy and statistics. SSCBT statistics should be collected monthly across all borders. More detailed data will provide critical information for policy makers to create new frameworks that facilitate this type of small-scale and legal trade, especially in the ECOWAS and WAEMU region where trade is duty free.

Area 2: Investments and policy reforms that reduce trade costs

Area 2.1: Adapt regulations that support greater competition in the logistics sector and simplify requirements for industry access

96. Review and improve logistics sector will reduce trade costs and support more diversification through enhanced connectivity for domestic firms. Regulations that support greater competition in the logistics sector and simplification of the requirements to meet legitimate policy objectives can reduce the cost of trade logistics, raise quality and variety and so support a more diverse production and export base.

Area 2.2: Establish an operational and fully independent Export and Investment Promotion Agency

97. An established export and investment promotion agency should have clearly defined functions and offer a wide range of services to the private sector. For an economy to diversify into global markets, it is crucial for its domestic firms to be able to connect with international markets. Governments can facilitate this by helping domestic firms understand foreign markets. This type of support to domestic firms falls under the responsibility of the export promotion agency, whose mission is to prepare domestic firms for exporting to international markets and align its investment strategy to attracts more FDI and improve the country's participation in GVCs. Currently, Togo does not have a fully establish and operational export and investment promotion agency. Best global practices for export promotion agencies are to be technical and specialized executing entities, with considerable autonomy and budgetary independence from lead ministries.

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APPENDICES

Appendix 3: Urban Chapter

3.1: City-level statistics and Data sources

Indicator	Year	Source	Grand Lomé	Tsévié	Kpalimé	Atakpamé	Sokodé	Kara	Dapaong
DEMOGRAPHICS									
Population (1981)	1981	Census 1981	390,000	20,480	28,262	24,139	45,660	28,902	16,939
Population (2010)	2010	RGPH IV (2010)	1,590,662	55,755	77,548	69,617	99,031	95,858	57,813
Population (2020)	2020	INSEED projections	2,173,800	56,200	89,700	81,100	109,200	115,400	69,900
Population growth, % per annum (2010)	2010	RGPH IV (2010)	3.80%	0.20%	1.72%	1.54%	1.38%	1.89%	1.81%
% Working age	2010	RGPH IV (2010)	62.5%	58.0%	58.7%	58.4%	56.5%	62.5%	58.3%
% Working age under 35	2010	RGPH IV (2010)	68.4%	65.6%	66.4%	68.7%	66.1%	71.8%	70.9%
% living with extended family	2010	RGPH IV (2010)	60.9%	64.1%	62.0%	68.8%	50.1%	65.9%	62.8%
Average no. people per bedroom	2010	RGPH IV (2010)	2.79	2.67	2.27	2.61	2.08	2.12	2.19
% finished secondary education	2010	RGPH IV (2010)	15.7%	8.6%	8.4%	8.1%	8.8%	22.7%	8.5%
% finished primary education	2010	RGPH IV (2010)	69.2%	65.6%	69.5%	68.2%	60.5%	78.2%	63.9%
% migrants from another prefecture in the same region	2010	RGPH IV (2010)	30.6%	17.1%	19.4%	17.5%	19.0%	30.9%	18.1%
% migrants from another region in Togo	2010	RGPH IV (2010)	2.9%	9.1%	17.8%	18.1%	5.3%	10.9%	10.3%
% migrants from abroad	2010	RGPH IV (2010)	6.0%	6.1%	7.3%	3.7%	4.4%	3.4%	6.5%
Net migration	2010	RGPH IV (2010)	9,191	- 1,784	- 536	- 419	- 678	- 239	- 219
ECONOMY & WEALTH									
Indicator	**Year**	**Source**	**Grand Lomé**	**Tsévié**	**Kpalimé**	**Atakpamé**	**Sokodé**	**Kara**	**Dapaong**
% employed	2010	RGPH IV (2010)	61.9%	60.8%	58.0%	59.2%	46.9%	49.1%	57.8%
% unemployed	2010	RGPH IV (2010)	9.6%	8.3%	8.7%	8.6%	9.8%	8.0%	6.8%

Indicator	Year	Source	Grand Lomé	Tsévié	Kpalimé	Atakpamé	Sokodé	Kara	Dapaong
% workforce employed in agriculture in prefecture	2010	RGPH IV (2010)	NA	48.0%	27.4%	48.5%	24.4%	24.3%	60.4%
% workforce employed in agriculture in region	2010	RGPH IV (2010)	27.9%	27.9%	59.1%	59.1%	46.4%	52.0%	69.7%
% workforce employed in tradable goods sector*	2010	RGPH IV (2010)	18.4%	20.6%	21.4%	21.3%	17.5%	20.7%	20.8%
% workforce employed in tradable services sector*	2010	RGPH IV (2010)	1.0%	1.1%	0.8%	0.9%	0.6%	1.1%	1.0%
Agricultural productivity (CFA/worker) †	2012	Agricultural census 2012	NA	1,407,565	340,084	1,177,907	2,067,615	2,494,163	676,915
% manufacturing employment that is agricultural	2010	RGPH IV (2010)	7.7%	11.8%	6.6%	11.7%	5.5%	6.2%	14.1%
% retail/wholesale employment that is agricultural	2010	RGPH IV (2010)	1.1%	0.7%	1.4%	0.9%	5.5%	1.9%	2.8%
Spatial price deflator §	2018	EHCVM 2018	1.28	1.01	1.02	1.02	0.99	0.99	0.95
% firms in the formal sector	2018	RGE-2018 Ψ	14.7%	3.5%	3.9%	3.2%	3.5%	5.9%	3.8%
% firms in the formal sector	2018	RGE-2018 Ψ	89.0%	89.9%	91.7%	90.4%	88.0%	88.5%	92.9%
% of all firms that are in the manufacturing sector	2018	RGE-2018 Ψ	18.8%	25.0%	23.3%	34.5%	24.6%	23.0%	24.3%
% firms that are exporters	2018	RGE-2018 Ψ	4.6%	1.0%	0.8%	3.1%	2.3%	8.0%	1.7%
% firms reporting access to skilled workers as key challenge	2018	RGE-2018 Ψ	2.5%	2.0%	1.2%	3.1%	1.3%	3.4%	1.7%
% home roof made from tile/reinforced concrete	2010	RGPH IV (2010)	36.2%	10.4%	4.6%	4.3%	5.0%	13.1%	4.1%
% with refrigerator	2010	RGPH IV (2010)	19.4%	9.8%	10.7%	8.2%	10.4%	9.8%	12.2%
% has internet access	2018	EHCVM 2018	33.7%	NA	NA	NA	NA	NA	NA
% has bank account	2018	EHCVM 2018	30.3%	NA	NA	NA	NA	NA	NA
Per capita annual household consumption - nominal CFA	2018	EHCVM 2018	730,758	NA	NA	NA	NA	NA	NA
Per capita annual household consumption - real CFA	2018	EHCVM 2018	568,857	NA	NA	NA	NA	NA	NA
Average annual wage - nominal CFA	2018	EHCVM 2018	1,035,229	NA	NA	NA	NA	NA	NA
Average annual wage - real CFA	2018	EHCVM 2018	819,749	NA	NA	NA	NA	NA	NA

Indicator	Year	Source	Grand Lomé	Tsévié	Kpalimé	Atakpamé	Sokodé	Kara	Dapaong
INFRASTRUCTURE & URBAN FORM									
Indicator	**Year**	**Source**	**Grand Lomé**	**Tsévié**	**Kpalimé**	**Atakpamé**	**Sokodé**	**Kara**	**Dapaong**
% access to electricity	2010	RGPH IV (2010)	76.9%	60.2%	69.5%	77.5%	82.8%	71.9%	58.0%
% firms reporting access to electricity as key challenge	2018	RGE-2018 Ψ	15.5%	29.2%	20.7%	29.3%	6.6%	14.6%	22.8%
% piped water (inside or outside household)	2010	RGPH IV (2010)	49.8%	95.9%	62.8%	44.3%	48.7%	71.8%	59.2%
% functioning sewage system, dry well or cesspool	2010	RGPH IV (2010)	16.4%	3.0%	4.7%	2.4%	4.2%	3.9%	5.0%
% firms reporting access to transport infrastructure as key challenge	2018	RGE-2018 Ψ	8.8%	18.2%	9.8%	14.0%	1.9%	4.7%	4.5%
% firms reporting access to public markets as key challenge	2018	RGE-2018 Ψ	5.3%	7.8%	3.5%	7.0%	2.9%	7.4%	9.8%
Area of city (km²)	2021	PDC reports	346	25	35	88	87	47	55
Travel time to Lomé (by car)	2021	Google Maps	NA	0h59min	2h22min	2h49min	5h14min	6h32min	10h1min
Travel time to closest international market μ (by car)	2021	Google Maps	2h26min	2h4min	1h12min	2h3min	2h42min	1h16min	4h30min

** The OECD Regional Outlook 2016 defines tradable sectors as agriculture, industry, information and communication services, financial and insurance activities, and other services. We follow this definition except for "other services", which in the RGPH IV classification seem to largely cover personal, non-tradable services.*

† Value corresponds to wider department that city is found in.

§ Higher value denotes greater living costs.

Ψ For all cities but Grand Lomé, statistics shown corresponds to prefecture that city is found in, rather than the city, due to inability of specifying urban areas within RGE-2018 Census

μ Defined as international city of over 150,000 inhabitants.

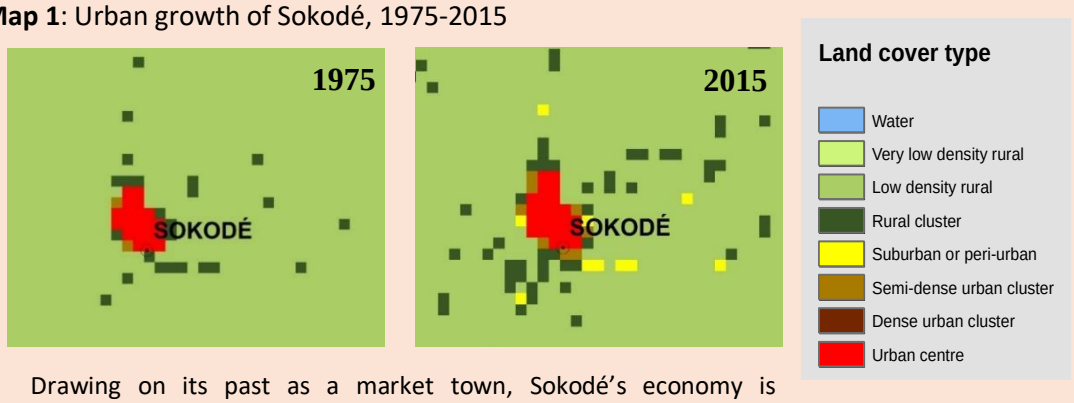
Note: The RGPH IV does not provide city-level geographic identifiers, but rather the region and prefecture of each observation. To obtain city-level estimates, we use the prefecture identifier to filter for the prefecture that each city is in, and within this keep just observations labelled as "urban" (variable urban in 2010 Census). The population figures generated using this approach are roughly in line with the city populations published elsewhere in the 2010 Census, suggesting that we are in fact picking up the observations pertaining to the cities in this way.

3.2: Full secondary city profiles

SOKODÉ: A STRATEGICALLY LOCATED HUB FOR COMMERCE AND TRADE

- Sokodé is the capital of Togo's Centrale region, and is located at the meeting point of historical North-South and East-West trade routes (roughly 350 km north of Lomé).
- Despite being Togo's second city as of the 2010 Census, Sokodé's has grown slower than other cities and recently ceded this spot to the neighboring city of Kara.
- As shown in Map 1 below, the urban extent of Sokodé has not grown as dramatically as other of Togo's cities in the 40 years from 1975 to 2015.

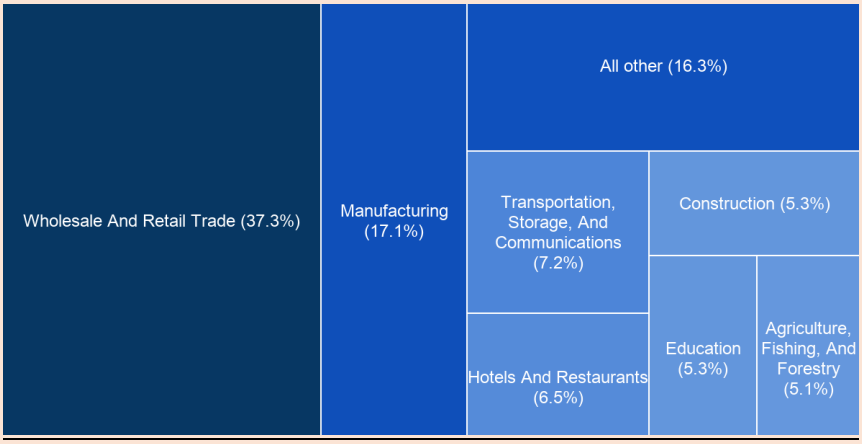
Map 1: Urban growth of Sokodé, 1975-2015



Source: Global Human Settlement Layer, EU Commission

- Drawing on its past as a market town, Sokodé's economy is dominated by the wholesale and retail sector (which employed 37% of the workforce in 2010), in particular the redistribution of imported goods.
- The lack of job market opportunities outside of the commercial sector (the industrial sector virtually non-existent[1]) are a key challenge for Sokodé's economic development.
- In the 2018 Firm Census, firms based in Sokodé were the least likely of the major cities to report access to transport infrastructure or public markets as a key constraint.
- That said, transport infrastructure at the city-level is poor, as evidenced by badly organized taxi-moto service plus the increasing proliferation of "Pirate" rail stops[2].

FIGURE 1: Distribution of employment by sector in Sokodé, 2010



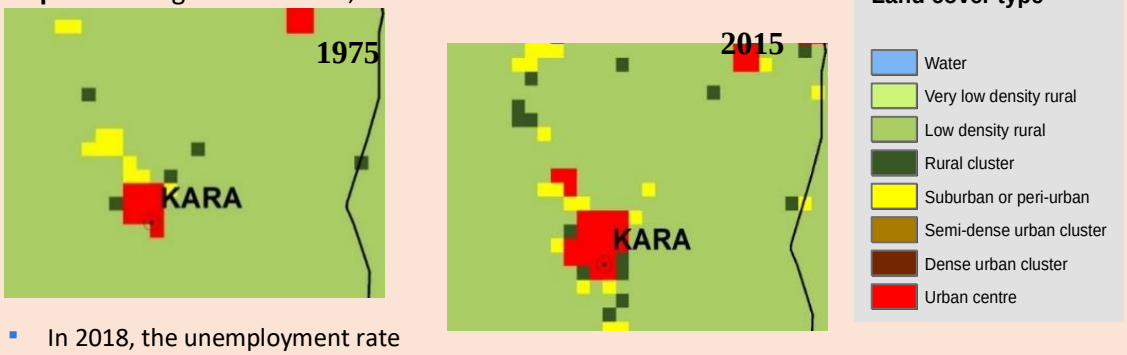
***Source**: RGPH IV (2010).*

[1] Source: Plan de Développement Communale de Sokodé 2019-2023 (2018), p.84.
[2] Source: Plan de Développement Communale de Sokodé 2019-2023 (2018), p.31.

KARA: A FAST-GROWING CITY AND ASPIRING AGRO-HUB

- Kara is the capital of its eponymous northern region and, like Sokodé, is strategically situated along both the Lomé-Ouagadougou and Benin-Togo-Ghana trade axes.
- Between 1970 and 1981, the population grew by an average of 8.1 percent annually[3], faster than in any of Togo's other secondary cities.
- 60 percent and 15 percent of adults in 2010 had completed primary and secondary education (respectively) in Kara, higher than any other city including Grand Lomé.

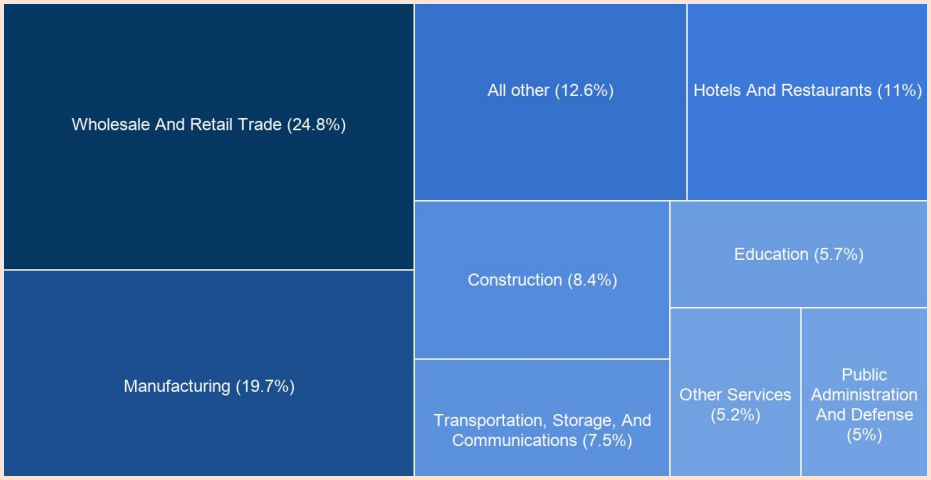
Map 2: Urban growth of Kara, 1975-2015



Source: Global Human Settlement Layer, EU Commission

- In 2018, the unemployment rate in Kara was 8 percent, while about a quarter of the city population was under-employed[4].
- The city is characterized by the high levels of agricultural productivity of its surroundings[5], and is in fact the pilot site for the government's first agro-pole[6].
- Over 8 percent of firms in Kara already export their goods abroad – the highest by far of any city in Togo.
- Urban transport infrastructure in Kara is lacking; there were 28km of paved roads in 2018, but many are in poor condition and often unusable during the rainy season.

FIGURE 2: Distribution of employment by sector in Kara, 2010



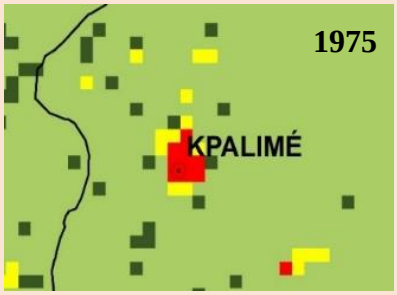
***Source**: RGPH IV (2010).*

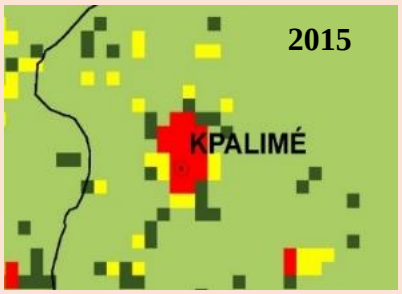
[3] Source: Plan de Développement Communal de Kara 2019-2023 (2018).
[4] Source: Plan de Développement Communal de Kara 2019-2023, p. 120.
[5] Source: Fourth General Agricultural Census (2012). *Ministère de l'Agriculture, de l'Elevage et de la Pêche (MAEP)*
[6] Source: https://www.fdiintelligence.com/article/77293

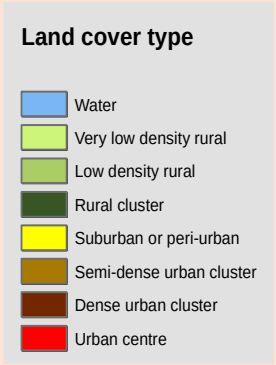
KPALIMÉ: WELL-CONNECTED BORDER CITY IN TOGO'S COFFEE TRIANGLE

- Kpalimé, located in the south-west border with Ghana, is the capital of the Kloto prefecture and largest city in the wider Plateaux region.
- The Germans connected the city to Lomé by rail in 1907, and introduced key crops like coffee which continue to be grown today.
- The city's population density has grown by about 50 inhabitants per square kilometer in the past 10 years – among the higher rates seen in Togo's cities[7].
- Kpalimé's demographics are characterized by a high number of migrants, with over a quarter of the population being born outside the Plateaux region in 2010.

Map 3: Urban growth of Kpalimé, 1975-2015



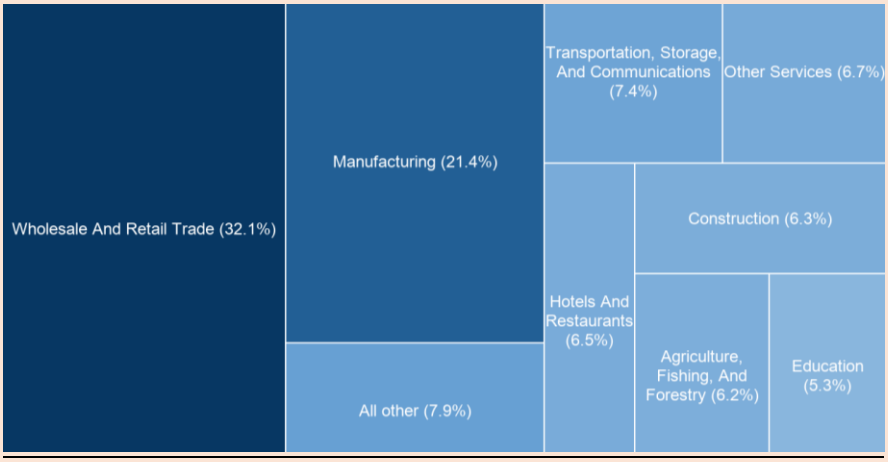




Source: Global Human Settlement Layer, EU Commission

- Of all secondary cities in Togo, Kpalimé has the highest proportion of the workforce employed in the manufacturing sector, at over 21 percent in 2010.
- Most of this manufacturing is of textile materials/clothing, furniture and wooden items, and foodstuffs, and there is little evidence of larger-scale manufacturing for export markets (under 1% of Kpalimé's firms are exporters).
- Despite Kpalimé's location in Togo's top crop-producing region, the agricultural productivity around Kpalimé specifically is among the lowest in the country.
- The city's inhabitants generally have lower levels of access to utilities, including electricity and piped water, compared with other cities in Togo.

FIGURE 3: Distribution of employment by sector in Kpalimé, 2010



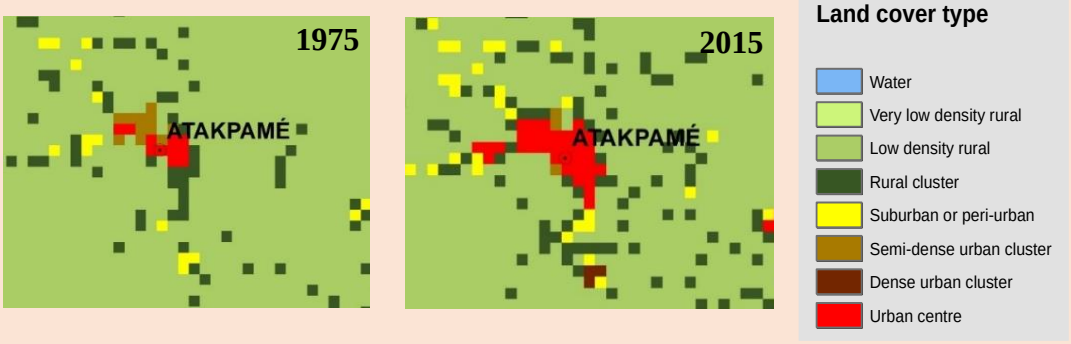
***Source**: RGPH IV (2010).*

[7] **Source**: CIESIN - Columbia University (2018) - UN WPP-Adjusted Population Density data 2010, 2020.

ATAKPAMÉ: AN EXPANDING TOWN WITH POTENTIAL IN MANUFACTURING

- Atakpamé is the Plateau region's second largest city, and in its early history it played a key role in regional trade owing to its location along North-South caravan routes.
- The city straddles the key coffee and cotton producing areas of the country: west of Atakpamé are coffee plantations, and east is one of Togo's top cotton producing regions[8] (together with Dapaong in Savanes region).
- Atakpamé's population increased by 188 percent between 1981 and 2010, and in 2020 stood at an estimated 81,000 people.
- Its urban extent, as shown in Map 4 below, has grown considerably since 1975.

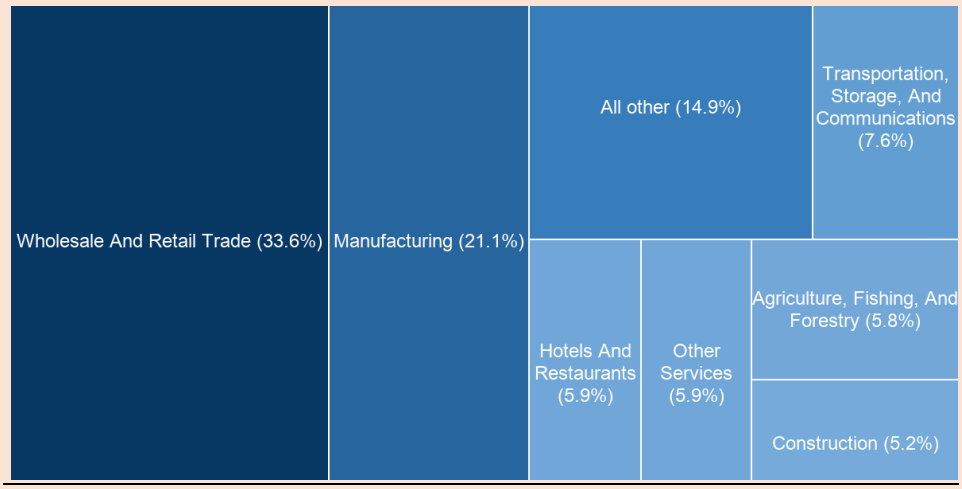
Map 4: Urban growth of Atakpamé, 1975-2015



Source: Global Human Settlement Layer, EU Commission

- Atakpamé's economy is characterized by the significance of manufacturing: one third of firms and over 21 percent of the workforce are in the sector, the highest and second highest rates (respectively) of any city in Togo.
- Of those employed in sectors that can be considered tradable in 2010, the vast majority were in the textile and food sub-sectors.
- Available evidence indicates, however, that this manufacturing remains mostly small-scale, with only 3 percent of ATAKPAMÉ's firms being exporters in 2018.

FIGURE 4: Distribution of employment by sector in Atakpamé, 2010



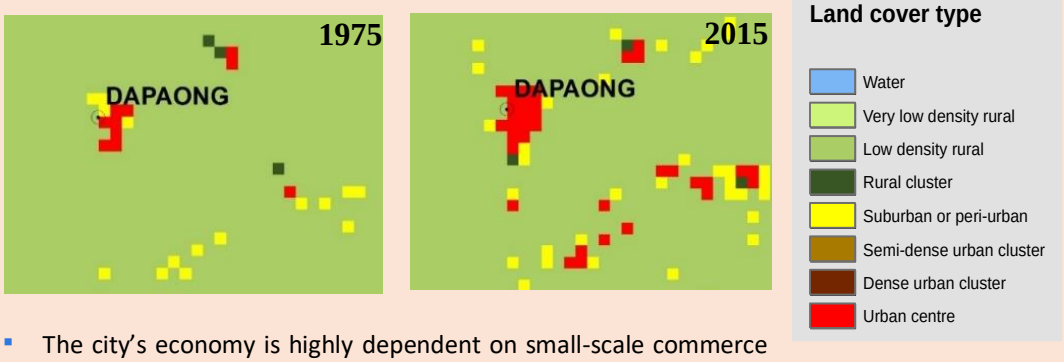
***Source**: RGPH IV (2010).*

[8] **Source**: https://www.togofirst.com/fr/panorama-agriculture/1301-4703-panorama-de-l-agriculture-au-togo-aujourd-hui-et-demain

DAPAONG: TOGO'S FAST-GROWING BUT DISTANT NORTHERN CITY

- Dapaong is the capital of the Savanes region and the northern-most major city in Togo, located over 10h drive away from Lomé and just 1h away from Burkina Faso.
- The immediate surroundings of Dapaong are known for their production of cotton, with households engaged in the cotton trade in Savanes now exceeding that in Plateaux[9].
- Dapaong has grown the fastest of any secondary city in the past 40 years, from just over 16,000 in 1981 to an estimated 70,000 in 2020.
- As shown in Map 58, Dapaong's urban growth seems to have extended to nearby areas, with the region just south-east of the main city exhibiting notable urbanization.
- Dapaong's population is among the most youthful of Togo's cities, with almost 71 percent of the city's workforce was under the age of 25 in 2010.

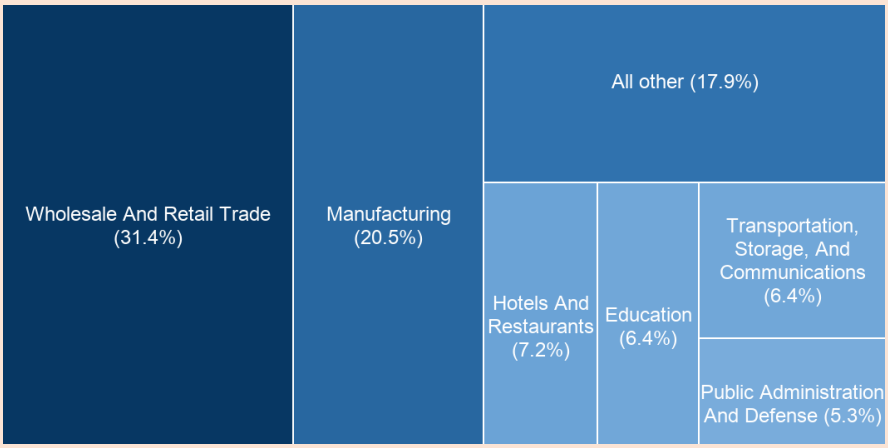
Map 5: Urban growth of Dapaong, 1975-2015



Source: Global Human Settlement Layer, EU Commission

- The city's economy is highly dependent on small-scale commerce and manufacturing for local consumption, while in the wider Dapaong Commune, it is estimated that agriculture was the main source of income for 75% of the population in 2018[10].
- Just under half of the population in Dapaong did not have access to electricity in 2010, while in 2018 only a quarter had adequate access to water and sanitation facilities[11].
- Dapaong is the only of Togo's major cities that is over 4h away from the closest city of over 1m people.

FIGURE 5: Distribution of employment by sector in Dapaong, 2010



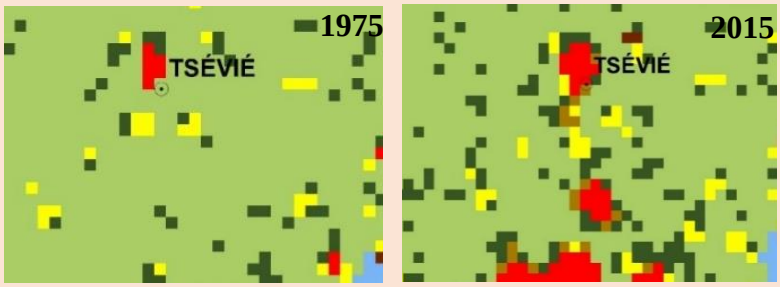
***Source**: RGPH IV (2010).*

[9] Source: Fourth General Agricultural Census (2012). *Ministère de l'Agriculture, de l'Elevage et de la Pêche (MAEP)*
[10] Source: Plan de Développement Communale de Dapaong, 2019-2023 (2018).
[11] Source: Plan de Développement Communale de Dapaong, 2019-2023 (2018).

TSÉVIÉ: WELL-CONNECTED FEEDER CITY FOR GRAND LOMÉ

- Tsévié is the administrative capital of both Zio prefecture and the Maritime region, and is located under 1h drive away from the center of Grand Lomé.
- From 1981 to 2010, the city's population grew from 20,325 to 54,474, at a slightly slower rate than other cities and the Maritime region as a whole.
- At the time of the 2010 Census, Tsévié had the most negative migration balance of any city in Togo, suggesting its recent population growth has been limited.
- Since 1975, the northern edge of Grand Lomé has approached Tsévié, with particular urbanization happening along the N1 highway (as shown in Map 6).

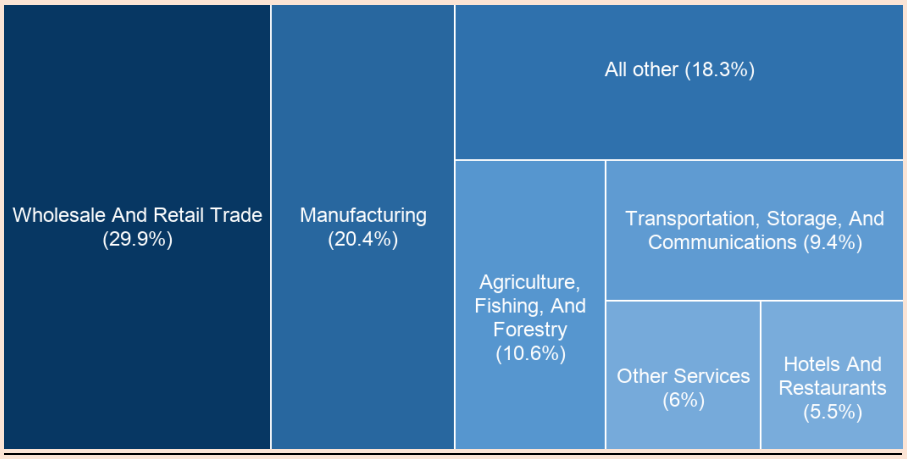
Map 6: Urban growth of Tsévié, 1975-2015



Source: Global Human Settlement Layer, EU Commission

- Tsévié's economy is slightly more diversified compared to other cities in Togo; a significant share of the workforce in 2010 employed in services such as transportation and haulage, reflecting Tsévié's role facilitating the supply of goods to nearby Lomé.
- Access to electricity is a particular challenge in Tsévié: almost 40 percent of the population in 2010 had no access, and almost one third of local firms report this as a key constraint.
- Tsévié benefits from good connectivity to both Lomé and a number of international markets, such as the Volta region in Ghana or South West Benin, however with Tsévié roads are narrow and often in poor condition – particularly the old quarter of the city[12].

FIGURE 6: Distribution of employment by sector in Tsévié, 2010



***Source**: RGPH IV (2010).*

[12] Source: Plan de Développement Communale de Tsévié, 2019-2023 (2018).

3.3: Full wage premium regression results

MODEL	(1) *Household demographics*	(2) *(1) plus controls for urban category*	(3) *(2) plus controls for employment type*	(4) *Household demographics*	(5) *(4) plus controls for urban category*	(6) *(5) plus controls for employment type*
VARIABLES	Log nominal weekly wages (LD)	Log nominal weekly wages (LD)	Log nominal weekly wages (LD)	Log real weekly wages (LD)	Log real weekly wages (LD)	Log real weekly wages (LD)
Age of household head	0.0743*** -5.5	0.0678*** -5.02	0.0647*** -4.42	0.0673*** -5.03	0.0678*** -5.05	0.0642*** -4.45
Age squared	-0.000722*** -4.76	-0.000664*** -4.37	-0.000713*** -4.23	-0.000668*** -4.43	-0.000671*** -4.43	-0.000714*** -4.29
Working hours - first job	0.000117*** -5.14	0.000109*** -4.75	0.0000965*** -4.19	0.000109*** -4.75	0.000111*** -4.84	0.0000997*** -4.32
Male	0 .	0 .	0 .	0 .	0 .	0 .
Female	-0.0244 -0.29	-0.0531 -0.64	-0.0193 -0.23	-0.0592 -0.72	-0.0606 -0.73	-0.0242 -0.29
Single	0 .	0 .	0 .	0 .	0 .	0 .
Monogamous marriage	0.230** -2.61	0.274** -3.16	0.0827 -0.93	0.286*** -3.31	0.278** -3.22	0.0851 -0.96
Polygamous marriage	0.121 -0.89	0.203 -1.51	0.0788 -0.61	0.233 -1.74	0.211 -1.57	0.0841 -0.65
Free union	-0.104 -0.7	-0.1 -0.68	-0.205 -1.52	-0.117 -0.79	-0.115 -0.78	-0.216 -1.6
Widow	-0.187 -1.16	-0.148 -0.92	-0.158 -0.98	-0.134 -0.84	-0.146 -0.91	-0.156 -0.96
Divorced	-0.0999 -0.51	-0.0301 -0.16	-0.0694 -0.39	-0.0157 -0.08	-0.0228 -0.12	-0.0661 -0.37
Separated	-0.143 -0.97	-0.0798 -0.56	-0.172 -1.24	-0.0958 -0.67	-0.0896 -0.63	-0.18 -1.3
Benin	0 .	0 .	0 .	0 .	0 .	0 .
Ivory Coast	1.305*** -4.74	1.204*** -4.55	1.073** -2.96	1.171*** -4.41	1.213*** -4.66	1.088** -3
Mali	-1.178*** -4.29	-1.346*** -5.1	-1.308*** -4.63	-1.388*** -5.29	-1.344*** -5.19	-1.305*** -4.7
Niger	-0.422 -1.36	-0.491 -1.66	-0.277 -0.9	-0.389 -1.39	-0.496 -1.68	-0.279 -0.93
Togo	-0.2 -0.79	-0.201 -0.85	-0.374 -1.59	-0.159 -0.67	-0.184 -0.79	-0.36 -1.58

MODEL	(1) *Household demographics*	(2) *(1) plus controls for urban category*	(3) *(2) plus controls for employment type*	(4) *Household demographics*	(5) *(4) plus controls for urban category*	(6) *(5) plus controls for employment type*
Nigeria	-0.176 -0.6	-0.287 -1.03	-0.184 -0.65	-0.295 -1.05	-0.275 -1	-0.164 -0.59
Other CEDEAO	-0.197 -0.46	-0.219 -0.57	-0.111 -0.32	-0.249 -0.67	-0.219 -0.6	-0.113 -0.35
Other Africa	0.775* -2.3	0.674* -2.11	0.364 -0.81	0.657* -2.05	0.687* -2.17	0.379 -0.86
In work	0 .	0 .	0 .	0 .	0 .	0 .
Domestic work	-0.997*** -8.16	-0.793*** -6.18	-1.178*** -5	-0.779*** -6.51	-0.746*** -5.78	-1.140*** -4.83
Not in work	-0.0776 -0.51	-0.134 -0.88	-2.098*** -13.49	-0.139 -0.94	-0.128 -0.85	-2.094*** -13.52
No education	0 .	0 .	0 .	0 .	0 .	0 .
Primary education	0.0593 -0.62	0.00649 -0.07	-0.038 -0.41	-0.0137 -0.14	-0.00802 -0.08	-0.0532 -0.57
Secondary 1	0.318** -3.29	0.246* -2.54	0.158 -1.65	0.229* -2.37	0.226* -2.33	0.137 -1.42
Technical Secondary 1	0.995** -3.08	0.902** -3.04	0.578** -2.93	0.808** -2.64	0.857** -2.78	0.516** -2.8
Secondary 2	0.650*** -5.72	0.592*** -5.13	0.264* -2.31	0.595*** -5.17	0.587*** -5.06	0.251* -2.18
Technical Secondary 2	0.702*** -5.3	0.601*** -4.53	0.280* -2.14	0.627*** -4.73	0.599*** -4.5	0.272* -2.08
Post secondary	0.974*** -5.33	0.851*** -4.66	0.28 -1.64	0.847*** -4.64	0.836*** -4.58	0.257 -1.5
Higher education	1.256*** -11.42	1.147*** -10.32	0.539*** -4.6	1.140*** -10.39	1.133*** -10.15	0.511*** -4.33
Rural		***0*** ***.***	***0*** ***.***	***0*** ***0***	***0*** ***.***	***0*** ***.***
Grand Lome		***0.292**** ***-4.46***	***0.300**** ***-4.61***	***0*** ***0***	***-0.0236*** ***-0.36***	***-0.00881*** ***-0.14***
Other urban		***0.221**** ***-3.16***	***0.213**** ***-3.26***	***0*** ***0***	***0.159**** ***-2.27***	***0.154**** ***-2.37***
Constant	10.85***	10.89***	12.79***	10.98***	10.95***	12.88***
Observations	1314	1314	1270	1314	1314	1270
Adjusted R-squared	0.242	0.253	0.39	0.231	0.236	0.378

* p<0.05 ** p<0.01 *** p<0.001

Appendix 4: Trade chapter

Annex 4.1: Top 20 exported products by Togo in 2018 and 2005, including petroleum, gold and cotton

PANEL A: 2018

Rank	HS6	Product	Value (M)	% of total	Rank 18
1	271000	Petroleum oils and oils obtained, refined	1,320.2	43.2%	1
2	710812	Gold, non-monetary, other unwrought	365.7	12.0%	46
3	271600	Electrical energy	142.9	4.7%	1170
4	270900	Petroleum oils and oils obtained, crude	138.3	4.5%	n/a
5	120740	Sesamum seeds	132.3	4.3%	n/a
6	252310	Cement clinkers	111.6	3.7%	4
7	80131	Cashew nuts, in shell	80.5	2.6%	41
8	251020	Natural calcium phosphates, ground	75.5	2.5%	6
9	720449	Ferrous waste and scrap; n.e.c.	62.7	2.1%	8
10	520100	Cotton, not carded or combed.	54.5	1.8%	3
11	151190	Vegetable oils; palm oil and its fractions, other than crude	36.6	1.2%	12
12	740400	Copper waste and scrap	36.0	1.2%	26
13	251010	Natural calcium phosphates, unground	32.8	1.1%	7
14	760200	Aluminium waste and scrap	24.6	0.8%	177
15	151590	Vegetable fats and oils and their fractions; fixed, n.e.c	23.8	0.8%	15
16	120100	Soya beans, whether or not broken	22.3	0.7%	250
17	180100	Cocoa beans, whole or broken	21.7	0.7%	2
18	854810	Waste and scrap of primary cells, batteries and elec. accumulators	19.2	0.6%	1059
19	90111	Coffee, not roasted, not decaffe	15.7	0.5%	9
20	252329	Portland cement, other	14.8	0.5%	5
Total			2731.8	89.5%	

***Source**: WITS exports mirror data, Author's computations.*

PANEL B: 2005

Rank	HS6	Product	Value (M)	% of total
1	271000	Petroleum oils and oils obtained, crude	132.5	18.3%
2	180100	Cocoa beans, whole or broken	82.3	11.4%
3	520100	Cotton, not carded or combed	70.9	9.8%
4	252310	Cement clinkers	69.8	9.6%
5	252329	Portland cement, other	36.3	5.0%
6	251020	Natural calcium phosphates, ground	35.8	4.9%
7	251010	Natural calcium phosphates, unground	29.0	4.0%
8	720449	Ferrous waste and scrap; n.e.c.	13.3	1.8%
9	90111	Coffee, not roasted, not decaffe	11.8	1.6%
10	440349	Wood, tropical; other than dark red meranti,	10.9	1.5%
11	151790	Edible mixtures or preparations of animal or vegetable fats or oils	10.4	1.4%
12	151190	Vegetable fats and oils and their fractions; fixed, n.e.c	10.4	1.4%
13	120720	Cotton seeds	8.5	1.2%
14	110100	Wheat or meslin flour	8.2	1.1%
15	151590	Vegetable fats and oils and their fractions; fixed, n.e.c	7.5	1.0%
16	721420	Iron or non-alloy steel; bars and rods	5.6	0.8%
17	870210	Vehicles; public transport type	4.9	0.7%
18	870421	Vehicles; compression-ignition internal combustion	4.4	0.6%
19	170111	Raw sugar not containing added flavor	4.3	0.6%
20	230610	Oil-cake and other solid residue, of cotton seeds	4.1	0.6%
Total			560.9	77.6%

***Source**: WITS exports mirror data, Author's computations.*

Annex 4.2 : Togo's Revealed Comparative Advantage 2005-07 and 2016 -18

Sectors		Average 2005-2007			Average 2016-2018			
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Value	% of total	RCA	Value	% of total	RCA	CAGR (%)
01-05	Animal	12.9	1.1%	0.38	19.09	0.5%	0.4	3%
06-15	Vegetable	75.3	6.4%	1.53	301.81	8.6%	3.1	10%
16-24	Foodstuffs	164.9	13.9%	3.13	59.94	1.7%	0.7	-7%
25-27	Minerals	461.6	38.9%	1.49	2,178.63	62.0%	5.9	12%
28-38	Chemicals	37.0	3.1%	0.21	20.20	0.6%	0.1	-4%
39-40	Plastic / Rubber	11.2	0.9%	0.13	17.72	0.5%	0.1	3%
41-43	Hides, Skins	1.9	0.2%	0.15	2.44	0.1%	0.1	2%
44-49	Wood	36.1	3.0%	0.64	23.74	0.7%	0.4	-3%
50-63	Textiles, Clothing	225.3	19.0%	2.61	90.58	2.6%	0.8	-6%
64-67	Footwear	6.7	0.6%	0.44	14.84	0.4%	0.6	6%
68-71	Stone / Glass	22.8	1.9%	0.40	565.32	16.1%	4.3	26%
72-83	Metals	77.9	6.6%	0.49	128.55	3.7%	0.7	4%
84-85	Mach/Elec	16.9	1.4%	0.03	40.78	1.2%	0.1	7%
86-89	Transportation	31.3	2.6%	0.16	43.32	1.2%	0.1	2%
90-97	Miscellaneous	4.1	0.3%	0.04	4.32	0.1%	0.0	0%
Total		1,186	100%		3,511	100%		8%

***Source**: WITS exports mirror data, Author's computations.*

PANEL A: 2005-2007

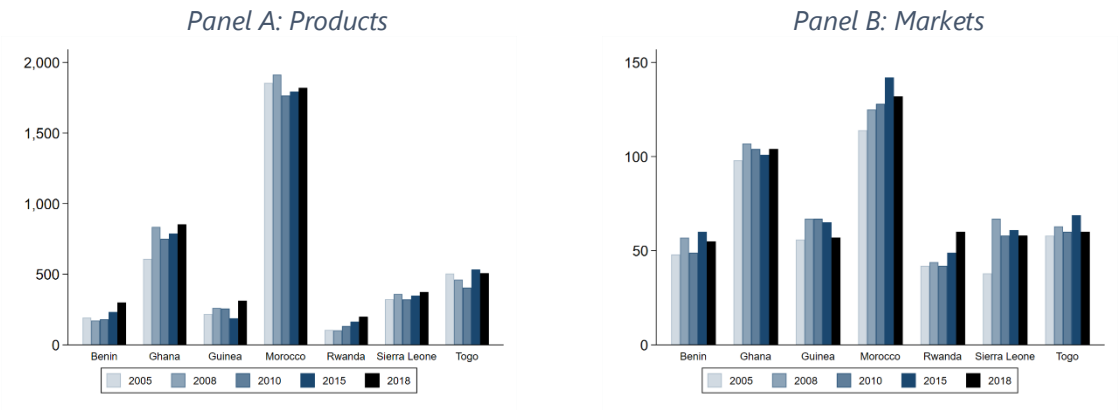
Rank	HS 4-Digit	Product	Value US$ M	Total Share	RCA
1	1801	Cocoa beans; whole or broken	8.1	0.7%	39.8
2	1517	Margarine; edible mixtures of fats and oils	3.1	0.3%	31.0
3	1207	Oil seeds and oleaginous fruits	1.8	0.2%	25.7
4	305	Fish, dried, salted or in brine	2.6	0.2%	17.7
5	1515	Fixed vegetable fats and oils	1.0	0.1%	12.3
6	403	Buttermilk, curdled milk and cream	1.1	0.1%	9.1
7	1701	Cane or beet sugar	1.7	0.2%	2.7
8	303	Fish; frozen,	1.4	0.1%	2.4

PANEL B: 2016-2018

Rank	HS 4-Digit	Product	Value US$ M	Total Share	RCA
1	1207	Oil seeds and oleaginous fruits	9.06	0.01	53.11
2	801	Nuts, edible; coconuts	17.56	0.02	52.36
3	210	Meat and edible meat offal; salted, in brine, dried or smoked	2.28	0.00	15.95
4	305	Fish, dried, salted or in brine	3.29	0.00	14.98
5	1515	Fixed vegetable fats and oils	2.12	0.00	13.87
6	2105	Ice cream and other edible ice	1.67	0.00	11.95
7	1101	Wheat or meslin flour	1.00	0.00	7.19
8	1801	Cocoa beans; whole or broken	1.72	0.00	4.71
9	1006	Rice	2.57	0.00	3.60
10	207	Meat and edible offal of poultry;	2.22	0.00	2.73
11	1511	Palm oil and its fractions	2.36	0.00	2.18
12	1701	Cane or beet sugar	1.35	0.00	1.50
13	1201	Soya Beans	1.36	0.00	0.60

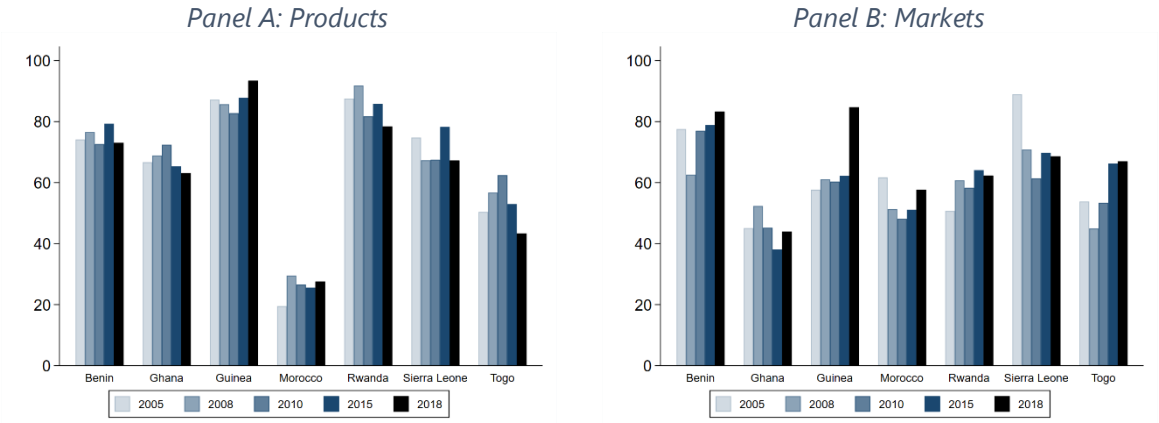
***Source**: WITS exports mirror data, Author's computations.*

Annex 4.3: Number of product and countries of export destination, 2005-2018



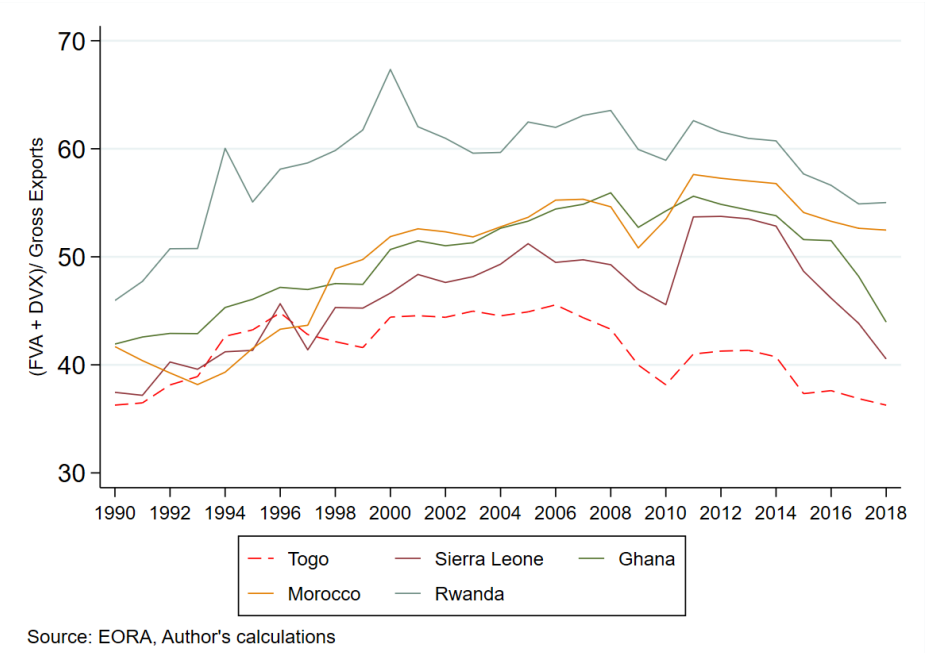
***Source**: WITS exports mirror data, author's calculations.*

Annex 4.4: Top five products or market share of total exports, 2005-2018



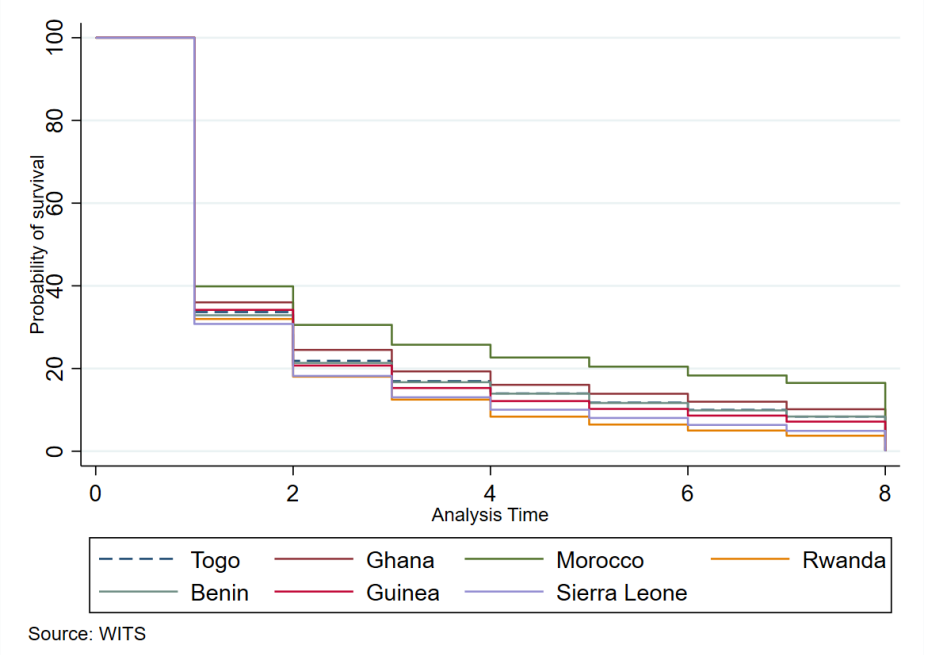
***Source**: WITS exports mirror data, author's calculations.*

Annex 4-1: GVC participation from 1990 until 2018



***Source**: EORA database, author's calculations.*

Annex 4.6: Export relationship product-destination for Togo and peers 2010-2018



***Source**: WITS mirror data, author's calculations*

Endnotes

[1] This statistic is based on the new WAEMU household survey: Enquête Harmonisée sur les Conditions de Vie des Ménages (EHCVM) but could not be strictly compared with the previous national household surveys.

[2] MICS 2017

[3] World Bank. 2016. Togo Systematic Country Diagnostics. Report No. 108184-TG

[4] Direction Générale de la Statistique et de la Comptabilité Nationale, République Togolaise, Population Projection 2016

[5] Source of data for this paragraph is World Bank (2021d).

[6] World Bank (2021d).

[7] See Diao et al. (2019) for Ghana, Kingdom of Morocco (2012) for Morocco, and Delgado (2019a) for Rwanda.

[8] The land area is from République Togolaise (2017); the figure in World Development Indicators is 54,390 km^2 (World Bank 2021c).

[9] From https://www.distancecalculator.net/from-dapaong-to-lome

[10] World Bank (2021b).

[11] Adaptation Fund (2017).

[12] The 2019 estimates of 58.5% of population being rural, overall population growing at 2.6%, and urban population growing at 4% together imply that rural population was still growing at 1% per annum net in 2019.

[13] United States Department of Agriculture Economic Research Service (USDA/ERS) (2021)

[14] Preliminary estimates of the World Bank Poverty and Equity Global Practice.

[15] The 69 percent figure for rural poverty pertains to 2016 and is from World Bank (2019b). The overall poverty count is from World Bank (2021c) and uses a line at US$ 1.90 at 2011 Purchasing Power Parity. Beegle and Christiaensen (2019) estimate that on average 82% of poverty in 2015 in Sub-Saharan Africa was in rural areas (i.e. rural poor/overall poor as a percentage). If applied proportionately to rural areas in Togo, it would lead to a 62% absolute rural poverty headcount ratio (51%/82%), suggesting that at 69%, rural areas in Togo are worse off than the average in the rest of the region. This is also before factoring in impacts from the COVID-19 pandemic.

[16] World Bank (2019b).

[17] Adaptation Fund (2017).

[18] FAOStat (2021).

[19] ZEF et al. (2017), FAOStat (2021).

[20] FAOStat (2021).

[21] World Bank (2021d).

[22] U.N. COMTRADE (2021).

[23] République Togolaise (2018b).

[24] Such as a permanent building. Itinerant salesmen and tabletop vendors in open air markets were excluded; source is RT/INSEED (2019c).

[25] This paragraph and the next two draw very heavily on the detailed and well-substantiated analysis in World Bank (2016), the World Bank Group's most recent "Systematic Country Diagnostic".

[26] With partial and temporary exoneration due to COVID.

[27] World Bank (2019b).

[28] World Trade Organization (WTO) (2021).

[29] World Bank (2016).

[31] World Bank (2019b).

[32] World Bank (2019a).

[33] World Bank (2021d).

[34] World Bank and International Monetary Fund (2012).

[35] ZEF et al. (2017).

[36] République Togolaise (2010).

[37] République Togolaise (2015).

[38] République Togolaise (2017).

[39] African Development Bank Group (2018).

[40] République Togolaise (2018b).

[41] République Togolaise (2020).

[42] World Bank (2021c) which come from FAO.

[43] Tchala and Essiomile (2019).

[44] TogoFirst (2020c) and FAOStat (2021).

[45] Tchala and Essiomile (2019).

[46] International Fertilizer Development Center (2020).

[47] World Bank (2016); although these findings date back to 2015, informal queries of knowledge observers suggest that not much has changed to date despite some attempts at reform.

[48] World Bank (2021c).

[49] Reuters (2019).

[51] Afrik21 (2020).

[52] World Bank (2016).

[53] This may be the beginning of a trend similar to the one observed earlier in the temperate world with regard to Irish potatoes. The latter went from being the poor person's food when simply boiled, to being a more prized food item for the better off population as increased processing and trade became more affordable for consumers (think French fries and potato chips). In West Africa, the nostalgia for traditional foods made from cassava and yams is added in, especially in urban areas, and preparation is much easier when processed flour is sold as opposed to fresh roots.

[54] Despite a 1/3 fall in the share of the world price received for rice by producers in 2017-19 compared to 2000-02.

[55] Price taxation is enforcing a low mandated producer price and exporting through a parastatal entity at a much higher price with excess profits going to the government. It was once ubiquitous in West Africa (Kherallah et al. 2002), but is now less common. World cocoa prices were also quite high in 2009/2011 relative to before and after during this period. As we will see in the trade section, Togo had truly massive recorded cocoa exports at that time, far beyond domestic production, but few recorded cocoa imports.

[56] World Bank (2016).

[57] See Souillier et. (2020) for a review.

[58] République Togolaise et al. (2016).

[59] World Bank (2012).

[60] These are official Government accounts data analyzed using the BOOST tool, referenced here as "BOOST" to distinguish from the published studies referenced.

[61] The same as the OECD COFOG for agriculture, classified under Economic Affairs.

[62] For example, in 2011 Togo launched the World Bank implemented Agricultural Sector Support Project (PASA) in Togo, which was to grow to US$55 million over time, and IFAD launched the US$20 million Project to Support Agricultural Development in Togo (PADAT). PASA benefitted from partial support from the World Bank's Global Food Crisis Response Program (GFRP), established in 2008 and closed in 2012. Both projects benefitted from partial support from the Global Agriculture and Food Security Program, an independently-governed donor consortium set up in 2010 with secretariat furnished by the World Bank, and designed to provide significant grants (US$ 10 to US$ 50 million per grant, typically) to national agricultural investment programs that had gone through a CAADP or CAADP-like process, such as PNIASA. The key point is that both these sources of funding are time specific and unlikely to be replicated in the future in the absence of unlikely food events similar to 2008 and 2010 in terms of global impact, sudden and unforeseeable onset, high severity, and largely limited to food entitlement issues.

[63] République Togolaise et al. (2016).

[64] Underspending of allocated budgets; about a 10 to 20% outturn is a rule of thumb in Ministries of Agriculture in Sub-Saharan Africa in the 2000-2016 period.

[65] Investment spending here covers everything except personnel costs, maintenance of facilities and variable costs of operating, and transfers to other entities or persons.

[66] République Togolaise et al. (2016).

[67] BOOST.

[68] BOOST.

[69] Even if the MAg is only 60% of public spending on agriculture under the NEPAD/AUDA definition, the numbers are so low that the point remains robust for all public agricultural spending.

[70] BOOST.

[71] République Togolaise (2018).

[72] In 2018, the MAg spent 7.6% of its resources on agricultural R&D, which might look to be more congruent with a commitment to productivity growth, but the MAg's share of Government spending that year was only 1.3% (BOOST), explaining why the absolute amount spent was so low relative to agricultural GDP.

[73] WAAPP (2021)

[74] For more detail, see www.CORAF.org and USAID Feed the Future. No date. West and Central African Council for Agricultural Research and Development (CORAF/WECARD). Available at: https://2012-2017.usaid.gov/west-africa-regional/fact-sheets/west-and-central-african-council-agricultural-research-and-development

[75] In economic terms, technical efficiency involves getting closer to the production possibility frontier (ppf) for a given set of factors of production, allocative efficiency is getting to the most efficient point on the ppf given prevailing prices, and technological change is innovation that pushes the ppf outwards, expanding opportunity.

[76] And this growth rate would be 5 to 6% if confined to the 1980s.

[77] Using the same data sources and methods as in Figure 2.

[78] A worldwide phenomenon illustrated in Global Commission on the Economy and Climate (2014) and confirmed for Togo in RT (2018a).

[79] World Bank (2021b).

[80] Cantarero and Andrade (1999).

[81] Alpha et al. (2016).

[82] Global Commission on the Economy and Climate (2014), Adaptation Fund (2017).

[83] World Bank (2020a).

[84] Entrepreneurial Solutions Partners (2020).

[85] République Togolaise (2020b).

[86] République Togolaise (2021).

[87] Harrison et al. (2020).

[88] Initial plans are to target 256,000 farmers at a ceiling cost of FCFA 20 billion, and to scale up to 512,000 farms as resources permit. The initial financial commitment of Government was FCFA 2 billion, and the World Bank provided a further 4 billion (World Bank 2020a). Other donor funding has been solicited.

Note that the requirement to operate at least one ha of land devoted to the priority crops named excludes numerous poor or part-time farm households.

[89] Lawson (2020)

[90] World Bank (2020a)

[91] Lawson (2020), Harrison et al. (2020).

[92] As part of its COVID-19 response, the Government partnered with the University of Lomé and the United Nations Development Program to do a national assessment of food security under the pandemic (PNUD 2020). This detailed and thoughtful survey of 1,225 households in October-November 2020 does indeed give insights into the specific impacts of the pandemic on food intake and nutritional diversity, but more significantly it illustrates in the most up-to-date and thoughtful manner the structure of food insecurity and uneven resilience to food shocks across the country. It is quite likely that many aspects of this structure pre-date the pandemic and will persist after the immediate incidence of COVID-19 is over. This section is based on survey results.

[93] Kherallah et al. (2002).

[94] Christiaensen (2019).

[95] Fox and Jayne (2020).

[96] Tschirley et al. (2014).

[97] Reardon et al. (2021).

[98] Trade destinations are 2019 data from U.N. COMTRADE (2021).

[99] This was even more so in 2009, when Togo's recorded net exports of cocoa reached the astounding (for Togo) of US$ 290 million in 2010 US$ (FAOStat 2021). Producers and middlemen have a long history in the region of shifting cocoa beans surreptitiously across borders to the least taxing final export point. The recipient country shifts around according to the relative trade regimes in force at the time (Kherallah et al. 2002).

[100] TogoFirst (2020b).

[101] Location close to consumption matters especially for highly perishable chicken, but also for palm oil. All three items have considerable room for productivity improvement to grow and transfer costs to diminish in order to be competitive with imports in the Lomé market.

[102] République Togolaise (2019b).

[103] République Togolaise (2019b).

[104] Maur and Shepherd (2015).

[105] World Bank (2019b).

[106] République Togolaise (2019c).

[107] Readers interested in an empirical exploration of the goods and bads of experiences aggregating smallholders with modern poultry and swine production firms in Southeast Asia are referred to Delgado et al. (2009).

[108] That is the average product of labor in urban services gained minus the average product of labor in agriculture lost equals the average product of labor in agriculture (which is half the average product labor in urban services).

[109] Reardon et al. (2021).

[110] Some products will always likely have to contend with stronger comparative advantages elsewhere (wheat for bread and milk powder for yogurt are probably among them in Lomé). However, the analysis above shows that Togo likely has much more potential for many high value agricultural exports than it uses.

[111] World Bank (2019b).

[112] Delgado et al. (forthcoming).

[113] Barrett et al. (2019) and Beegle and Christiaensen (2019).

[114] Huppi and Feder (1990).

[115] Barrett et al. (2019).

[116] Based on such integrated arrangements, higher volumes of better and more consistent quality can be secured by stakeholders in the chain, and these will be remunerated accordingly in a competitive market system. Producers receive access to credit, agronomic knowledge, price premiums, combined with or instead of a reduction of production, price, or market risks. This approach thus addresses several input, factor, and product market constraints simultaneously. Contract arrangements can be bilateral or multilateral, involving multiple actors, and range from largely informal to fully formal (Christiaensen 2019; Barrett et al. 2019). Depending on the nature of the contract, farmers typically remain largely self-employed entrepreneurs with special access to input and output markets.

[117] Delgado (1999), Barrett et al. (2019).

[118] Baxter et al. (forthcoming).

[119] World Bank (2016)

[120] République Togolaise (2015), République Togolaise (2018b).

[121] Specifically, the agri-park has ambitious commodity goals (90,000 tons per annum of rice paddy, 15,000 tons per annum of maize, 10,000 tons per annum of soybean, 20,000 tons per annum of feed, 10,000 tons per annum of cashew nuts and 10,000 tons per annum of sesame, production of 3 million chicks per annum, slaughtering of 2 million broilers per annum).

[122] African Development Bank (2018).

[123] Successes here primarily shows up as commercial profitability of firms and expanded employment in-country in media reports, whereas failures show up as unsatisfactory evaluations of development projects that fail to meet their objectives. Both are hard to document up to an academic standard short of specific field inquiries, which are scarce.

[124] The appraisal of the Kara Agropole forecasts an economic rate of return of 24% (AfDB 2019), which if achieved would put it in the top tier worldwide of all agricultural projects of the World Bank and likely of Regional Development Banks.

[126] Delgado (2019a).

[127] Delgado (2009).

[128] Such as being forced to feed a mature 42-day cycle broiler 2 extra days, where feed is 70% of production cost. Even a two day delay in harvesting uses up any profit.

[129] Economies of scope come from synergies of producing goods together more cheaply than separately, and economies of agglomeration depend on sharing services, low transport cost, easy access to hired labor skilled in one's own industry, finance, etc. Part of the justification for an agri-park is producing agglomeration where there was little before, but the benefits are bigger the bigger is the agglomeration in question, and capital cities tend to be the most profitable venues for many high value items.

[130] Delgado et al. (forthcoming).

[131] Delgado (2019a).

[132] Technology adaption is usually done in national institutions and trials by scientists using insights and germplasm from another innovation system, extension advice is helping farmers solve problems using science and technology, typically linked to the messages of the national agricultural research institute or other innovation centers, and agricultural education targets longer term building of fundamental skills.

[133] Global Commission on the Economy and Climate (2014).

[134] Global Commission on the Economy and Climate (2014)

[135] République Togolaise (2018a).

[136] This is a widespread and longstanding issue in Sub-Saharan Africa compared to other developing areas. Ghana, Nigeria, Ethiopia and Rwanda have made substantial investments and institutional innovations to try to address the problem in recent years. See Delgado et al. (2019b) for an assessment drawing on consultations with 35 established African experts from almost as many countries.

[137] See https://www.resakss.org/node/3397, also discussed in Delgado et al. (2019b).

[138] Note that is different from the "Agricultural coordination groups" (names vary) found in most African countries, whose purpose is to inform and coordinate agricultural development partners and sometimes government officials from outside the Ministry of Agriculture. Such groups focus on the entire sector and are typically run de facto by one of more donors, with chairing done by a Ministry official, often without a lot of preparation.

[139] www.CORAF.org

[140] West Africa Agriculture Productivity Program (WAAPP). 2019. Key Results for Togo. CORAF and WAAPP. Lomé.

[141] République Togolaise (2019c).

[142] République Togolaise (2019c).

[143] Delgado (2019a).

[144] Where reportedly there are imminent prospects of a US$450 million regional project involving Burkina Faso, Togo and Niger for improved Lomé, Ouagadougou, and Niamey corridor development.

[145] Source: World Urbanization Prospects, UN Department of Economic & Social Affairs (2018).

[146] Source: Togo CEM Concept Note P174741 (p. 3).

[147] Source: Togo CEM Concept Note P174741 (p. 10).

[148] Encyclopedia Brittanica.

[149] Source: https://www.miningreview.com/industrial-minerals/partnership-in-togo-to-transform-phosphate-into-fertiliser/

[150] Source: https://www.togofirst.com/en/logistics/0409-6180-the-port-of-lome-is-the-2nd-transshipment-port-in-sub-saharan-africa.

[151] OECD, via Africapolis Database. Note that UN's World Population prospects (2018) does not project this threshold to be hit until after 2030.

[152] Source: https://www.republicoftogo.com/Toutes-les-rubriques/Politique/Quatre-nouvelles-prefectures

[153] Source: RGPH IV (2010).

[154] Source: GFDRR Disaster Risk Management Programs for Priority Countries. Togo Case Study.

[155] Source: UNEP's Global Risk Data Platform, Columbia University Center for Hazards and Risk Research (CHRR), and Columbia University Center for International Earth Science Information Network (CIESIN).

[156] Source: https://www.togofirst.com/en/agriculture-panorama/2502-5007-an-overview-of-agriculture-in-togo-present-and-future

[157] Source: Ministry of Infrastructure and Transport plans for Grand Lomé, available here: http://www.codatu.org/wp-content/uploads/1612-TCHINI-SDAU-Pr%C3%A9sentation-Articulation-Transport-Urbanizme.pdf

[158] Source: Plan de Développement Communale de Dapaong, 2019-2023 (2018).

[159] Source: Plan de Développement Communale de Dapaong, 2019-2023 (2018).

[160] Source: OECD, via Africapolis Database.

[161] Source: https://www.fahrplancenter.com/TOGO/Togo.html

[162] Note: Tradable sectors are defined by a selection of the 10 industries defined in the System of National Accounts 2008, largely in line with OECD (2018). They include: agriculture (A), industry (BCDE), information and communication (J), financial and insurance activities (K), but exclude other services (RSTU).

[163] Source: Source: Fourth General Agricultural Census (2012). Ministère de l'Agriculture, de l'Elevage et de la Pêche (MAEP)/UN FAO.

[164] Source: Revue du secteur foncier au Togo, p12.

[165] Source: Revue du secteur foncier au Togo, p12.

[166] Source: Revue du secteur foncier au Togo, p57.

[167] Source: Revue du secteur foncier au Togo, p10.

[168] Source: http://lacourdappeldelome.com/avis-14/

[169] Similar statistics are available in the EHCVM 2018 survey, however due to its smaller sample size these would not be statistically significant at the city level.

[170] Source: Togo – Decentralised Service Delivery (Policy Note), 2019, p. 17.

[171] Source: Togo – Decentralised Service Delivery (Policy Note), 2019, p. 13.

[172] Source: Togo – Decentralised Service Delivery (Policy Note), 2019, p. 12.

[173] In 2019, US refineries produced an average of about 45 gals of refined products for every 42-gals barrel of crude oil.

[174] Consulted on May 2, 2021. Link: https://www.eia.gov/energyexplained/oil-and-petroleum-products/refining-crude-oil-inputs-and-outputs.php

[175] The exports of petroleum products discussed in this analysis mainly reflect re-exports. An analysis excluding re-exports is difficult due to data availability for structural and aspirational peers.

[176] The analysis uses Bayesian Model Averaging (BMA), which addresses model uncertainty and ranks factors in order of importance vis-a-vis their explanatory power. However, their analysis only considers variables that are widely available for a large group of countries; thus, a potential missing variable problem may exist. Another limitation with this type of analysis is that if more variables were available, they may be potentially correlated with existing ones.

[177] More specifically, the analysis will focus on five aspects : (1) the level, growth, and market share performance of existing exports (intensive margin); (2) the diversification of products and markets (extensive margin); The methodology will be based on Farole and Reis (2012) and more recent literature.

[178] It weights the combined importance of exports and imports of goods and services in an economy and gives an indication of dependence of domestic producers on foreign demand and of domestic consumers and producers on foreign supply. Empirically, the relationship between trade openness and per capita income tends to be linear. The curve shows the average of trade openness conditional on a given per capita income. The grey band represents the 95 percent confidence interval of that conditional average.

[179] The HHI is computed as the sum of squared shares of each product (market) in total export. A country with a perfectly diversified export portfolio will have an index close to zero, whereas a country exporting only one export (market) will have a value of 1 (least diversified).

[180] Industries in which the number of products produced in 2019 and the latent number is high.

[181] The share of primary goods in total domestic value added is equal to or greater than 20 percent, but less than 40 percent share in exports, which limits the scope for manufacturing participation in GVCs.

[182] However, it should be noted that some firms can also operate their business as domestic distributor and exporter while using lower amount of inputs, thought the number of such firms is likely to be relatively low.

[183] Togo is a founding member state of the ECOWAS (1975), a political and economic union for which the rules and regulations governing trade rely on the ECOWAS Trade Liberalization Scheme. The Scheme was designed in 1979 by the Regional Economic Community to encourage duty-free trade in ECOWAS, as well as the CET, for imports from non-ECOWAS members. Togo is also one of the 8 WAEMU (1994) member states, a custom union and currency union with monetary and fiscal policies, as well as a common external tariff.

[184] Although negotiations on some aspects have not concluded at the time this report is written, trading under the AfCFTA was due to start on 1 July 2020, but as a result of the COVID-19 global pandemic this date was postponed to January 2021.

[185] HS "591110" showed an export value of US$ 293 million to Nigeria in 2007 only. HS "520812" showed an export value of US$ 726 million to Nigeria in 2008 only.

[186] WAEMU adopted the CET of ECOWAS on 25 September 2014 with the Regulation No. 07/2014/CM/UEMOA amending the initial Regulation No. 02/97/CM/UEMOA adopting the WAEMU common external tariff. Source viewed: http://www.uemoa.int/sites/default/files/bibliotheque/tec_final_3.pdf.

[187] The World Bank's Logistics Performance Index (LPI), which is published every other year, analyses countries for six components: (i) the efficiency of customs and border management clearance; (ii) the quality of trade and transport infrastructure; (iii) the ease of arranging competitively priced shipments; (iv) the competence and quality of logistics services; (v) the ability to track and trace consignments; and (vi) the frequency with which shipments reach consignees within scheduled / expected delivery times. The LPI relies on an online survey distributed among logistics professionals (multinational freight forwarders, main express carriers), as they are best positioned to assess how countries perform. In 2018, the LPI examined 160 economies.

[188] Togo was not among the 34 countries initially declared eligible for the program established by the United States under the African Growth and Opportunity Act (AGOA) in October 2000. It was accepted for the program in 2008. The program offers preferential access to U.S. markets by eliminating import tariffs.

THERE ARE GREAT OPPORTUNITIES FOR TOGO TO ENHANCE AGRICULTURAL PRODUCTIVITY AND STRUCTURAL TRANSFORMATION, TO IMPROVE THE PERFORMANCE OF CITIES FOR HIGHER PRODUCTIVITY AND COMPETITIVENESS, AND TO BOOST EXPORT GROWTH THROUGH ECONOMIC DIVERSIFICATION.

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