Millennium Challenge Corporation

Togo
Constraints
Analysis Report
2017

MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

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MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

An Analysis prepared by the Government of Togo and the Millennium Challenge Corporation of the United States of America for the Development of a Millennium Challenge Threshold Program

2017

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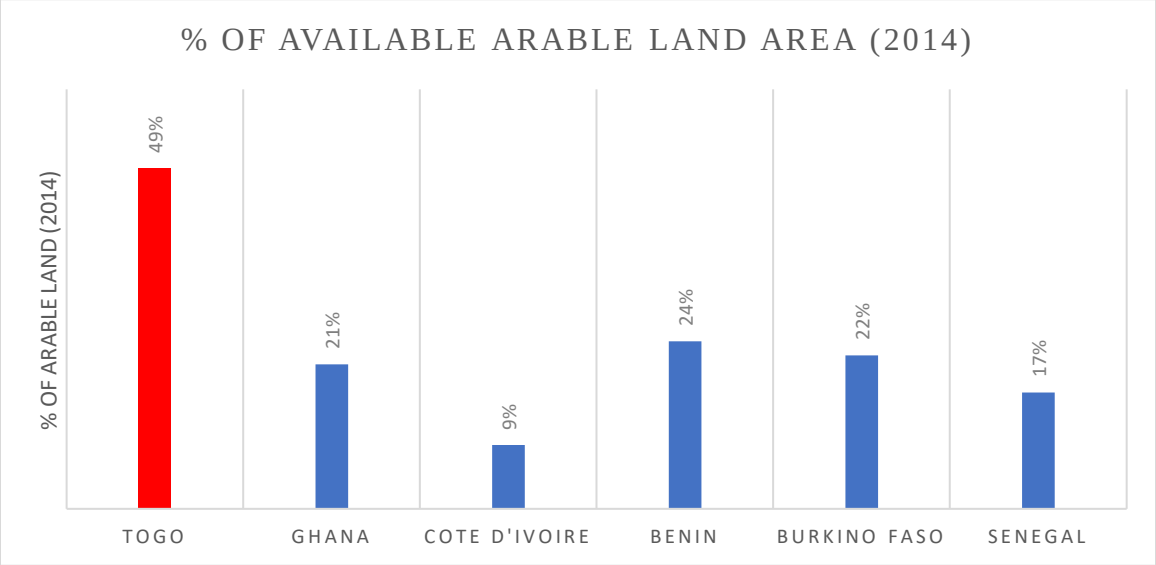
1 Country Context and Methodology

Togo is a small West African country between Ghana to the west, Benin to the east, and Burkina Faso to the north. Smaller in geographic size than Sri Lanka and larger than Croatia, Togo has a population of about 7.5 million people, 60 percent of whom live in rural areas. If countries were ranked from most densely populated to least, Togo would come in roughly 85th out of 230 countries—similar in density to Thailand, Cape Verde, or Cyprus.

With an area of about 57 thousand square kilometers, Togo runs roughly 500 km. from the Gulf of Guinea in the south to the border with Burkina Faso in the north and occupies an area approximately 100 km wide between Ghana and Benin. The north is characterized by savannas, with gently sloped hills and plateaus making up the middle of the country, and a low coastal plain in the south. Overall, Togo has the highest ratio of arable land to total land in West Africa (Figure 1-1) and actual cultivated land has doubled since 1996. However, the fraction of cultivated land that is irrigated remains among the lowest in the world.[1]

Figure 1-1. Available Arable Land (as % of Land Area), 2014



Source: WDI data, World Bank, 2016

In terms of other natural resource endowments, Togo has a number of advantages. For example, the availability of freshwater resources per capita is relatively high compared with other countries in the region and monthly rainfall tends to be relatively reliable. Unfortunately, climate change may be diminishing these resources (in recent decades average rainfall has diminished and mean temperatures risen) while increasing weather-related risks, especially for agriculture. Togo is also endowed with significant mineral resources, including some already being extracted (phosphate, limestone, and gold), and others not yet being mined commercially (manganese, bauxite, and iron ore).

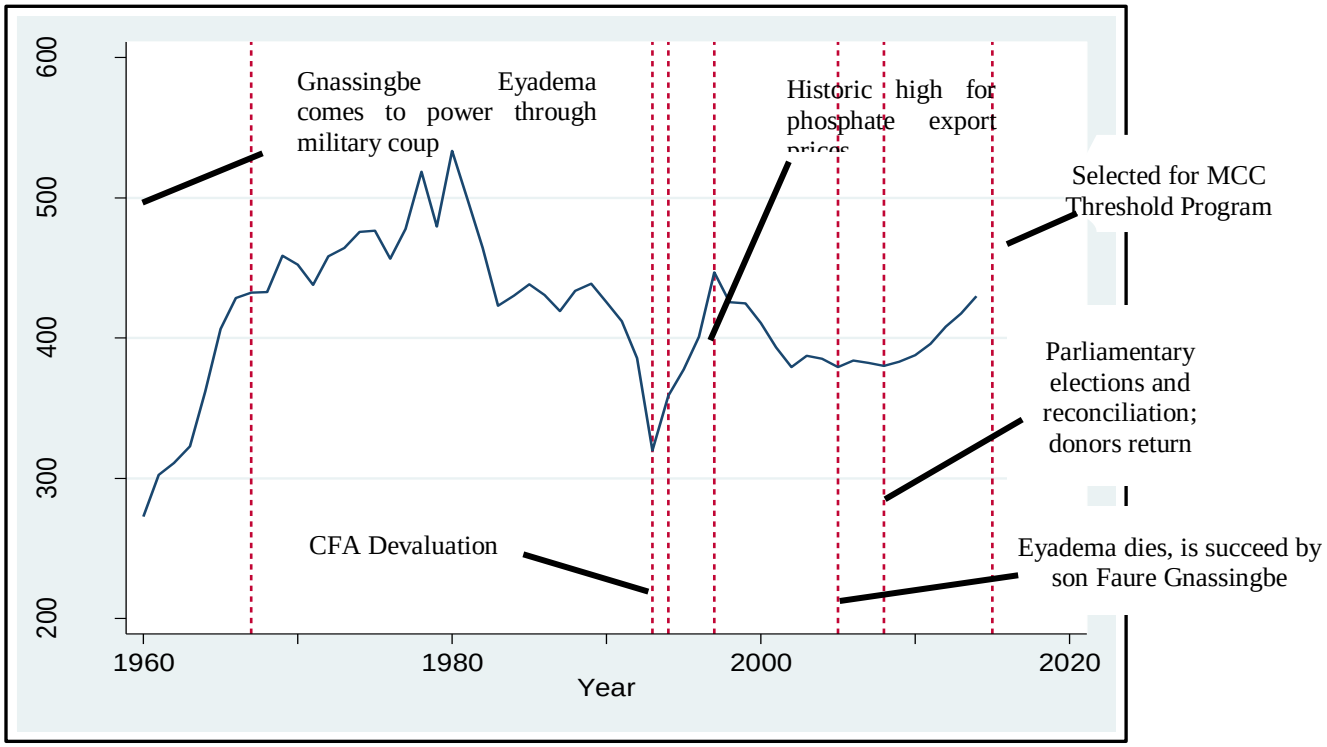
[1] Togo Growth Diagnostic, World Bank, 2010, p. 33.

1.1 Country Economic Context

Togo's economy was characterized by bursts of growth interspersed with long periods of stagnation or decline between independence in 1960 and 2010. Figure 1-2 shows that from 1960 to 1980, Togo experienced relatively sustained growth, mainly due to the adoption of generally market-oriented economic policies and favorable external conditions. From 1980 to 2010, however, real per capita income declined steadily, with the exception of the mid-1990s when the Communauté Financière d'Afrique (CFA) Franc was devalued. This decline in real per capita income of close to 30 percent over 30 years was largely the result of political instability, weak governance, and economic mismanagement, which manifested in periodic macroeconomic crises and excessive state involvement in the economy. After 2007, enhanced political stability, donor re-engagement, significant public investment, and economic reforms have shown a resurgence of the economy with sustained annual growth, averaging about five percent since 2010.

Differences in the growth performance by decade for Togo and sub-Saharan African (SSA) countries overall are summarized in Figure 1-33.

Figure 1-2. Real per Capita Income in Togo

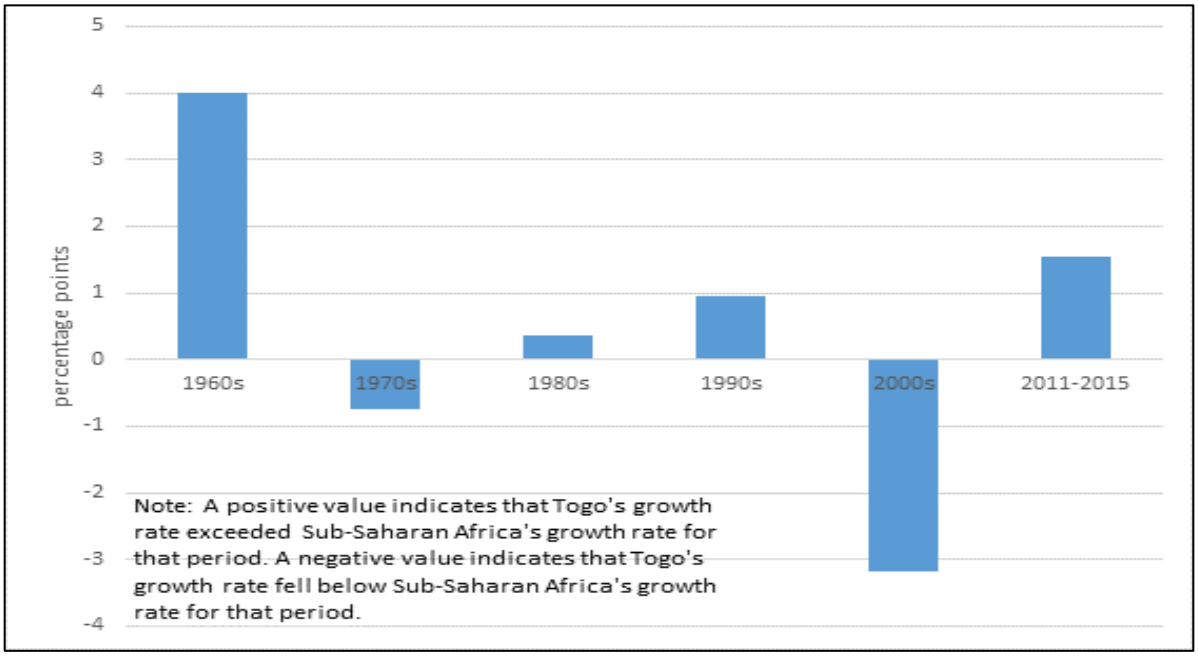


Source: MCC Staff; GDP per Capita Figures from World Bank, WDI

A positive value indicates that Togo's growth rate exceeded Sub-Saharan Africa's growth rate for that period. A negative value indicates that Togo's growth rate fell below Sub-Saharan Africa's growth rate for that period. Several findings stand out: (i) Togo significantly outperformed SSA overall in the 1960s; (ii) between 1970 and 1990 the economies of both Togo and SSA overall performed similarly (and poorly); and (iii) Togo significantly underperformed compared to SSA during the 2000s. This pattern changed again between 2011 and 2015 when Togo outperformed SSA.

With annual population growth averaging about 2.6 percent, the 6 percent average annual growth experienced by Togo since 2010 has resulted in modest increases in per capita income. Nevertheless, real per capita income was the same in 2015 as in 1967. In 2015, Togo's GDP per capita (in constant 2010 US dollars) was $555, relatively low in comparison to its West African neighbors. Figure 1-44 shows how the gap in per capita income between Togo and other West African countries grew between 1990 and 2015. Looking more broadly at changing standards of living in Togo, its ranking according to the United Nation's Human Development Index declined from 95th out of 124 countries in 1980 to 162nd out of 188 countries in 2015.[2]

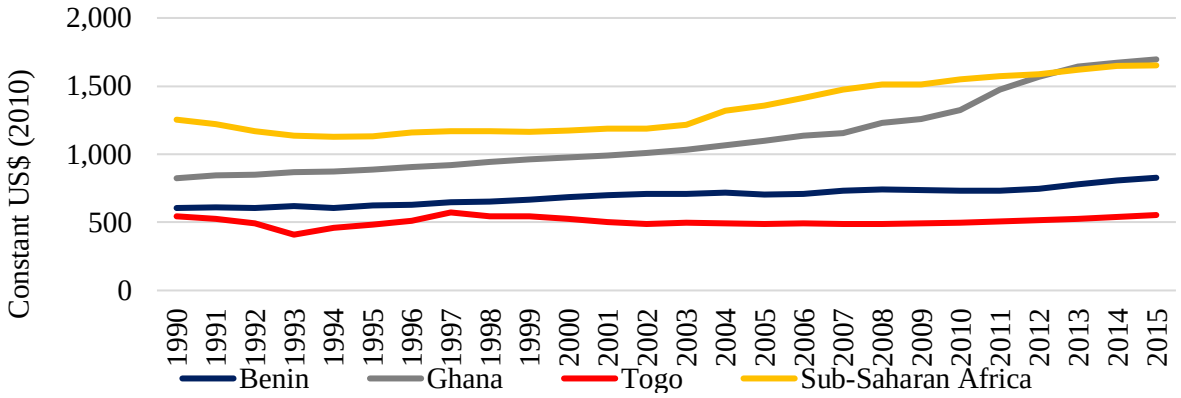
Figure 1-3. Difference in Average GDP Growth Rates (Togo – SSA)



Source: WDI, World Bank, 2016

[2] The Human Development Index reflects life expectancy at birth, mean years of education, and per capita income (in PPP terms) in a given country.

Figure 1-4. Real Per Capita GDP in West African Countries, 1990 - 2015



Source: WDI, World Bank, 2016

Recent growth can be partially attributed to 1) Improvements to port, road, and airport infrastructure since 2007 intended to promote the development of the country as a regional transit hub; and 2) The relatively rapid expansion of services and agriculture from 2011 to 2014 (due largely to favorable rains and increased land under cultivation).

Agriculture and services dominate the economy. Each accounted for just over 40 percent of GDP in 2015. More than 90 percent of employment is in the informal sector, part of the service economy. Structural transformation of the economy since independence has been modest, with the relative importance of industry actually declining to the point that in 2014 it accounted for only about 18 percent of GDP.

1.1.1 Poverty

Despite sustained growth since 2010, poverty has declined only modestly from 62 percent in 2006 to 55 percent in 2015.[3] The implied elasticity of poverty reduction with respect to per capita income growth is quite low at roughly -0.25, compared to -0.7 observed for Sub-Saharan countries overall.[4] Approximately 75 percent of the poor live in rural areas. The poverty gap measured by the amount of income (as a percent of the poverty line) needed to bring the average poor person up to the poverty line has diminished significantly in both rural areas (from 41% in 2006 to 29% in 2015) and in Togo's capital - Lomé (from 27% in 2006 to 12% in 2015). This reduction in the depth of poverty reflects both the overall economic growth that Togo has experienced in recent years and the movement of significant numbers of poor people from rural to urban areas.

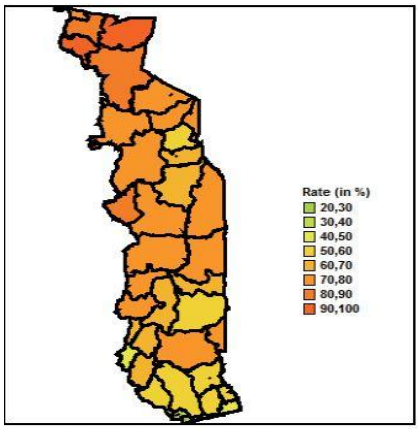
Poverty rates vary greatly by region and between rural and urban areas. (69% in rural areas versus 35% in urban areas). Poverty rates generally increase with distance from Lomé (Figure 1-5).

[3] See Figures 3-1 and 3-2 in the Appendix.

[4] World Bank, Togo Systematic Country Diagnostic (SCD), 2016.

While poverty rates have declined in recent years, poverty remains deeper and more prevalent than in neighboring countries (Table 1-1).[5] The Government is in the process of drafting a new development plan for 2018-2022, which will likely include a greater emphasis on achieving more inclusive growth through improved human capital, social protection systems, gender equity, water and energy services, inclusive finance and environmental protection.[6]

Figure 1-5. Poverty Rates Across Togo's Regions



Sources: RGPH4 et QUIBB 2011, DGSCN

Table 1-1. Poverty Rates and Gaps

Country	Poverty Rate at National Poverty Line	Poverty Gap at National Poverty Line*
Togo (2015)	55.1%	22.1%
Ghana (2012)	24.2%	7.8%
Benin (2011)	36.2%	9.8%

Source: World Bank World Development Indicators, 2016*Note: Poverty gap is measured as mean shortfall from the poverty lines (counting the non-poor as having zero shortfall) as a percentage of the poverty lines.

1.1.2 Trade and Investment

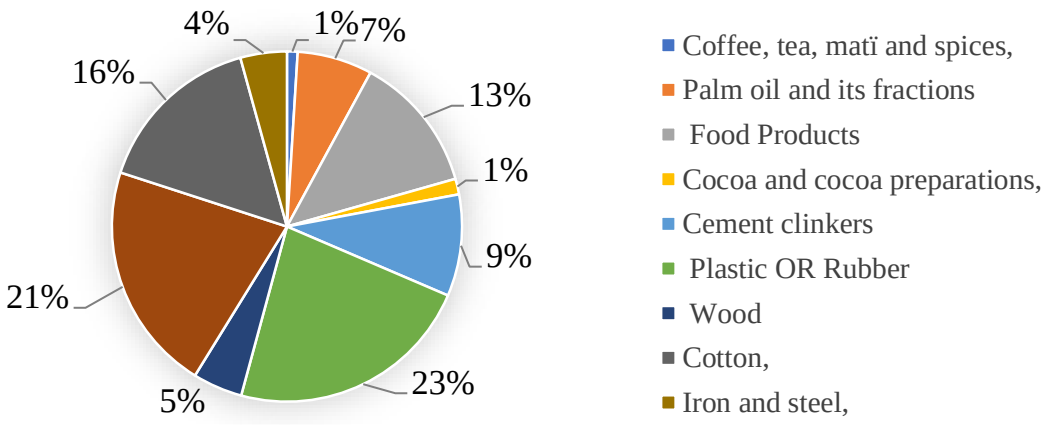
Foreign trade plays an especially significant role in Togo's economy due to its relatively small domestic market, its deep water harbor, and its proximity to other important markets in West Africa. The ratio of merchandise exports (X) and imports (M) relative to GDP is often taken as a proxy for trade openness, and this ratio is significantly greater for Togo than for other nearby comparator countries such as Benin, Cote d'Ivoire, or Ghana.

Much of Togo's apparent openness comes from its role as a transit hub for West Africa. Taking advantage of its deep water port and a new modern container terminal, Togo attracts many relatively large container ships. Their cargo is off-loaded in Lomé, with much of it then reloaded on smaller ships or trucks for transport to other countries in the region. This tends to skew Togo's export data with transshipped goods such as petroleum products or textiles often showing up as Togolese exports. Togo exports mainly primary products, raw materials, and low value added goods (Figure 1-6). This export mix has not changed significantly in recent years.

[5] The exception is in Lome, where the poverty rate actually increased in recent years due to the inflow of rural migrants.

[6] Since this paper was written the Government finalized the Togo National Development Plan 2018 – 2022, available at this link: http://togoembassylondon.com/wp-content/uploads/2019/02/Pr%C3%A9sentation-du-PND-du-Togo-2018-2022-Anglais.pdf

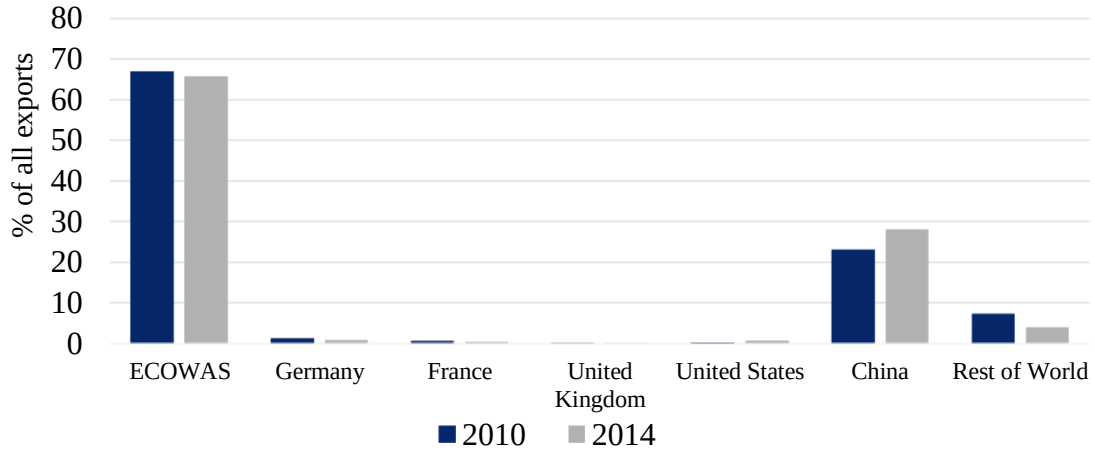
Figure 1-6. Togo's Export Products (2015)



Source: UN Comtrade

The vast majority of Togo's exports go to other Economic Community of West African States (ECOWAS) countries and China (Figure 1-7). Togo's top export destinations in 2017 were Cameroon ($253M), Lebanon ($174M), Burkina Faso ($134M), India ($120M), Benin ($107M), South Africa ($105M), and Ghana ($95M). Top Import origins were China ($1.4B), Belgium-Luxembourg ($1.05B), Nigeria ($1.01B), South Korea ($947M) and the Netherlands ($646M).[7] A substantial share of imports to Burkina Faso and, to a lesser extent, Niger and other ECOWAS countries transit through Togo's Lomé port.

Figure 1-7. Togo's Top Export Destinations (2010-2014)



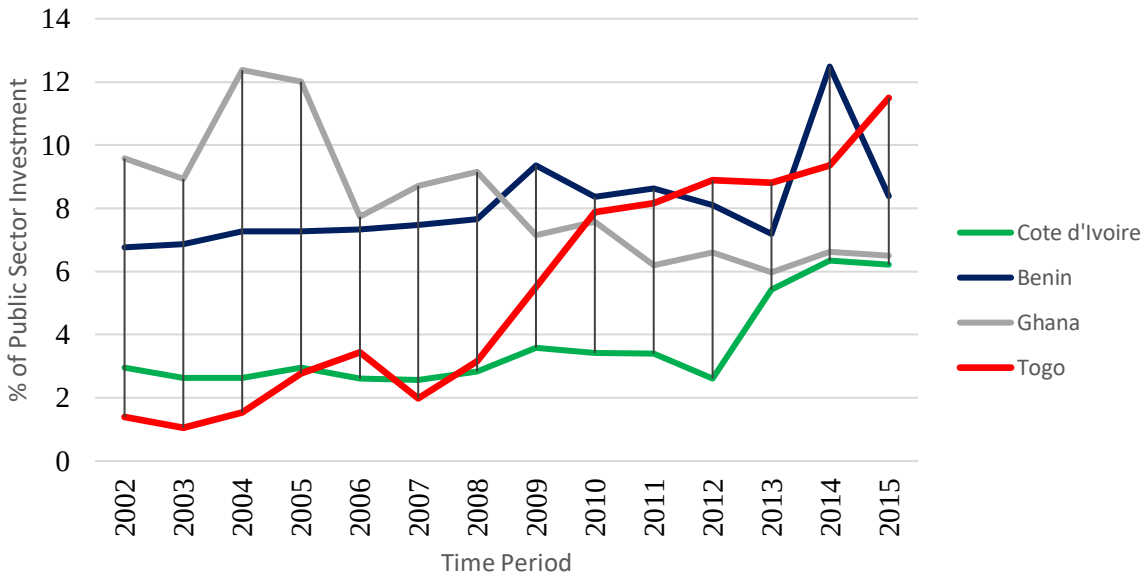
Source: UN Comtrade

Efficient investment enhances a country's productive capacity and is typically seen as a key contributor to growth and technical change in most countries. Private investment (and the constraints to that investment) underlie the HRV methodology used in this CA. Rates of private investment in Togo have been modest in recent years often lagging behind rates for similar low-income countries.

[7] Observatory of Economic Complexity.

On the other hand, public investment has been relatively high in Togo in recent years compared to Cote d'Ivoire, Benin, and Ghana. In fact, as seen in Figure 1-8, public investment has increased substantially as a share of GDP over the same period.

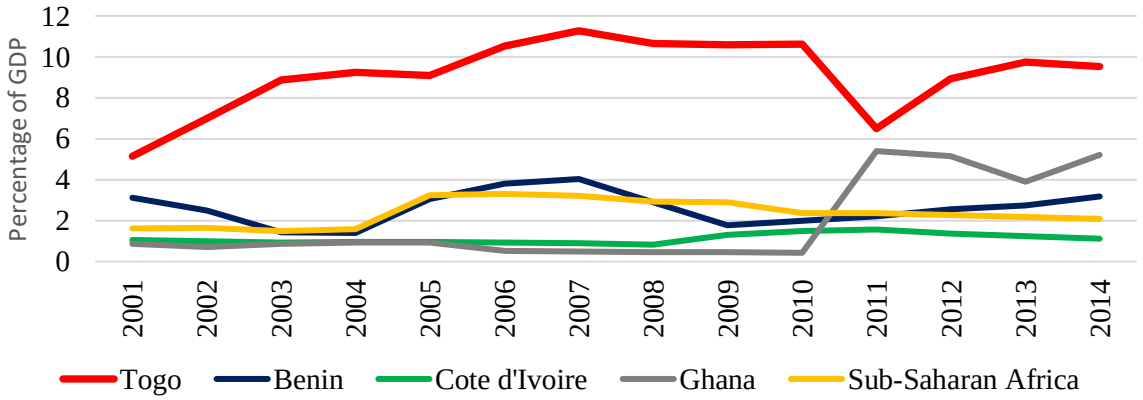
Figure 1-8. Gross Fixed Capital Formation, Public Sector (% GDP)



Source: WDI, World Bank, 2016

Foreign direct investment, often seen as a means of boosting growth and introducing technical change in a country, was modest in recent years relative to comparator countries. Remittances are high relative to comparator countries (see Figure 1-9), reaching 9% in 2015.[8] [9] Remittances typically substantially exceed levels of FDI.

Figure 1-9. Remittances as a % of GDP



[8] The 2011 spike in FDI was due to the nearly $200 million investment in the Contour Global power plant in 2011.

[9] World Bank Migration and Development Brief 26, April 2016; using IMF and WDI data, as well as staff estimates.

Source: WDI, World Bank, 2016

1.2 Constraints Analysis Methodology[10]

During the first phase of MCC compact and threshold program development, MCC and selected countries jointly conduct a Constraints Analysis (CA) to identify the most binding constraints to private investment and entrepreneurship that limit economic growth. The results of this analysis enable the country, in partnership with MCC, to select activities most likely to contribute to sustained growth and poverty reduction.

MCC's CA approach builds on the work of Ricardo Hausmann, Dani Rodrik and Andrés Velasco (HRV).[11] As they point out, all developing countries face significant economic and development challenges, but not all these challenges equally restrict growth. Prioritizing is important since a country's implementation capacity, political space and financing to address these challenges are scarce and valuable. A particular strength of HRV's "growth diagnostic" methodology compared with other tools is its recognition that every country is different and the ability to prioritize across different types of issues. The methodology has been refined through experience and is designed to assess the available evidence to identify country-specific problems that most constrain growth. These problems are termed binding constraints. To assess whether something is a binding constraint to growth, the CA methodology looks for signals that the factor of production (e.g., skill) or growth-enabling condition (e.g., macroeconomic stability) is poorly supplied, while simultaneously in high demand. For example, the quantity of credit in a country can be low, but this alone does not indicate a constrained supply of finance. The low quantity of credit may result from low demand because potential borrowers are constrained by other factors, like lack of infrastructure or an unsupportive business environment. Supply and demand dynamics can be difficult to disentangle, so to help identify when the supply of a factor is low relative to demand, there are four key questions or "tests":

1. Is the price of the factor high or is there rationing of it at the current price?
2. Are changes in the factor's availability correlated with changes in investment or growth? (referred to below as the "changes vs. changes" test);
3. Do economic agents (manufacturers or farmers, for example) incur substantial costs or risks in order to circumvent the constraint? (referred to below as the "bypassing the constraint" test);
4. Are economic agents that rely heavily on the constraining factor unable to thrive? (This is the "camels versus hippos" test: In the same way that camels, and not hippos, thrive in an environment without water, activities that do not depend on the constraining factor thrive and activities that do depend on that factor stagnate or are missing altogether).

Whether each test can be applied to a particular factor/issue depends on the nature and availability of relevant data. Other evidence such as perception-based survey information and careful use of international benchmarking resources can complement the tests above.[12]

[10] This discussion of the methodology used in an MCC constraints analysis (also known as a growth diagnostic) draws heavily from the Nepal Growth Diagnostic 2014, which was prepared jointly by the Government of Nepal and MCC. For more details on the methodology used for the constraints analysis, also known as the HRV methodology, see Hausmann, Rodrik, and Velasco, "Growth Diagnostics," John F. Kennedy School of Government, Harvard University, September, 2004; and Hausmann, Klinger, and Wagner, "The Mindbook: Implementing Growth Diagnostics in Practice", 2008

[11] See Hausman, Rodrik, and Velasco (2005).

[12] Gender and social inclusion and finance and productive sector analyses were conducted concurrently with the CA to provide additional context both for the CA and subsequent investigation of root causes of the binding constraints identified by the CA. These analyses are summarized in Annex A and Annex B below.

1.3 Constraints Analysis Process

MCC and the Government of Togo (GoT) carried out the Constraints Analysis between April and December of 2016. The process involved collaboration with a team of local economists from the University of Lomé and consultation with 200 stakeholders including large and small enterprises, agricultural cooperatives, transport and logistics firms, banks, entrepreneurs, civil society organizations, and women's groups, as well as government officials and the donor community. MCC also consulted with development partners including the World Bank, African Development Bank, European Union, Agence Française de Développement, International Finance Corporation, and United Nations Development Programme.

Summary of Constraints Identified

The Constraints Analysis identified the following binding constraints to investment and economic growth in Togo: 1) High cost, low quality, and limited availability of information and communications technology (ICT) services; and 2) Poor property rights and inefficient land administration. Major constraints that did not rise to the level of binding included distortionary tax and non-tax revenue policies, and costly and unreliable electricity service.

The findings of the Constraints Analysis indicate that low quality and expensive ICT services combine with "micro risks" associated with land tenure to create an investment and business climate characterized by low private investment, stagnant productivity, and low competitiveness. Relaxing these constraints will increase private investment and support the development of an economy with deeper value chains necessary for market expansion and export, increased efficiency (particularly in agricultural production), and stronger urban-rural linkages–fostering structural transformation, enhanced growth, and poverty reduction.

2 Details on Each Constraint

2.1 Information and Communication Technologies (ICT)

Efficient delivery and widespread adoption of Information and Communication Technology (ICT)–-especially advanced mobile-cellular communications and broadband Internet services and related applications–can promote significant investment, growth and poverty reduction. For businesses, improved ICT can result in increased availability of market information, reduced transaction costs, and greater worker productivity. Likewise, for governments it can improve their effectiveness while enhancing transparency and responsiveness. Moreover, for consumers and households it can provide better information, time savings, improved access to health and education services, and greater inclusion for women, rural populations, and the disabled.

Low competitiveness in Togo's ICT sector, however, has resulted in inefficient delivery, high costs and limited availability of mobile-cellular and broadband services, especially for areas outside of major cities. The parastatal Togo Telecom is the dominant supplier of fixed line Internet in Togo and operates the country's only access point to the international offshore communications cable. It also controls access to the national fiber optics backbone network. Togo Cell, a subsidiary of Togo Telecom, offers mobile-cellular voice and broadband services, has 54 percent market share in the mobile sector, and faces just one private sector competitor (MOOV). Likewise, Togo Telecom has only one competitor in the fixed broadband market (Café Informatique). Togo Telecom dominates the fixed broadband market. Both MOOV and Café Informatique are dependent on Togo Telecom's international and national backbone infrastructure to link their users to the global Internet. As a result of Togo Telecom and Togo Cell's predominant positions in the ICT sector, and an inadequate and outdated regulatory regime that is less than fully independent, the market for ICT services in Togo is largely closed to new entrants. Discussions have been underway to permit entry of a third operator in the mobile sector, but progress has stalled.

Meanwhile, the established operators have been slow to upgrade and expand their networks, leaving much of the country with outdated ("2G") mobile service, and other areas with no service at all. Togo consistently demonstrates poor ICT service quality, ranking among the world's worst performers for throughput, download speeds, mobile download speeds, and mobile and fixed latencies.[13] A GoT restructuring plan to merge Togo Telecom and Togo Cell and then subdivide the new entity by functional operation (i.e., management, infrastructure, and customer service) is in an early stage of implementation. In the Government's view, this reorganization is expected to capitalize on each agency's strengths and improve the overall quality of ICT service.

2.1.1 Test One: High Cost/Price

Togo's ICT market is not structured competitively. This lack of competitive forces within the ICT sector goes a long way towards explaining the high cost, low quality, and limited availability of ICT services.

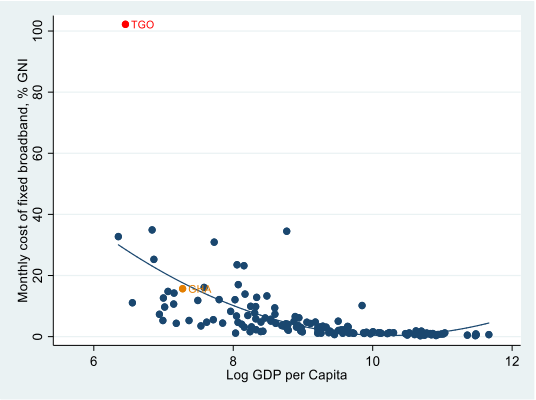
Specifically, Togo exhibits one of the highest prices for international Internet bandwidth in the West Africa region. At the retail level, ICT prices tend to be higher than in many other countries with similar levels of per capita income—see Figure 2-1 and Figure 2-2 for mobile cellular service and fixed broadband service respectively. Similarly, when it comes to the costs of standard Internet service bundles as a percent of per capita GNI, the International Telecommunication Union (ITU) ranks the cost of Togolese cellular sub-basket #176 out of 182 countries (Measuring the Information Society Report 2015) and #157 out of 164 countries for pre-paid mobile broadband (Measuring the Information Society Report 2015).[14]

[13] The speed of data transfer over fixed broadband service.

[14] The cellular sub-basket refers to the price of a standard basket of mobile monthly usage.

Figure 2-1. Percentage of Monthly Cellular Service

Figure 2-2. Percentage of Monthly Broadband Cost



Source: ITU, Measuring the Information Society Report 2015, and World Bank, WDI

Due to this high user cost and despite an abundance of international bandwidth, Togo ranks among the world's lowest performers in terms of access to 2G service (51% population coverage) and 3G service (27% population coverage). Togo also has some of the lowest cellular subscription rates in the world, with 64 mobile-cellular subscriptions per 100 people and 4.1 mobile broadband subscriptions per 100 people (ITU). These subscription rates are well below those in most comparator countries. Additionally, the high price of ICT services in Togo belies the low quality of those services.

The impact of poor service quality is felt among the private sector users of ICT services. 65 percent of formal firms experience service disruptions that impede normal business use during more than 20 percent of operating hours. A subset of these, making up 14 percent of formal firms, experience disruptions that impede normal use during more than 80 percent of operating hours.[15]

The burden of unreliable and costly ICT services is strongly reflected in firm surveys. Of surveyed firms, 75 percent cite the quality of Internet connection and 66 percent cite the cost of Internet connection as a serious or very serious obstacle to doing business.[16] Similarly, 74 percent of the firms cite quality of telephone communications and 72 percent cite the cost of telephone communications as a serious or very serious obstacle (World Bank Formal Firm Survey). Overall, the high price and low quality of ICT services in Togo severely limit the benefits that firms and individuals can realize from ICT services and point to ICT being a binding constraint.

2.1.2 Test Two: Causal Link with Investment/Growth

According to the HRV methodology, the relaxation of a binding constraint should have a positive impact on investment and economic growth. Thus an increase in access to ICT services, an improvement in quality of those services, and/or a decrease in cost of those services should correlate with an increase in economic growth, private investment, or some other type of economic activity. Given the lack of sufficient time series and granular data for ICT service costs and availability, the present analysis looks at the relationship between ICT subscription rates and new business registration.

We observe a consistent and positive correlation between the trends of mobile subscriptions and new business registrations. That is, changes to mobile subscriptions are associated with changes in new business

[15] World Bank, Togo Formal Firm Survey, 2015.

[16] Ibid.

registration (Figure 2-3). Furthermore, a Granger causality test suggests that changes in mobile subscriptions do in fact predict investment (Figure 2-4), while the inverse does not hold true. Changes in investment do not predict changes in mobile subscriptions.[17]

Figure 2-3. Number of Mobile Subscriptions (per 100 people)

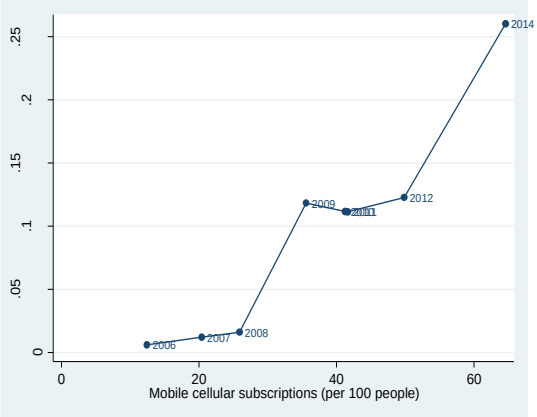
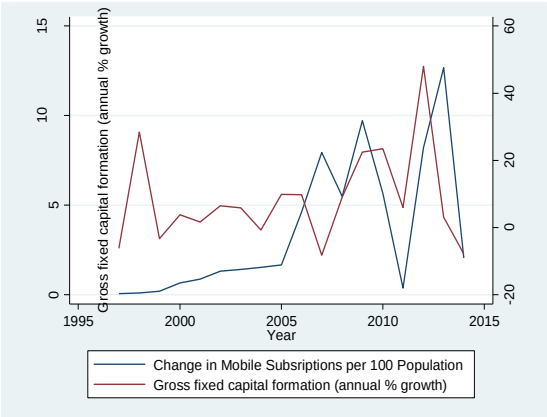


Figure 2-4. Rate of Change in Mobile Subscriptions



Source: WDI, World Bank, 2016

Thus, the available data supports the conclusion that previous improvement in ICT service access has resulted in increased new business registration and gross fixed capital formation.

2.1.3 Test Three: Circumvention

There are multiple examples of circumventing behavior with respect to existing ICT constraints in Togo. For example, firms and individuals diversify ICT service provider exposure in order to increase the probability of having adequate ICT service. 30 percent of firms subscribe to multiple Internet service modalities (Figure 2-5), 82% of which report that this oversubscription is intended to overcome service quality deficiencies (Figure 2-6).[18]

Figure 2-5. Number of Internet Service Modalities

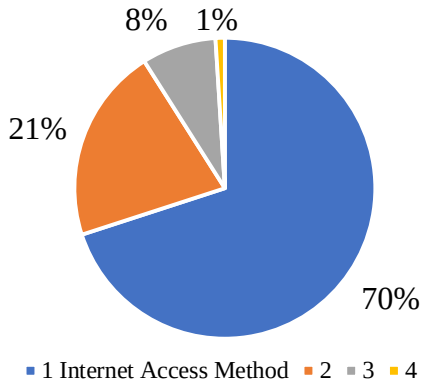
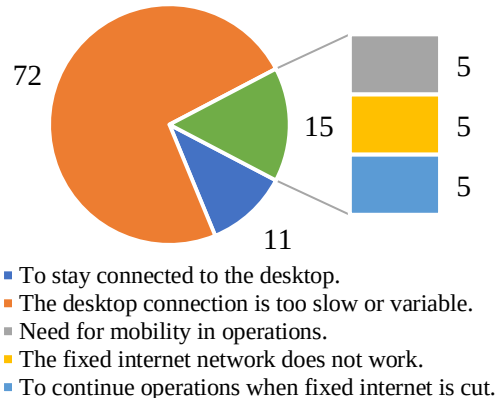


Figure 2-6. Reasons for Multiple Internet Service Modalities



[17] It is important to note that, due to the small sample size (17 annual observations are available), this conclusion is not methodologically robust.

[18] World Bank Firm Survey.

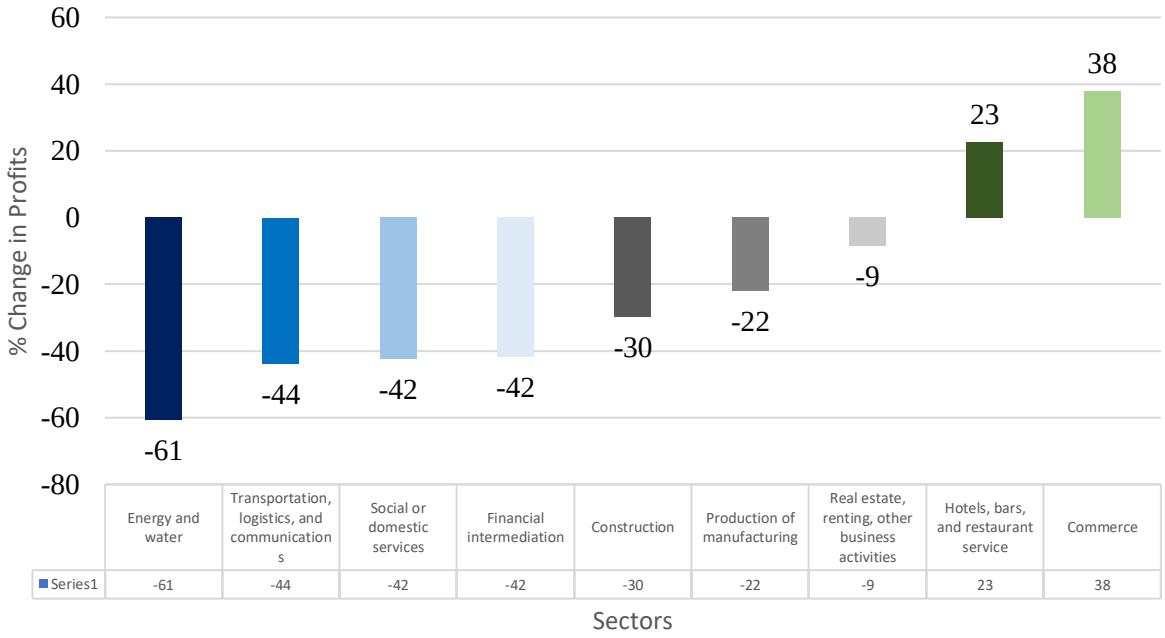
Source: World Bank Formal Firm Survey, 2015

Other types of circumventing behavior are common as well. For example, Ecobank, a large regional bank, worked to obtain a special license agreement with the Togolese authorities allowing it to access the Internet through the Ghanaian network. Without the continuation of this arrangement, Ecobank asserts that the slow and unreliable Internet would compel it to abandon its headquarters in Lomé. Similarly, firm managers and individuals travel to the Ghanaian border in order to access Ghanaian cellular and broadband networks; and remotely located business managers travel to Lomé to conduct Internet-based planning and research in order to overcome the poor ICT service quality where they are based. Finally, some firms have opted to employ VSAT technology, an expensive independent satellite communications system, in order to avoid completely the trials and cost of connection through Togolese ICT infrastructure.

2.1.4 Test Four: Camels/Hippos[19]

Although the evidence is not particularly robust, the sectors most intensive in ICT services in Togo showed very poor growth between 2012 and 2014, especially compared to the sectors non-intensive in ICT.[20] For example, ICT-intensive sectors, like energy and water, transportation and logistics, and financial intermediation, report a change in profits between FY 12 and FY 14 of -64%, -44%, and -42%, respectively (see Figure 2-7). On the other hand, industries that rely less on ICT services, like social or domestic services, production or manufacturing, real estate, and commerce displayed somewhat better profit growth: -42%, -22%, -9%, and +38%, respectively.[21]

Figure 2-7. Average Percent Change in Profits by Sector (FY12- FY14)



[19] Are individuals or businesses that rely heavily on the constraining factor unable to thrive? (In the same way that camels, and not hippos, thrive in an environment without water, do activities that do not depend on the constraining factor thrive while activities that do depend on that factor stagnate or are missing altogether?)

[20] For categorization of sectors by ICT-intensity see: "Are Intangibles More Productive in ICT-Intensive Industries: Evidence from European Countries", Center for European Economic Research, 2014

[21] World Bank Formal Firm Survey.

Source: World Bank Formal Firm Survey, 2015

2.1.5 Summary of ICT Constraints Analysis

ICT		
HRV Test	**Result***	**Comment**
#1: High Cost/Price		High prices for mobile voice and broadband, and international bandwidth; low quality of service.
#2: Causal Link with Investment/Growth		Increases of ICT services are positively correlated with investment and business registration.
#3: Circumvention		Firms and individuals subscribe to multiple carriers; and find alternative ways to better access the Internet.
#4: Camels/Hippos		Growth has been slower in ICT-intensive sectors.

***Key: Green** = Consistent with constraint being non-binding; **Yellow** = Mixed evidence; **Red** = Consistent with constraint being binding; **Beige =** Test not performed.

2.2 Power

Infrastructure is the backbone of any economy; and without minimally adequate infrastructure no country today can realistically hope to grow and prosper since the lack of sufficient infrastructure services raises costs, lowers productivity, undermines competitiveness, and impedes service delivery. In short, inadequate infrastructure lowers the potential return to most investments and, in turn, impedes investment, job creation, and growth.

Togo's power sector is overseen by the Ministry of Mines and Energy. Key public and private entities involved with Togo's power sector include: (1) *Communaute Electrique du Benin* (CEB), which is a bi-national entity co-owned by Benin and Togo and established in 1960 to develop power generation and transmission infrastructure for the benefit of the two countries; (2) *Compagnie D'Energie Electrique du Togo* (CEET), a government utility responsible for transmission and distribution within the country; 3) Contour Global, an independent power producer which commissioned 100 MWs of diesel power in 2010; and 4) *Autorite de Reglementation du Secteur de l'Electricite*, the electricity subsector regulatory authority.

Generation capacity is on the order of 133 MW, with the majority of that coming from Contour Global (100 MW) and CEB's 65 MW Nangbeto hydro plant, which supplies power to both Benin and Togo and which typically operates at far less than full capacity due to insufficient water.[22] Approximately 80 percent of the electricity consumed in Togo is imported, primarily from Nigeria and Ghana. System losses in Togo amount to about 24 percent total - 16 percent technical and 8 percent commercial.[23] The electrification rate is generally in line with other countries with the same per capita income (Figure 2-8).[24] Moreover, the overall electrification rate has increased substantially in recent years—from roughly 28 percent in 2006 to 49 percent in 2015.[25]

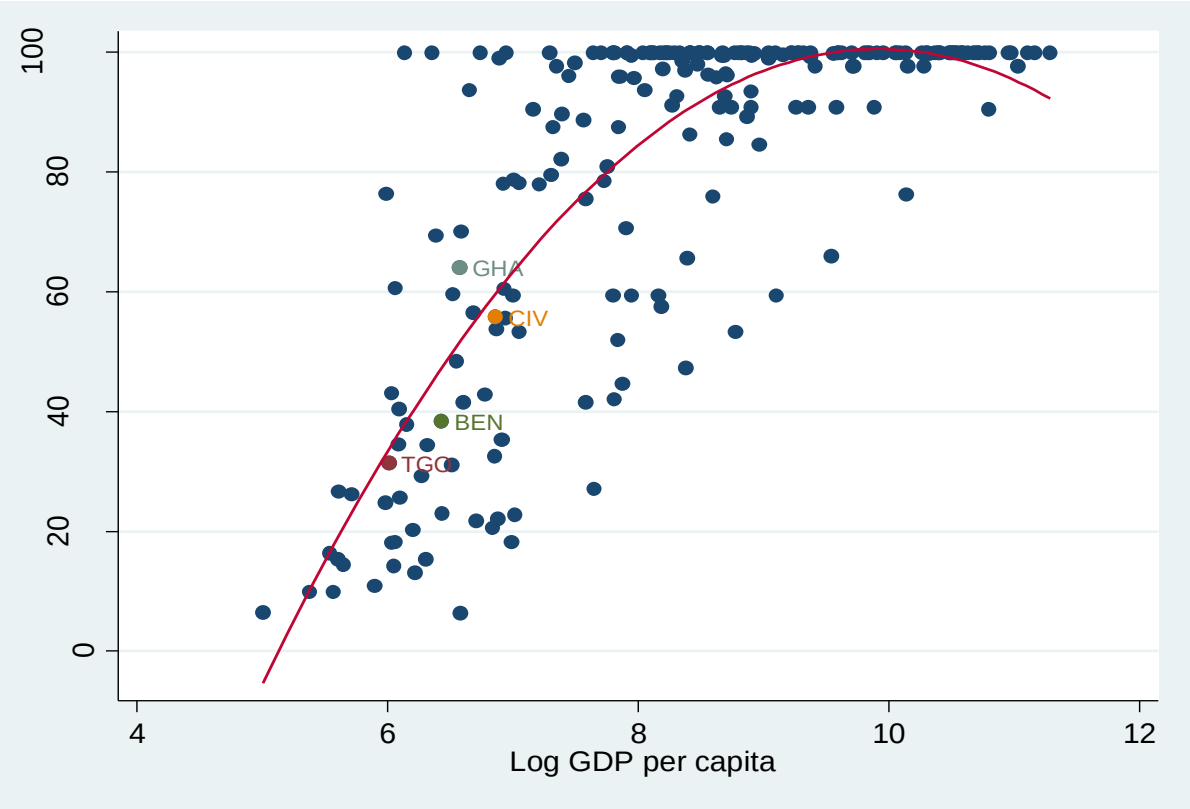
[22] The 147 MW Adjarala hydro plant is currently under development jointly by Togo and Benin with output to be shared between the two countries.

[23] For more details on the Togo power system see World Bank, Togo Energy Sector Policy Review, 2013.

[24] The typical rate for each income per capita level is plotted in red. In other words, because Togo is poorer than its comparators, we would expect it to have a lower electrification rate and the electrification rate is lower almost exactly to the degree we would expect.

[25] According to the 2015 Questionnaire Unifie des Indicateurs de Base du Bien-Etre (QUIBB), a welfare indicators survey.

Figure 2-8. Electrification Rates by Per Capita Income



Source: World Bank, WDI

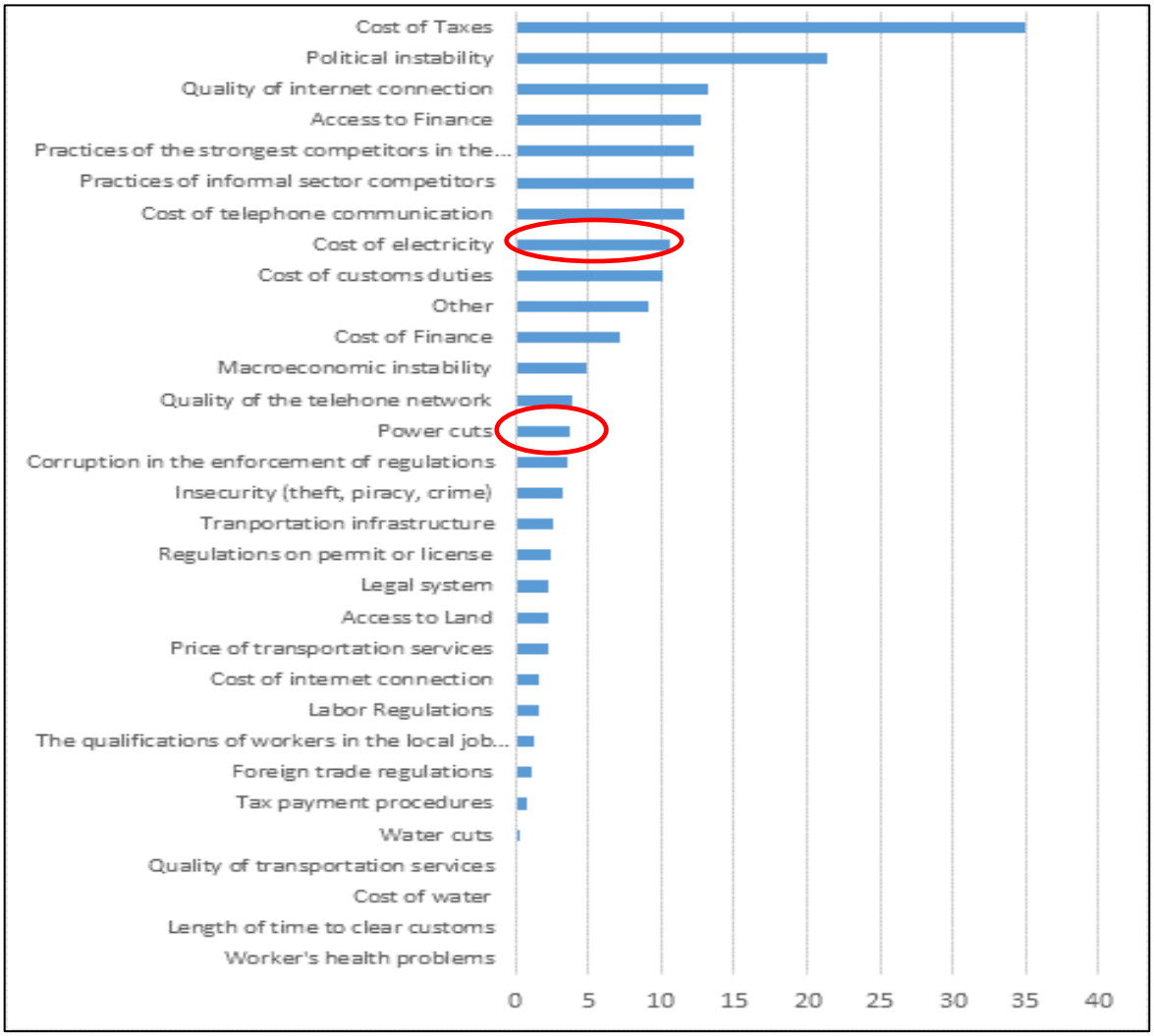
2.2.1 Test One: High Cost/Price

Electricity tariffs are roughly in line with comparator countries.[26] As comparator country tariffs are administratively determined and typically not cost reflective, however, the extent to which relative tariff levels indicate the degree to which service delivery is inefficient and/or tariff setting non-cost reflective is unclear. Electricity cost was the 8th most frequently reported top constraint by formal firms (Figure 2-9) and may be particularly problematic for manufacturing firms (World Bank Systematic Country Diagnostic (SCD) 2016). Examining quality of service delivery, although the number and duration of electricity outages reported by Togolese firms is roughly in line with comparators and power cuts were only the 14th most frequently reported top constraint by formal firms, firm reported loss of sales due to electrical outages is somewhat high relative to comparators.[27]

[26] See Figure 3-3 in the Appendix.

[27] World Bank World Enterprise Survey Data and World Bank SCD 2016.

Figure 2-9. Percent of Firms Identifying Obstacles as the First or Second Biggest Constraint



Source: World Bank Formal Firm Survey, 2015

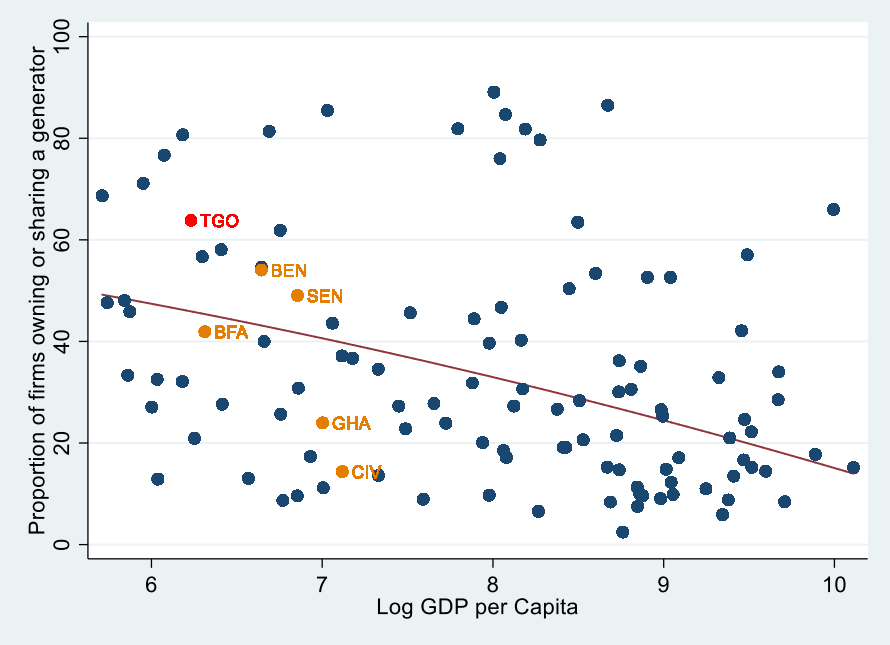
2.2.2 Test Two: Causal Link with Investment/Growth

Change in electricity consumption per capita is correlated with investment and GDP growth, but granger causality tests provide no evidence of causality. Given data limitations, this result is inconclusive.

2.2.3 Test Three: Circumvention

One strategy by which firms circumvent a power constraint is by owning and using a generator. Generation ownership is in fact high in Togo (Figure 2-10). The Figure shows that the proportion of firms that owned or shared a generator in 2009, at more than 60%, is higher than the proportion measured by world enterprise surveys in comparator countries during the period between 2007 and 2011.

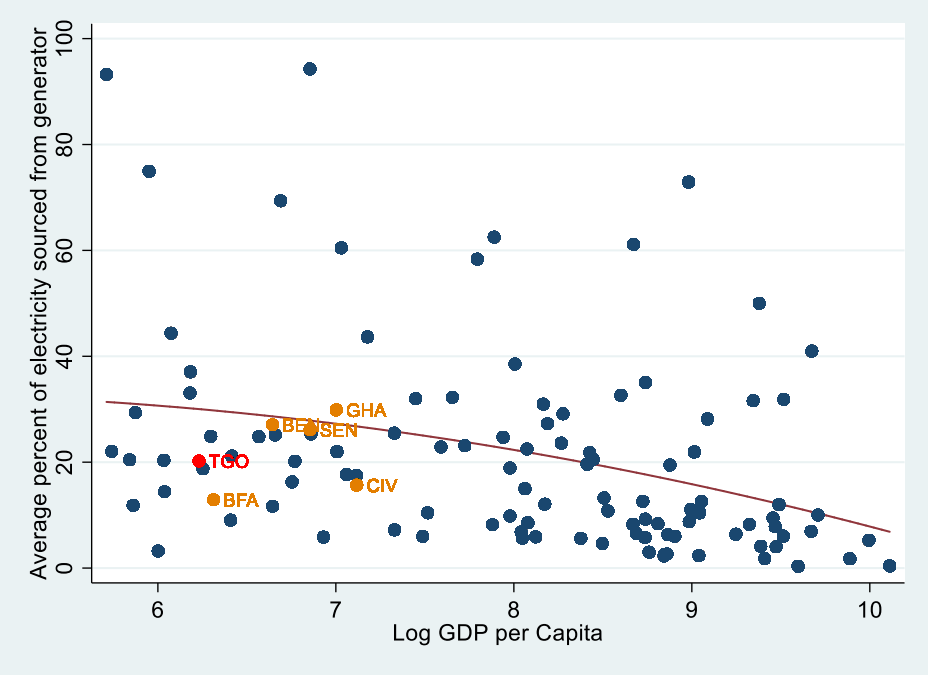
Figure 2-10. Generator Ownership



Source: World Enterprise Surveys for 2007-2011 and World Bank, WDI

However, generator ownership in Togo declined to under 50% between 2009 and 2015. Moreover, Figure 2-11 shows that the actual share of electricity that firms sourced from a generator in 2009, at about 20%, was lower than the share sourced by countries with a similar level of GDP per capita between 2007 and 2011. Evidence that firms attempted to circumvent an energy constraint through generator use is therefore mixed.

Figure 2-11. Generator Use



Source: World Enterprise Surveys for 2007-2011 and World Bank, WDI

2.2.4 Summary of Power Constraint Analysis[28]

While the cost and reliability of electricity service in Togo is problematic, there is mixed and inconclusive evidence as to whether power rises to the level of a binding constraint.

POWER		
HRV Test	**Result***	**Comment**
#1: High Cost/Price		Electricity tariffs are typical relative to comparators. While the number and duration of outages are also typical, percent of sales lost due to outages is somewhat high.
#2: Causal Link with Investment/Growth		Change in energy consumption is correlated with investment and GDP per capita, but causality is unclear
#3: Circumvention		Generator ownership is high but declining; generator use is below average
#4: Camels/Hippos		

***Key: Green** = Consistent with constraint being non-binding; **Yellow** = Mixed evidence; **Red** = Consistent with constraint being binding; **Beige =** Test not performed.

2.3 Human Capital

The endowment of human capital in any economy consists of the stock of intelligence, knowledge, skills, health, training etc. possessed collectively by the population. Human capital makes labor more productive, and in this and other ways contributes to economic growth. In a constraints analysis based on the HRV methodology, low/poor quality human capital constrains investment (and growth) mainly by limiting the returns on investment.

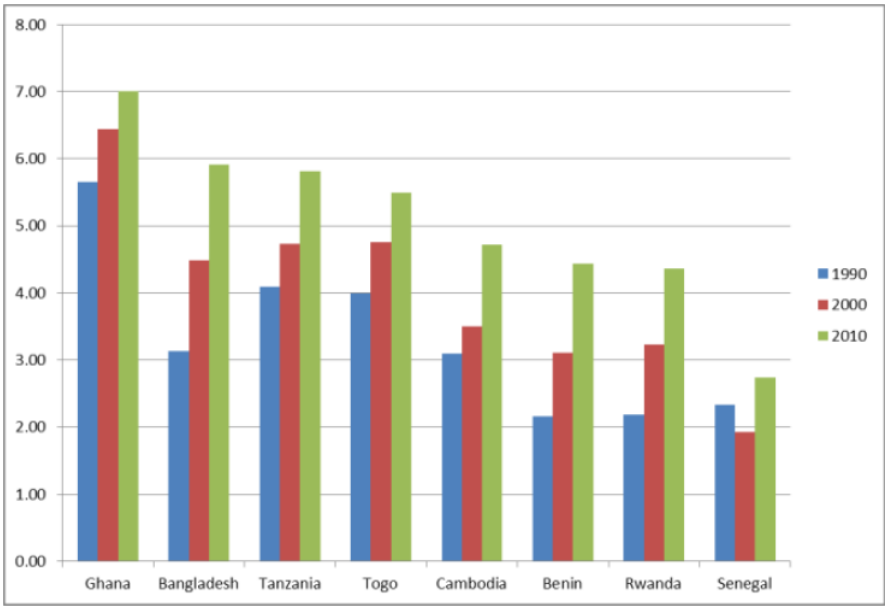
Togo has traditionally demonstrated a high level of educational attainment relative to its level of income and development (Figure 2-12).

While that advantage has diminished in recent years, average years of schooling in Togo remain close to the norm observed in other countries with the same level of per capita income. Partially as a result of the primary school fees being eliminated in 2008, youth literacy rates have been rising and compare favorably with rates in neighboring countries and with Sub-Saharan countries overall. Togo's primary and secondary completition rates are high relative to comparator countries. On the other hand, measures of learning outcomes suggest that Togo's educational quaility lags a number of other West African countries.[29]

[28] Test 4 was not performed, given data limitations.

[29] See Figures 3-4 and 3-5 in the Appendix.

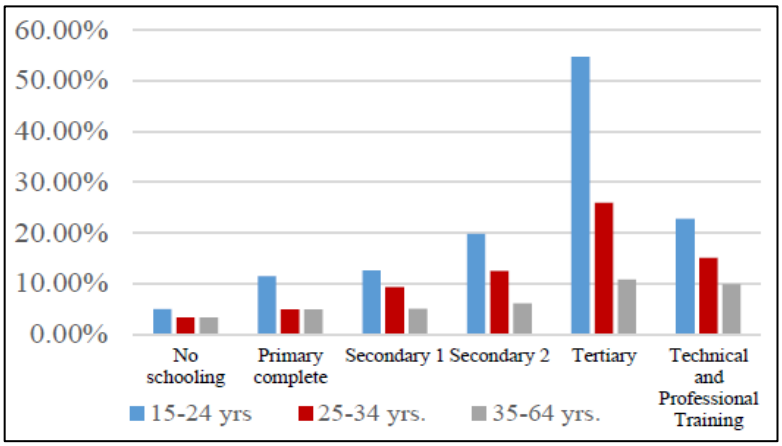
Figure 2-12. Average Years of Schooling



Source: Barro-Lee, Educational Attainment Dataset, 2010 and World Bank Togo SCD, 2016

Labor markets provide useful indicators (consistent with Test 1) of the relative scarcity or abundance of educational human capital within an economy. In Togo, there are fewer workers with secondary level education than with primary education and fewer still with tertiary educations. Despite this fact, unemployment rates tend to increase with the level of education (Figure 2-13).

Figure 2-13. Unemployment Rates by Age and Level of Education



Source: World Bank, Togo SCD, 2016

This strongly suggests that, on average, demand is relatively low for more highly educated workers in Togo.[30] Estimates of rates of return to education in Togo are in the moderate range and consistent with the notion that more educated labor is not particularly scarce (Table 2-1).

[30] There may also be issues with the quality of higher levels of education or with the match between demand and supply for specific higher level labor market skills.

Table 2-1. Rates of Return to Education in Togo

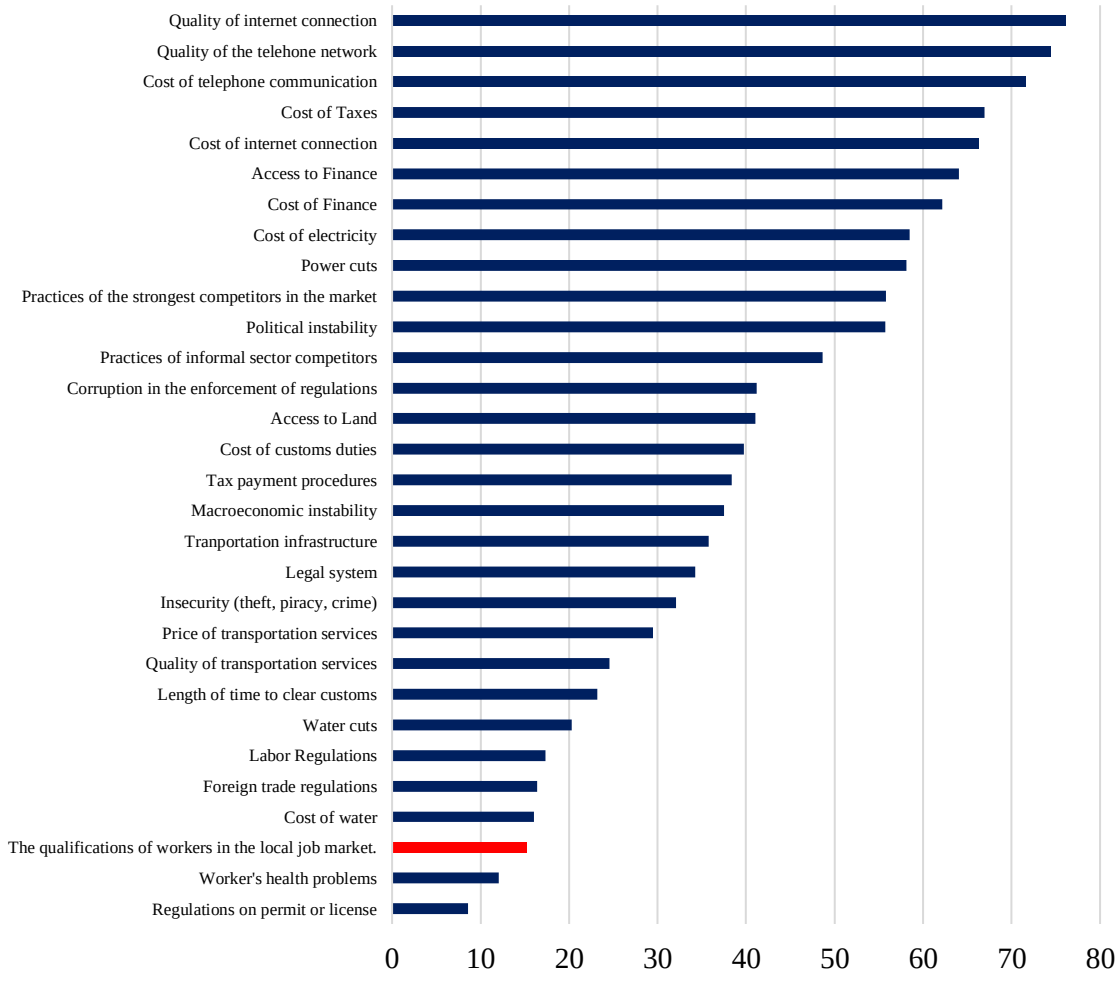
	Return to Another Year of Schooling (%)	Return to Total Primary (%)	Return to Total Secondary (%)
Togo (2006)	9.6	16.8	5.1
Togo (2011)	12.2*	15	8.2
SSA	12.4	14.4	10.6

Source: Montenegro and Patrinos. Comparable Estimates to Schooling around the World, World Bank, 2014. *The World Bank SCD calculates a wage premium of 5.5% using a Heckman Selection Model and additional controls for household size, urban area, and region for both stages and whether mother and father alive for the first stage.

2.3.1 Test Three: Circumvention

Concerning Test 3, when formal firms in Togo were surveyed concerning the main business obstacles they face, access to skilled labor was rarely identified as a serious obstacle (Figure 2-14). Similarly, there is only modest evidence of firms seeking to circumvent problems associated with shortages of skilled labor through in-house training (Table 2-2).

Figure 2-14. Percent of All Firms Identifying the Obstacle as Serious or Very Serious



Source: World Bank, Togo Formal Firm Survey, 2015

Table 2-2. Labor Force Training

	Togo (2009)	Ghana (2013)	Sub-Saharan Africa	All Countries
Percent of firms offering formal training (%)	31.0	40.1	31.6	35.8
Proportion of workers offered formal training (%)	N/A	56.2	47.0	53.0
Percent of firms identifying an inadequately educated workforce as a major constraint (%)	17.2	15.3	17.9	22.2

Source: World Bank, Togo Formal Firm Survey, 2015

2.3.2 Summary of Education Constraint Analysis[31]

Overall, the above evidence suggests that education does not rise to the level of a binding constraint and does not warrant further investigation.

POWER		
HRV Test	**Result***	**Comment**
#1: High Cost/Price		Average years of schooling and literacy are comparable to other countries in region (although quality may be low); returns to education are not high.
#2: Causal Link with Investment/Growth		
#3: Circumvention		Remittances are relatively high; little training by firms.
#4: Camels/Hippos		Togo is regional banking hub.

***Key: Green** = Consistent with constraint being non-binding; **Yellow** = Mixed evidence; **Red** = Consistent with constraint being binding; **Beige =** Test not performed.

2.4 Health

Health is a key aspect of human capital. It impacts individual well-being and has important short and long term influences on a country's economic performance. For example, worker health directly impacts the availability and productivity of labor. Similarly, malnutrition, can hinder learning and limit labor availability and productivity. In general, good health outcomes depend on both family income (and the improved access to nutrition and health-related goods and services that higher income provides) and the effective public provision of health services.

The overall disease burden in Togo—as measured by disability adjusted life years (DALYs)—is typical for countries with Togo's level of per capita income (Figure 2-15).

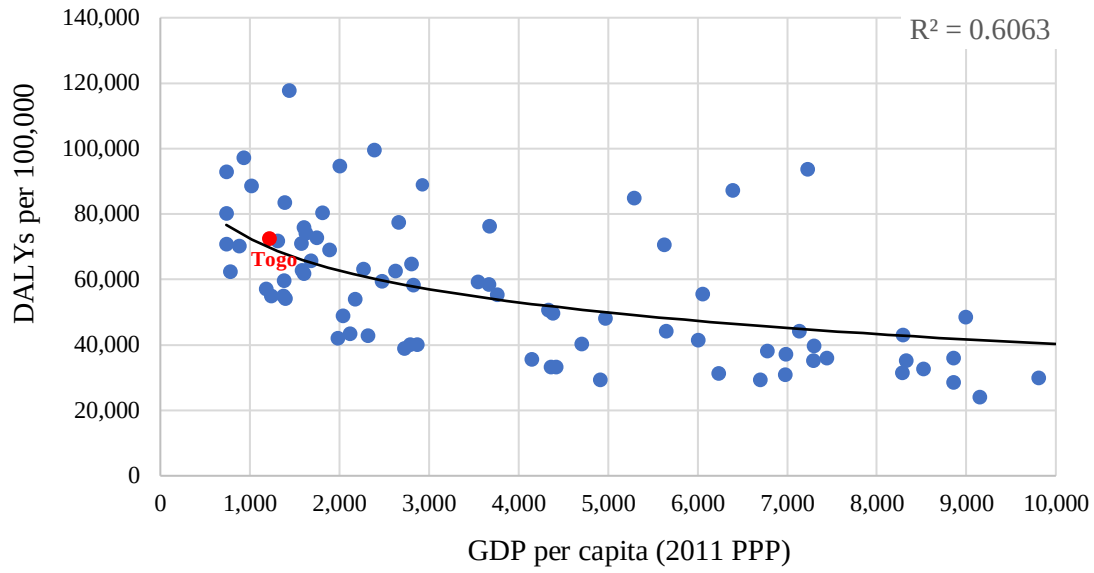
Other health-related indicators also show Togo performing at levels comparable with or above comparator countries in the region. For example, under five years of age, mortality rates are declining and comparable to those observed in comparators.[32] The percentage of children underweight is typical relative to comparator countries. Finally, the prevalence of undernourishment has declined significantly over the last 10 years and is well below the global average for low income countries.[33]

[31] Test 2 was not performed, given initial evidence that education does not rise to the level of a binding constraint.

[32] Maternal mortality rates are also declining.

[33] See Figures 3-6 and 3-7 in the Appendix.

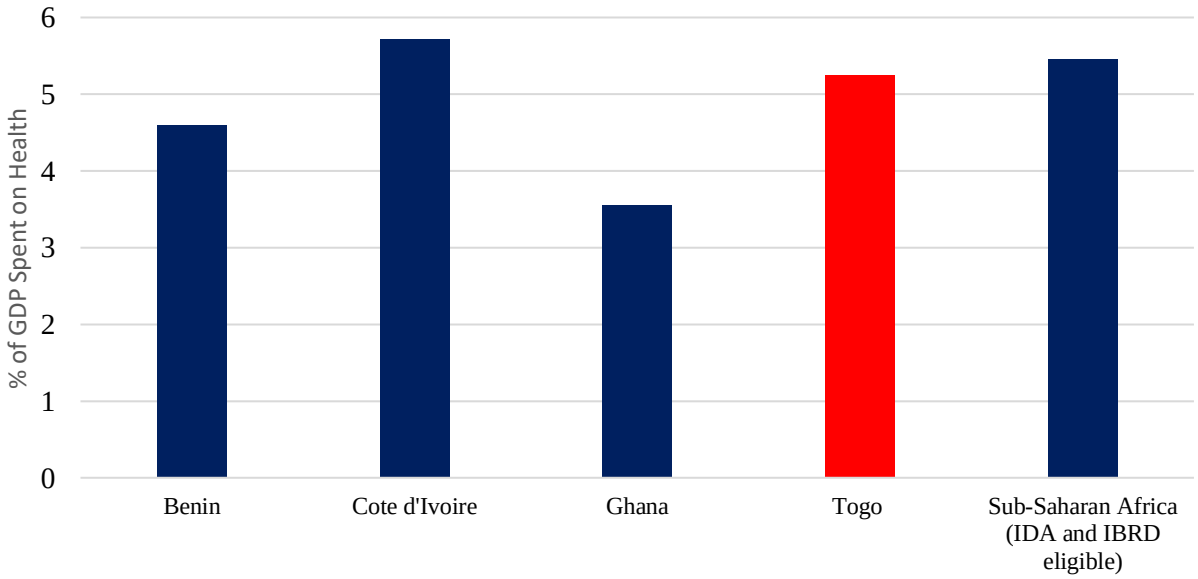
Figure 2-15. Age-Standardized DALYS (per 100,000 population): All Causes, 2012



Source: World Health Organization (WHO)

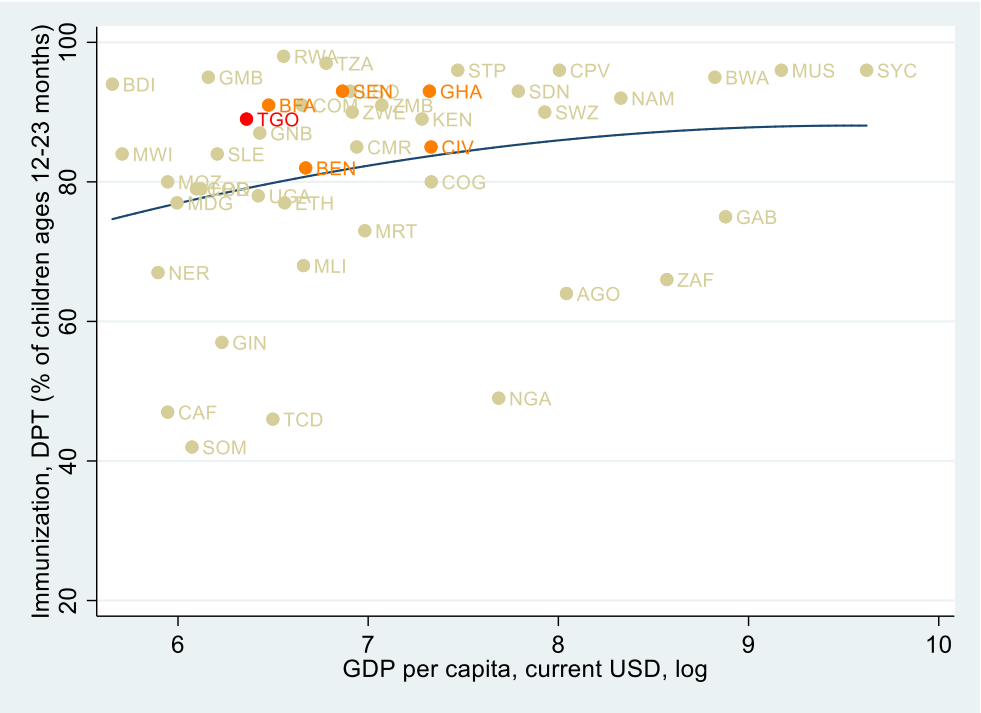
At the national level, total spending on health in Togo is generally comparable to health spending in comparator countries (Figure 2-16), and the DPT3 Immunization rate for children ages 12-23 months is typical relative to comparators and somewhat high relative to Sub-Saharan Africa overall (Figure 2-17).

Figure 2-16. Total Health Expenditure (% of GDP), 2014



Source: WDI, World Bank, 2016

Figure 2-17. DPT Immunization (% of Children Ages 12-23 Months)



Source: WDI, World Bank, 2016

Finally, average worker-days lost due to illness are low. As a result, survey findings suggest that relatively few formal firms in Togo consider workers' health issues to be a top business obstacle. Overall, the above evidence suggests that health issues do not rise to the level of a binding constraint and do not warrant further investigation.

2.4.1 Summary of Health Constraint Analysis[34]

POWER		
HRV Test	**Result***	**Comment**
#1: High Cost/Price		DALYs are typical for Togo's per capita income level. Worker-days lost due to illness are low. Togo performs above or similarly to comparators on other health-related indicators.
#2: Causal Link with Investment/Growth		
#3: Circumvention		
#4: Camels/Hippos		

***Key: Green** = Consistent with constraint being non-binding; **Yellow** = Mixed evidence; **Red** = Consistent with constraint being binding; **Beige =** Test not performed.

2.5 Microeconomic Risks

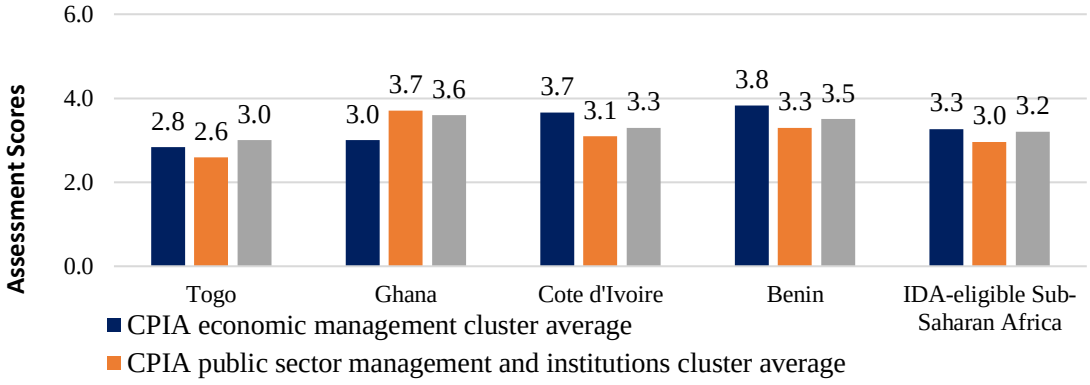
Microeconomic risks associated with private investment can reduce the ability of investors to appropriate

[34] Tests 2-4 were not performed, given initial evidence that health does not rise to the level of a binding constraint.

adequate returns and, as a result, impede private sector business and investment. These risks are distinct from macroeconomic risks, which relate more to price and exchange rate stability and the overall level of aggregate demand. Some of the microeconomic risks often addressed in a CA include corruption, taxation, tariffs and non-tariff barriers to trade, crime, and other aspects of the business/investment environment.

As a low-income country, Togo is characterized by relatively weak policies and institutions. For example, Togo's overall score of 3 on the World Bank's Country Policy and Institutional Assessment (CPIA) places it in the category of "fragile" states, with particular shortcomings demonstrated in the areas of economic management and public sector management (Figure 2-18).

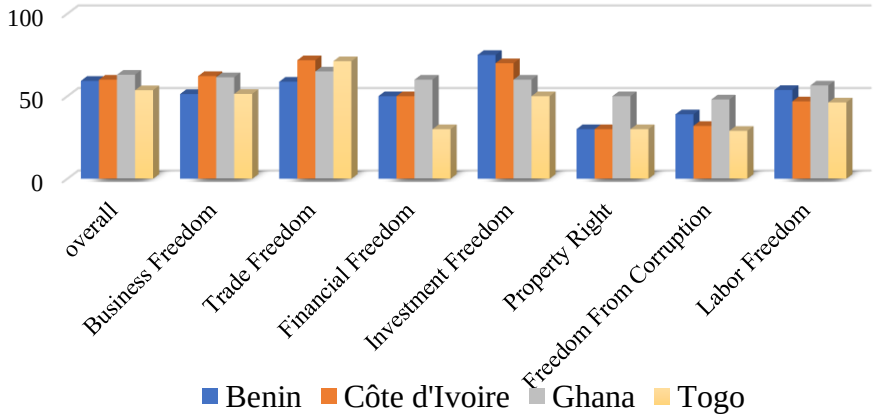
Figure 2-18. Country Policy and Institutional Assessment Scores, 2015 (1=low, 6=high)



Source: World Bank CPIA, 2015

When it comes to overall economic freedom in Togo, which to a large extent reflects rule of law, size of government, regulatory efficiency, and open markets, Togo ranks somewhat below its regional comparators. Issues relating to property rights, corruption, and financial freedom are particularly problematic (Figure 2-19).

Figure 2-19. Index of Economic Freedom (2015)

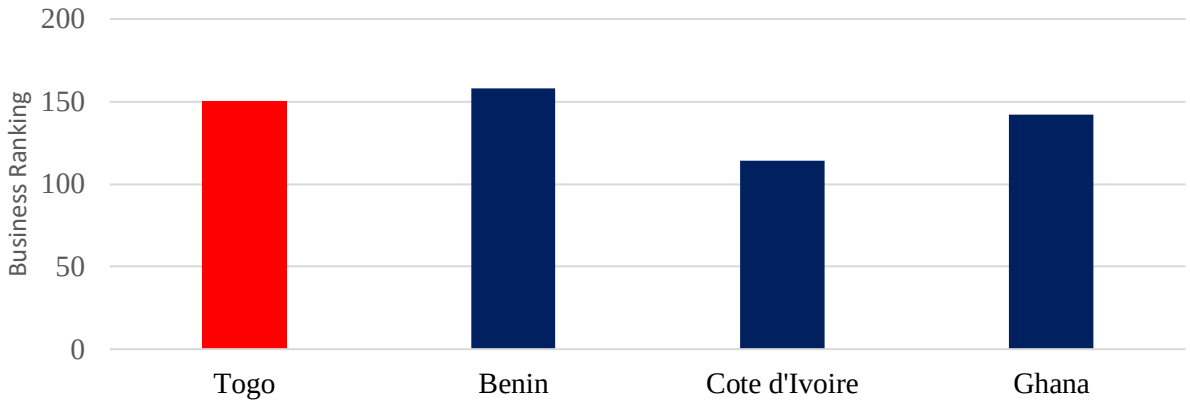


Source: Heritage Foundation, 2015

The most widely available and accepted indicators of a country's business environment typically come from the World Bank's Doing Business and Enterprise Surveys. In terms of 'Doing Business', Togo was ranked #150 out of 189 economies in 2016 and lags behind some of its regional comparators

(Figure 2-20).

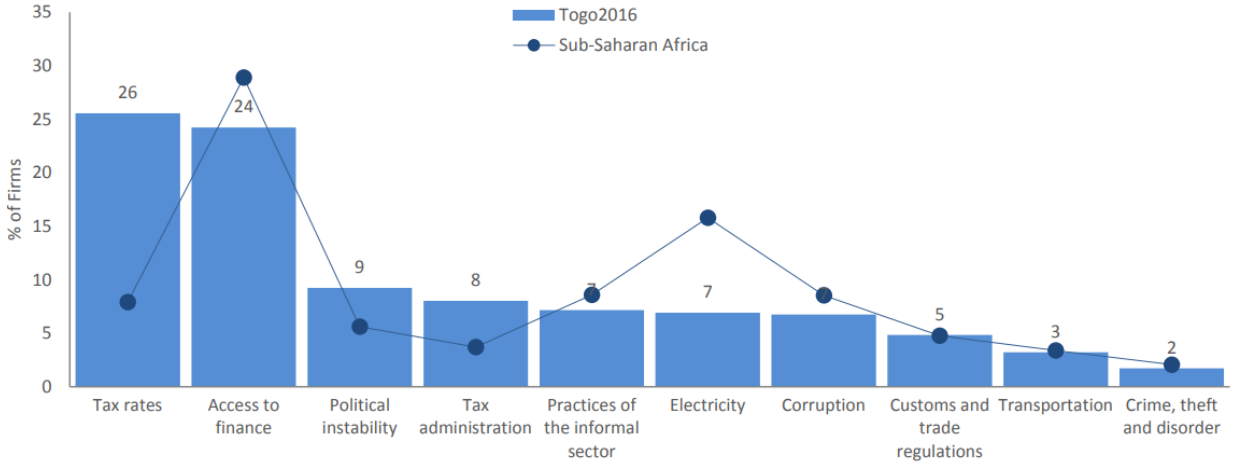
Figure 2-20. Overall Doing Business Ranking, 2016 (out of 189 entities)



Source: World Bank, Doing Business, 2016

Of particular concern are those aspects of the Doing Business environment where Togo's performance is most problematic--including registering property and paying taxes. Enterprise Survey result for Togo in 2016 are summarized in Figure 2-21, and suggest that formal firms perceive both high tax rates and cumbersome tax administration requirements as serious business obstacles.

Figure 2-21. Top Business Constraints in Togo Compared to Sub-Saharan Africa, 2016



Source: World Bank, World Enterprise Surveys, Togo 2016 Country Profile

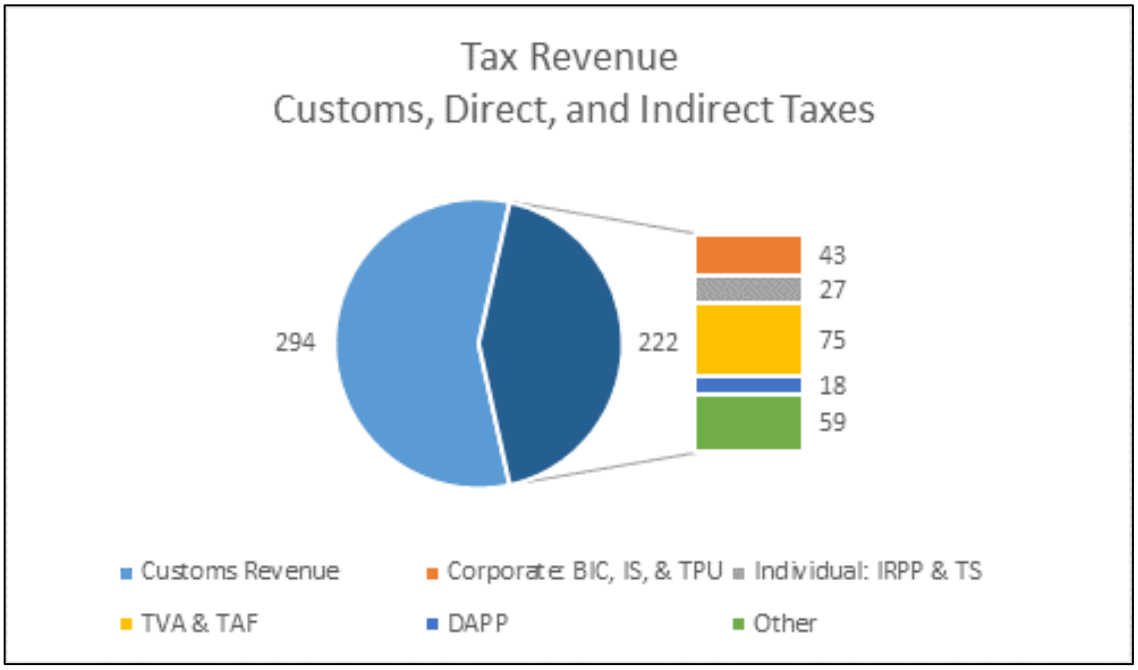
While Togo's overall business and investment environment is challenging, issues relating to land and taxes seem to rise to the top. Thus, the remainder of this section focuses on these two potential microeconomic constraints.

2.5.1 Taxation

Taxation plays a multifaceted role in any economy. Among other things, it impacts macroeconomic stability via fiscal policy, influences income distribution via tax incidence and funding of safety net expenditures and affects the private sector according to its impact on incentives facing individual firms and investors.

Togo's tax system is fairly typical of a low-income country—especially one with a relatively open and trade-dependent economy. It is heavily dependent on trade taxation, with customs revenues accounting for 57 percent of total tax revenues in 2015 and direct and indirect taxes (especially the VAT and corporate income taxes) accounting for the remaining 43 percent (Figure 2-22).

Figure 2-22. Tax Revenue: Customs, Direct and Indirect Taxes (CFA francs, in billions)



Source: Ministry of Economy and Finance, Government of Togo, 2015[35]

Togo is a member of the West African Economic and Monetary Union (WAEMU) which establishes ranges of acceptable rates for key taxes such as the VAT and corporate income. Thus, there is little variation in these *de jure* tax rates across WAEMU countries.

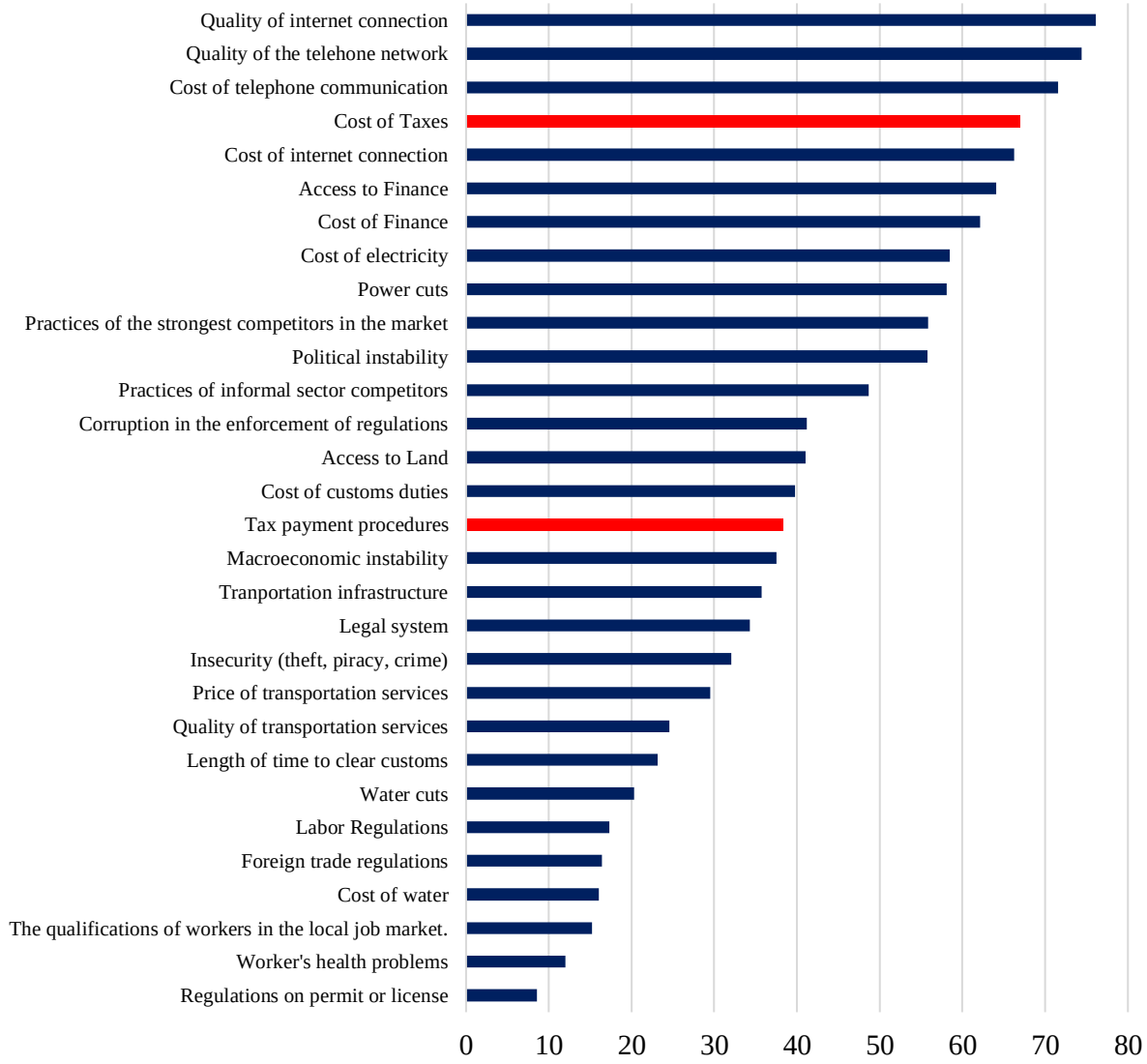
2.5.1.1 Test One: High Cost/Price

While key business-related official tax rates are fairly uniform across WAEMU countries, formal firms complain about high tax rates much more often in Togo than in the average Sub-Saharan country.[36] For example, in the recently released World Bank 2016 Enterprise Survey for Togo, high taxes were the most frequently cited top business obstacle (identified by 26% of surveyed firms), while at 8 percent tax administration was the fourth most frequently cited top obstacle. Both percentages are well above the averages for Sub-Saharan Africa as a whole and they are generally consistent with the results of a formal firm survey done in 2015 as part of the World Bank's SCD (Figure 2-23 and Figure 2-24).

[35] BIC, IS and TPU refer to the tax on business profits, corporate tax and single business tax, respectively. IRPP and TS refer to the personal income tax and payroll tax. TVA & TAF refer to value added tax and financial activity tax. DAPP refers to the excise duty on petroleum products.

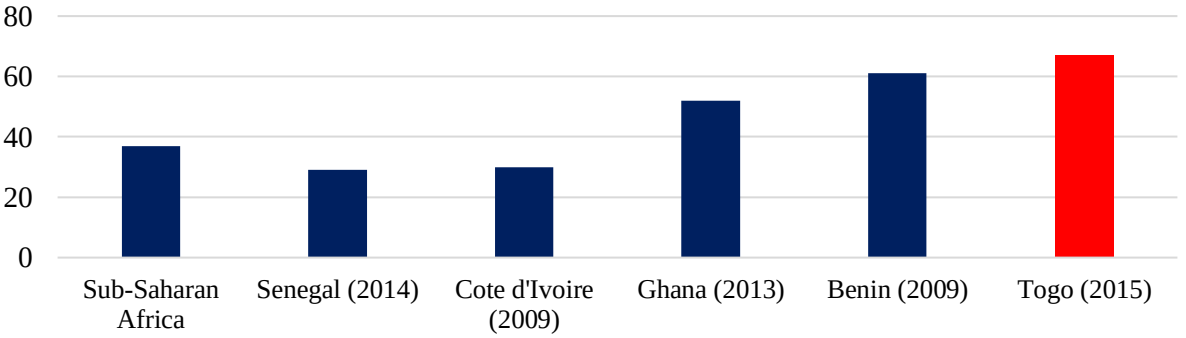
[36] The World Bank in its 2016 Systematic Country Diagnostic for Togo argues that this is largely because of deficiencies in Togo's tax code and administration which result in high and distortionary effective *(or de facto)* tax rates.

Figure 2-23. Percent of All Firms Identifying the Obstacle as Serious or Very Serious



Source: Togo Formal Firm Survey, 2015

Figure 2-24. Percent Firms Considering Cost of Taxes as a Major Constraint



Source: Various Enterprise Surveys and Togo Formal Firm Survey, 2015

The relatively high frequency with which Togolese firms identify either high tax rates or problematic tax administration as serious business obstacles may be due to several factors.

First, *de facto* tax rates in Togo may actually be higher than in neighboring countries. The World Bank's 2015 formal firm survey for Togo found de facto rates to be significantly higher than in comparator countries and highly variable by size of firm and sector. This was the result of both weaknesses in tax administration and a significant reliance on revenue and cost-based taxes.

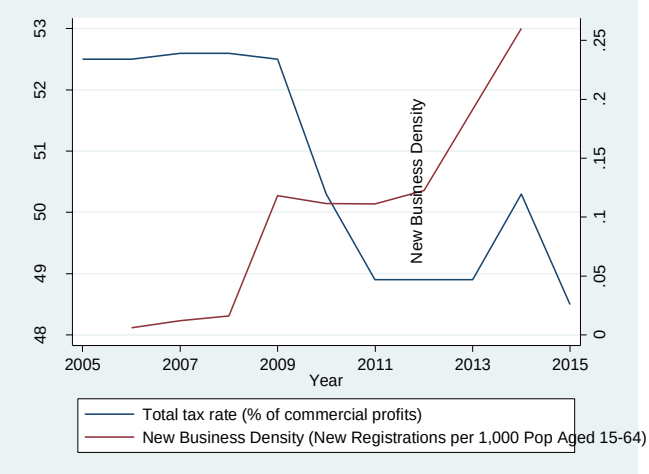
Second, the frequent identification of taxes as a significant business problem in Togo may be due, at least in part, to the establishment by the GOT in 2014 of the *Office Togolais des Recettes* (OTR) with the goal of streamlining tax administration and improving its integrity. This effort has been seen by outside donors and tax experts as a success, with tax revenues increasing and the average time needed to comply, and the number of tax payments declining in recent years to levels similar to regional comparators.[37]

However, a commonly held view is that OTR's efforts to strengthen tax administration have come as a shock to Togo taxpayers—mainly formal firms. For starters, Togo's tax base is relatively narrow—the informal/agricultural sector is large (a minimum of 45%) and land is not effectively taxed. Revenue targets increase annually, but the tax base is quite static. Consequently, the relatively few large taxpayers feel increasingly squeezed. At least during the first few years of its existence, OTR's efforts to collect up to three years of back taxes have made the situation worse.[38] This somewhat transitory combination of factors (OTR's active enforcement of the tax code and aggressive collection of past taxes due) may go a long way towards explaining why recent firm surveys identify high taxes as a leading business constraint in Togo.[39]

2.5.1.2 Test Two: Causal Link with Investment/Growth

Additional evidence suggests that in Togo tax rates correlate negatively with economic activity, measured in terms of either GDP growth or new business startups (Figure 2-25).

Figure 2-25. Togo's Tax Rate and New Economic Activity



Source: WDI, World Bank, 2016

2.5.1.3 Test Three: Circumvention

The World Bank suggests that high levels of firm informality in Togo, together with a clustering of firms just below the VAT threshold may reflect effort on the part of Togolese firms to avoid high taxes.[40]

2.5.1.4 Summary of Taxation (part of Microeconomics) Constraints Analysis[41]

Overall, the bulk of available evidence is consistent with the view that problems with Togo's current tax system do constrain the country's growth and development. But going

[37] Despite this progress, Togo was ranked # 169 out of 190 economies in the 2017 Doing Business report when it comes to ease of paying taxes.

[38] Or as one person put it, "people crying about OTR now were not paying taxes before".

[39] Especially since de jure tax rates held basically steady between 2009 – 2016 while the percentage of Togo firms citing high taxes as the top obstacle they face tripled.

[40] World Bank, Togo SCD, 2016.

[41] Test 4 was not performed, given data limitations.

forward, this constraint does not rise to the level of being binding due to: (i) the somewhat transitory nature of the OTR's "shock", and (ii) the GoT's recognition of problems with its current tax policy and administration and efforts underway already to address these problems.

TAXATION		
HRV Test	**Result***	**Comment**
#1: High Cost/Price		De facto tax rates may be relatively high; firm surveys identify tax policy and administration as significant problems.
#2: Causal Link with Investment/Growth		Negative correlation between tax rates and economic activity.
#3: Circumvention		Some evidence of firms trying to avoid or minimize taxes.
#4: Camels/Hippos		

***Key: Green** = Consistent with constraint being non-binding; **Yellow** = Mixed evidence; **Red** = Consistent with constraint being binding; **Beige =** Test not performed.

2.5.2 Property Rights and Land

Poor tenure security can reduce the expected private return from land attached investments and discourage efficiency-enhancing land transfers. Likewise, inefficient land administration increases investor and government costs. In rural areas in particular, poor tenure security and inefficient land administration are among the factors that can discourage smallholder and commercial agriculture investment and transfer of land to more efficient uses, limiting agricultural yields and productivity.

Rural land in Togo is owned by communities and managed by chiefs. While 77 percent or more of rural households own land, only about nine percent of those rural land owning households have land ownership documents.[42] Among the poorest three quintiles of rural households, only four to five percent have such documents. Roughly 36 percent of urban households own land, and about 49 percent of those urban land owning households have formal land ownership documents.

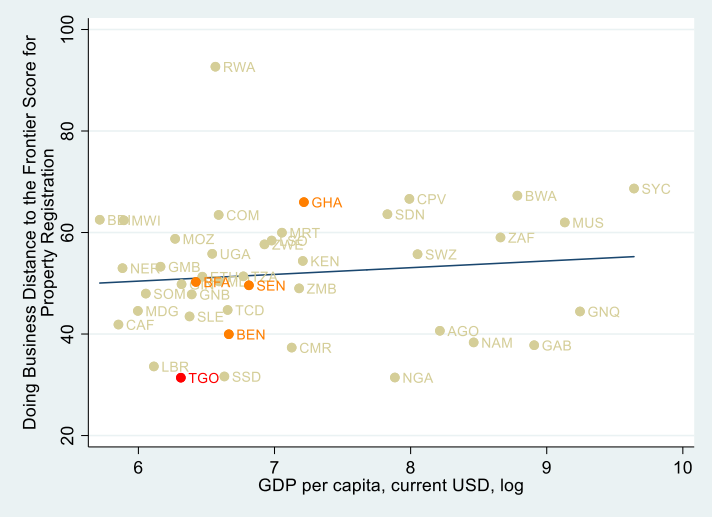
Courts are not well equipped to deal with land disputes and, in most cases, disputes over rural land are settled by chiefs. Land registration is complex since the GoT does not have an effective and systemic land survey system. According to the 2017 Dalberg Agricultural Competitiveness Report on Access to Land, although the GoT drafted a new land code in 2013 with apparent support from tribal chiefs and other stakeholders, the revised code is now being rewritten, suggesting that land reform remains in flux.

[42] According to the 2011 QUIBB household survey, owned land is defined as any land acquired by the household through inheritance, purchase, first occupation, or gift (this includes land allocated by local authorities). The vast majority of these plots are under customary tenure status; fewer than 9 percent of rural households possess any land document. Of those that do, 50 percent possess only an uncertified contract between the buyer and seller.

2.5.2.1 Test One: High Price/Cost

The cost and time required to register land in Togo is unusually high. Togo scored last in Sub-Saharan Africa on the World Bank Doing Business 2016 registering property indicator (Figure 2-26).

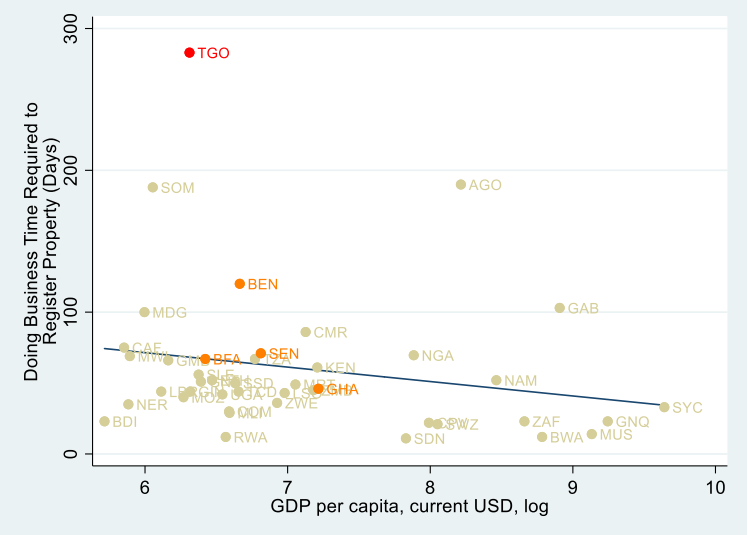
Figure 2-26. Doing Business Overall Distance to the Frontier for Property Registration



Source: Doing Business 2016 and World Bank WDI[43]

Transferring a commercial property in Lomé takes on average 283 days, which is an outlier for Sub-Saharan Africa. Benin is the next closest country at just over 100 days (Figure 2-27). The cost of transferring a commercial property averages over 9 percent of the property value.

Figure 2-27. Doing Business Days Required to Register Property



Source: Doing Business 2016 and World Bank WDI

[43] Note that *Doing Business 2016* data are current as of June 1, 2015. These figures therefore show WDI GDP per capita data for 2015.

Likewise, Togo scores low relative to regional comparators on the World Bank's Quality of Land Administration Index, which incorporates measurements of geographic coverage, transparency of information, land dispute resolution and reliability of infrastructure.

Togo's percentage of agricultural land under cereal production is also both high and trending sharply upward versus comparators, suggestive of short-term investment horizons due to tenure insecurity.[44] Few cash crops are planted, representing just seven percent of cropped land and contributing nine percent of GDP. Thirty-eight percent of land under these crops lies in the Plateaux region, which hosts 85 percent of all coffee and cocoa plots. Still, coffee and cocoa farmers represent only 8.3 percent of the agricultural households in Plateaux and only 0.3 percent of households in Centrale.

Land conflicts are frequent and costly for both households and firms: 12 percent of households have experienced a land-related conflict. Six percent of formal firms had land-related legal issues in the past five years, of which only half have been resolved. The GoT estimates that approximately 80% of court litigations in Togo are on land issues. For formal firms, the time to resolution was one year on average for resolved cases but, for those still awaiting resolution, the average wait had been 880 days. Time spent resolving cases was 20 worker-days and the mean financial cost was approximately $3,400. In rural areas, land is typically taken out of production during disputes, resulting in substantial income loss. Several stakeholders reported that often, even after a dispute is "resolved," someone can come years later and make a claim.

Women make up a substantial portion of Togo's agricultural producers but they have particularly low tenure security due to social institutions: Togo's constitution recognizes customary law unless it violates the provision on equality. In practice, however, this limitation on customary law is ignored, and customary law often prevails, particularly when it comes to inheritance practices. Under customary law, for example, women are not entitled to inherit from their husbands or fathers, and typically hold land and property only for use. Nor can women pass inherited land on to their children. As a result, of the Togolese who own land through inheritance, only 15 percent are women, versus 85 percent for men. The same percentages apply to Togolese who have purchased land. These social institutions discourage women cultivators from making land attached agricultural investment and prevent allocation of land to the most efficient cultivators.

2.5.2.2 Test Three: Circumvention

Traders and firms that process, package and distribute perennial crop output avoid contracting with cultivators of rented land. Yet perennial crop producer cooperatives are often unable to purchase land.[45] Label d'Or (a medium-sized commercial agriculture firm focused on exporting organic fruits and legumes) avoids enrolling farmers who do not own their land and runs several checks of land ownership to minimize the chance that further disputes jeopardize supply quantities. Label d'Or reports that security of tenure is a top obstacle for their firm.[46]

Free zones and other schemes that allow firms to circumvent obstacles to accessing land with secure tenure are oversubscribed, although it is difficult to distinguish the degree to which oversubscription is motivated by access to land versus other benefits associated with these zones/schemes.

2.5.2.3 Test Four: Camels/Hippos

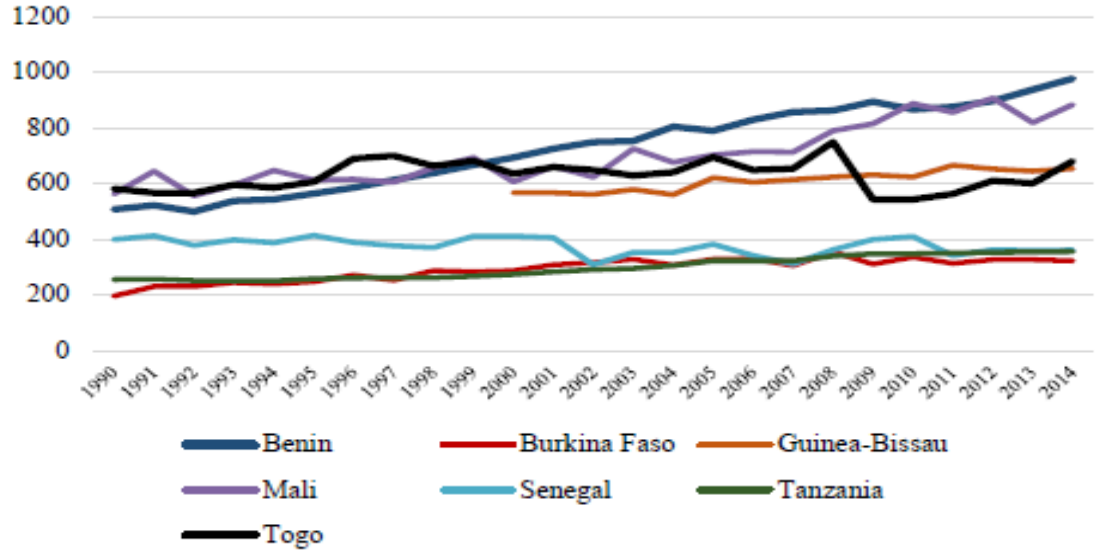
Smallholder and commercial agriculture are particularly dependent on property rights and land policy. Few commercial scale agricultural plantations exist, and agricultural value added per worker is stagnant, while productivity in Benin, Mali, Tanzania and Burkina Faso has increased (Figure 2-28).

[44] See Figure 3-8.

[45] Dalberg 2017.

[46] MCC Stakeholder Interviews 2016.

Figure 2-28. Agriculture Value Added per Worker Togo (Real 2005 US$)



Source: World Bank, Togo SCD, 2016

Commercial agriculture firms reported land to be a top constraint during in-country qualitative interviews. AfrikExcel, a small pineapple juice producer exporting to Burkina and Mali took four years to acquire land, mainly due to the challenges of identifying the proper land owners and defining boundaries. Conseil Interprofessionnel du Cacao et du Café (CICC), a joint umbrella body for producers, exporters, buyers, and processors of both cocoa and coffee, reported that access to land is a major cause of conflict among farmers and land owners, which can lead to destruction of parts of plantations. Coordination Togolaise des Organisations Paysannes (CTOP), which represents different members in the agriculture value chain, reported that access to land is a major cause of dispute between farmers and land owners, especially in communities where the farming population is non-native to the community. There are also accounts of individuals being pushed off their lands illegally.

2.5.2.4 Summary of Rights/Land Constraints Analysis[47]

LAND		
HRV Test	**Result***	**Comment**
#1: High Cost/Price		The cost and time required to register land is among the highest in SSA (288 days and 9.2% of property value); land disputes are frequent and costly; the percentage of agricultural land under cereal production is both high and trending sharply upward versus comparators, suggestive of short-term investment horizons. Social institutions result in poor tenure security for women, who are a large portion of total cultivators.
#2: Causal Link with Investment/Growth		
#3: Circumvention		Firms in the value chain avoid contracting with cultivators planting perennial crops on rented-in land. Yet producer cooperatives are unable to purchase land. Schemes allowing firms to circumvent obstacles to land access and secure tenure are oversubscribed.
#4: Camels/Hippos		Agricultural productivity per worker is flat, in contrast to key comparators; There are remarkably few commercial scale agricultural plantations.

[47] Test 2 was not performed, given data limitations.

***Key: Green** = Consistent with constraint being non-binding; **Yellow** = Mixed evidence; **Red** = Consistent with constraint being binding; **Beige =** Test not performed.

2.6 Access to Finance

The financial system plays an important role in allocating capital efficiently within a market based economy. By overcoming information asymmetries and facilitating transactions, financial intermediaries support investment and growth. Without a well-developed system of financial intermediaries, the market for credit can suffer from various types of market failures (such as lack of competition or information asymmetries) which ultimately make the cost of accessing finance for investment purposes difficult or prohibitively expensive.[48]

The level of private investment in an economy is the result of many different factors relating to the supply of capital by intermediaries like banks and/or the demand for borrowing by firms and entrepreneurs. A low overall level of investment may be due primarily to either a low supply/high cost of investment funds, a low demand for those funds, or some combination of low supply and demand. Supply may be constrained as a result of financial sector problems such as low domestic savings, poor access to international capital, or weak financial intermediation resulting from insufficient competition, high risks, or high cost of bank operations. Such financial sector problems can make interest rates high and investment expensive. Demand for investment funds may be constrained by an unproductive environment for investing due to inadequate supply of a complementary factor like infrastructure or due to a high share of returns going to labor, taxes, or by other risks to private returns. This section investigates Togo's financial system so as to determine if weaknesses in that system unduly limit the supply of investment funds and thus seriously constrain investment and growth.

For a small, low-income country, Togo has a relatively large, well-developed financial sector, consisting primarily of 15 banks with over 400 branches/ATMs. Of these 15 banks, only three (BTCI, ORABANK-Togo, and UTB) are owned by the public sector. However, these public sector banks are disproportionately important, accounting for 52 percent of the total credit provided by the banking sector in 2014, and for 44 percent of bank branches.[49] In addition, there are over 80 microfinance institutions—serving a higher percentage of the population than in any other WAEMU country. Market concentration is relatively low in Togo's financial sector —suggesting a reasonable level of competition and efficiency.[50]

The percent of the Togolese population over 15 years old with an account in a financial institution is at 17.6% which is high relative to a number of other West African countries.[51]

2.6.1 Test 1: High Price/Cost

Domestic credit provided by the financial sector in Togo is relatively high and rising (Figure 2-), with the vast majority of this credit going to the private sector. Thus, credit does not seem to be particularly scarce.

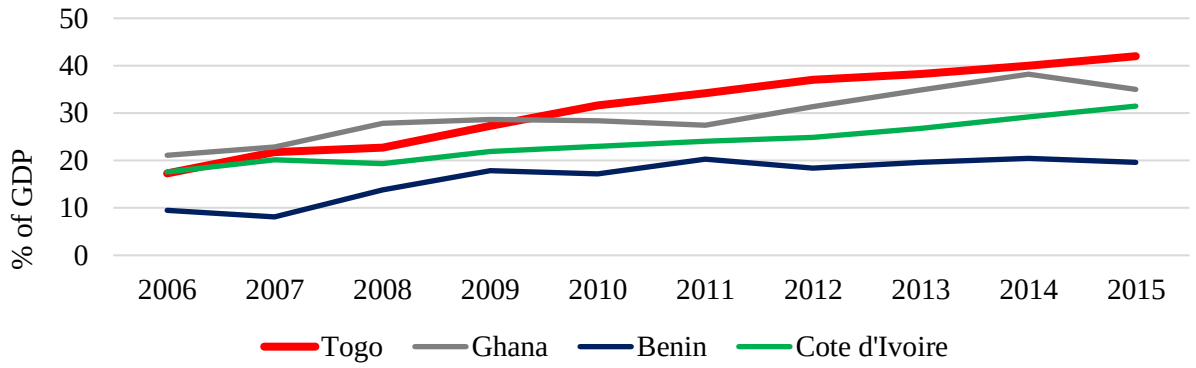
[48] Such intermediaries aggregate savings and then channel those resources towards productive investments.

[49] Source: Central Bank of West African States (BCEAO)

[50] World Bank, Togo SCD, 2016, p.69.

[51] See Figure 3-9.

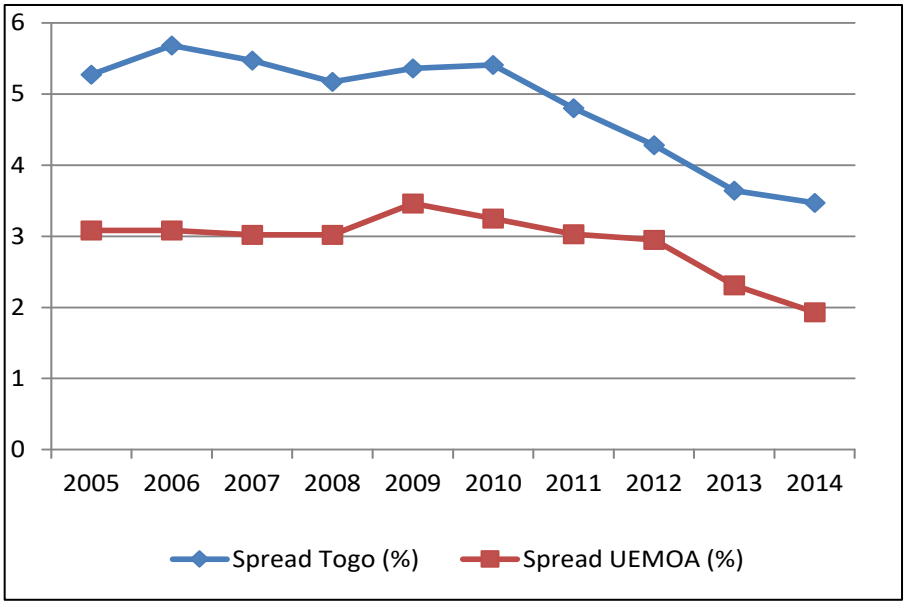
Figure 2-29. Domestic Credit Provided by Financial Sector (% GDP)



Source: WDI, World Bank, 2016

Evidence presented in Figure 2- suggests that credit is expensive in Togo. Specifically, the spread between lending and deposit rates in Togo is typically 1 to 2 percent higher than the overall averages for WAEMU countries.[52] In the context of Test 1, these results are inconclusive.

Figure 2-30. Spread between Lending and Deposit Rates (2005-2015)



Source: Central Bank of West African States (BCEAO) Related evidence presents a more nuanced picture. Results from a 2015 survey of formal firms in Togo carried out by the World Bank indicate that more than 60 percent of these firms find both access to finance and cost of finance to be major constraints, with the perceived problem most severe for small firms. But a comparison of Togo's results with similar data from comparator countries suggest that the percentage of firms finding access to finance to be a major constraint

[52] Bankers in Togo sometimes argue that lending rates are relatively high in Togo because of the greater costs and risks of lending there.

is relatively low in Togo.[53]

Moreover, in 2009 only about 24 percent of Togolese firms rated access to finance as the greatest obstacle to doing business, which was a lower percentage than for comparator countries.[54] And in 2015, this percentage declined to 11.2 percent.[55] Collateral requirements (Table 2-3) in Togo are mixed and not necessarily more onerous than in comparator countries.

Table 2-3. Collateral Requirements

	Togo (2015)	Togo (2009)	Senegal (2014)	Benin (2009)	Cote d'Ivoire (2009)	Ghana (2013)	SSA (2014)
Proportion of loans requiring collateral (%)	**82.4**	89.5	78.9	93.4	43.2	79.5	80.8
Value of collateral for a loan (% of loan amount)	**331.8**	237.6	271.7	306	55.9	240	183.2

Source: World Bank Enterprise Surveys

2.6.2 Test Two: Causal Link with Investment/Growth

In recent years there has been a weakly positive correlation between lending interest rates and lending to (or investment by) Togo's private sector. This suggests that interest rates and lending levels are not determined primarily by the supply of available funds, but rather more by demand side factors. That is, the lack of access to finance does not appear to have seriously hindered investment.

2.6.3 Test Three: Circumvention

Firms might try to circumvent problems with accessing finance by self-financing their own investments. And in fact, such self-finance is commonly observed in many countries. While self-financing is the leading means of financing investments in Togo, it is relied on somewhat less frequently than in many other SSA countries (Table 2-4).

Table 2-4. Rate of Self-Financing among Firms

	Togo (2015)	Togo (2009)	Senegal (2014)	Benin (2009)	Cote d'Ivoire (2009)	Ghana (2013)
Proportion of investments financed internally (%)	64.6	70.3	71.9	92.4	88.9	76.0

Source: World Bank Enterprise Survey (2009), Togo Formal Firm Survey 2015

[53] Historically, access to finance has been the most frequently cited major constraint in most countries.

[54] See Figure 3-10.

[55] World Bank, Togo SCD, 2016.

2.6.4 Summary of Finance Constraints Analysis

FINANCE		
HRV Test	**Result***	**Comment**
#1: High Cost/Price		Interest rate spread relatively high; domestic credit as % GDP relatively high.
#2: Causal Link with Investment/Growth		Positive relation between interest rates and investment—supply of capital not limiting.
#3: Circumvention		Self-finance of investment relatively low; relatively few complaints about finance access.
#4: Camels/Hippos		Capital intensive firms are not relatively scarce**.**

***Key: Green** = Consistent with constraint being non-binding; **Yellow** = Mixed evidence; **Red** = Consistent with constraint being binding; **Beige =** Test not performed.

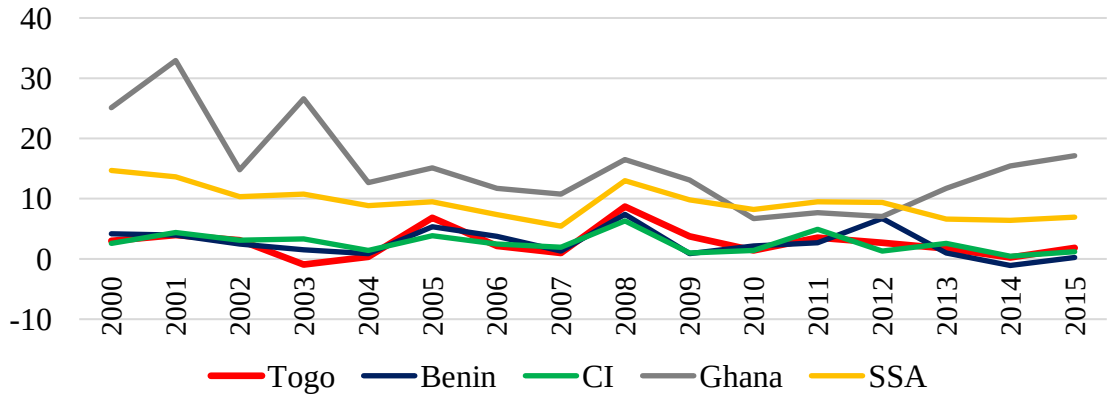
2.7 Macroeconomics

Macroeconomic stability is typically a prerequisite for investment, growth, and poverty reduction. Key macroeconomic indicators include: inflation, the fiscal deficit, the current account deficit, public debt (both domestic and external), and international reserves.

As discussed in the background section, Togo's economy was characterized by bursts of growth interspersed with longer periods of stagnation or decline between independence in 1960 and 2010. Real per capita income was the same in 2015 as in 1967. This was largely the result of political instability, weak governance, and economic mismanagement, which manifested in periodic macroeconomic crises and excessive state involvement in the economy. However, enhanced political stability, donor re-engagement, significant public investment, and economic reforms have resulted in sustained annual growth, averaging about five percent since 2010.

Togo's macroeconomic performance has been mixed in recent years. In keeping with global trends, inflation in Togo has been moderate since 2010, averaging 2 to 3 percent annually (Figure 2-).

Figure 2-32. Inflation, Average Consumer Prices (%)



Source: IMF, World Economic Outlook Database, April 2016

In contrast, the budget deficit as a percentage of GDP has generally grown in recent years - roughly doubling

between 2011 and 2015. This is due mainly to an increase in domestically financed infrastructure spending. HIPC debt relief at the end of 2010 led to substantial reductions in external and total public debt, with the latter falling from over 100 percent of GDP in 2008 to 49 percent in 2011. However, budget deficits averaging about 5 percent annually since 2010 have caused public debt to rebound in recent years, reaching an estimated 81 percent in 2016. In the latest 2016 IMF Article IV report and debt sustainability analysis, Togo is considered to be at moderate risk of external debt distress but has a heightened risk of overall public debt distress.[56]

Overall, Togo faces a number of macroeconomic challenges, including significant fiscal deficits, rising public debt, and diminishing reserves. These challenges are heightened by the GoT's policy and institutional weaknesses, especially as they relate to economic and public sector management. Under these conditions, external shocks could threaten Togo's somewhat precarious macroeconomic stability.

Nevertheless, in the context of growth projections on the order of 5 percent annually over the next five years, recent agreement with the IMF on an Extended Fund facility targeting improved debt sustainability, and the appointment of a new reform minded Minister of Finance, the macroeconomic challenges and concerns identified above do not rise to the level of a binding constraint.

2.8 Roads

As discussed above, Togo's development strategy focuses, at least in part, on taking advantage of its location in the West Africa region and its natural deep water port to become a regional transit hub. Located between major markets to the west, north, and east, and with the only port in West Africa that can accommodate third generation Panamax ships, Togo has in recent years made major investments in transport infrastructure. This includes expanding and upgrading the Port of Lome, building the new Lomé Container Terminal, and constructing a new international airport terminal. The GoT has also invested substantial resources in upgrading its national north-south and east-west road corridors.[57]

It is clear that Togo's major north-south and east-west roads are in relatively good condition and do not currently pose a serious constraint to investment and growth. Overall road density is also relatively high.[58] In addition, energy consumption per capita in road transport (a proxy for demand) is low relative to road density versus comparators.[59] Likewise, average daily traffic counts along national routes are low in all regions except Maritime and (to some extent) Plateau. Rural roads, however, may be a concern. Access to all-season rural roads is relatively low in Togo and rural road conditions vary widely by region, with substantial percentages of rural roads being in fair or bad condition.

In recent years Togo has significantly improved its national north-south and east-west roads, which are now in good condition. In addition, overall road density is relatively high and indicators of overall road

[56] In this context, the GOT agreed with the IMF in January 2017 on a new $238 million Extended Credit Facility program (subject to IMF Board approval). Among other things, the program promotes macroeconomic stability consistent with public debt sustainability. A key objective is to reduce the fiscal deficit by mobilizing additional revenues through further improving revenue administration and broadening the tax base, with an emphasis on overhauling the exemption and tax expenditure system.

[57] The adequacy of Togo's trade logistics will also impact its success in becoming a trade hub. While Togo performs relatively well overall in terms of the World Bank's Logistics Performance Index, it still lags in terms of the infrastructure sub-component, which captures ports, railroads, roads, and ICT).

[58] Togo's relatively small land area may provide an upward bias of sorts when measuring road density per 1000sq. km. of land area.

[59] See Figure 3-11.

infrastructure demand appear low relative to density versus comparators.[60] While rural road access is somewhat low relative to comparators, there is little evidence that the state of rural roads seriously limits investment and economic growth. Overall, the above evidence suggests that road infrastructure does not rise to the level of a binding constraint.

Conclusions

This Constraints Analysis identified 1) High cost, low quality, and limited availability of information and communications technology (ICT) services; and 2) Poor property rights and inefficient land administration as binding constraints to investment and economic growth in Togo. Major constraints that did not rise to the level of binding included distortionary tax and non-tax revenue policies, and costly and unreliable electricity service.

The findings of the Constraints Analysis indicate that low quality and expensive ICT services combine with "micro risks" associated with land tenure to create an investment and business climate characterized by low private investment, stagnant productivity, and low competitiveness. Relaxing these constraints will increase private investment and support the development of an economy with deeper value chains necessary for market expansion and export, increased efficiency (particularly in agricultural production), and stronger urban-rural linkages–fostering structural transformation, enhanced growth, and poverty reduction.

[60] See Figure 3-12.

3 Appendix A

3.1 Trends in Poverty Rates

Figure 3-1. Poverty Rates

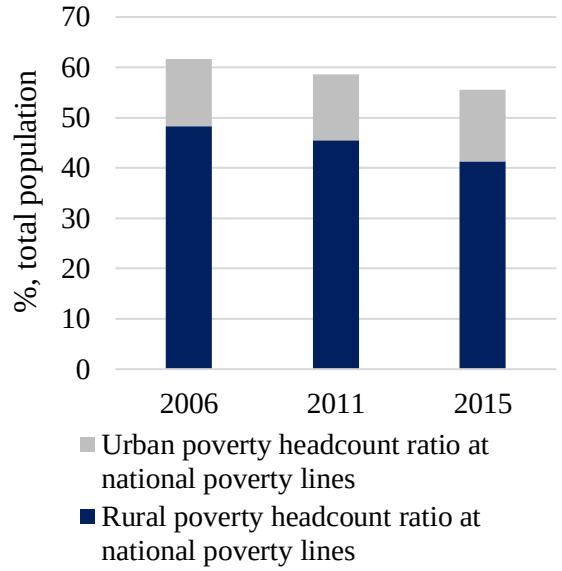
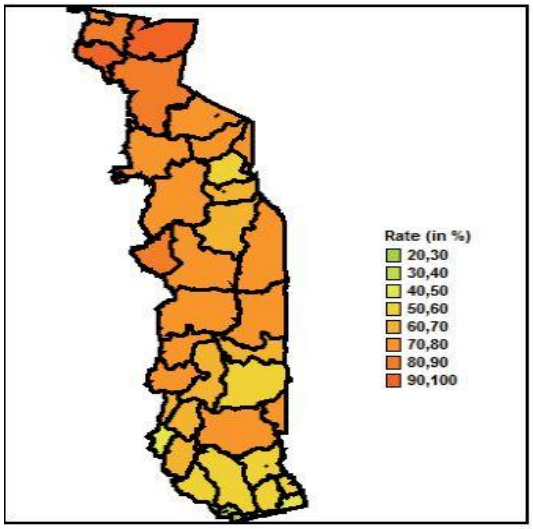


Figure 3-2. Poverty Rates by Prefecture

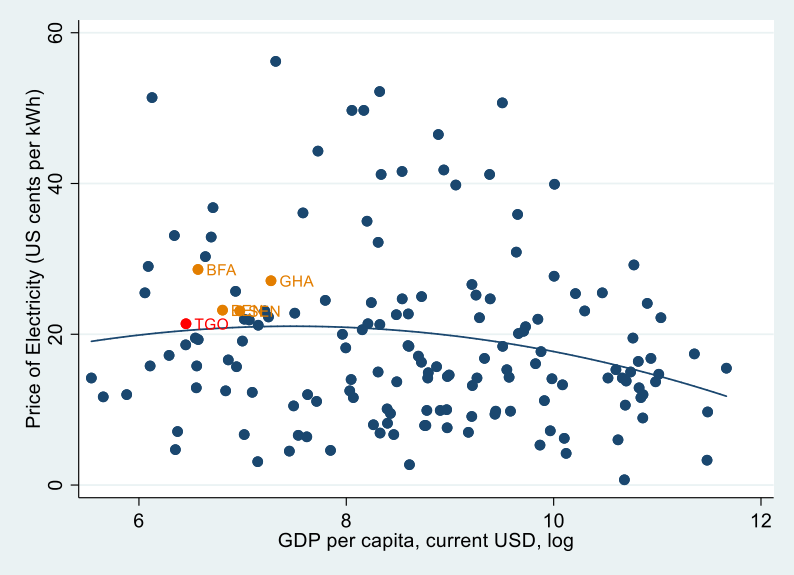


Sources: RGPH4 et QUIBB 2011, DGSCN

Source: WDI, World Bank, 2016; the fourth Recensement General de la Population et de l'Habiation; and the Questionnaire Unifie des Indicateurs de Base du Bien-Etre (QUIBB) 2011

3.2 Additional Information on Power

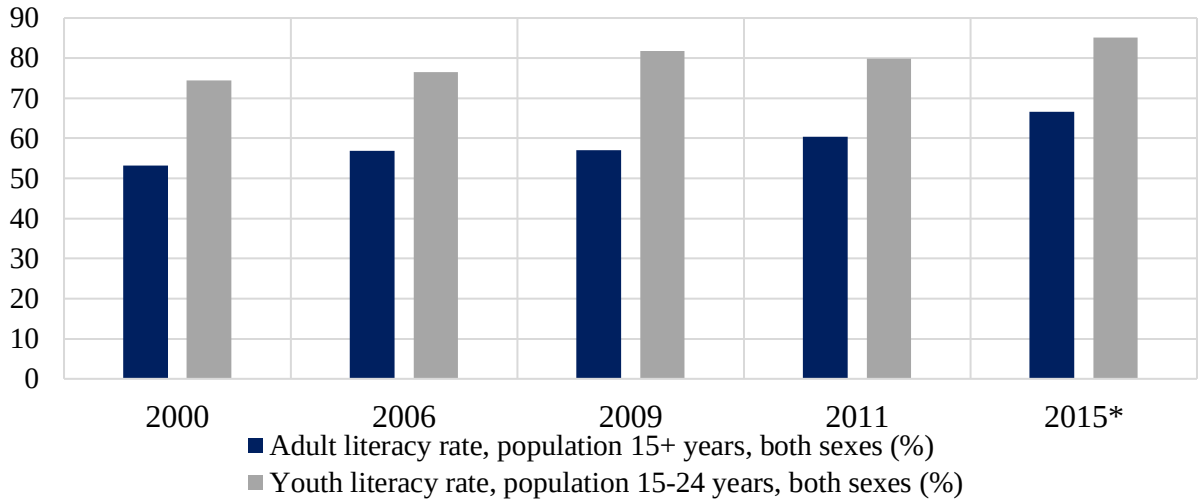
Figure 3-3. Doing Business Price of Electricity Indicator



Source: World Bank Doing Business 2015[61]

3.3 Additional Information on Human Capital

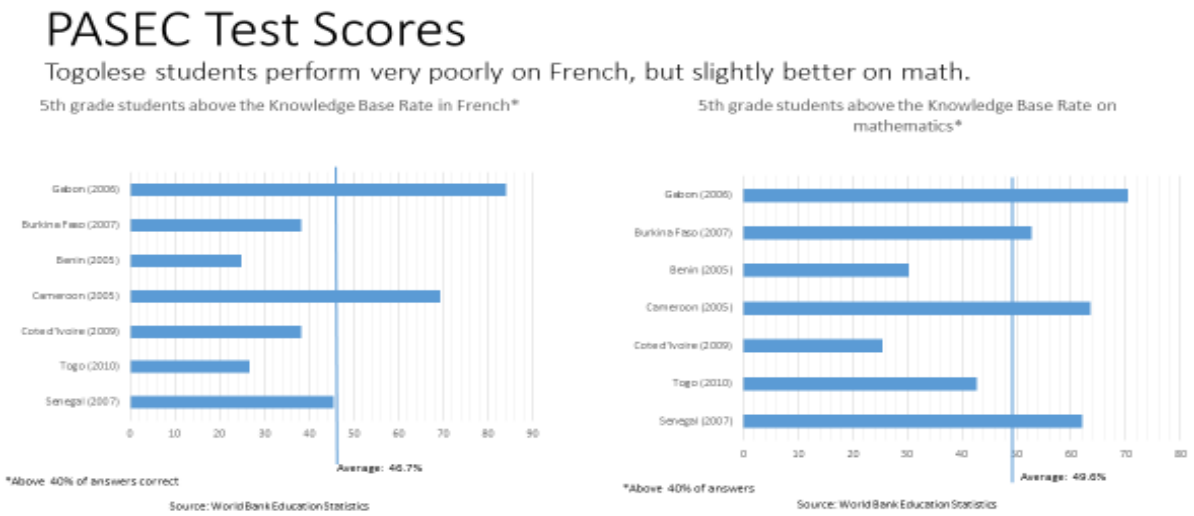
Figure 3-4. Adult vs. Youth Literacy Rates in Togo



*UIS Estimate

Source: UNESCO Institute for Statistics

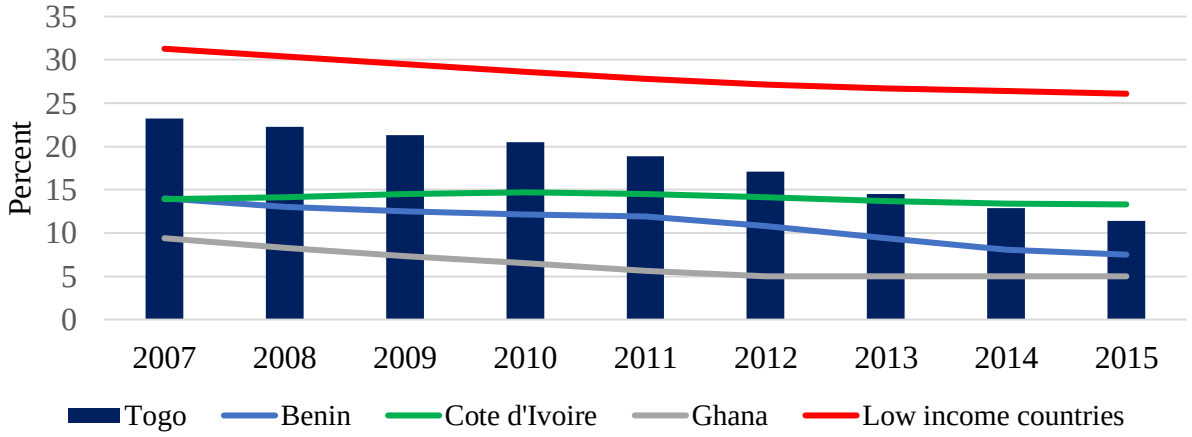
Figure 3-5. Educational Outcomes in Togo



[61] Price is calculated as a monthly consumption of 26,880 kWh for business customers, based on a standardized case study adopted by the Doing Business getting electricity methodology.

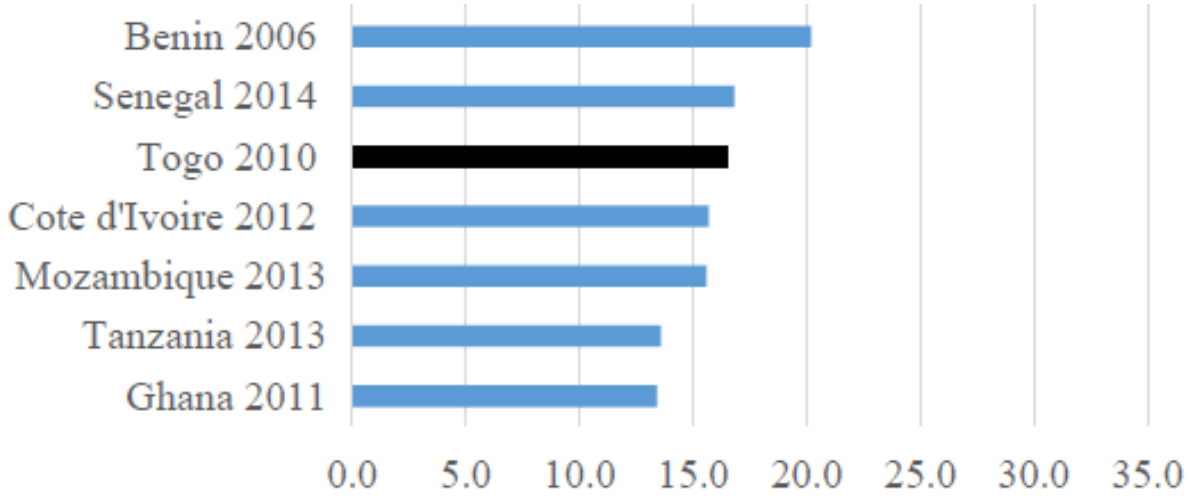
3.4 Additional Information on Health

Figure 3-6. Prevalence of Undernourishment (% of Population)



Source: WDI, World Bank, 2016

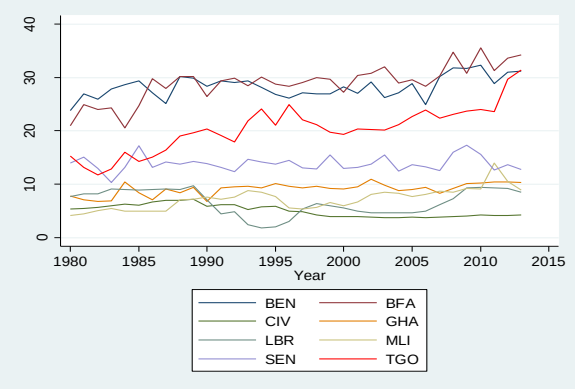
Figure 3-7. Percentage of Children under 5 Malnourished (Underweight for age by > 2 std. deviations)

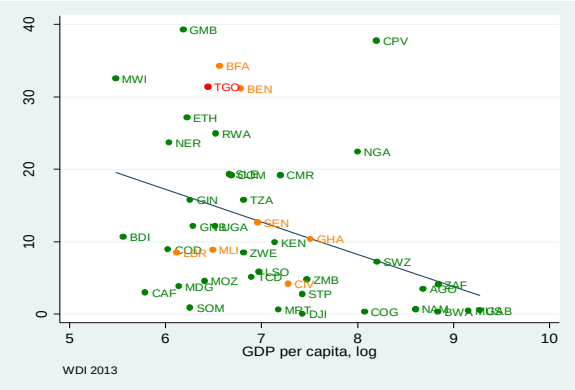


Source: World Bank Togo SCD, 2016 Using WDI

3.5 Additional Information on Land (part of Microeconomics)

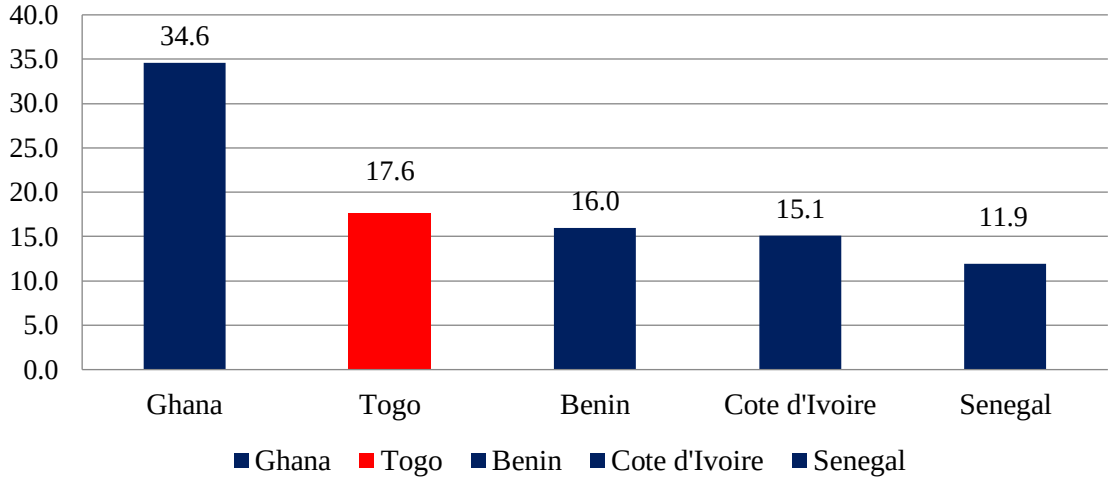
Figure 3-8. Percent of Land under Cereal Production





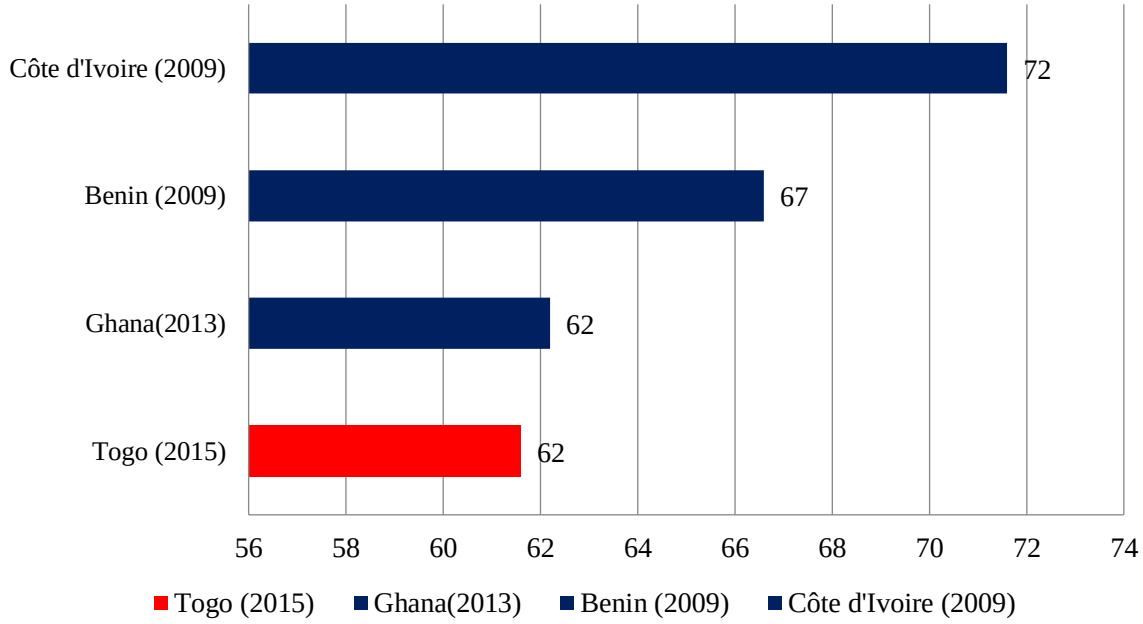
3.6 More Information on Access to Finance

Figure 3-9. Account at a Financial Institution (% population 15+), 2014



Source: WDI, World Bank, 2016

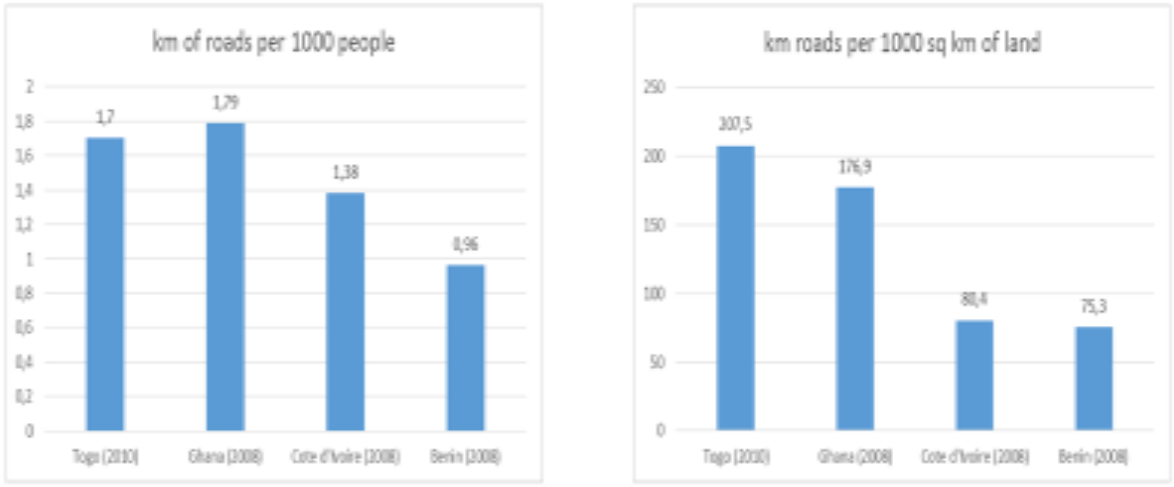
Figure 3-10. Togo Firms Identifying Access to Finance as a Major Constraint



Sources: World Bank, Formal Firm Survey, 2015 and various World Bank Enterprise Surveys

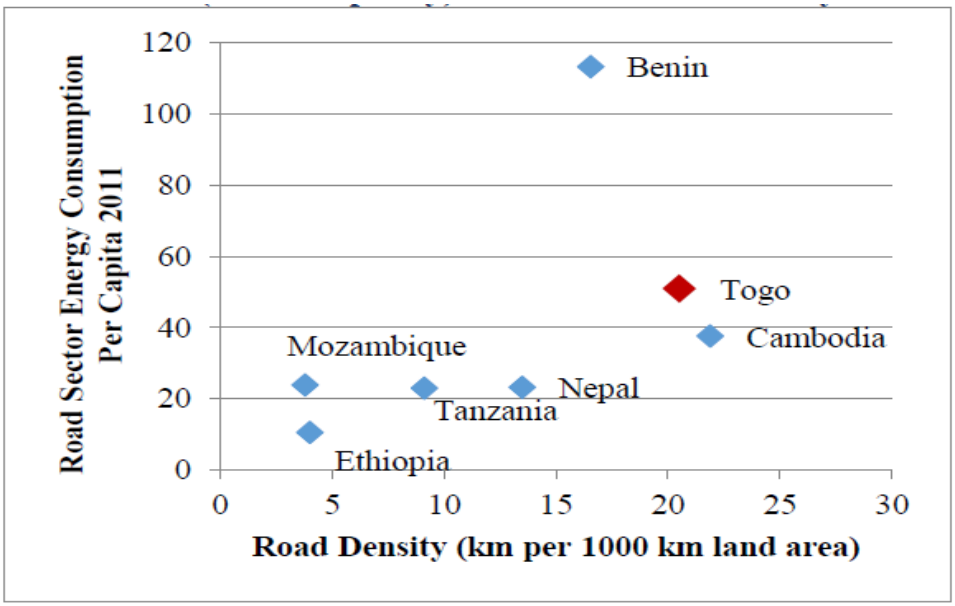
3.7 Additional Information on Roads

Figure 3-11. Togo Road Density



Source: WDI (2016) and BAD (2012)

Figure 3-12. Energy Consumption per Capita in Road Transport (demand proxy) Relative to Road Density



Source: World Bank SCD, 2016 using WDI data.

Annex A: Gender and Social Inclusion Dimensions

Poverty Profile

As noted in section 1.1.1, Togo's poverty rate is significant and uneven. Togo ranks 162/188 on the UN's Human Development Index. There is substantial income inequality by region (North-South gap), gender, and socio-economic strata.[i] The poverty rate is 68.9% in rural areas versus 37.8% in Lome, and generally increases with distance from Lome, such that in the northern Savanes region 91% of the population lives below the poverty line. The adult literacy rate in rural areas is 43% versus 79.2% in urban areas, with the Savanes region at 25%, versus Lomé at 85%.[ii]

The Position of Women

Togo, like most of its neighbors in the region, is a strongly hierarchical and patriarchal society. Women's agency and opportunities as economic actors is limited by law, policy, and by social institutions and practices. Togo ranks 134/155 on the Gender Inequality Index, which measures inequality in achievement between women and men in reproductive health, empowerment, and the labor market. Togo has a score of 0.831 on the Gender Development Index (GDI), which measures disparities between women and men in health, knowledge, and living standards using the same component indicators as in the HDI. Togo is in GDI group 5, which is for countries with low equality in HDI achievements between women and men (an absolute deviation from gender parity of more than 10%).[iii] Women's position is also influenced by geographic location: in rural areas, households headed by women are poorer than those headed by men (74.1 percent versus 69.1 percent).[iv] Woman-headed households have farms that are half the size compared with male-headed households.[v]

Women in Togo also face time poverty, since Togolese women spend 16-18 hours per day on domestic duties (fetching water, collecting firewood, cooking, care of children) and economic activities (agriculture, livestock, crafts, small businesses, etc.),[vi] a problem exacerbated by widespread issues with access to improved water supply, especially in rural areas.[vii] Women are thus left with less time to pursue formal economic activity, and they are more exposed to the negative health effects of ambient air pollution from solid fuels used for cooking.[viii] Women entrepreneurs were found to spend 19.3 hours per week on care work compared with 8.8 for male entrepreneurs.[ix]

The limited data available indicate that Togolese women have a relatively high rate of economic activity (approximately 81%), yet women are excluded from key economic and political activity, despite government efforts such as the national action plan to correct gender inequality (Plan d'Action national pour l'équité et l'égalité de genre au Togo 2009-2013).[x] For example, 78% of Togo's economically active women are self-employed (e.g. agriculture and petty trade), only 9% have a job, and 13% work for their paternal family.[xi] Togolese men are 24% more likely to be in a paid job than women, and women who are employed earn only 71 cents for every dollar that a man earns because of differences in occupation, sector of employment, and gender-wage premiums.[xii]

Education

Togo has shown significant improvement in the quality and availability of primary education for both boys and girls. However, the literacy rate is 73% for women compared to 90% for men.[xiii] The 2017 DHS survey found that 32 % of women surveyed aged 15-19 years had had no formal education.[xiv] Educational inequalities between girls and boys increase dramatically as they progress through educational levels.[xv] Narrower gender gaps in educational attainment is strongly correlated with the status of girls and women in the family, as measured by the prevalence of child marriage and violence against women.[xvi] In 2015, the enrollment ratio of female to male students was 0.9 in primary education, but this dropped to 0.5 and 0.4 in secondary and tertiary education, respectively. Gross secondary enrollment rate for female students was

52% in 2017 versus 71.56% for men, and net enrollment was 33.45% and 48.53%, respectively.[xvii]

Decision Making Power

Women's decision making authority is constrained in Togo: the DHS Enquête Démographique et de Santé 2013-2014 found that 65% of Togolese women aged 15-49 years in union participate in decision making for visits to the family or parents, 47% for major household purchases and 42% their own health care. Overall, 26% of women said they participated in none of the three decisions mentioned above. The proportion of women reporting that they have not participated in any of the three decisions is the higher among those who have not worked in the 12 months preceding the survey (45%). The World Bank found that among young married urban women with at least a high school education, 41% cannot spend money without their husband's permission.[xviii] This decision-making authority is compounded by early marriage; although the Children's Code of 2007 and the 2012 Persons and Family Code sets the minimum age of marriage at 18 years, in practice, these laws are often ignored in rural areas: 16% of 15-19 year olds are married or in a union, 7% of women age 15-49 were married before the age of 15, and 29.1% were married before the age of 18; and the 2010 adolescent fertility rate was 88 per 1,000 women age 15-19.[xix]

Women's lack of decision making authority extends to their mobility: 44% of female entrepreneurs in Lome, for example, reported that they cannot go to the market or health clinic without their husband's permission.[xx] Even among urban married women with at least a high school education, they ask permission to go to the market (41%), or to visit friends or family in their city (65%).

Interpersonal Violence

Although reliable numbers are lacking, Togolese women and girls experience gender-based violence, most notably in the form of beatings, and the frequent perpetrators have been reported as being intimate partners, parents, relatives, and teachers.[xxi] More than 20% of the population believes that it is acceptable for a man to beat his wife, with reasons ranging from her drinking alcohol, to talking back to their husbands, having an unknown visitor, being negligent toward the children, and going out without permission.[xxii] Neither reliable prevalence data nor data on rape conviction rates is available, but rape is considered a widespread problem throughout the country. Togolese society attaches a strong stigma to rape victims, and thus they rarely press charges.[xxiii] One bright spot is the dramatic decrease over the past decades of female genital mutilation (FGM), which was formally outlawed in 1998 and had a prevalence rate of 2% in 2012,[xxiv] notably in the central and northern regions.[xxv]

Violence in schools is a problem for all children in Togo, with children experiencing physical violence (e.g., corporal punishment); verbal and psychological violence; and sexual violence.[xxvi] Again, accurate numbers for the prevalence of girls experiencing sexual violence in schools is not available, but it is known to be a widespread problem, especially in classrooms headed by volunteer teachers.

Health

Togo's health system poses problems for poor women, due to the cost, women's limited mobility, and distance to health services, with the economic burden of disease due to lost disability-adjusted life years (DALYs) being highest for maternal, neonatal, and nutritional deficits; just 71 percent of pregnant women accessing prenatal health care in 2010, and only 54 percent doing so four times or more.[xxvii] The 2010 MICS4 reported that 13.1% of women aged 15-49 (married or in a union) were using a modern form of contraception, and 37.2% reported an unmet need for family planning.[xxviii] In rural areas in particular, access to reproductive health services is poor, and male partners can be hostile towards their wife's use of contraception.[xxix] The maternal mortality rate declined substantially, from 478 per 100,000 live births in 1998 to 401 in 2015, but it remains far below the 2015 MDG target of 160 per 100,000 live births.[xxx]

Discriminatory Policy and Legal Environment

Women entrepreneurs are faced with customary law and policies that affect their capacity to contract, inherit, marry, and divorce.[xxxi] Although Togo reformed its family code to remove the provision that designated husbands to be head of household, and spouses now are jointly financially responsible to maintain the family, women are disincentivized from engaging in formal employment since they are faced with higher tax rates on their wages: by default the government grants tax deductions or credits to male taxpayers, and tax credits for dependents are provided to the male head of household when filing jointly, unless the wife can establish household headship.[xxxii] The above situation also holds for polygamous households. The Persons and Family Code of 2012 recognizes polygamy, and in 2010 33.8% of women aged 15-49 were in a polygamous union.[xxxiii]

ICTs

Large sectors of Togo have only 2G access, and computers are found in only 3.4% of homes. Rural phone ownership is extremely low, and in rural areas of the North there is not wide access to broadband internet.[xxxiv] Compounding this, The 2017 DHS indicated that fewer than half of households (48%) have access to electricity in Togo.[xxxv] Poor roads and a lack of reliable transportation also impact women's ability to access markets and opportunities safely.

The overall economic constraint in Togo regarding access to information and communications technology (ICT) impacts women farmers and traders in particular, since they lack market information and are excluded from male informational networks. In addition, women artisans who lack markets for their goods in Togo, but could sell in European markets via the Internet. New innovations of the digital economy, such as digital payments, mobile money, and taxi sharing rides, have been shown to increase women's agency and control over economic resources, and their safety.[xxxvi] Women would particularly benefit from the opportunity to conduct transactions online, since they currently must travel long distances to centralized services but generally lack personal vehicles or access to safe transportation.[xxxvii]

Land and Agriculture

Gender inequality is most pronounced in the areas of property rights (land tenure), access to credit and employment, and discrimination against women remains widespread.[xxxviii] Women farmers and business owners have limited access to and control over factors of production,[xxxix] as well as less secure access to land and property due to inheritance customs that bar women and girls from inheriting land and property. In the agricultural sector as well as secondary activities in rural households, men and women tend to be segregated, performing different types of labor and different activities, with men more likely to engage in livestock farming, artisanry, fishing, transport, and public administration, and women more likely to engage in agriculture, trading, and manufacturing.[xl]

Women traditionally do not inherit land and hold only customary usage rights, often confined to the least productive or profitable land. Although the Family Code passed in 2014 recognizes women's equal rights to land inheritance, long-standing social norms and practices mean that in most areas this provision is not yet widely applied. Evidence shows that non-land owning producers, especially women, hold smaller amounts of land, use fewer agricultural inputs and have less access to finance, limiting their ability to increase their agricultural productivity or improve their livelihoods.[xli]

Mode of access to land	Women	Men
Usufruct/customary tenure	76%	24%

Lease	49%	51%
Purchase	15%	85%
Inheritance	15%	85%

Elaboration D'une Strategie Nationale Pour l'Acces de la Femme a la Terre au Togo, MCA Togo, Nov 2015, DITOATOU T. Kanfitine. Data from 2009 WILDAF study.

Because women generally earn lower wages and do not have secure titles to land,, they are often unable to provide the guarantees demanded by commercial banks, and are thus limited to microfinance, credit unions, and informal savings (tontine) groups.[xlii] Account ownership at a financial institution or with a mobile-money-service provider is 37.59 for women and 53.05 for men.[xliii] The law in Togo does not prohibit discrimination by creditors based on sex or gender in access to credit.[xliv] Women's voice on issues of land policy and allocation are also weak, which could have bearing on their input into decisions on natural resources, such as water, forests, and land. Togo's Electoral Code was amended after the 2013 elections to require that political parties submit candidate lists equally representing men and women; nonetheless, women are underrepresented in the public sector (including parliament), political parties and formal enterprises, indicating that the socio-cultural environment necessary to support greater female participation in politics is weak.[xlv]

In the agricultural sector as well as secondary activities in rural households, men and women tend to be segregated, performing different types of labor and different activities, with men more likely to engage in livestock farming, artisanry, fishing, transport, and public administration, and women more likely to engage in agriculture, trading, and manufacturing.[xlvi]

Considerations for Women Entrepreneurs

Women entrepreneurs who own informal businesses in Togo experienced lower returns because of barriers such as a lack of fixed business premises and formal credit and fewer inputs such as household labor. This is a critical factor in their productivity: when controlling for inputs, returns between men and women were the same, regardless of educational disparities. In general, rural women have more limited access to inputs than men, including less secure tenure, which discourages investment in productive inputs.[xlvii]

Women-owned formal businesses do not face gendered barriers to inputs, but do get more demands for bribes and have more negative interactions with tax authorities compared with male-owned firms.[xlviii] Compared with their male counterparts, women-owned firms have reported more bribe requests when applying for an import permit (48% of female-owned firms vs. 9% of male-owned firms), during transport stops (21% vs. 16%), and when importing or exporting.[xlix]

Conclusion

Reliable and updated data on the economic situation for women is lacking in Togo. Nonetheless, women have been shown to face disadvantages in Togo stemming from legal, social, institutional, and historic disadvantages and discrimination. This all has significant implications for growth inclusiveness and development, especially where voice and access to assets and inputs are assumed to be equal between men and women. Unless specifically targeted, gaps in achievement, economic empowerment, and prosperity are likely to increase unless women and girls are specifically targeted in economic development efforts.

Trafficking in Persons (TIP)

According to the US State Department, Togo is a Tier 2 "watchlist" country. It is a source and transit country for men, women, and children subjected to forced labor and sex trafficking, with the majority of Togolese victims being children exploited within the country. Forced child labor occurs in the agricultural sector for high-value crops, and in quarries. Children are also brought to Lomé and forced to work or are

exploited in prostitution. There is some cross-border trafficking of children with Benin, Gabon, Nigeria, Ghana, Cote d'Ivoire, and the Democratic Republic of the Congo. Togolese men are trafficked into forced labor in agriculture and Togolese women as domestic servants in Nigeria, or fraudulently recruited for employment in Saudi Arabia, Lebanon, the United States, and Europe, where they forced into domestic servitude or prostitution.[1]

Annex B: Finance and Productive Sector Analysis

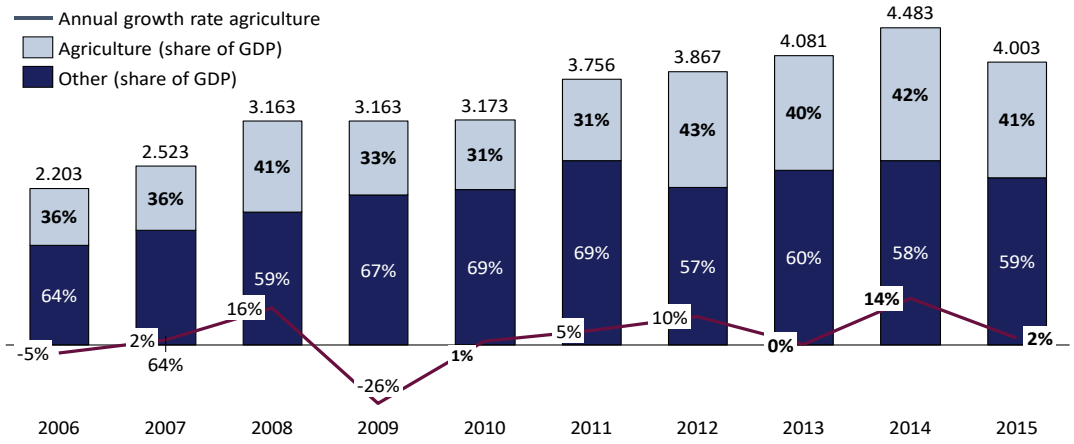
Dalberg Associates was hired to examine how industries in Togo are affected by factors considered within the CA methodology. Specifically, Dalberg identified high-potential industries based on potential contribution to employment and GDP growth, and incorporated inputs from the MCC Constraint Analysis and stakeholder interviews to identify key impediments to private sector investment in these high-potential industries. Impediments were assessed and rated across the high-potential industries using the constraints mapping tool, inputs from field visits, and key data points. The analysis highlighted

- The high potential of the agricultural sector to contribute to economic growth;
- Weakness of ICT connectivity required to develop strong value chains and a stronger export market;
- Severe ICT impediments for industries involved in cotton, financial services and light manufacturing; and strong ICT impediments for industries involved in maize, cassava and yams, and transport and warehousing;
- Severe land and property rights impediments for companies involved in agriculture (maize, cassava and yams, and cotton); and strong land and property rights impediments for companies involved in transport and warehousing, financial services and light manufacturing.

High potential of the agricultural sector to contribute to economic growth

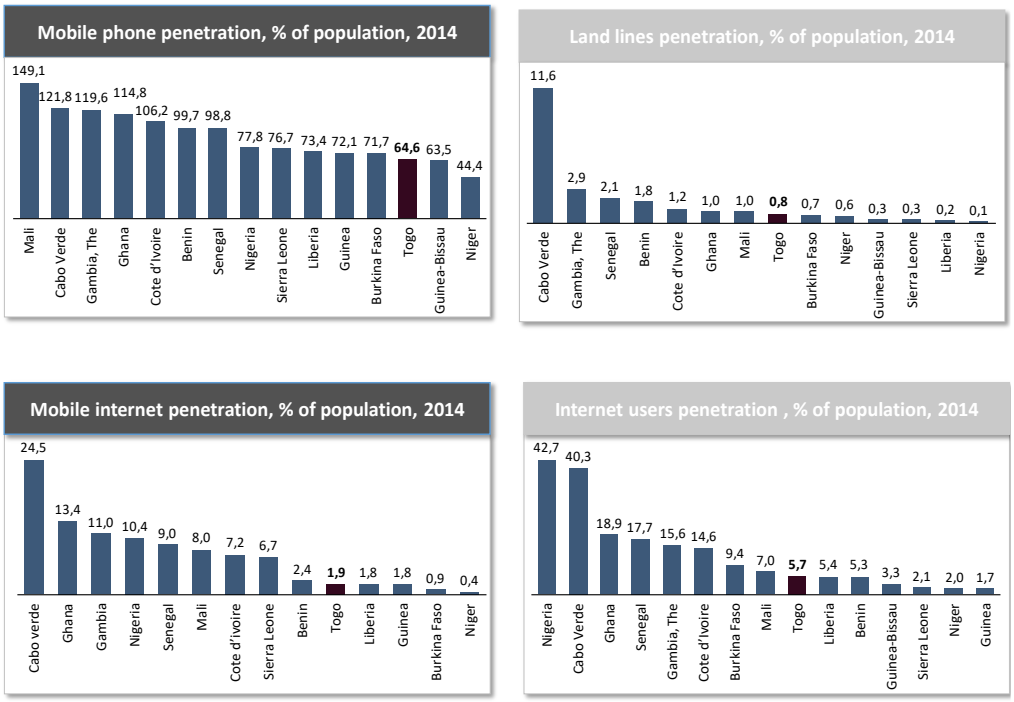
The Government of Togo's agriculture sector priorities are outlined in specific strategy and policy documents, including the Strategy for Accelerated Growth and Employment Promotion (SCAPE 2013-2017) and a new national agricultural investment program under development with an objective to increase production by 7.7% for cereals including maize and 3% for roots and tubers, including yams and cassava, by 2015. Agricultural contribution to GDP has increased from 36% in 2010 to 41% in 2015. Production of agricultural crops is dominated by maize, yams, and cassava while production of cocoa has decreased significantly since 2011. The decline in cocoa bean exports translated into a decrease in total agricultural exports of 64% between 2011 and 2013. [li]

Agricultural value added to GDP (million USD) 2006-15



- Note: All data is measured in GDP current prices.; Agriculture corresponds to ISIC divisions 1-5 and includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production.
- Source: World Bank, Dalberg analysis

In spite of Togo's growth, it has weak ICT connectivity required to develop strong value chains and a stronger export market. ICT infrastructure investments were historically made by SOEs with limited resources. While the ICT market has steadily grown in recent years, penetration is generally lower in Togo compared to other ECOWAS countries, especially for mobile phones and mobile internet.



Source: GSMA Intelligence, AfDB, World Bank World Development Indicators, Dalberg analysis

ICT appears to be a severe impediment for companies involved in cotton, financial services and light manufacturing. It is a strong impediment for companies involved in maize, cassava and yams, and transport and warehousing. The high cost and poor quality of telecom services, especially internet, reduces efficiency and limits market opportunities at both th local and international levels. Better ICT services could provide opportunities to scale up productivity, improve access to markets, and facilitate access to information on prices for industries, especially agricultural value chains.

- In the cotton sector, limited ICT reduces access to market information (farmers only know about prices after the harvest) and access to information on best production practices, which in turn reduces Togo's competitiveness relative to neighboring countries, including Benin and Burkina Faso.
- Within light manufacturing, poor quality of internet access limits market opportunities for exports through e-commerce and affects customer service.
- For banking operations, poor quality internet is a major impediment, leading to high loss of hours for both banks and clients. There is potential to scale up financial services across the country if ICT infrastructure were improved, given that only 1.4% of the population uses mobile banking services due to low internet penetration rate (1.9%).

	Impact of ICT	Rating Scale
Maize		**Moderate Impediment**
Cassava & yams		**Strong Impediment**
Cotton		**Severe Impediment**
Transport and Warehousing		**Not Applicable**
Financial services		
Light manufacturing		*Source: Dalberg analysis*

Land and property rights is a severe impediment for companies involved in agriculture (maize, cassava and yams, and cotton). Land and property rights is a strong impediment for companies involved in transport and warehousing, financial services and light manufacturing. In agriculture, land ownership disputes are common within families and communities, with individuals often claiming or reselling other peoples' property. The courts are ill equipped to settle land disputes, so that traditional chiefs intervene often intervene. Land titles are difficult and time consuming to secure (taking from 14 months to 5 years or longer). Moreover, leasing agricultural land is expensive and exposes farmers to substantial risk of expulsion by land owners.

	Impact of Land	Rating Scale
Maize		**Moderate Impediment**
Cassava & yams		**Strong Impediment**
Cotton		**Severe Impediment**
Transport and Warehousing		**Not Applicable**
Financial services		
Light manufacturing		*Source: Dalberg analysis*

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