

Discussion Forum on

“Why Trade Matters in Development Strategies?”

27–29 November 2013, Geneva

Paper on Togo

by

Mr. Komla Nyédji Galley

Director, Foreign trade,

Togo

Integrating trade in the national development strategies in Togo

Introduction

Togo is one of the smallest countries on the African continent. It measures 56.600km², has 6.199 million inhabitants, the population grows at the rate of 2.4% per year. Togo is on the Atlantic and is flanked on the west coast by Ghana and on the east by Benin. It is one of the lesser developed nations, with a Gross Domestic Product of 278,402.5 FCFA in 2011. It ranks 159th out of 182 countries on the UNDP human development index of 2009. The poverty index reached 62% in the latest estimates. Different sectors within the Gross Domestic Product indicate that the primary sector with a 35.5% index between 1990 and 2011 was the highest growth sector of the nation, followed by the tertiary trade sector with a 26.5% growth and the secondary sector with 18.2% growth.

Togolese economy is essentially rural and agricultural: half of its production and two thirds of the employment are a result of the primary sector. Service, of which the sub-sectors are the most important, made up of trade, public services, transportation and communications, only brought in 20% of jobs and 25% of the Gross Domestic Product. The naturally high depth water port of Lome is of great importance for Togo. It plays a major role in the region's trade. The banks, once very important, overcame a crisis in the 1980s and yet again in 2008. Furthermore, they only contribute .5% of the GDP. The industry sector generates 15% of jobs and 25% of the GDP and its main sub-sectors are cement, clinker, phosphates and agricultural products. Togo exploits a free industry and services zone, relatively prosperous since 1989. It employs 12.987 people in about 62 enterprises.

In spite of recent improvements, political stability and economic reforms, economic growth is slow in Togo. The true income per capita has not increased above 3%. From 2.6% between 1965 and 1969, this income dropped to 1% between 1970 and 1979.

During the 1980s, this percentage reached below zero, -1.4% to reach 0.4% between 1990 and 1997. Starting in 1998, Togo began a downward trend: -3.5% in 1998; 0.54% in 1999; -4.3% in 2000; -0.6% in 2001, 0.3% in 2002; -0.6% in 2003; 1.8% in 2004; -1.4 in 2005; 1.8% in 2006; 0.6% in 2007. In 2008 this rate was 0.8%. In 2009, the GDP per capita reached 2.4% and 2.6% in 2010.

The GDP growth rate was 4.0% in 2010; 4.9% in 2011 and 5.9% in 2012. It is expected to be 7.1 in 2017 according to the Strategy for Accelerated Growth and the Promotion of Jobs (SCAPE). Togo is a member of the West African Economic Monetary Union (UEMOA) in which the affiliates share a common currency, the FCA franc which used to be part of the French franc and now the Euro. Togo is therefore not monetarily independent. Its true exchange rate has progressively improved since the 50% devaluation in 1994.

Togo has clear important trade deficits, financed by foreign aid, transfers from the diaspora, outside capitals and private investments and the IDE in particular.

The most important export products are cement, clinker, phosphates, iron and steel, as well as cotton. Re-exports and transit trade towards UEMOA countries and Nigeria are important.

Togo wants to ensure regional leadership and a major role in the trade procedure in West Africa because of its port on the Atlantic. It is currently working on improving its port to allow for the new generation of ships. It is also modernizing its airport given its position on the Atlantic and the quality of its communication system.

Togo wants to reclaim its place during major international exchanges by helping to solve major African crises and reinforce national cohesion in the triumph of the rule of law, freedom, brotherhood and solidarity.

Integrating trade in the national development strategies in Togo

Trade and the private sector play an essential role in the economic and social development of Togo. As it stands, when commercial activities are supported by a dynamic private sector, they improve the accelerated economic growth and contribute to the creation of jobs. Commercial enterprises, whether big or small and whether or not they are part of a structure, are essentially the start of trade,

the possibility of job creation and the improvement of the means of living. Commercial prospects offered to women (given their greater presence in the sector); contribute to their professional development, the reinforcement of their economic role and the transformation of current social systems.

For that purpose, the government has put together a Strategy for Accelerated Growth and the creation of Jobs (Strategie de Croissance Acceleree et de Promotion de l'Emploi - SCAPE) for the 2013-2017 period. To implement it, SCAPE is defined as a program of priority of actions (PAP) which delineate all of the steps of implementation in terms of measurable projects or of ideas to achieve. The implementation of the PAPs will be carried out through the Budget Program (BP) and the Mid Term Expense Framework (Cadre de Depense a Moyen Terme - CDMT). However, to this day, all the ministerial departments have not finalized and/or elaborated the above mentioned tool of implementation.

In order to propose a better explanation of the law on financial administration in 2014 along with defining the priorities within the program SCAPE/PAP, the government has initiated a shortcut which consists of setting more synthetic sectorial notes of budgetary framework or "priority strategic elemental notes for the implementation of SCAPE (NEPS)."

Therefore, the ministry of trade and for the promotion of the Private Sector (MCPSP), in keeping with other ministerial departments, relies on a simple pilot instrument which clearly (coherently) describes the technical and financial elements of the projects which the department intends to inscribe in the budgetary law, fiscal year 2014, in agreement with the SCAPE/PAP programs.

In agreement with the national and sectorial strategies on trade development, the NESPS 2013-2017 for the implementation of the SCAPE program of the ministry of trade and for the promotion of the Private Sector (MCPSP) has reconsidered the elements of the institutional framework by diagnosing the sector and identifying the bottlenecks and the major challenges that the administration will have to face between 2013 and 2017, this in order to help the trade department become a tool for development notably through a competitive private sector.

This present "sectorial management note" will be developed around 5 types of information mainly: 1) general overview of the sector; 2) intervention strategy within the scope of SCAPE; 3) strategic partnerships; 4) follow-ups and evaluation mechanisms; 5) budget elements for 2014.

Furthermore, the NESPS will allow the department of trade and for the promotion of the Private Sector (MCPSP) to have a synthetic tool at its disposal which will not only direct towards the preparation of budgets and serve it during budgetary arbitration, but will also have to serve for advocacy vis-a-vis the financial and technical partners.

1. General overview of the sector

With a 3% contribution to the Gross Domestic Product in 2011 versus 4.8% in 2010, trade traditionally plays a premier role in the economic development of Togo. Commercial activities which are less diversified are characterized by the overwhelming presence of informal operators. National trade is generally composed of imported products and foreign trade is dominated by the export of mining, manufactured and agricultural products. Transit trade also exists within non-coastal nations as well as re-exporting through land or sea. Women play a key role in trade and are present in import-export, most notably in clothing, the sale of clothing material and cloth, food and cosmetics. They are very active in commercial exchanges between urban and rural areas.

However, given that trade is not well organized, it does not efficiently contribute to the national economic development. Furthermore, the recent fires of the Lome and Kara markets (January 2013) have had a great impact on the economy, weakening it.

The improvement of the global environment of business has become one of the main strategic objectives that the government has set in the same vein as the complete strategy for reduction of the poverty level. To achieve this, it aims at stimulating the Togolese private sector in order to make it more competitive on the local, regional and international markets in view of becoming a real catalyst in creating wealth and jobs.

The political will of the government to promote trade has taken these various aspects: 1) the setting of rules of autonomous liberalisation on the sector and organisation of trade jobs; 2) the existence of administrative structures in charge of promoting trade (DCE, DCI, DCML, DPSP, CETEF-Lome) ; 3) the existence of support structures for trade (INPIT, CCFCC, CECC); 4) the existence of professional organizations which mission is to promote the internal and external trade of their members (Chamber of Commerce and Industry of Togo, employers' associations, business associations, professional associations, etc.); 5) the participation in trade fairs organized by Togolese exporters; 6) the organization of trade fairs in Togo attracting the nation's existing and potential trade partners

7) the multiple forms of functional assistance of the Chamber of Commerce and Industry of Togo; 8) the creation of a multi-sectorial Committee for trade negotiations; 9) the organization of workshops on awareness on EPA ; 10) the existence of a public-private-partnership on trade environment issues.

Moreover, the existence of a unit to implement the Aid for Trade activities(SMOCIR) since May 2011 tends: 1) to integrate trade in the national development plans, such as the strategy of accelerated growth and job creation (SCAPE) or to implement the contents of the document of trade development policy; 2) to contribute to the provision for a Technical Assistance Linked to Trade (ATLC) in response to the identified national needs and 3) to develop a national aptitude for trade, mostly by reinforcing economic operators' capacities and also by fixing the constraints of trade.

Besides, the implementation of components 1 and 2 of the support Program to the private sector development (PADSP) will allow on the one hand improving certain critical aspects for the climate of investments in Togo. Most notably we are looking at two indicators of "Doing Business," that is business creation and registration of properties that, in the current situation, hinder the development of companies. On the other hand, these two components will allow 2000 micro and small "traditional" businesses to benefit from training in accounting, management, and marketing and in financing. 1000 of those enterprises will benefit from an assistance to help them practice the content of the trainings. Component number 2 also provides support for 1000 formal micro and small businesses that will receive specific training for their needs along with subsidies.

In consideration of the improvement of the business climate, the restructuring of the Centre for business creation (CFE) is tending to become a one-stop-shop. Concerning the rules, the Government has taken incentive measures to reduce the procedures, time and costs for the creation of enterprises (March 7th 2012 decree). In so doing, administrative formalities for the creation of enterprises have gone from 7 to 3 between 2009 and 2013 and the minimal waiting time for the creation of enterprises is at present one (01) day in comparison to seventy five (75) days in 2009.

Furthermore, the adoption of the SMEs Charter since 2011 and its effective implementation will allow SMEs to develop in an encouraging and coherent global environment, the setting up of a direct and efficient support system and of appropriate financing dispositions for the sector.

In spite of the obvious progress, trade and the private sector are confronted with weaknesses that shadow the results of all actions.

Most notably we have: 1) insufficient judicial, legal and institutional components; 2) weak publicity around commercial information; 3) the low level of commercial exchanges; 4) judicial and institutional dispositions that are not encouraging for business; and 5) insufficiency in mechanisms of promoting and supporting the private sector.

On top of those difficulties, there is also the low level of education in many of these tradeswomen, the difficulties they have in obtaining credit, and having access to information and training.

2. Trade sector operating strategies in accordance with the SCAPE

2.1 Mission and objectives of the sector

a. Mission

The mission of the Ministry of trade and for the Promotion of the Private Sector (MCPSP) for the 2013-2017 period, is to set up an efficient organization capable of responding, through quality services delivery, to the consumers and economic operators' expectations.

b. Objectives of the sector

The general objective set by the department is to help trade and the private sector to durably contribute to the accelerated economic growth and the creation of jobs. For that matter, the growth economic index of trade needs to go from 3.5% to 9.3% by 2017.

The objective for development given to trade department is as follows: 1) to develop trade; 2) improve the climate for business by bringing competitive support to the economic growth sectors ; 3) and to make the private sector more dynamic and wealth and jobs creating.

To the above mentioned objectives, we have to add the following specific ones:

a – trade sector is better structured and performs better by 2017 through promoting exchange internationally, increasing competitiveness, commercial enterprises, commercial exchanges, regional and international integration;

b - Making the private sector more dynamic and competitive by 2017 by improving the climate of business and also by promoting the Private Sector.

To reach these goals, the Ministry of trade and for the Promotion of the Private Sector (MCPSP) has set up programmes and other projects to be carried out in the next four years (2013-2017).

2.2 Main programs and other projects

The programmes are comprised of three components. 1) Promoting national trade, competitiveness and commercial entrepreneurship; 2) promoting commercial exchanges along with regional and international trade and 3) improving business climate and promoting the private sector.

The projects are defined as follows : 1) improving commercial exchanges by 2017; 2) reinforcing judicial, legal and institutional mechanisms by 2015 3) improving the informational system on and for trade by 2017; 4) ensuring the existence of an institutional judicial support system by 2017; 5) reinforcing the promotion and support system for the private sector by 2017.

3. Strategic partnership

3.1 Financial and technical Partners for Development

During the next four years (2013-2017), the Ministry of trade and for the Promotion of the Private Sector (MCPSP) will be partnering among others with the African Development Bank(ADB), the West African Development Bank (BOAD); the Investment and Development Bank, branch of ECOWAS (BIDC), the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Program (UNDP), the World Bank (BM) and the World Trade Organization (WTO).

3.2 Coordination mechanism

The department of trade and for the Promotion of the Private Sector is the most competent to implement the primary strategic elements of SCAPE (NESPS). Its tasks will consist of: 1) accelerating and facilitating the implementation of the

action plan; 2) ensuring the coherence of the structure of the state budget and the SCAPE/PAP; 3) helping in the budgetary arbitration between the Ministry's various departments; 4) facilitating discussions with the partners for development.

3.3 Risk factors

The successful implementation of budgetary support of the ministry might come across some obstacles which could lessen its effects. The various risks that it might face are:

a - Political and administrative risks: political willingness, the procedures involved regarding partnership, lack of initiatives, uncertainty regarding the State budget (most notably the additional resources needed during talks with the development partners as requested by SCAPE), the late creation of the TOR(OTR), the slowness of the administration in the creation of markets, change, etc.

b - Financial and technical risks such as: having hot money, technical failures, lack of competency;

c – external factors: food, energy, financial, economic, and environmental crises; budgetary restrictions from the European Union (EU), maritime piracy in the Gulf of Guinea, political problems in the region...

4. Follow-up mechanisms and evaluation

There will be an implementation of follow-up mechanism and of evaluating the impact of the NESPS programmes. It will be monitored by the General Secretariat of the Ministry of trade and for the Promotion of the Private Sector. It will consist of 1) ensuring that all activities, indicators, impacts and results are followed up, in accordance with the set up framework; 2) proposing appropriate corrective measures; 3) proposing a regular updating of the NESPS.

The follow-up mechanism is as follows:

a - weekly meeting to coordinate activities within the Ministry

b - Trimestral or semestral follow-ups (for the current year)

- * Three-months report on the implementation of the Public Investment programme, public procurement plans, Yearly Work Plans (PTA);
- * Periodical supervision reports of the projects;
- * Semestral reports on the indicators.

c - Portfolio review (for year n-1)

Reviewing the department's PAP;
annual report on the evolution of the NESPS, including the annual evaluation of the level of implementation in the department's main programs and projects;

d - Evaluations (from year n-3 and n-4)

Impact study of the sectorial policies development policies.

5. 2014 budget elements

The 2014 projected budget is set up on the basis of the 2013 budget resources.

For 2014 fiscal year, the budget in its main compartments will target:

- 1 – The organisation of the informal trade sector;
- 2 – The usage of the International Measuring System (SI) to the commercial transactions and periodical controls.
- 3 - Ensuring the functioning of the National Committee on International Commercial Negotiation (CNCI);
- 4 - The rehabilitation of the Togolese Expo and fair centre of Loma (CETEF).
- 5 - The support for the operating of the CIR;
- 6 – The participation of Togo in the 2015 Universal Expo;
- 7 – The Validation of the National plan for the improvement of the Business climate (PNACA);
- 8 – The elaboration of a Policy for the Promotion of the Private Sector and its Implementation Plan;
- 9 – The implementation of the One Stop foreign Trade Counter (GUCE);
- 10 – The capacity building for the employees of the ministry of trade.

References

- 1 - Strategy for the Accelerated Growth and Job Promoting (SCAPE) 2013-2017
- 2 - Report on foreign assets and liabilities and investors' perception
- 3 - Report on Togolese customs office activities for 2009
- 4 - National Governmental Policy for the Development of trade in Togo
- 5 - Report from the sectorial Committee on the Private Sector and Competitively.