

Full Length Research Paper

Analysis of Togo's economic and socio-political situation: challenges and perspectives

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Accepted 19 July, 2013

After a long period of political instability that led to a sharp contraction of the economy and an unprecedented high level of poverty, Togo, in 2006, began the normalization of the situation. Over the past three years, considerable progress has been made by the Government. This has helped to restore a relatively calm political and social climate. These efforts were welcomed by the entire international community that cares more and more to help the country towards sustainable development. The Government should, however, step up efforts to address the major challenges like (1) consolidation of peace and social stability; (2) improving governance; (3) strengthening institutional capacity ;(4) consolidating the macroeconomic framework; (5) the rehabilitation of socio economic infrastructure; and (6) protection and improvement of living conditions of the people. As with other development partners in the country, the African Development Bank (ADB / ADF) is involved in the Togolese economic development. If these efforts are consolidated and supported with a peaceful socio-political climate, the foundations for economic growth and a sustainable economic development in Togo can be laid.

Key words: Togo, poverty reduction, socio-political climate, Togo's economic, strategy development.

INTRODUCTION

In the 1980s, Togo built a reputation as a sub-regional business center, primarily through commercial dynamism of the country and the export potential at that period. The following decade was marked by considerable political and social tensions, which led the majority of partners to suspend their financial cooperation with the country. Thus, the economic and social situations deteriorated, hindering the process of national development. The population of Togo was estimated at 5,598,000 inhabitants in 2008 (51.3% female and 48.7% male)¹. The 2.7% rate of natural increase, compared with an average growth of 1.1%

over the previous² decade increases the pressure of public demand for welfare (IMF, 2010). Togo is one of the smallest African states with 56, 785 sq km, stretching 600 km from North to South with a width not exceeding 100 km. This small size does not prevent Togo from being recognized for the diversity of its landscape and especially the tremendous efforts of the leaders of this country towards modernization of all sectors of development for the welfare of the population. Agriculture is the major source of Togo's economy. According to the Directorate of Geology of Togo, the country's mineral

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¹It should be noted that the most recent general population and housing census in Togo dates from 1981.

²Period: 1998-2008.

resources are composed of limestone, phosphate and marble. The climate of the country is warm and tropical. Its capital city is Lome.

Togo is still developing in all sectors of its economy. However its economy expanded 3.9% in 2011 and grew to 4.2% in 2012 and is expected to reach 4.4% in 2013. It is at the crossroads and looking for ways and means to refine its political, economic and social place in the concert of the states. This country suffers from enormous problems that critically undermine its sustainable development despite its many strengths and potentials and by extension the welfare of the population too is undermined. Togo should adopt strategies for sustainable development at all levels and particularly in the socio-political and economic fields. In 2008, the Boards of the African Development Bank (ADB) and African Development Fund (ADF) said Togo was eligible for facility resources for fragile states and approved a grant of UA³ 14.57 million to settle its arrears to the Bank Group (ADF/BD/WP/2008/61). The boards of the bank at the same time decided to lift sanctions against Togo and recommended the early resumption of the Bank's operations in the country. In this perspective, and although Togo had urgent needs in all sectors, particularly in agriculture and education, the Bank could intervene for now only in a few focused areas, given the resource constraints but also avoided too much dispersion. The interventions proposed for the interim period 2009-2010 were consistent with other development partners. They included reducing the fragility of the country and assisted in achieving the completion point under the Heavily Indebted Poor Countries Initiative in 2010. According to the Ministry of Economy and Finance, Togo in 2008 the Bank should contribute to: (1) improve the management of economic policy through support to economic governance and institutional capacity building; and (2) prepare the conditions for strong growth through the rehabilitation of economic infrastructure. Thus, the country's strategic paper prepared in 2010 was aimed at addressing deeper issues of sustainable growth in Togo, a necessary condition for significantly reducing unemployment and poverty.

This article analyzes the strategies of poverty reduction that the Togolese Government adopted to promote sustainable development and ensure the well-being of the population. This paper also highlights the increased involvement of financial institutions like the Bank Group (ADB / ADF) for fragile states such as Togo and how operating such facilities would affect set operations in Togo over the years to come. Thus, this study also seeks : (1) to examine the sociopolitical and economic context of Togo; (2) to highlight the main challenges; (3) to introduce and evaluate the government's strategy; (4) to indicate the support of donors in the country ,and finally (5) propose priorities of the Bank's re-engagement

in the country to promote economic growth and sustainable development.

Political context

After crossing a long period of socio-political instability, Togo gradually returned to democracy in the early 90s although it is still classified as a fragile state (Carment and Samy, 2012). The political crisis was characterized by a general strife of nine months, in 1992-1993, which paralyzed the whole country and led to the collapse of social, environmental and economic life. This situation was further exacerbated by the drastic reduction of external financing, following the suspension of cooperation between the country and most of its development partners. In 2004, the Government initiated consultations with the European Union under Article 96 of the Cotonou Agreement, which led to the signing of 22 commitments for the establishment of an inclusive democracy in Togo. After the death of President Gnassingbe Eyadema in February 2005, his son, Faure Gnassingbe succeeded him in April 2005, following an electoral process punctuated by violence. Political dialogue has been maintained, however, with all the political groups of the country and led to a Comprehensive Political Agreement (CPA) on August 20, 2006 (Statistics Department of the ADB, AEO 2008 and the World Bank governance indicators). A government of national unity was established following these agreements and was able to successfully organize early legislative elections in October 2007. These elections were one of the key points of the Global Political Agreement which marked Togo's return to political normalization and the establishment of a peaceful social environment. Since then, cooperation between the country and all its development partners began gradually to normalize.

Figure 1 shows that by 2009, Togo has a comparatively better ground for future political climate in West Africa. The score ranges from -4.0 as worst and 2.5 as the best.

Economic context

Although the country has great economic potential, Togo remains among the poorest countries in sub-Saharan Africa. Togo is classified as a low income country with a GNP per capita estimated at U.S. \$ 350 in 2006. The main source of wealth of the country lies in agriculture, particularly cotton. The agricultural sector employs about two thirds of the population and contributes about 43% of the GDP (Statistics Department of the ADB, ACA 2008). This sector remains weak and dependent on mechanical conditions which are often erratic. Besides agriculture, the country exports minerals, mainly phosphate, and takes advantage of sub-regional trade through its deep water port. Its geographical location and its port infrastructure have effectively allowed the country to build a true business platform for the hinterland countries like

³account unit

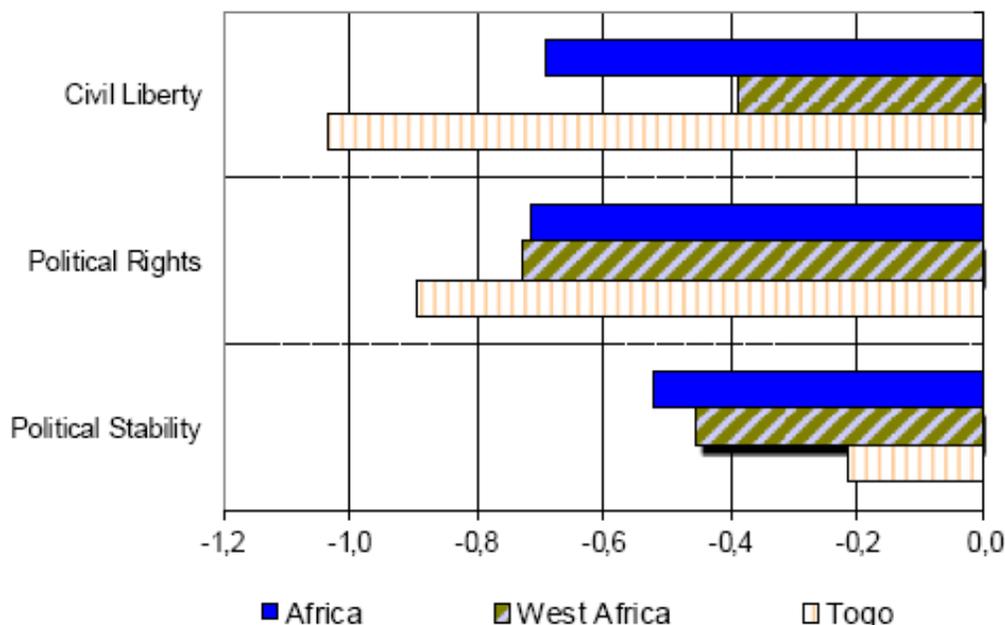


Figure 1. A comparatively better ground for future political climate in West Africa. Source : AfDB statistics Department (2010).

Burkina Faso, Mali and Niger. The long crisis that the country went through made it difficult for the country to take full advantage of all these assets to develop. The sharp deterioration in the national road network has also eroded the competitiveness of the port of Lome. The Togolese economy to this day remains much on diversified and evolves with climatic hazards. The country's high dependence on income from cotton and phosphate, and its total dependence on external energy supply, make it highly vulnerable to exogenous shocks.

Because of socio-political tensions, the country went through a long period of economic contraction. The growth rate of real per capita declined by an average of 1% per year between 1990 and 2005 (Ministry of Economy and Finance of Togo, 2008). The main vital sectors of the country have been profoundly dislocated, undermined by inadequate funding and by serious governance problems. Thus cotton production fell by about 60% between 2001 and 2005. With regard to the phosphate industry, outdated production facilities, lax management of the state-owned Togolese Phosphates Office (OTP), and load shedding of electricity resulted in a considerable drop in production. In 2005, export earnings from phosphate represented only a third of their value in 1998 (www.Republicoftogo.com, 2008).

Fortunately from May, 2006, economic growth resumed. However, the economy remains fragile, always vulnerable to exogenous shocks. Togo has indeed recorded in 2006 a real growth rate of 4.1% and a decrease in inflation from 6.8% in 2005 to only 2.2% in 2006, with favorable weather conditions. This economic growth was, however, short-lived. According to the Statistics Department

of the ADB, the growth rate of about 2.1% relapsed in 2007. It was less than 1% in 2008 under the persistent power shortages, rising cost of oil, but mostly because of the damage caused by severe floods in 2007 and 2008. The latest floods which hit the country in July and August 2008 led to the destruction of major roads including bridges as well as several acres of food crops. The food situation in the country was seriously affected and inflation was driven high by soaring food prices which rose from 1% in 2007 to 9.1% in 2008. Balance of payments and structural deficits also caused major funding gaps. According to the Statistics Department of the ADB, the deficit stood at 10.9% of GDP in 2008 against 6.4% in 2007. Although the projections of the Togolese authorities and the IMF expect a recovery in real GDP growth at 3% in 2009, significant funding gaps that undermined the balance of payments remained as the prices of primary commodities continue to be at a relatively high level and the reconstruction of damaged infrastructure would also take some years to fix. The IMF revised upward the level of support for the balance of payments under the facility for Poverty Reduction and Growth Facility (PRGF) amounting to U.S. \$ 29 million (Ministry of Economy and Finance, Togo, 2009).

However, funding gaps still remained in both the external accounts in the state budget. Macroeconomic and financial management of the country had improved significantly through the satisfactory implementation of reforms supported by development partners in the field of public finances. The government has also adopted measures that have allowed a better control of spending and greater transparency. The reforms in tax and customs

administrations have also reduced fraud and tax evasion, enhancing budgetary revenues, which reached 17% of GDP in 2007, against 15.7% in 2005 (Department of Statistics ADB). Overall, all the fiscal targets under the SMP and the first review under the PRGF have been achieved. According to IMF projections, the financial situation of the country continues to improve but remains negative. Budget balance and primary balance is a slight surplus from 2010 (IMF, 2008).

Togo, with an unsustainable level of debt, is eligible for the Heavily Indebted Poor Countries initiative. External public debt was estimated at about 80% of GDP at end 2007 with arrears up to 30% of GDP (Ministry of Economy and Finance, Togo, 2008). In 2008, major multilateral and bilateral creditors granted the country's debt forgiveness, which substantially reduced its debt level. The country reached the decision point in November 2008 but would receive only very small amounts of interim relief, given the resources already committed by high major creditors for arrears clearance. With the finalization of the Poverty Reduction Strategy Paper (PRSP) full and sustained efforts of the Government in implementing reforms, the country could reach the completion point in 2010. The cancellation of debt stock that resulted would make viable the financial situation of Togo and release resources for reducing poverty.

Structural reforms undertaken by the Government since 2006 in key sectors of the economy, including cotton, phosphate and energy, and the financial sector were expected to boost the economy over the medium term. Financial audits were conducted in societies of states involved in the cotton and phosphate production. These resulted in the replacement of the leaders of these societies. The government was committed to developing programs for the restructuring of these sectors, including energy, with support from development partners.

Togo's financial system was facing enormous challenges related to the deteriorating economic situation. The government began a radical restructuring. The problems of the financial system in Togo were at its very high concentration (three financial institutions that hold 56% of the domestic banking market) and its heavy reliance on the public sector. Most commercial banks did not comply with prudent financial standards and held large amounts of impaired loans from the state and corporations. Six of them were under close surveillance by the Banking Commission of West African Monetary Union (WAMU). Most of them require not only recapitalization but also complete restructuring. No studies at this stage have been performed on the possible impact of the global financial crisis on the challenges facing the financial system of Togo. However, in view of the situation in Togo, a direct impact could be very limited. Togo is in fact a member of WAMU and therefore compelled to EU rules on repatriation of foreign exchange to the Central Bank, which severely limits the risky investments in foreign banks. In addition, the long crisis that the country has gone through has not enabled the attraction of hedge

funds in the economy. One might expect, however, indirect effects of the global financial crisis on the volume of aid that the country will receive, as well as foreign direct investment, like most countries of the WAMU. In PRGF, the Government initiated the restructuring of the largest banks in difficulty, in conjunction with the Central Bank of West African Countries (BCEAO) and the Banking Commission of the WAMU.

Governance

Political and democratic governance - one of the causes of the long crisis in the country was undoubtedly the lack of democratic governance. In 2007, the country gained a relatively low score (2.81) in the evaluation of policies and institutions (CPIA), which ranked them among countries with weaker institutions (Statistics Department, of ADB using data from the World Bank, 2008). It should be emphasized that since the Global Political Agreement of 2006, political and democratic governance has improved considerably. Programs for the modernization of justice (2005) and Protection of Human Rights (2007) are running with support of partners in the development of the country, but many challenges remain. The Government has pledged to make functional all the institutions under the Constitution. It also intends to ensure the effective participation of civil society to the choices and decisions of economic and social policies.

Economic governance

The socio-economic crisis in Togo led to bad practices in the management of public finances. The public expenditure review and assessment of financial management of the state (PERAFMS), conducted in June 2006 when the Bank took an active part, noted many weaknesses in the institutional framework in government accounting system and expenditure control. Since the implementation of reforms in 2006, considerable progress has been made. The PERAFMS conducted an updated assessment in June 2008 with the participation of the Bank and noted that (i) fiscal discipline has been strengthened, (ii) the use of exceptional expenditure was significantly reduced and (iii) Scoreboard public finance has been established for monthly monitoring of budget execution. In the area of public procurement, the adoption in April 2008 of the conclusions and recommendations of the evaluation system of public procurement CPAR⁴ was conducted in 2003 and the decision to put the national procurement code in line with WAEMU directives in accordance with the standards established at international level by the Development Assistance Committee of OECD (OECD / DAC). Furthermore, the Government has, with the support of the European Union and the World Bank, finalized

⁴ Country Procurement Assessment Report

a full assessment of the management system of public finance according to the methodology of Public Expenditure and Financial Accountability (PEFA). Togo has become a reference framework which will better conduct the reforms in public finance management.

Business climate and competitiveness

The business environment in Togo revealed many weaknesses (World Bank, 2008) but the government has initiated measures for its improvement and recovery of the private sector. At the institutional level, the business climate has long suffered from the presence of a multitude very functional of support structures for the private sector, with sometimes overlapping missions.

Inadequate legal framework for business and the large domestic debt accumulated by the state enterprises and banks continue to place additional constraints on potential investors. Togo is also in a situation of "legal vacuum"; the final code of investments having been suspended in 1996. However, the Government intends to adopt a new Code, pending the finalization of the Code WAEMU community. The business climate in Togo also suffers from high tax burden and poor access to finance. As assessed by Doing Business in 2008, the country occupies the 163rd position in 2007 against the 159th. In 2006, the Government embarked on reforms, including consolidation within a single window (Center for Business Formalities), structures of business support. The impact of these reforms is not yet visible and the unique counter still faces problems of capacity. Togo has also a free zone, but failed to boost momentum for the moment for the private sector. The Government intends to revise the law establishing the free zone to give it a new impetus.

Trade and integration at the regional level

Togo, as a member of WAEMU, must respect the convergence indicators of the area. However, since the start of multilateral surveillance in 1998, the economic and financial situation of the country has not allowed it to abide by these indicators. Only inflation has been maintained in some years, below the bar of 3%. In terms of regional trade, the geographical configuration of Togo has made the country a natural communication route between the ocean and the Sahel countries (Burkina Faso, Niger and Mali). The Port of Lome handles about 3.5 million tons of cargo annually, 20% of which goes to countries in the sub-region (Ministry of Economy and Finance, 2008). As noted above, the dilapidated road network in Togo is a significant impediment to the promotion of sub-regional integration. The rehabilitation and strengthening of transport infrastructure in the country is essential to allow Togo to play its full role in increasing the volume of trade in the sub-region. Moreover, the

country will also need international assistance, including that of the WTO and the integrated framework of the United Nations System to take advantage of free trade agreements, especially the Economic Partnership Agreements (EPAs). It is also worth noting that Togo is fairly well integrated in the energy sector, where most of its needs are met by the producer countries in the sub-region (Ghana, Côte d'Ivoire, and Nigeria). Regarding electricity, however, the enhanced interconnection between Togo and its neighbors is necessary to enable the country to take full advantage of the increased production by its suppliers. Otherwise the country will need to strengthen its cooperation with Benin, also a net importer of electricity, to increase its production capacity.

Social context

The World Report on the UNDP Human Development Report 2007/2008 classifies Togo in the category of countries with a low Human Development Index (HDI). The HDI of Togo, estimated at 0.512 in 2005, remains below the average for developing countries (0.691). Available statistics do not capture the evolution over a long period of poverty in the country. However, it is noted that during the period, 1991 to 2006, per capita income in Togo fell by about 20% (Statistics Department of the ADB using UNDP data). A survey CWIQ in July / August 2006 revealed that poverty affected 61.7% of Togolese people. This poverty was largely in the rural areas. The incidence in this environment is 74.3% representing 79.9% of the poor. The Savannah Region is the poorest, with an incidence of 90.5%, and the area of Lome has an incidence of 24.5%. Although inequality, calculated on the basis of consumer spending, is generally less pronounced than that observed in several countries of the sub-region, they are quite significant between urban and rural areas and contribute to more than 53 % at national level. Taking into account the vulnerability rate (4 out of 5 Togolese live below the poverty line), if within the next few years no action is taken to improve their living conditions the situation may be worse. The female population is particularly affected in Togo, despite its strong contribution to the country's economic life. Women have a somewhat limited access to finance; they remain most vulnerable to HIV/AIDS, with a relatively low level of education as compared to men.

According to the Statistics Department of the ADB and UNDP, poverty in Togo has its origin mainly in the low income (agricultural income, business capital, inadequate and irregular salary). Added to unemployment, which affects about 30% of the population (in 2006) and low coverage, Togo is facing a critical situation vis-à-vis the MDGs. The long years of social and political crisis led to the erosion of key indicators since 1990. Given the weakness of official development assistance received by Togo during recent years (about 10 U.S. dollars per

capital), the country could make progress towards achieving the MDGs. According to the findings of the first national report tracking the MDGs, developed in October 2003, no millennium goal would probably be achieved if current trends were maintained. However, increased international aid and better management of public resources could achieve at least two goals in 2015-Primary Education, promotion of gender equality. Togo is among the 10 countries selected for the pilot phase of the initiative of UN Secretary General to establish a Steering Committee of the MDGs in Africa. As such, Togo should be able to benefit from substantial external assistance.

Environment and climate change

Togo is confronted with environmental problems caused by the degradation of natural resources and environment. The country has a huge natural potential, however, there is more pressure on the natural resources due largely to poverty and this has led to irrational management of the resources resulting in land degradation, declining agricultural production, disruption of rainfall patterns, sometimes floods and prolonged droughts. In addition, the coastline is subject to multiple assaults: human and industrial wastes, sewage, garbage, coastal erosion. The institutional and legal framework put in place from the mid-80s to deal with this menace, did not produce the desired effects. It is in this context that Togo signed, in October 1994, the Convention on the fight against desertification and ratified it in October 1995. The Government has also developed an environmental policy that aims to promote an integrated and rational management of the environment. The environmental dimension is now integrated into policies, strategies, plans and development programs.

Strategic framework in Togo

The Government had adopted, in March 2008, an Interim Strategy for Poverty Reduction (I-PRSP) covering the period 2008-2010. This strategy targeted economic growth rate of 4% and reduction of poverty to 58.6% by 2010. The I-PRSP preparation was done through a participatory process including representatives from the state and civil society. The African Bank of Development contributed, through the Support to the project for building institutional capacity (*PARCI*). The I-PRSP, in line with the National Strategy for long-term development of the country based on the MDGs (NDS / MDG 2006-2015), which was based on three pillars: (i) improving governance and economic policy (ii) consolidating the economic recovery process the promotion of sustainable development (improving the business environment, rehabilitation of transport infrastructure and energy, as well as the revival of the productive sectors, including

agriculture) and (iii) the development of social sectors, human resources (education, health, water and sewerage) and Employment and the nutritional level of the population.

The I-PRSP clearly identified the main obstacles to reducing poverty in Togo and offered a coherent set of measures designed to lead to renewed growth and poverty reduction. The macro-economic framework was realistic enough. The institutional framework for its implementation and monitoring and evaluation was presented adequately but the weakness of national capacity could hinder its implementation. The participatory process intended to prepare the full PRSP was also clearly defined. However, for the finalization of this strategy, the Government needed to strengthen the analysis on the reforms in key sectors of the economy (cotton, phosphates, financial sector, energy) and on the social sectors (education sector and community development). The IMF and the World Bank approved the I-PRSP of Togo in May 2008 through a Joint Staff Advisory Note (Ministry of Economy and Finances, 2008).

Challenges and weaknesses

Togo like many West African countries can be a fragile state (Stephen, 1993). Her fragile situation stems mainly from a deficit of democracy and governance which has resulted in a sharp economic contraction and a largely impoverished population. As noted above, the country remained an orphan of international assistance for more than a decade. Togo is now presenting a state of fragility that is characterized by (i) weak capacity of government to provide adequate public service missions, (ii) the aged and deteriorating economic and social infrastructure, and (iii) a significant de-capitalization of the productive sector. Fortunately, the Government has initiated since 2006 a series of actions that have begun to produce some results, but many challenges remain. These are: (a) Consolidation of peace and social stability (Pearce et al., 2011). This first challenge is a prerequisite for economic recovery and the fight against poverty. The risk of recurrence of political crisis is low but they are not totally excluded. To contain them, the authorities are aware of the need to continue to work towards the consolidation of peace, and to apply to this effect all the provisions of the global political agreement (GPA) in 2006. Measures aimed at strengthening social dialogue should also be taken, including (i) the repatriation and reintegration of refugees and displaced, (ii) enhancing the safety of persons and property, and (iii) the enactment of administrative regulations and ensuring fair, free and transparent elections, (b) Strengthening institutional capacity - Weak national capacity is a major impediment to the development of Togo. The public sector is plagued by numerous structural problems due to, among other things, the concentration of decision-making powers and

administrative organization. It is marked by the absence of procedures and inadequate working methods and a standardized framework.

In terms of human resources, the hiring freeze for over a decade and the lack of a strategy to replace retiring officers has also led to a decline in enrollment in the public service. Added to this, the shortcomings of the system of supervision and training have failed to maintain the level of state employees in most departments. The continuity of public service is so severely compromised in most departments, making difficult the implementation of sectoral programs. Today, the issue of management skills development and upgrading of human capital arises most acutely in the context of economic recovery and promotion of private initiatives and organizations in the expression of civil society.

The Government initiated in October 2005, a National Programme for Capacity Building through a participatory approach (www.Republicoftogo.com, 2006). This program was approved in November 2006 and covered the period 2007-2010. The main key areas identified in the program were (i) economic governance, (ii) rural development, (iii) social sectors (education and health), and (iv) certain civil society organizations with an important role in the process of reducing poverty and struggle for human rights (c) Consolidation of the macro-economic recovery and growth - the main economic challenges which faced Togo in the short and medium terms were to reduce macroeconomic risks and create conditions for broader economic reforms. Also, the Government will maintain attention on (i) control of budgetary expenditures, (ii) the implementation of priority structural reforms to restore confidence and ensure the sustainability of economic recovery, and (iii) looking for a stronger economic growth after a long period marked by the settlement of income per capita, (d) Rehabilitation of social and economic infrastructure - In general, the social and economic infrastructure in Togo are in a very advanced state of degradation. The suspension of external financing has led to the curtailment of investment in school infrastructure, health, roads and energy. The rehabilitation/reconstruction of infrastructure is a great urgency to restore growth and improve living conditions of populations.

In the area of safe drinking water and sanitation, the situation is critical. According to data from the survey Multiple Indicator Cluster Survey (MICS) of 2006, using improved drinking water sources in Togo only covers 57.1% of Togolese people. The same source also indicates that the rate of overall access to sanitation is still low- 31.7% of the population use improved sanitation facilities, with 66.6% utilization in urban areas and only 10% in rural areas, (e) Rehabilitation of the Health System - The health system in Togo is suffering considerably from under-funding, which threatens public health. In 2006, funds allocated to the State Health were CFAF 14.4 billion, barely 5.5% of total public expenditure

(Ministry of Economy and Finance, 2008). Three main problems were identified regarding the quality of health coverage: (i) shortage of human resources and insufficient funding, (ii) insufficient care of the technical and management tools, programming and support for diagnoses resulting in the absence of a health card and procedure manual, (iii) finally, the outdated health infrastructure is poorly managed and over-stretched.

In the field of education, according to (www.Republicoftogo.com, 2008) the Government is facing similar constraints. While the country was above the average gross enrollment rate (GER) in Africa; this level declined from 104% in 2001 to 94% in 2005 (98% for males against 90% for females). The system is also characterized by high dropout and repetition rates. Despite the contribution of the private sector and local initiatives through the creation of community schools, school facilities remain inadequate and outdated. This problem is compounded by the qualification of teachers who for several years, no longer receive initial training to ensure they possess minimum qualification for teaching at the primary education level. There are similar problems in the technical education and vocational training institutions. At the higher education, the BMD system recommended by the WAEMU is at the implementation stage but major problems remain, particularly in the management of flows, with a very pronounced lack of infrastructure. Added to this is a mismatch between the training offered and the needs of the labor market, despite a relatively high cost of education.

Health and education are priority sectors for the Government and it has decided to increase the resources allocated to them. In the short term, it has considered an improvement of management in these two areas, rehabilitation and improvement of existing infrastructure. The Government has also decided to accelerate education and upgrading of health personnel (www.Republicoftogo.com, 2008), (f) Gender, Social Welfare and Community Development. The issue of gender equality is a major development in Togo. According to Togolese Republic, UNDP (2006), women are in the majority in the Togolese population (53.7% of women against 46.3% men) and are quite aggressive in petty trade. As noted above, the female population remains the most vulnerable and most exposed to extreme poverty, despite its contribution to economic life. For example, 56% of people infected by HIV/AIDS are women, the illiteracy rate estimated at 67.5%, is higher in women than among men (31.5%) and the gross enrollment ratio (GER) Primary is 98% for males against 90% for females in 2005. (African Development Bank, 2009). In terms of governance and participation, representation of women in decision-making bodies remains low at about 10%. Achieving the MDGs on gender equality by 2015 remains unrealistic. Faced with this situation, the Government adopted a national strategy for gender mainstreaming in policies and programs in Togo,

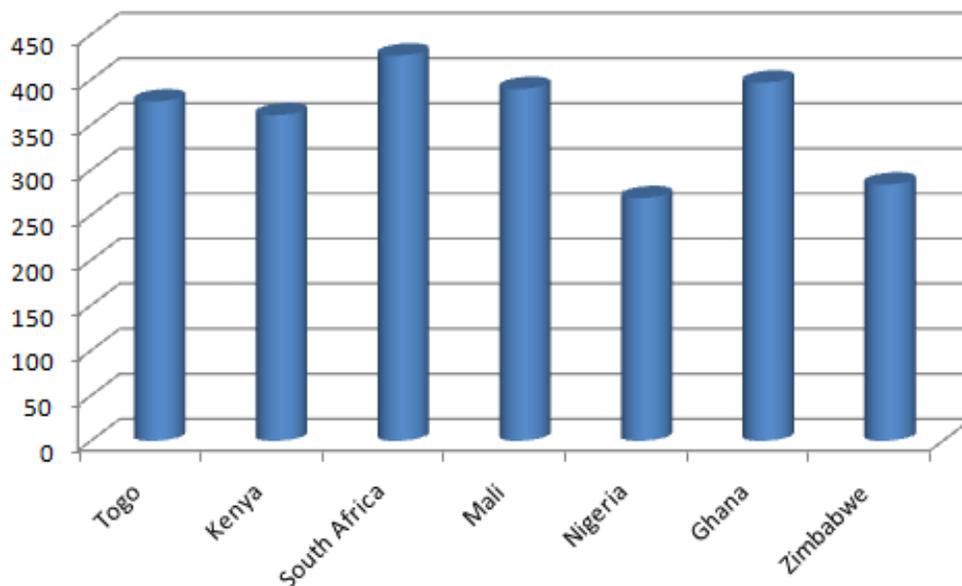


Figure 2. A classification of “risk countries” for investments in Africa. The risk is deemed prohibitive if it is below 160 points, very high if below 270 points, high if below 320 points, rather high if below 380 points, moderate if above 430 points and low if above 540 points. Source: Classification of emerging markets (*Nord-Sud Export*) (2001-2002).

accompanied by a statement of priority actions for its implementation. To achieve tangible results, the Government will ensure (i) improving the income of women by facilitating their access to support services to production, including access to financing, (ii) increase women's participation in management and power, and (iii) strengthening the fight against all forms of violence against women.

STRENGTHS AND OPPORTUNITIES

Togo has many assets to the private sector, including its good geographical position and its opening to the sea, the existence of a Free Trade Zone, the availability of arable land and an important potential in mining (phosphates, limestone, marble). The current peaceful social environment and improvement in the financial and macroeconomic management now offer opportunities to achieve rates of economic growth and improved living conditions of the population. Despite the long years of crisis, people have not lost all their momentum, especially women, who dominate the informal sector, although the urbanization challenges are still being experienced (Muggah, 2012). Moreover, some discipline was maintained within the public administration, despite difficult working conditions. Strengthening of road infrastructure and the country's energy is essential to enable the country to take full advantage of all its potentials. Improving the business environment is also a prerequisite for attracting foreign investors and boosting the economy. If the Government continues efforts in macroeconomic

and structural adjustment, Togo could quickly find its bearings in the migratory West Africa states (de Haas, 2007). It is a country with a favourable climate for investment. A classification of “risk countries” for investments in 35 African countries revealed that based on four parameters (business environment, political risks, market risks and sovereign risks). Togo was better than the East Africa economic giant Kenya and other influential countries (Figure 2).

RECENT DEVELOPMENTS IN AID COORDINATION

The suspension of financial cooperation during the long period of crisis has disrupted the traditional mechanisms of coordination among development partners and governments of Togo. However, thanks to the recent positive developments in the country, mechanisms for aid coordination are gradually running. This coordination is of paramount importance for a fragile country like Togo, which began receiving more and more foreign aid, with assistance from several donors. Although Togo does not at this stage have a fully functional mechanism of coordination between the Government and its partners, progress has been made in developing the Strategy Paper and the Interim Poverty Reduction (I-PRSP). In addition, the organization of a conference of development partners in Brussels in September 2008 raised the intentions of funding amounting to 1.4 billion U.S. dollars and laid the foundations for regular consultation mechanisms and monitoring of public policies (www.Republicoftogo.com, 2008). Thus, it was created

as a support group for partners to finalize the full PRSP and the country to support the completion point of the Heavily Indebted Poor Countries initiative. This group will also accelerate the development aid budget to fund public investment.

The involvement of the financial sector

The amount of cooperation with Togo's external partners was estimated at 350 billion CFAF in 2008. The aid is mostly concentrated on 6 sectors (health, energy, education, agriculture, macroeconomics and infrastructure) that represent 89% of aid (Ministry of Economy and Finances, 2008). The infrastructure sector and support for macroeconomic stabilization absorbed more than half of the aid received by Togo. This industry concentration reflects quite well the government's priorities included in the Strategy Paper of the country, reflecting a good alignment of donors on priority of Government. According to African Development Bank, 2008, the Bank has ensured its presence in Togo since 1972, during which it approved its first operation. Since then, the Bank has approved twenty-seven (27) operations of which twenty four (24) are projects or programs and three (3) studies, with a total commitment of UA 180.66 million. The loans provided by the resources of the ADB window accounted for 14% of total loans on concessional ADF resources, 82% and the Nigeria Trust Fund (4%). The social sector has absorbed most resources (25.2%), followed by the transport sector (24.7%).

Because of sanctions against the country since August 2001, the Bank's activities have remained relatively small in recent years. At the end of 2007, two active projects in the portfolio have been canceled and a project in the education sector (Education II) has been suspended. These projects were deemed non-performing. To date, the only active project of the Bank in Togo is the project for building institutional capacity (PARCI), approved in 2006 at the cost of \$ 2.2 million UA. Project support institutional capacity building aimed at strengthening the capacity of macro-economic management and the performance and budget monitoring. Eventually, it will lead to computerization of the entire system of public expenditure and enable real-time monitoring of the implementation of the state budget. This level of performance is relatively good, with a physical implementation rate estimated at 75.5% by the end of 2008 and a disbursement rate of 50% (www.Republicoftogo.com, 2008). The Education II Project is being restructured to be directed towards new priorities expressed by the Government in the field of education.

Bank Group strategy in Togo

The interim strategy of the Bank Group for Togo is in the

context of renewed cooperation between Togo and all its development partners. The IMF, the World Bank and several other development partners in the country have already adopted strategies or intervention programs in Togo for the medium term. Togo is the first country declared eligible for Fragile States Facility (FSF). Togo, therefore, enjoys the resources of Bank support reinforced in the FSF, in addition to its allocation of ADF-XI. The use of these resources requires the adoption of a strategy for Bank intervention.

As part of Bank interventions based on discussions with the Government in Lome and Tunis during the period July to December 2008, it is also based on the discussions that led to the clearance of Togo's arrears, as well as exchanges with other development partners, particularly the World Bank, with a joint strategy which had been originally envisaged. The Bank also had discussions with the private sector and civil society members to solicit their concerns and aspirations. A feedback workshop Document Interim Country Strategy with the participation of all stakeholders was held in Lome on 11 December 2008 (Ministry of Economy and Finance, 2009) and has validated the axes of intervention Bank for the interim period 2009-2010. These interventions are aimed primarily at reducing the fragility of the country and assist in achieving the completion point under the Heavily Indebted Poor Countries Initiative (HIPC) in 2010.

Specifically, the Bank will contribute to: (i) improve the development and implementation of development policies through support to economic governance and strengthening institutional capacities and (ii) prepare the conditions for sustainable recovery of economic growth through support for rehabilitation and construction of economic infrastructure. According to www.Republicoftogo.com (2008), the basic envelope available for Togo during the period 2009-2010 amounted to UA 40.75 million, consisting of the normal allocation of ADF-XI performance-related (UA 26.39 million) and enhanced support of the Fragile States Facility (14.36 million UA). Togo will also access several other facilities of the Bank: (i) resources targeted support desk of the Fragile States Facility (FSF) for capacity building and (ii) a grant for improving food safety (2.5 UA). All operations of the Bank will register in two pillars: (i) promoting good governance, and (ii) the rehabilitation of economic infrastructure

Concerning the promotion of good governance and as noted above, the fragility of Togo stems from a deficit of democracy and governance. The implementation of the Global Political Agreement reached in 2006, helped restore a peaceful social environment. However, the long crisis that the country has gone through has led to deep failures in public administration, particularly in the management of public finances. Since 2006, the government initiated a package of reforms with the support of the Bretton Woods Institutions and the Bank, in particular, to strengthen good governance and restore macro-economic stability, improve public financial management

and restructuring key sectors of the economy (Hilker, 2012). These reforms are essential to ensure efficient use of resources of the country and international aid. Through the promotion of good governance, the Bank will support the implementation of these reforms. The Bank will focus particularly on improving public financial management, fiduciary framework and business environment, areas where it will capitalize on the gains already achieved under the project of building support. Further strengthening the institutional capacities of countries in the sectors directly involved in macroeconomic management and finance constitute an important part of the Bank's operations during the period, to support economic reforms. Regarding the rehabilitation of economic infrastructure, the infrastructure situation in Togo is very worrying. All fields are concerned, especially the transport sector and electricity. The road network of Togo, estimated at 11,672 km, is one of the densest in West Africa. However, the ratio of paved roads is very low, with just 21% of national roads (www.Republicoftogo.com, 2008). Due to the suspension of international aid, no investment for new construction has been engaged for over a decade. In the rural sector, there are still many remote areas, including areas of high agricultural potential. An evaluation in 2005 revealed that about 33% of paved roads are not in good condition. This situation constitutes a real obstacle for exchanges between Togo and neighboring countries and a blocking factor of growth for a country traditionally open to the outside.

In the area of electricity, Togo faces an energy crisis evidenced by numerous power outages. This has resulted in significantly slowing the growth in 2007. The electricity sector is governed by common rules between Togo and Benin, which sets out the missions of the major stakeholders. Although the sector has been liberalized electricity supply is almost exclusively by the Electricity Company of Benin-Togo (*CEB*). This company belongs to both Togo and Benin has very limited capacity and therefore buys from Ghana, Ivory Coast and Nigeria. Energy Electric Company of Togo (*CEET*), which is responsible for distribution of electricity, is also in a difficult financial situation. Only 28% of households have access to electricity. In rural areas the rate is 4% (Ministry of Energy and Mines, 2008). The Government has pledged to restructure the company. Strengthening the inter-connection between Togo and its suppliers is expected to initially limit the power cuts. However, increased domestic production capacity in Togo and Benin is an essential step to enable both countries to meet their energy needs. Togo Contour Global an American company is building a power plant in the capital Lome which aims to strengthen the supply capacity of electric power in Lome and other cities (Togo Economics, 2010). According to the Director General of Contour Global Togo, Yann Beuthler "With this plant, Togo will guarantee a production capacity of 100 MW which will significantly improve the reliability of distribution." The

plant is able to operate with three different fuels, diesel, fuel oil, much cheaper and gas, relatively cheap. Contour Global should receive Nigerian gas via pipeline from West Africa.

Meanwhile the facility would operate on diesel. Through the promotion of good governance, the Bank intends to assist the Government to rehabilitate or build infrastructure to boost economic growth. Taking into account discussions with the Government, supported by the Bank, the interim period 2009-2010 will be focused on transport infrastructure and energy. Financing infrastructure in the field of water and sanitation may intervene in a forthcoming paper by the Country Strategy (Ministry of Economy and Finance, Togo, 2008).

Conclusion

Togo is a fragile country that has achieved considerable progress in the political and economic normalization during the past three years. These efforts were welcomed by the entire international community that cares more and more to guide the country towards sustainable development. The Interim Poverty Reduction Strategy adopted by the Government in March 2008 provided a credible response to these challenges. The country reached the decision point under the Heavily Indebted Poor Countries Initiative for debt relief. But reaching the completion point in 2010, remained a challenge for the Government to make viable the country's financial situation and address the real challenges of development. As with other development partners in the country, the Bank is committed to supporting the efforts of the Government, so it agreed in July 2008 a grant of UA 14.57 million under the Facility for fragile states (Ministry of Economy and Finance, 2008), which allowed the clearance of Togo's arrears and the lifting of sanctions.

The Country Strategy Paper (CSP) proposed interim that aims to strengthen Bank support in improving economic governance and rehabilitation of economic infrastructure. It is proposed to use the allocation of ADF-XI normal country (UA 26.39 million), supplemented by additional operational support provided by the Fragile States Facility (14.36 million UA) and other facilities offered by the Bank to grant Togo a support for the balance of payments of UA 12.5 million through a program to support reforms and governance, institutional support amounting to UA 4.36 million to support economic reforms, a road project of UA 23.39 million and an electricity interconnection project to help revive the economy (www.Republicoftogo.com, 2008).

The need for all stakeholders to take ownership of all the interventions and strategies put in place by the government and the Development Partners is very crucial (Collier, 2007). Through efficient and prudent management of resources to promote sustainable growth and development, Togo should succeed in reducing poverty

and improving the standard of living of the vast majority of her people and take a respectable place in the community of states in the West African sub-region. Some of the key issues which can be addressed are: strengthening of the financial management system; increase in economic infrastructure; modernization of the agricultural production and consolidation of the bases for robust and sustainable growth.

ACKNOWLEDGEMENTS

We are grateful to the comments and suggestions made by the contributors to improve this manuscript.

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