



TOGO AGRIBUSINESS ASSESSMENT

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Prepared by:

W. Kedrock
H Schar

Assisted by:

K. Attiogbe
K. Amegee

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ACRONYMS

ACT	Association des Consultants Togolais
AIPB	Aide aux Initiatives Productives de Base (CCCE)
BIAO	Banque Internationale pour l'Afrique Occidentale
BTD	Banque Togolaise de Développement
CARAAC	Centre d'Animation Rurale et d'Appui aux Actions Communautaires
CCCE	Caisse Centrale de Coopération Economique
CILSS	Comité Inter-Etats de Lutte contre la Sécheresse dans le Sahel
CNCA	Caisse Nationale de Crédit Agricole
CONGAT-ICB	Conseils Gestion Afrique Togo - Initiatives de Base
CTI	Centre Togolais d'Investisseurs
CTPI	Centre Togolais de Promotion Industrielle
DESA	Direction des Enquêtes et Statistiques Agricoles
DGDR	Direction Générale de Développement Rural
DRDR	Direction Régionale de Développement Rural
ECOWAS	Economic Community of West African States
Eden	Entrepreneurial Development, Education and Nutrition
EPZ	Export processing zone
FAC	Fonds d'Aide et de Coopération
FAIB	Fonds d'Appui aux Initiatives à la Base
FAO	Food and Agriculture Organization (of the United Nations)
FED	Fonds Européen de Développement
FUCEC	Fédération des Unions de Coopération d'Epargne et de Crédit
GTZ	Gesellschaft für Technische Zusammenarbeit (German technical assistance)
ha	Hectare
IFDC	International Fertilizer Development Center
IFU	Industrialization Fund for Developing Countries (Denmark)
ILO	International Labor Organization
KFW	Kreditanstalt für Wiederaufbau (German development Bank)
MAPS	Manual for Action in the Private Sector
MDR	Ministère de Développement Rural
mt	Metric ton
NATCAP	National Technical Assessment Program
NGO	Non-governmental organization
OAR	Office of AID Representative
ODEF	Office de Développement et d'Exploitation des Forêts
OPAT	Office des Produits Agricoles du Togo
OPIC	Overseas Private Investment Corporation
ORSTOM	Office de la Recherche Scientifique et Technique Outre-mer
PROPARGO	Promotion et Participation pour la Coopération (CCCE)
SAFECO	Société d'Audit de Finance-Fiscalité d'Expertise Comptable et d'Organisation des Entreprises

SATAL	Société Agricole Togolaise-Arabe-Libyenne
SAZOF	Société d'Administration des Zones Franches
SEMP	Service des Engrais et Moyens de Production
SME	Small and medium enterprise
SNI	Société Nationale d'Investissements
SOCODEVI	Société de Coopération pour le Développement International (Canada)
SOTAB	Société Togolaise d'Agriculture Biologique
SOTED	Société Togolaise d'Etudes de Développement
SOTOCO	Société Togolaise de Coton
TRIPS	Togo Rural Institutions and Private Sector project
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Program
USAID	United States Agency for International Development (AID)

EXECUTIVE SUMMARY

To perform its rapid reconnaissance of the Togo agribusiness sector, the review team first defines the term agribusiness. For purposes of this analysis, the team keeps the meaning broad in order to not restrict its review. As such, agribusiness is defined as the provision of inputs, including services, to producers or processors and the production, collection, transportation, processing, and trading in fresh or processed products.

In consultation with USAID/Togo, the team concentrated its review on the agribusiness activities of four commodity sub-sectors. These commodities included maize, vegetable farming, egg production, and fruit.

Applying its definition to its rapid reconnaissance of the four selected commodities over a two-week period, the team comes to the conclusion that while agriculture in general is important to the economy of Togo, there is limited upstream or downstream agribusiness activity. Few agribusinesses have successfully evolved in any of these four subsectors. Those that have are almost invariably informal operations. And whether formal or informal, those that have successfully evolved are typically the result of a catalyst or key entrepreneur.

The current political uncertainties undoubtedly hinder agribusiness development and growth. The team talked with some Togolese, and heard of others, who either have chosen not to invest in or expand existing agribusiness activities at this time or have decided to make short-term investments in agriculture and agribusiness endeavors rather than long-term commitments.

Political and economic uncertainty, however, is a fairly recent phenomenon which can only partially explain the lack of value-adding agribusiness activity. Other limiting and interrelated factors include weak horizontal and vertical linkage of agriculture activities, inappropriate policy and regulatory environment, limited access to financing (especially working capital), and lack of an advocate for a national agribusiness agenda.

Should USAID/Togo decide to include agribusiness as a distinct component of its portfolio strategy, the review team recommends the mission first define agribusiness in terms acceptable to it, given its limited resources. This would help the mission best focus those resources. Following its own definition, the review team members suggest USAID explore the opportunities to influence pertinent agribusiness policy reform by restructuring and re-orienting the Chamber of Commerce/Agriculture as a true advocate for the private sector and agribusiness subsector. Some policy issues are identified as key, such as business registration, tax structure, land use planning/tenure, and the role of an arbitrage function in national and regional markets.

The team identifies several possible endeavors to improve vertical and horizontal linkages in the development of agribusiness activity. In particular, the team sees some

comparative advantage for AID in assisting with the establishment of a formal marketing information service. AID has considerable successful experience in the region in developing such systems, and the review team recommends that USAID/Togo look more closely at the role it can play in this regard. The team suggests five commodities as the initial focus of the service: maize, sorghum, manioc/gari, igname, and cowpeas. In the long term, such a system may serve as the foundation, along with similar services in other countries, for a regional commodity exchange. At the very least, in the medium term, the system should encourage increased production and help stabilize prices.

Finally, the review team recommends USAID/Togo continue to assist with the mobilization of savings. In addition, USAID/Togo may find that facilitating access to available credit by looking at upstream (application) and downstream (after care follow-up and training) bottlenecks to credit allocation is an inexpensive intervention that leverages the available funds of both the formal financial sector and donor agencies.

SECTION I

FOUNDATIONS FOR AGRIBUSINESS IN TOGO

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Before analyzing the extent to which agribusiness activities have developed around the four commodities selected for review, the team required a definition of agribusiness. The following offers several meanings of agribusiness for consideration and introduces the team's definition. This discussion is followed by a brief description of the foundation on which agribusiness activities exist in Togo.

A. Definition of Agribusiness

To paraphrase an old adage, agribusiness means different things to different people. If USAID/Togo chooses to actively intervene in the agribusiness sector, one of its first tasks must be to define agribusiness in its terms and thus the parameters of its intervention.

One USAID mission sees agribusiness and agricultural production as two subsectors of the agriculture sector. This mission defines agribusiness in terms of its upstream and downstream support to the agricultural production subsector.

A recent draft study by the Abt consulting firm describes agribusiness in terms of value added to an agricultural product, again, upstream and downstream to its production. However, the study includes in the definition of agribusiness agricultural production, if done on a commercial scale or under contract. Furthermore, the study notes that a broader definition of agribusiness would include support businesses, such as, transporters, storage, associations, and so on.

The review team asked Togolese, from the public or private sectors, to define agribusiness in Togo. Invariably, they chose to see agribusiness in terms of upstream and downstream value added to a product. In addition though, these individuals included in their definition a recognition of the value added by support services.

The most succinct Togolese definition summed up agribusiness in four words: "the *professionnalisme* of agriculture." When asked, the respondent clarified this definition as any activity that is a potentially profitable endeavor that contributes to or is in itself agriculture. In one sense, this individual defines agribusiness much as the above noted USAID mission does.

For purposes of identifying areas for future elaboration and possible intervention by USAID/Togo, this review defines agribusiness in similarly broad terms as the provision of inputs, including services, to producers or processors and the production, collection, transportation, processing, and trading in fresh or processed products.

B. Foundations for Agribusiness Activities

Certain conditions are necessary for agribusiness activities to thrive. Among these are an agricultural base, supportive infrastructure and services, labor, and positive, transparent government regulations and policies.

1. Agriculture in Togo

Of the 3,116,000 hectares (ha) of cultivatable land in Togo, 68 percent is found in the southern half of the country, made up of the Maritime, Plateaux, and Centrale regions. Nearly 34 percent of total arable land is found in the Plateaux region alone (FAO, 1991).

Nationally, between 26 percent and 36 percent of total arable land is cultivated. Within the Maritime, Plateaux, and Centrale regions the estimate ranges from a low of 13 percent to a high of 36 percent. In the Plateaux region estimates of cultivated land go as high as 33 percent (FAO, 1991).

Most production occurs on sites of less than 1-1/2 ha. Where a production *groupement* (informal cooperative) has formed, farmed acreage can be considerably larger but on an average basis remains near the 1-1/2 ha figure. A few export-oriented businesses have contiguous acreage well above this figure. For example, CERKEM has 40 hectares, and Standard Development was to clear up to 300 hectares the week of June 15, 1992.

Coffee, cotton, and cocoa are the principal agricultural exports, producing 25 percent of export income (Eurexcel Associates, 1991). Table 1 below shows the recent stagnation of these three exports. This has occurred for a variety of reasons, such as low world market prices and heavy state intervention. One coffee and cocoa farmer commented to the review team that if he felt confident about the market, he would switch to fruit production since it was more profitable than coffee or cocoa.

TABLE 1. STAGNATION OF EXPORTS
(fCFA Million)*

Exports	1986	1987	1988	1989
Phosphates	29,000	26,000	37,000	45,000
Coffee	9,000	8,000	7,000	7,000
Cotton Fiber	10,000	9,000	13,000	12,000
Cacao	10,000	9,000	7,000	4,000
Other Products	11,000	6,000	8,000	10,000
Re-exports	25,000	26,000	27,000	28,000
Total	94,000	84,000	99,000	106,000

*US \$1 = 270 fCFA in June, 1992.

Source: "Etude et Propositions pour le Développement de l'Initiative Privée au Togo," Eurexcel Associates/EC Mission in Togo, November 1991.

Despite this stagnation, these three crops along with phosphates, the single largest foreign exchange earner, earn more than 60 percent of Togo's export revenues. It is interesting to note that re-exports account for nearly three-quarters of the remaining 40 percent, which is indicative of Togo's importance as a regional transshipment point and its relatively good infrastructure.

For the most part, farmers in Togo don't own the land they farm, in the sense of being able to show a deed of title. However, in most cases the farmer and his family have worked the land for generations or have permission from the village to do so. Even *groupement* farmed land is allocated. Some individuals will possess a registration certificate, or *certificat administratif*, that accords them landholder rights but no protection from expropriation. One individual commented that this did not stop farmers from investing in the land, by planting crops. They did, however, concentrate on such short-term crops as maize rather than long-term investments like fruit trees.

2. Infrastructure and Services

Togo is blessed with relatively good infrastructure. The north-south road running the length of Togo is a major trading artery. The east-west roads, especially the coastal one, are more than adequate to encourage significant trade in these directions. Not all of it, however, is "official."

Gas and electricity are fairly expensive. Water is readily available. Commercial use rates are nearly twice as high as private consumption rates though. Telephone operating capacity is saturated and service is expensive.

Although recently experiencing some strikes, Togo's Lome port facility functions fairly well. Given its importance as a transshipment center to other countries, there is plenty of outgoing export capacity at reasonable costs. However, much of this capacity is less than ideal for agricultural commodities, especially fresh product exports.

Transport works fairly well, again largely due to Togo's importance as a regional transshipment location. However, such services as packaging, input supply, air freight, accessible finance (especially for the small company or informal operation), technical assistance, and information, are not generally well established, or they are available with limitations. A surprising number of people indicated they look to Ghana for their inputs, with price and availability being the biggest reasons.

3. Informal versus Formal Agribusiness Activities

Togo is heavily dependent on agriculture for employment. The sector employs 75 percent of the economically active population and generates 30 percent of gross domestic product. Outside of agriculture, the informal sector employs more than 10 times the number of people in the formal private sector (see Table 5, on page IV-5). A European Community report mentioned by the Manual for Action in the Private Sector (MAPS) team comments that 60 percent of Togolese households derive some part of their income from the informal

sector (MAPS, 1992). Within that sector, more than 75 percent of the labor is employed in commerce, as seen from Table 2 below, which depicts informal sector employment activity. Seventy percent of that informal sector commerce employment is in rural areas.

TABLE 2. INFORMAL SECTOR EMPLOYMENT BY ACTIVITY

Activity	Lome	Other Urban	Rural	Total
Production	4,200	3,300	32,200	39,700
Services	2,700	700	4,400	7,800
Construction	400	600	3,200	4,200
Commerce	35,900	9,500	111,600	157,000
Total	43,200	14,100	151,400	208,700

Source: ILO estimates, 1985. From "Etude et Propositions pour le Développement de l'Initiative Privée au Togo," Eurexcel Associates/EC Mission in Togo, November 1991.

Some of that informal sector commerce employment is undoubtedly for the purpose of moving agricultural goods. In comparison, little informal employment is found in production or service activities that could lead to value-added agroprocessing or that indicate local provision of inputs. During its rapid reconnaissance, the review team saw little in the way of upstream or downstream agribusiness activity, thus informally corroborating the above informal sector employment figures.

While agriculture is very important to the economy and to employment, there exist few agribusiness operations beyond transporting. The export processing zone (EPZ) at the Lome port contains several interesting agroindustries. Outside the export zone, processing of the commodities examined was largely informal. At the village level, agroprocessing usually implies milling corn, baking bread, and smoking fish. The review team did visit a few small, nascent agroprocessors and agriservices located in urban settings.

4. Policies and Regulations

Despite positive rhetoric and some efforts at privatization, Togo's formal agribusiness environment remains over-regulated. Section IV explores some of the constraints to agribusiness development and growth this centrally controlled approach has imposed.

SECTION II

REPRESENTATIVE ASPECTS OF TOGO AGRIBUSINESS

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USAID/Togo and the review team agreed the team would review the *professionnalisme* of Togo's agribusiness sector by looking at the vertical chain of activities undertaken in four product areas. USAID/Togo suggested maize, vegetables, poultry, and fruit as product subsectors to review. The review team further refined these selections.

Given its importance in the Togolese diet, maize is an oft-studied commodity. This review looks most closely at postharvest, indirect consumption/use of maize. With respect to vegetables, the review focuses on the informal and important *maraiçage* (market gardening) element of vegetable production, processing, and marketing. The most interesting aspect of the poultry business, again mostly informal, is the production of eggs. It is here that the review team concentrates its efforts. Although initially intending to focus on one specific fruit, the review team decided to look at fruit in general because of its relatively unexploited nature.

In conducting the field reconnaissance, the team attempted whenever and wherever possible to look at formal and informal operations comprising the agribusiness chain of activities. Where we reviewed informal operations, we tried to focus on relatively large concerns, ones that could comprise part of the small end of the formal sector had they so chosen.

A. Maize

In a 1991 report, the FAO placed Togo's maize yields at .8 to 1.2 metric tons (mt) per hectare. With 1990 output reported at 290,000 mt, maize plantings represented from 203,000 ha to 305,000 ha of cultivated land, or from under 20 percent to over 35 percent of cultivated land, depending on source.

1. Production

Table 3 on the next page analyzes the production and consumption of foodstuffs between 1988 and 1990. The table allows for maize and total cereal losses of 15 percent. Even at 20 percent loss (World Bank, 1990), there existed a positive maize and cereal balance of 50,000 mt and 94,000 mt, respectively, in 1990. (Some estimates of postharvest losses in Togo, however, run as high as 40 percent of production.) This balance theoretically is available for substitution where consumption (demand) exceeds production of other commodities, or for processing and/or export.

At the farm level, organization of production is traditionally done by the head of the extended family. He is responsible for managing the farm's productive resources and distributing the resultant production. Important management criteria generally applied are

cost control and economizing on scarce resources, usually labor and capital. Operationally this usually implies unified (family) labor resources applied to communal (family-owned) land. Individuals within the extended family unit often request, and are granted, individual-use rights to smaller portions of family lands. This tendency complicates the process of defining a farm exactly. This is because such individual plots are managed separately from the extended family domain and the product belongs to the individual who was granted the use right rather than the family as a whole. When other production systems, such as cash cropping or irrigation, penetrate an area, the problem becomes even more complex. Often several members of an extended family unit produce cash crops on fields with individualized tenure. In such cases the extended family production system tends to break down as these individual plots take on the management aspects of the extended family farm in a nuclear family setting.

TABLE 3. FOODSTUFFS PRODUCTION/CONSUMPTION
(Thousands of metric tons)

Crop	Production ^a			Consumption			Balance		
	1988	1989	1990	1988	1989	1990	1988	1989	1990
Maize	146	252	244	165	170	175	+20	+82	+69
All Cereal	313	429	480	339	348	358	+26	+81	+122
Tubers	692	774	790	735	756	778	-43	+18	+12
Others	64	39	47	74	76	78	-10	-37	-31
Total	1069	1242	1317	1148	1180	1214	-79	+62	+103

^aIn consumable form. Cereals production reduced by 15 percent to allow for seed and losses.

Source: DESA, Rapport d'Exécution du Programme de Libéralisation de l'Exportation des Céréales.

Although not specifically mentioned in reference to maize production, population pressure and the breakdown of traditional fallow systems in certain areas may be limiting increases in the area under cultivation and also yield improvements. This means that in some areas land does not remain fallow as long as it should and that uncertainties regarding land tenure may limit expanding the area cultivated.¹

Likewise, political uncertainty can lead to a contraction in production. The producer, not certain what effect forthcoming changes may have on the market, concentrates on

¹Land can be registered for which the owner receives a *Certificat Administratif*. For more money, the owner can receive a title. The certificate does not provide any expropriation protection and, as it does not convey title, it is not bankable for mortgage purposes. A title is mortgageable and ostensibly guarantees the owner payment for the land if expropriated. In practice, the state does not pay. Even if it did, it sets an artificially low price for the land. As a result, few people seek title, foregoing any mortgageable benefits.

subsistence rather than marketable surplus production, foregoing the use of fertilizer and other inputs.

2. Inputs

The FAO, in its 1991 report, estimated maize yields in Togo could be 1.5 to 2 mt/ha, or anywhere from two-thirds to 90 percent higher than actual. The same study suggests that greater use of fertilizer, pesticides, herbicides, and improved seeds, could contribute to such increases.

A 1991 World Bank study, using Direction des Enquêtes et Statistiques Agricoles (DESA) and International Fertilizer Development Center (IFDC/Africa) figures, calculated that in 1987 less than 12 percent of maize production received fertilizer. This was nearly double the rate for all food crops and represented a rate of growth of 26 percent over the period 1978-1987. It is unclear to what extent the elimination of subsidies on fertilizers has affected these rates, but the limited availability of fertilizers this year due to poor planning and lack of financing most certainly will have an effect.

During the team's rapid reconnaissance, many farmers mentioned that they procured inputs other than fertilizer from Ghana. By inference, it may be assumed that fertilizer use may actually be higher than official estimates. In addition, maize would receive a positive residual effect where it follows previously fertilized *marachage* or cotton production.

3. Services

The marketing system for maize appears to be relatively efficient and competitive. (The review team found that the same informal system worked well for other products, such as fruits and vegetables.) However, as maize prices can fluctuate from 40 fCFA/kg to more than 120 fCFA/kg, there would appear to be a lack of or inappropriate use of storage facilities. In addition, regional price variances during the same period may indicate a lack of formal information or possibly transport.

Maize is taken from the field directly to the market by the growers themselves by taxi or bicycle, or it is headcarried. In the rainy season this field-to-market transport is complicated by the condition of some feeder roads. At the market, wholesalers, mostly women, purchase the maize from the farmers. Wholesalers sack the maize at the market and load it on trucks for delivery to Lome. Sometimes, large semitrailer trucks returning empty from Burkina Faso and Niger are used for this purpose. If vehicles are not available, the maize may be stored for several days under the market hangers, which are roofed spaces without walls.

The maize is brought to the three principal wholesale and retail markets in Lome: Ahanoukope, Ahikpodze, and Abattoir. Wholesale margins tend to be higher than retail, and stocks are rapidly moved, generally within three days. A typical wholesaler who has bought two tons of maize from Anie for sale in Lome clears on average 15,900 fCFA/week, which represents a profit of 10 percent to 11 percent (Nayo, 1990).

Storage is typically profitable if it is for a limited period, say of three to four months. One local nongovernmental organization (NGO), Centre d'Animation Rurale et d'Appui aux Actions Communautaires (CARAAC), has helped a member *groupement* procure financing for two plastic silos, which were built and sold by a local NGO, Conseils Gestion Afrique Togo-Initiatives de Base (CONGAT-ICB). Each silo cost 120,000 fCFA plus an additional 5,000 fCFA for transport. Each can hold up to 1.4 mt. Assuming the *groupement* holds on average one metric ton of maize for three or four months, incurs spoilage at 15 percent of stored weight, and sells at an average of 100 fCFA/kg., they should be able to pay for the silos in 2-1/2 years, or three seasons. These calculations do not count interest and cost of fumigant, which would reduce spoilage $(125,000 \text{ fCFA} / ((100 - 40 \text{ fCFA}) \times 1,000 \text{ kg.} \times .85))$.

Of course, one effect of increased and proper use of storage would be to take the seasonality out of price fluctuations. In general, this would lower but stabilize maize prices. This in turn should increase maize output, provided export markets and processing opportunities are available and fully exploited. Implicit in each of these activities is reducing or eliminating tariff and nontariff barriers.²

4. Linkages

The Togolese economy remains largely agriculturally based. Extensive processing of maize for retail consumer sales does not exist. Most families, even urban dwellers, have access to or keep quantities of corn that is milled on an as-needed basis.³

In such secondary population centers as Atakpame and Kpalime, a number of individuals operate small-scale agricultural processing operations on either a part-time or full-time basis. Small vertical hammer mills (with a typical capacity of 300 kg/hr powered by 9- to 12-hp engines or 5- to 7.5- kW electric motors) are generally used to grind maize and manioc. The overwhelming majority of mills in operation in Togo are purchased locally, usually in Lome. Some, however, are imported from Ghana, often "informally."

Most villages in Togo have access to these small, privately owned mills. Millers generally operate on a job lot basis, and there is a significant underutilization of available capacity. Certain larger operations have two or more machines in their workshops and can mill other products, such as groundnut. There are even some machines in operation which specialize in the grinding or crushing of specific products, such as hot peppers or tomatoes for puree.

The abundance of small, private millers does give rise to the need for a repair service. Likewise, in some areas, there is a need for and extensive use of irrigation. In such areas, the lack of parts is a limiting factor to the effective use of this input.

²These barriers include the need to obtain a license to export to non-ECOWAS countries, slow administrative approvals, lack of export credit, and export taxes.

³The review period coincided with the low supply season, that is, just before the next harvest. Still, millers appeared to be busy and the corn being milled appeared to be of good quality.

The maize processing activity with perhaps the most potential for significant local impact is the manufacture of livestock feed, especially for chicken. The new production manager of Bethania Farm, a large integrated poultry (layers, that is, laying hens) and hog producer, estimated minimum layer feed needs at 220 mt per month from just seven producers that he knew of in his area alone. However, until excess maize production is sufficient, any feed processor would need to import a large part of the necessary feed ingredients.

A small amount of maize could be absorbed by local processors of various specialty products. However, much of the food processing in the cities, as well as in the countryside, is still done by hand. Given Togo's limited market size, such products will not consume significant quantities of maize or other locally produced cereals in the short term. As such, there is at present limited opportunity to develop linkages among production, processing, and local marketing of maize-based products. However, one NGO has undertaken various endeavors, including several agroprocessing ones.

Presently, Nutri-2000, a component project of a local NGO, Entrepreneurial Development, Education and Nutrition (Eden), makes a product called Viten, a locally processed weaning food. At current levels, Nutri-2000 production consumes 360 kg a month of maize, as well as lesser levels of other local ingredients. This is about one-third of projected levels and only 3 percent of anticipated needs five years from now (Pleth-Suka, 1992). The main reason for the slower than expected expansion of marketing efforts is that the product is only being sold in Lome due to current political uncertainties elsewhere in the country.

Viten pursues an interesting marketing strategy. The product is available only through pharmacies or women's social centers. This seems to give it a kind of legitimacy, as well as enhancing its reputation for quality. The company is nevertheless experiencing some trouble with copycats and obtaining legal recourse.

In addition, regional markets for processed maize may exist. Again, exploiting these opportunities would require freeing up tariff and nontariff barriers.

B. Vegetables

Market gardening, or *maraiçhage*, as with fruit production, appears to be substantially an informal activity. Most of the *maraiçhage* activity the review team saw was performed by groups, both with and without official status, or as the result of a catalyst who organized individual farmers. The review team looked at three different types of *maraiçhage*: mixed production for the urban market in Lome, specialized production of one crop (tomatoes), and export market production from the Danyi plateau.

1. Production

Information indicative of the relative size of the market gardening subsector in Togo is very sketchy. Table 4 below presents figures that are indicators in terms of orders of magnitude.

TABLE 4. VEGETABLE PRODUCTION
(Partial figures, 1989)

Crop	Maritime Region		Plateaux Region	
	Area (ha)	Prod.(mt)	Area (ha)	Prod.(mt)
Okra	3,025	60,549	1,650	33,000
Red Pepper	700	27,355	*	*
Tomato	350	6,931	825	1,650
Onion	*	*	175	1,756
Lettuce	85	1,680	*	*
Carrot	160	1,604	-	-
Gr. Beans	*	*	4	39
Cabbage ¹	*	*	1	36
Sum. Squash	-	-	2	18

Source: DESA.

* Insignificant.

¹At the time of its field work, however, the review team saw a great deal of cabbage being grown in the Lome area.

The market gardening that the review team saw around Lome involved mixed production and relied heavily on labor-intensive irrigation. (The water is pumped to a reservoir and then hand delivered to the plants.) Operations consisted of dozens of *planches*, or beds, of varying sizes. Each bed produced a specific type of vegetable, but the entire operation was diversified among a variety of crops.

Success of this *maraîchage* activity depended a great deal on timing. One group with about five hectares along the beach in Lome incurred monthly expenses of 333,000 fCFA, including hired labor. That is a sizeable investment for a group that is using "administrative" land and acknowledges they would have to leave if so asked. This group, which had formal statutes, told the team they had recently realized a loss of 30,000 fCFA for the month because of oversupply in the market of produce they had on hand. Nevertheless, they were expecting the next month to be good because of either increased demand or undersupply of other produce they had, cabbages and leeks.

The importance of market information in the Lome area *maraîchage* groups' crop rotation planning is not clear. Buyers, generally market women who will resell the product, either purchase or pre-purchase through a kind of loan the entire production from beds. It is

assumed the buyer has some knowledge of supply and demand conditions on the local market. Outside of this, it is not apparent that those involved in *maraiçage* receive pertinent market information. Quite often, crop rotation may simply be determined by seed availability.

Unlike those observed around Lome, a vegetable growing operation outside of Tsevie specializes in one crop, tomatoes. The most interesting aspect of this operation from the agribusiness point of view is that private tomato production apparently emerged from this group experience. Indeed, the total surface cultivated on private plots is considerably greater than the 0.5-1.0 ha in communal production.

The group originally organized themselves principally as a producer association. They reported having upwards of 24 ha of tomatoes, of which we saw approximately five ha. They relied exclusively on rain-fed production but, despite this, reported normally producing two crops per year.

Its 46 members also maintain private plots that three to five of them work together, thus consolidating fields. The land for these private plots is secured under common law through traditional methods of land allocation. In addition, each member works two days a week on the group's roughly half hectare plot. This group plot is rented from the landholder for 8,000 fCFA a year.

This *groupement* reported price variations ranging from 5,000 fCFA to 25,000 fCFA per 110-kg basket of tomatoes. The group used proceeds from its sales to cover their own household expenses and to improve the community. The latter type of activities would indicate they must have some fair surpluses at times. For each basket produced on their own plot, the members contributed 200 fCFA to the *groupement*. Of course, all sales from the group-farmed plot also went to the *groupement*.

On the Danyi plateau, last year an expatriate entrepreneur interested in the export vegetable market contracted with 12 village *groupements* to produce green beans especially for the winter niche market in France. Her story, and why she did not have a successful year, is well known. She contracted for delivery of 200 tons but exported only 17 tons. Reportedly the product she did export was very well received. She has plans to repeat her attempt this year, believing she now knows the pitfalls and can overcome them.

She stated the reasons for the failure of export efforts last year included lack of water, small but high-paying local market (i.e., her farmers found it easier to sell their beans to traders who resold them in Lome), stringent quality control requirements, too many participants working small and far-flung plots, and political, personal, and traditional conflicts with her suppliers. For the coming season, she will work with fewer, less-dispersed farmers and will use additional extension services provided on a part-time basis by four CARE Togo agents.

This association may well prove extremely useful to CARE, as well as to USAID. It is probably the only example of an extension service anywhere in Togo which is working

directly with an agribusiness entrepreneur. CARE should carefully document their experiences with this operation. Moreover, if the export operation is successful this year, an arrangement should be made to provide any future extension inputs on a cost-for-services basis.

2. Inputs

In the case of the vertically integrated export operation outlined above, the entrepreneur provides her producers with the necessary inputs. She purchases her packaging material from Cote d'Ivoire, although she anticipates going to France for it once she has established herself. She also has her own refrigerated transport.

The tomato-producing group the team interviewed obtains a surprising amount of their needs, including self-financed training, from Ghana. The group purchases its own seeds, insecticides, sprayers, and fertilizer. The Direction Régionale de Développement Rural (DRDR) gave the *groupement* a marketing loan two years ago which has never been paid off. As indicated above, almost all revenues from the group operation are absorbed by personal and community expenditures. Nevertheless, the group is confident they will be able to pay off the loan this year. In the past, community improvements apparently took precedence over loan repayment.

The Lome area *maraîchage* business depends on expensive local retail availability for most of its inputs, such as seeds, fertilizers, and equipment. Supplies can be "catch as catch can." Sometimes a buyer provides the necessities up-front. One group the review team talked with reported they engaged as many as 12 laborers, paying each between 10,000 and 12,000 fCFA per month.

The input most often expressed as missing was reliable access to water. Many farmers irrigated but often had pumps down for lack of parts. Motor pumps represent a significant investment and working capital outlay for the Lome-based *maraîchage* trade. In addition, parts appear to be difficult to find when needed. For many of these producers CARE's new pedal pump could offer a reliable and inexpensive alternative. Few producers, however, are aware of its existence or its technical capabilities.

3. Services

The expatriate green bean exporter provides most of the services to her contract farmers. One part of that is market knowledge, of European off-season demand, from mid-November to the end of March. In addition, she owns cold transport and takes care of quality control, packaging, and freight arrangements. Still, to export her target of 200 tons, she will need to export over 11 tons per week during her roughly 18-week window. She is confident that if the product is there she can get the required air freight space. Since she only has firm freight agreements for 3-1/2 tons per week, the review team is less sanguine.

The tomato-producing *groupement* furnishes its own extension and market information. During the growing season, the group sends a committee to Lome about once a week to investigate prices. Rather than selling in Lome, however, the group uses this knowledge to negotiate farm-gate prices with the traders who come to them from Lome.

Despite being right on top of the market, most Lome area *maraîchage* producers appear to have limited access to market information. Sometimes they hit it right, but other times they miss the mark. Buyers typically come to them, so storage and transport are not critical factors for them.

Quite often the producers reported that buyers would come by before the harvest either to assess the forthcoming production or to prepurchase the output from one or more beds. Some buyers even provided such in-kind credits as seeds or fertilizer or cash to procure the inputs. As always, these advances were deducted from the eventual selling price. Most growers who received advances or loans from the market women buyers reported that these were given interest free. Naturally, though, the mere fact of having given such a "generous" loan gives a buyer considerable leverage when it finally comes time to negotiate a selling price. All the same, as in other subsectors reviewed, the general lack of working capital was seen as an impediment.

Certain better-organized producer groups market part of their produce themselves. This adds to their operating costs. One group reported a growing operating deficit, due largely to fuel costs, which was eating into their capital.

4. Linkages

Maraîchage production is almost always sold fresh. Togo's limited market size will necessarily limit consumption of production for processing unless larger markets are tapped. One such possibility is the large West African community of many European cities. However, it is one in which Togo has no less or more comparative advantage than several other West African countries. As with fresh produce exports, Togo has limited air freight capacity available. Value-added, processed products may be a better use of this limited space.

One apparent cross linkage between different subsectors was the use by urban market gardeners of chicken manure as a fertilizer. This source has become increasingly important as the fertilizer supply dries up due to government mismanagement and unwillingness to ease conditions of entry for the private sector.

Another upstream linkage would be the fabrication and marketing of pedal pumps. The use of these pumps, which cost 40,000 fCFA/each, could be very economical in terms of capital investment and savings on operating expenses.

C. Eggs

About 25 to 30 minutes to the east of Lome an egg producer has established his operation. This producer started with just 10 improved hens in 1977, a bit of luck, and a lot of hard work. The operation now consists of two large hen houses of two units each, with a third house of three units under construction, of which one is in use. In total, he now has some 1,600 layers.

A *groupement* located just north of Kpalime has likewise profited from outside assistance, hard work, and a common-sense knowledge that a sizable egg market exists. This *groupement* actually consists of three subgroups. Women form two of the groups and the third is a mixed, male and female group.

The first women's group formed in 1983 when 10 women contributed 10,000 fCFA each. The second women's group started in like fashion in 1985 with an initial capital contribution of 15,000 fCFA each. The third started in 1987. Together, the three groups maintain 600 producing layers, with one group expanding into pork and another into fruit production.

Just to the south of Kpalime, Bethania Farms established its operations in the 1970s. It has grown into a large poultry, pork, and cattle operation, with a hotel, golfing, swimming, and a nearby landing strip. It is firmly implanted in the formal sector but in some respects is more hampered than the informal operations. (Regrettably, Bethania was not fully operational when the review team visited due to a lack of working capital for feed and a lack of spare parts.)

The stories of the entrepreneur and the *groupement* in particular are informative. They demonstrate the importance of cross-sectoral linkages, for example, to maize production, as well as the linkage to other aspects of the activities chain that well-managed informal operations create. They are instructive in identifying important aspects of success, such as training, productive use of credit, benefits of producer-level associations, and upstream linkages.

1. Production

Observation, experience, and common-sense understanding of demand-driven production lead most improved poultry operations to concentrate on egg production. Bethania management made the same observations, backed by more precise calculation of production costs.

Togo's poultry industry finds itself in an interesting paradox. Because of the high cost of feed, broilers are too expensive for the majority of Togolese. If the present cost of 1,000-1,200 fCFA/kg could be reduced—by one estimate to 600 fCFA each—demand for broilers would explode since they would then be within reach of most Togolese. So while

the margins would be thin for broiler producers, demand would be sufficient to provide positive returns.⁴

The most critical element to reducing the cost of broilers and also eggs is feed. The apparent high cost of feed pushes the production cost of broilers out of reach for most consumers and increases the production costs of eggs as well. In the case of eggs though, this cost is somewhat reduced by the sale of old, unproductive layers. These culls, coupled with what the review team found to be relatively high layer yields, keep the cost per egg within the consumer's reach. In turn, that increases demand.⁵

Sales for one egg producer were sufficient for the operation to pay back a three million fCFA loan plus one million fCFA in interest in two years. Currently, women come from Lome to purchase eggs twice a week from this producer. A tray of 30 eggs sells for 800 to 1200 fCFA, depending on size. With output at 45 trays a day and assuming the minimum sales price, this producer is capable of generating sales in excess of 13 million fCFA a year, or more than U.S.\$48,000.

The egg producing *groupement* sells 150 to 200 trays a week at 600 to 900 fCFA per tray. They are selling enough to be current on outstanding debts and split as "dividends" at the end of the month anywhere from 20,000 fCFA to 100,000 fCFA, as well as in-kind premiums.

2. Inputs

The primary inputs for these layer operations are labor and feed. The most interesting operation from the standpoint of its integration is the entrepreneur outside of Lome. To produce his own feed, the owner purchases upwards of 35 100kg sacks of local corn a month, mills it and blends it on-site with other local and imported ingredients. Sometimes imported yellow corn is used if available at a good price.⁶

The milled corn is mixed with leucena, oyster shells, and dried fish to produce the feed. The leucena is regularly used to yellow the yokes. About 15 sacks of leucena are purchased monthly on the local market in 16- to 20-kg sacks, at a cost of 1350 fCFA each. The oysters are collected nearby. Since the local price of dried fish is comparatively high, it is purchased from an "importer" who procures it from Senegal.

⁴The revenue based tax, however, is a disincentive to operating low-margin, high-volume businesses, as well as to registering a company. Ironically, the tax hurts those it was supposed to protect--the poorer consumer.

⁵Usually this demand is adequately addressed by Togolese egg producers. However, from time to time, Ghanaian and Nigerian imported eggs reach the Togolese market, Lome in particular. Nigerian eggs are bought for about 600 fCFA per tray and sold in Lome at 1000 fCFA per tray.

⁶Bethania is similarly integrated but its milling operation was "down" waiting for a spare part.

The *groupement* near Kpalime likewise mills its own corn but mixes the ingredients by hand. These ingredients can include soya, brewery dregs, and fish. They intend to purchase a mixer through a Canadian NGO operating a productive credit project.

The Kpalime *groupement* supplies all its own labor. In another operation the owner hires four to six laborers on an occasional basis and also employs family members. The cost of the occasional labor is approximately 500 fCFA/person/day.

3. Services

The *groupement* benefits from the services of a government veterinarian who visits twice a month or once a week if there is a problem. While the president of the group indicated that no fee was paid for this service, it is very likely that some sort of in-kind fee is offered. The egg producer outside Lome has gone a step further, formally engaging a vet to visit his operation near Lome as well as two others once a month at a total cost of 6,000 fCFA.

Transport of material to the sites is not a problem in any of the cases, nor is delivery of product since wholesalers visit the production sites. The egg producers provide rudimentary quality control by selecting and selling eggs by size.

It appears the *groupement* took the initiative to associate themselves, without outside guidance. In a similar fashion, another producer has encouraged and assisted two others to establish layer production. They help each other by means of bulk purchases although they sell their output individually. The egg-production operations visited apparently had received some technical and managerial training. In one case, a Canadian NGO, Société Coopérative de Développement Internationale (SOCODEVI) is still providing management training as part of its loan follow-up service.

Land accessibility was not a problem for the *groupement* as it evidently was provided under traditional village allocation methods. In another case, the owner received an administrative approval to use the land after purchasing it some six years ago. This approval does not protect the owner from expropriation and is not mortgageable. Nonetheless, the owner felt sufficiently secure to make a sizable investment in the layer operation.

4. Linkages

The primary upstream linkages appear to be in the purchase of local feed ingredients and veterinary services. The principal downstream linkages would be the rudimentary but apparently effective producer to wholesaler to retailer/consumer chain.

Chicks are imported from Nigeria or Ghana. Although it is not clear that locally produced chicks would necessarily be less expensive, the Danish finance corporation IFU noted that a Danish investor was ready to join with a Togolese investor in a day-old chick operation. On the surface this would seem to indicate that locally produced chicks could be

competitive and that there is sufficient demand. Interestingly though, the Togolese investor has balked at the investment, citing the uncertain political environment.

Bethania is a highly integrated operation. It has an incubator capable of incubating 27,000 eggs at a time, but the machine is not in operation for lack of spare parts. Bethania also mills and mixes its own feed, although at 20 tons a month, management would prefer to buy it pre-mixed than to have to procure the ingredients itself. Bethania also has its own slaughterhouse operation. Its size and integration makes it susceptible to breakdowns in the various supply chains it depends on. During the team's visit neither the mill, the hatchery, nor the freezer were working for lack of spare parts. The latter breakdown meant that Bethania could not slaughter its large duck population, leading to increased and wasteful production costs.

Finally, while all three producers the team visited were able to overcome financial hurdles, both of the informal sector operations did so with some luck. In one instance, SOCODEVI, through its local "Projet d'Appui à la Création d'une Mutuelle de Crédit pour les Groupements des Femmes," came through with working capital credit, and the United Nations Development Program (UNDP) provided financing for the mill.

In another case, the good faith of first an Italian, coupled with a loan from the now defunct Caisse Nationale de Crédit Agricole (CNCA), and now the Caisse Centrale de Coopération Economique (CCCE) have helped address expansion problems. However, unlike the *groupement*, this producer suffers from a lack of working capital. The association, formed by the owner with two other producers can only partially address that difficulty.

D. Fruit

Most fruit production appears to be an informal undertaking. One *groupement* outside of Kpalime has undertaken larger, more organized orchid fruit production activities. In another instance, the team talked with one entrepreneur who, with two others, regularly air freights pineapples to France.

1. Production

In three different locations around Lome, individual entrepreneurs produce pineapples, which they export together. Among them, they farm a total of 25 hectares. Their dispersed locations and need to deliver two to four tons a week to the Lome airport requires a certain degree of planning. As their product is destined for a demanding European market, they must also pay heed to certain quality standards. For their efforts, these producers receive a price, F.O.B. Lome, of 100 to 115 fCFA/kg.

They have firm contracts with Air Afrique for two to four tons of air freight space per week. They frequently have to negotiate for additional space to accommodate their 300 T/yr. delivery contracts. In effect, exporters claim the pineapple market in Europe is far

from being saturated. Their principal constraint is the air freight quotas imposed on them by local carriers.

The French importer provides the packaging material for the pineapples. The growers perform preliminary quality control and provide labor for packaging at the airport. The French importer also provides technical assistance.

Outside of Kpalime, the same *groupement* involved in poultry and hog production is seeking to diversify into fruit production, including mango, citrus, and papaya. The land these 15 members of the *groupement* farm was provided, under written agreement, by one of the participating families which owns the land under traditional rights. Since part of the land already has producing citrus trees on it, this family also contributed to the groups working capital needs. Additional expansion into teak production is also planned.

2. Inputs

The *groupement* obtains its planting stock, including grafted mango, from a nearby private nursery. Each year the nursery operation sells 10-20,000 grafted seedlings of mango, coffee, avocado, citrus, guava, and palm stock to nearby farmers, as well as to the Office de Développement et d'Exploitation des Forêts (ODEF). With the breakdown of government nursery services, the scope for expansion of agribusinesses involved in this type of intra-sectoral supply operation has expanded.

3. Services

Air freight space for the pineapple exporters is provided by Air Afrique. Other companies, such as Sabena, also participate to a lesser degree. The French importer pays the freight, taking the fruit essentially on consignment, F.O.B. Lome. The French importer also provides market information and quality control standards. Non-export grade pineapples are sold on the local market. The pineapples are delivered to the airport between 11:00 a.m. and 2:00 p.m. the day of shipment for packaging, which reportedly is done outside, that is, not in a cool room. The government of Togo (GOT) provides phytosanitary services at no apparent cost. The producer the team talked with was quite satisfied with the GOT's work in this regard. In general, the local producers have had no reason to be dissatisfied with their arrangement and have exported for the past five years.

One producer, while receiving cargo capacity from Air Afrique, reported the airline limits the available capacity because of large and competing volumes from Cote d'Ivoire. To overcome this constraint and open the door to larger volumes, the group tried to export pineapple by boat but lost most of the shipment due to overripening. They have not, however, given up. They are talking with a Cameroonian grower and exporter of pineapples who ships in bulk holds via his own ship. The group is also talking with another airline.

The fruit-producing *groupement* reported that buyers purchased their output at the farm gate. The team observed that substantial fruit volume is delivered at the farm gate and smaller amounts to larger, village-level "wholesale" markets, like in Adeta (Kloto), and subsequently to Lome by regular taxis. Undoubtedly, this type of transporting carries with it different difficulties, such as limited capacity and sanctioned and unsanctioned taxes at the various police, customs, and transport syndicate roadblocks.

4. Linkages

As in the *marafchage* subsector, fruit processing activities offer very high value-added potential. Certain obstacles, such as limited local markets, organization and collection of raw material, limited quality local packaging production, and lack of know-how, hinder full exploitation of the processing potential.

Société Togolaise d'Agriculture Biologique (SOTAB) has successfully overcome some of these obstacles. The fruit-producing *groupement* near Kpalime sold fruit this past year to SOTAB, but it was not clear if this would be a one-time thing. One farmer sold 10 tons last year to SOTAB for 500,000 fCFA and just recently delivered another four tons at 50,000 fCFA/ton. He said that all things considered fruit production was more profitable than coffee or cocoa and that he would prefer to produce only fruit if he could market it.

The Eden NGO is currently working with and has funding for a local entrepreneur to develop a juice works on wheels. The idea is to take the factory to the source, carrying back from the farm higher value-added, lower-volume product.

Another upstream linkage in the fruit subsector is the provision of planting stock. The one nursery supplying the fruit-producing *groupement* outside Kpalime maintains a nursery in excess of 50,000 trees. The operator reported selling an average of 15,000 trees a year at an average price of 300 fCFA each. We met another individual from the same area who sold 2,000 trees last year at the same price.

SECTION III

INSTITUTIONAL AND DONOR INTERVENTIONS AFFECTING AGRIBUSINESS

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The agribusiness climate in Togo will be dominated for the near future by the ongoing process of transition to a multiparty political system. New institutions are forming everyday. Many of these are small businesses or *groupements* based on the production, processing, or marketing of agricultural products.

A. Principal Institutions Affecting Agribusiness

The government's main policy statement with regard to agriculture was the *Déclaration de la Politique Agricole*, of May, 1991. The declaration committed the government to the objective of launching a program of agricultural growth in a "harmonious" manner which can provide the incentives for all participants in the sector. It cites several means for achieving this objective, including:

- Increasing production and creation of a more responsible rural populace through promotion of an entrepreneurial ethic
- Reorganization of rural credit into a system of mutual savings and loan societies
- Adoption of rural land reform
- Continued liberalization of agricultural prices
- Redefinition of the role of the extension services

During a national assembly on agriculture, the *Etats Généraux d'Agriculture* in March, 1992, a similar series of activities were proposed for the democratization of rural development efforts. These recommendations are as follows:

- Encouragement for the creation of *groupements coopératifs*
- Creation of a dynamic and decentralized Chamber of Agriculture
- Organization of rural competitions and fairs
- Reorganization of rural credit delivery into a federation of mutual savings and loan societies
- An increase in the level of training and professionalism of the extension services

- Establishment of a program for training rural youth in entrepreneurship, combined with measures for incentive prices

Each of these general policy declarations can be interpreted to call for a greater emphasis on agribusiness development through the promotion of an entrepreneurial spirit. Specifics have been slow in coming. In part this is due to the effect the unstable political situation has on decisionmaking. In part it is also due to the longstanding practice of waiting to see what interpretation donors will put on the general policy declarations and what projects or programs will issue.

1. Government

The public institutional structure affecting small business activities, more than any other, is undergoing considerable change during the transition period. This is exemplified by the recent conversion of what was formerly a directorate in the Ministry of Industry and State Enterprises into the Ministry of Tourism, Artisanal, and Small and Medium-Sized Enterprises. What specific role this new ministry will play with regard to rural based industries or enterprises is not yet clear.

The principal government organizations concerned with agribusiness development are the following:

- **The Ministry of Industry and State Enterprises, Directorate for Industrial and Artisanal Development.** Its role is the promotion of those public and private activities which contribute to industrial and artisanal development. It is the government institution charged with putting together an industrial development policy. There has thus far been no clear enunciation of the role small rural industries would play in such a policy.
- **The Ministry of Plan, General Directorate of Plan and Development.** This is the chief coordination agency within the Togolese government. It prepares the country's development plan in coordination with other ministerial departments. It is also the management locus for budgetary allocations, as well as the negotiation and implementation of donor assistance. However, like many others in the government, this agency is hard put to define exactly what constitutes agribusiness.
- **The Ministry of Commerce and Transport.** It is the primary institution charged with the government's measures with regard to the liberalization of commerce. It is also responsible for the follow-up, in the next five years, of programs for the intensification of transit import operations, streamlining and promoting internal commerce, and the reduction in the balance of payments deficit. In the latter case, the ministry is supposed to promote the development of a class of young entrepreneurs and exporters in the marketing and processing of local agricultural products. At the present time, no real initiatives to this effect have been developed. The ministry is also responsible for the organization of the informal

sector. This role is largely undefined outside of the obvious desire to "fiscalize," or generate tax revenues from, informal sector activities.

2. Parapublic Institutions

The Chamber of Commerce. As in most West African Countries, the Chamber of Commerce is more of a public institution for assuring a liaison between the private and public sectors than a true instrument of private sector advocacy. It is the locus of several professional associations, such as the Groupement Interprofessionnel du Togo, the Groupement Togolais des Petites et Moyennes Entreprises (GTPME), the Association Professionnelle des Banques, and the Syndicat Interprofessionnel des Entreprises Industrielles du Togo. Most formal sector enterprises are at least registered with the chamber, if not active members. The only technical and management support services offered through the chamber emanate from special projects sited there, i.e., the Centre Togolais d'Investisseurs (CTI), funded by the World Bank, and the Division d'Assistance aux Entreprises (DIVAE), which receives support from the United Nations Industrial Development Organization (UNIDO).

The Société Nationale d'Investissement. It was created to provide support and subsidized financing for public enterprises which are in financial trouble. To this effect, it manages a Fonds National d'Investissement financed by a 0.5 percent of turnover tax on formal sector businesses. In principle, it also manages the Fonds de Garantie de Crédits aux Entreprises Togolaises, but this fund is for all practical purposes inoperative.

3. Joint Ventures

The only real institution in Togo which effectively promotes joint ventures is the Danish investment fund IFU (Industrialization Fund for Developing Countries). This organization invests in local business activities of a relatively large scale, which often have an agribusiness focus. One of its ventures, CERKEM, a herb production and export operation, is in liquidation. Most of its other venture partners, however, have been quite successful. These include ITP, SOPROLAIT, FAN Milk, STS, SOTODAS, Ari la Gazelle, and Atlantic Produce. Many could be considered agribusinesses in the sense that they process agricultural products (both imported and locally produced) for the local and regional market. Activities are concentrated in milk and soap production, along with the Ari la Gazelle transport firm, and a tropical horticulture products exporters Atlantic Produce.

4. Local Consulting Firms

There are a number of small private auditing and accounting firms which provide services to both formal and informal private sector companies. Only a handful of these are truly capable of carrying out economic analyses or feasibility studies. Notable among these are SOTED, a parastatal developmental studies consulting firm; SAFECO; Apte-Afrique; and CAREMA.¹

¹CAREMA performed the financial analysis for the Viten-Nutri-2000 project.

A program of the UNDP, NaTCAP (National Technical Cooperation Assessment Programme) contains a component which proposes technical support to local consultants in terms of:

- Fee structure
- Increased use of local consultants by the donor community and government agencies
- Training and technical support, including seminars, on-the-job training, and development of locally appropriate computer software packages
- Reorganization and support for the Association des Consultants Togolais (ACT)

B. USAID/Togo

USAID/Togo's current portfolio has an emphasis on health, rural savings, and agricultural production. It has been described as a more traditional rural development portfolio. As Togo moves towards a democratic government, the Togo mission believes that a complementary initiative aimed at stimulating and broadening private sector participation in economic development will help to solidify past achievements.

USAID/Togo's rural development and private sector portfolio consists of the Togo Rural Institutions and Private Sector Project (TRIPS); the SME (small and medium enterprise) Guarantee Fund and the African Venture Capital Fund, through the Bureau for Private Enterprise; and participation in Fédération des Unions de Coopération d'Épargne et de Crédit (FUCEC). A recent draft desk study prioritized and categorized these efforts as follows:

- Policy reform targeted at liberalizing maize export regulations and reducing parastatal control of prices and surpluses.
- Small/medium rural enterprise development.
- Food security, as it pertains to determining excess for export.

USAID/Togo is presently participating in a MAPS exercise, to which this review is complementary, and will soon begin a review of mission goals and objectives. The mission has developed a nontraditional, export-oriented project but has not yet undertaken the initiative.

As a small representative office, USAID/Togo is limited in terms of manpower and financial wherewithal. To leverage its scarce human and financial resources will require coordination with other donors and will necessitate the development of a good in-house monitoring system.

C. Donors, NGOs, and Others

Some other efforts by Togo's donor and NGO partners in the area of private sector and agribusiness development are:

- **UNIDO.** It has undertaken two separate efforts to assist the Togolese private sector. One project provides assistance to Société d'Administration des Zones Franches (SAZOF) and Centre Togolais de Promotion Industrielle (CTPI) to provide expatriate technical assistance, funding for studies and short-term technical assistance, overhead expenses for local technical assistance and staff, and office equipment.

The other UNIDO program provides technical assistance and training to selected companies. The project surveyed 70 firms in the industrial sector and chose 20 for targeted assistance. As part of the effort, the project also looks to improve the capabilities of local consulting firms to undertake industrial project analysis. The effort has had mixed results.

- **Caisse Centrale de Coopération Economique (CCCE).** The Caisse offers one program, Aide à l'Initiative Productrice de Base (AIPB), through which the Caisse lends up to 20 million fCFA for 7 years at 0 percent to 12 percent, with a 2-year grace period. Because it is shorthanded, the Caisse has approved only 10 projects, all in or near Lome. In fact, the Caisse would welcome assistance from an NGO or private operation in screening and/or assembling applications.

The Caisse has another project, Promotion et Participation pour la Coopération Economique (PROPARCO), through which it will either lend or invest as a partner from 20 million to 1.6 billion fCFA. The program is not yet functional as the GOT has not yet signed the accord permitting the Caisse to operate it.

- **World Bank.** Since 1974 the World Bank has provided in excess of \$550 million to Togo. About 25 percent of this has gone to the rural sector, another 25 percent for structural adjustment, and 50 percent for infrastructure improvements. In the area of agriculture, the World Bank is currently assisting with coffee, cocoa, cotton, and some staples. In addition, it has helped with extension services and the reorganization of the Ministry of Rural Development.

Reportedly the area under coffee and cocoa cultivation has increased, but volume has not met expectations. The World Bank representative the team interviewed felt this happened because of the overvaluation of the fCFA and low prices, currently 225 fCFA/kg for coffee and 185 fCFA/kg for cocoa. It is his opinion that the minimum price for both should be U.S.\$1.60 to 1.80/kg (or 435 fCFA to 490 fCFA/kg).

The Bank has a project called Promotion de l'Entreprise Privée, which lends money to the Central Bank at 0.5 percent. The Central Bank lends money to the

commercial banks at 5 percent to 6 percent. The commercial banks lend to borrowers at 11 percent. This compares quite favorably to the normal commercial rate of 17 percent.

However, the banks have not shown much interest in the project to date as they have had excess liquidity and prefer to lend their own money. The four projects the World Bank has financed through this scheme include the production of paper clips, cotton thread, soap, and fish/shrimp packaging.

The World Bank representative believes there is a problem with bankable documents not with bankable ideas. So the Bank created the Centre Togolais d'Investissement to help pull documents together and to train entrepreneurs to do it themselves. The project is housed in the Chamber of Commerce. However, the Bank has now tired of financing the operation so is slowly withdrawing support, both financial and technical. Part of the reason is the lack of demand, but the representative noted that in these uncertain times people are not as forthcoming with new business ventures.

- **FED.** It finances private sector development, reinforcement of food self-sufficiency, and roads maintenance. The budget allocated for the program was US \$27,476,000 in 1990.
- **SOCODEVI.** This Canadian NGO is working primarily with women's *groupements*. The project has one expatriate advisor and maintains offices in Kpalime and Atakpame. SOCODEVI is offering credit, including working capital loans, for productive purposes. They provide assistance in analyzing a project and base approval on the project offering at least a 20 percent return. Those who receive credit pay 17 percent interest, the going commercial rate, and are required to reinvest at least 40 percent of net income back into the operation. Besides feasibility study assistance and project financing, SOCODEVI provides follow-up through management improvement programs given four times a year.²
- **CONGAT-ICB (Conseils Gestion Afrique Togo - Initiatives des Communautés de Base).** It helps set up business *groupements* and provides them with equipment, e.g., small silos, as loans to be repaid in kind. Our field work showed that the notion does work, at least in one instance.
- **AVOBETO (Association des Volontaires Bénévoles au Togo).** It organizes management training programs for individuals and SMEs.
- **IFU.** It is not a donor program but a parapublic Danish investment organization, akin to the U.S. Overseas Private Investment Corporation (OPIC). IFU provides

²The local Canadian director of SOCODEVI acknowledges the project is not currently self-sustaining but believes it will be when Togolese take over management in four or five years. Presently, the operation collects on 91 percent of its loans, with the bulk of the 9 percent in arrears due to one project, its first one.

both debt and equity capital, up to 25 percent. They have several investments in Togo, including in agribusiness, and are looking for more. While they have seen quite a few requests, most are too small for them, less than 10 million fCFA. The organization prefers a minimum project size of 150 million fCFA.

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SECTION IV

CONSTRAINTS AFFECTING AGRIBUSINESS IN TOGO

SECTION IV CONSTRAINTS AFFECTING AGRIBUSINESS IN TOGO

The legal framework in which agribusiness activities take place is in a state of flux, though this is often less evident than the political changes. Indeed, the transition period will likely pose serious challenges to agribusiness development in terms of the clarity of the legal environment in which it must eventually operate. The switch from a command-type political system, where laws are promulgated by decree and through centrally imposed ordinances, to a constitutional one based on debate and compromise may well present even more serious challenges to the way donors operate their programs in Togo. This is especially so with regard to small-scale activities, including the promotion of the *professionnalisme* of rural business.

A. Political and Economic Uncertainty

Togo is experiencing a difficult phase in its political and economic development. A climate of uncertainty prevails, the result of widespread demands for a more responsive, constitutional form of government. These demands resulted in the convening of a "Sovereign National Conference" earlier this year to examine opening up the political system to a wider spectrum of the population through a move to a multi-party system. Various sources, both Togolese and expatriate, estimate the disruptions and incertitude which have accompanied this ongoing process are likely to continue for at least two to five more years.

Obviously, an uncertain political climate adds an element of risk to an area where the business environment is already subject to a number of disincentives. For instance, it is not at all clear whether a future, more representative and democratic form of government will be any more favorable than the present one to an opening up of the Togolese economy. There are a number of groups which may well have an interest in promoting increased protection for their position in the economy, rather than increased liberalization. Their lobbying power could be enhanced by a multi-party political process.

The transitional phase of political development in which Togo finds itself presents a number of potential outcomes, negative as well as positive. On balance, we believe democratization at all levels of Togolese society will be beneficial for business, especially small agribusiness. It behooves USAID and its donor partners to carefully monitor this transitional period, with a view to promoting the kind of truly democratic and liberal reorganization of Togolese society which will be in their own interest and that of the Togolese people.

B. Policy and Regulatory Environment

Togo's agribusinesses are overregulated. Economic policies in Togo have been dominated until recently by a statist approach. Not only were state and parastatal monopolies

created to manage the principal economic activities, but a plethora of regulations were issued in an effort to control prices, wages, transport, wholesale and retail margins, interest rates, and distribution. Many of these regulations are still on the books even though new state policies liberalizing agricultural prices and abolishing or privatizing many state-owned enterprises have been adopted. Thus, although prices are now mostly set through the interplay of supply and demand in the market, the majority of small businesses still feel constrained to minimize the scope of their operations lest they fall astray of some unknown regulation. This is particularly true for the very businesses which provide key upstream and downstream linkages of a commercially oriented agribusiness network, such as input and machinery supply, credit provision, marketing, transport, and processing.

1. Business Registration

The extent of the regulatory web is demonstrated by the complexity of the process of formally establishing a business. The first step is the acquisition of an "Authorization for Installation," or *autorisation d'installation*. Delivered by the Ministry of Commerce and Transport, it requires seven separate documents. The cost is only around 10,000 fCFA, but the entire procedure takes at least one month and the applicant must go to six different places to obtain and certify his documentation. If the business involves import/export, an importer's card is required. This involves an additional six documents and another 10,000 fCFA. The applicant must run around to seven different locations. The whole process takes three weeks, but the card is only valid for one year.

Registration of the business with the Direction Générale des Impôts and the commercial register costs an additional 24,000 fCFA and a minimum two weeks. Six more documents must be obtained from five different places and correctly filled out. Registration with the Inspection de Travail et des Lois Sociales only requires a single document and can be done in one day. Labor laws in Togo, however, are extraordinarily rigid. The transaction costs involved in salaries, benefits, hiring, and firing make it nearly impossible for a small business to obey the letter of the law. Moreover, one source estimates that a formal sector enterprise with revenues of 20 million fCFA would pay 4.5 million fCFA in taxes, or 23 percent of total revenues! (Ninikerenga, undated).

It is little wonder that the overwhelming majority of small firms prefer to operate in the informal sector. All the same, Table 5 below shows that 22 percent of formal sector SMEs may be considered agribusinesses.

TABLE 5. TOGO SMALL AND MEDIUM-SIZED INDUSTRY
(50 Employees or fewer -- formal sector)

Activity	1984	1989	Percent of Total	percent change 1989/84
Agribusiness*	22	25	22	+13
Textiles	5	1	1	-80
Woodworking	14	20	17	+43
Printing & Paper	20	50	43	+150
Chemicals	10	6	5	-40
Mining & minerals	3	2	2	-33
Metallurgy	6	11	9	+83
Other Manufactures	3	1	1	-66
Totals	81	116	100 percent	+43

* Mainly food processing.

Source: Ministre de l'Industrie et Sociétés d'Etat.

2. Regulatory Reform

Togo has declared its acceptance, under pressure from the International Monetary Fund and major donors, of a liberalized agricultural marketing policy. One of the vehicles for this market liberalization was the Cereals Export Liberalization Program. The program generally proposed price liberalization and an incentive package for private sector traders. As a result, prices for all cereals except rice are subject to market forces, and all cereals can be marketed by the private sector. A significant level of regional exports was not obtained, however, primarily because of government foot-dragging.

This experience demonstrates the residual deep-seated distrust the national administration and decision-making circles have toward the commercial trading sector. In reality, Togo has been unable to completely abandon the statist approach to agricultural marketing and agribusiness in general. Licensing is required to engage legally in the export of grain, and only certain licensed traders, called *commerçants agréés*, have access to the tendering processes now mandated for purchasing grain in local markets to replenish security stocks held by Togograin, a government company that maintains a security stock of corn.

Under restructuring programs, it was assumed that state agencies would play a smaller role in marketing and business regulation activities. Certain organizations, however, continue to exert relatively strong influences on the market. In Togo the continued existence of a protected maize subsector affects marketing possibilities for those products for which maize serves as a substitute. Togograin still plays a considerable role in commercial activities. The timing and location of Togograin purchases for replenishment of its security stocks has been questioned by some merchants and consumers on the grounds that these operations have the effect of keeping prices high and supplies short in a theoretically surplus zone (see Table 3 on page II-2). When Togograin unloads its grain, in order to maintain its technical stocks rotation plan, in markets which still have local production available, the

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intervention could interfere with long-term efforts to encourage the private commercial and producer sectors.

C. Limited Formal Support for the Informal Sector

The history of economic activity in Togo, as in most of the rest of West Africa since independence, has made for the emergence of a phenomenon known as the informal sector. The informal sector is defined as the activities of those businesses which, while pursuing legitimate economic ends, do not necessarily meet the full legal conditions for official status as economic entities (de Soto, undated). For this reason and because they are small and engaged in commerce and in production activities which may be considered more like crafts, they operate largely unobserved and outside the modern economic sector. This productive sector is rooted in many of the same economic conditions as subsistence agriculture.

1. Increased Burden for Employment on the Informal Sector

An analysis of Togo's manufacturing and commercial sector in early 1992 found that serious problems exist in the formal sector, where employment is declining in unproductive public enterprises while the private sector is stagnating (AMIS, 1992). The formal sector will likely be a minimal source of growth for the economy as a whole in the near term, especially if the present atmosphere of political and economic insecurity persists. Development in this sector will thus depend on removing the impediments to the growth of small, informal sector businesses and increasing the size of the overall market.

In another sense the informal sector also serves as a kind of shock absorber for structural adjustment. Indeed, it is arguable that the accelerating movement toward democracy in Togo and elsewhere in West Africa has grown out of the contradictions posed by structural reform on economies that are essentially two tiered. In most of Africa the urban poor and rural peasants have yet to be integrated into the political and economic mainstream. Their response has been increasingly to retreat into "an economy of affection" where economic activity means participation in a "network of support, communications, and interaction among structurally defined groups connected by blood, kin, community, or other affinities" (Hyden, 1986).

The informal sector probably satisfies close to 90 percent of the basic needs in goods and services of the population in many areas. Table 6, on the next page, looks at the sources of employment and the relative importance of the informal sector.

It is important to note that many of the businesses involved in the urban informal sector are of the sidewalk peddler variety. These occupations can hardly be considered enterprises. They fall more into the category of survival or urban subsistence activities.

2. Limited Market for Rural Enterprises and Industries

Nevertheless, manufacture of many small consumer goods and tools and related repair work is carried on by a significant number of small and medium-scale

industrial enterprises. Many of these are located in the rural areas. Others, such as mat weavers and grain merchants, purchase their product in whole or in part from well-established sources in the countryside. Enterprises of this type have existed in towns and villages throughout Togo and the neighboring countries of the sub-region for centuries, primarily in the form of crafts. Specialization in the manufacture of the tools needed for agricultural production originated long ago and has become intimately integrated into not only the economy, but the social fabric of rural life.

TABLE 6. SOURCES OF EMPLOYMENT

Sector	Nbr. Employees	%
Formal Sector of which:	96,000	6.8
-Civil Servants	34,000	
-Para Public	14,000	
-Mixed Enterprises	25,000	
-Private Enterprises	23,000	
Informal Sector of which:	260,000	18.6
-Urban	65,000	
-Rural	195,000	
Agricultural Sector:		
-Nbr. farms	330,000	74.6
-Employment	1,044,000	
Total	1,400,000	100.0

Source: "Etude et propositions pour le développement de l'initiative privée au Togo," Eurexcel Associates/EC Mission in Togo, November 1991.

Many of these small businesses—blacksmiths, carpenters, weavers, and so on—have evolved into full-time workshops with relatively sophisticated manufacturing and repair facilities. One blacksmith in Tsevie, for instance, can make complete plow-sets and some others in the cotton zone are equipped to do welding jobs of varying complexity. The metalworking enterprise in Tsevie has also been collaborating with CARE Togo in the manufacture of an inexpensive, pedal-operated irrigation pump. For the most part, however, rural manufacturing retains the characteristics of a craft or artisanal operation.

The most common form of business transaction for these enterprises is a direct contact between the manufacturer and his customer for a specific item, which is effectively made to order. Moreover, most artisans are also farmers. It is not surprising, therefore, that production of small consumer goods, tools, and other implements should be organized in a way very similar to small-scale agriculture. Moreover, village, family, and acquaintances are extremely important to enterprise survival and development. Small rural industry, like farming and commerce, operates according to its own economic logic and not that of state fiscal, economic, or trade regulations.

The orientation toward "informal" economic activities is one reason for the small size of rural manufacturing enterprises. Another is their very location in relatively remote rural

areas, where their clientele and geographic reach are limited. The fundamental constraint on rural manufacturing, however, is the income effect referred to earlier. Demand for their products is limited by the ability of their customers to pay. In a low-resource-use agricultural economy like Togo's the disposable income of most villagers is extremely limited. This is why most rural enterprises conform largely to the artisanal mode of production and rely on agriculture at least to some extent for their own consumption needs.

This situation has evolved somewhat in the urban areas and, to a lesser extent, in the coffee, cocoa, and cotton zones, where disposable incomes have been supplemented by revenues from cash crops. It is in these areas where one finds the larger workshops with capacity to produce locally demanded goods, such as metal shutters, bricks, door frames, furniture, and mattresses. Even here, however, basic materials for manufacture of these items must often be ordered from urban areas or imported. As a consequence most jobs are performed on a pay-as-you-go basis.

Small manufacturing and trading enterprises also provide a considerable proportion of the everyday consumer goods in rural areas. Many of these workshops are located in secondary cities or population centers, and over half have two or fewer employees. The labor force in these firms often consists of a large proportion of apprentices. Indeed, a characteristic of manufacturing enterprises in Africa is that approximately half the labor force of small, informal sector businesses is made up of apprentices (Liedholm and Mead, 1987).

3. Policy Distortions

An additional concentration of small, informal sector enterprises in Togo is found in the service sector. The personalized support network which characterizes small-scale industry extends to this sector as well. Indeed, many service enterprises have close ties to various workshops as they often supply materials, transport finished products, or in rare cases, market the output of artisans. There are a large number of petty, usually unlicensed, traders operating from the small shops and market stalls of the cities and in the various surrounding villages.

Tomato growers in Tsevie, fruit producers around Kpalime, and maize farmers throughout Togo rely on the services of private traders to get their products to market. These marketers, in turn, use small private transport firms to haul the produce to its next sales destination. Bulky staple items, such as maize and gari are often moved by the truckload to wholesalers in Lome and other cities. Seasonal and specialty crops like fruits are transported in smaller lots, often directly to the retail market. It is not unusual to see the small busses and trucks which are normally used for human transport plying the routes to Lome stuffed with fruit or baskets of tomatoes at certain times of the year.

A 1991 study of these kinds of small businesses and microenterprises in Togo found that they are universally privately owned. Initial investment costs are nearly always borne by the owner. Government and banks or other money lenders play little or no role in the finance of small agribusinesses (EEC, 1991). The situation in Togo is similar to that in other West African countries where "the government continues to create policy distortions

that favor specific individuals or industries by restricting entry or by providing them with special protection" (Grant, 1988). This has the effect of increasing the size and scope of the informal sector to the detriment of government fiscal stability.

4. Weak Extension Services

The technical message aimed at farmers also needs reorientation. Experience has shown that even illiterate farmers have an extremely complex knowledge, based on experience of their soil, water, agronomic, and hydrologic environments. The risk-avoidance strategy practiced in subsistence agriculture has, in fact, evolved from this knowledge. Farmers know which varieties grow best in which soils, as well as which soils retain the most water under different climatic conditions. In addition, utilization of advanced extension techniques to demonstrate locally appropriate solutions is not beyond their grasp. The experience of the young farmers' group in Tsevie is instructive in this regard. They felt constrained to travel to Ghana to seek the kind of technical training and advice they needed to develop their operation. This episode also demonstrates clearly that farmers are willing to pay for good services. In fact, the Tsevie *groupement* consistently paid for trips to Ghana for technical information and supplies, yet was "unable" to repay a marketing loan from the local DRDR.

Togolese farmers complained during the *Etats Généraux d'Agriculture* that they are able to discuss technical problems more easily with highly qualified technicians whose knowledge of the subject matter more closely approximates their own than with the typical extension agent whose knowledge is frequently limited to a set package of technical recommendations. "Now ... extension workers see themselves as selling outside solutions to peasants. They will have to come to see themselves as taking the peasants' problems to the researchers. They will have to become agents of the farmers, rather than of the governments" (Timberlake, 1986, page 218).

D. Weak Inter-sectoral Linkages

The fundamental constraint to increased agricultural and agribusiness productivity is relatively high costs of production combined with the low level of effective demand. UNIDO estimates the Togolese population which has *pouvoir d'achat* (purchasing power) at around 350,000 (personal communication, May, 1992). This means that only about 10 percent of the total population can afford to regularly purchase even those small manufactured consumer goods which are the stock-in-trade of small and medium-sized enterprises and agribusinesses.

Even this low purchasing power is only very weakly linked to the local economy because the bulk of the goods bought by this segment of the population are imported. In fact, even many of the small, cheap manufactured items which might be produced by local agribusinesses are imported, either formally or informally, from neighboring countries. In large part, this is due to the high costs of production in the Togolese economy. Many of these high costs, in turn, are due to market distortions rooted in inappropriate policies.

large part, this is due to the high costs of production in the Togolese economy. Many of these high costs, in turn, are due to market distortions rooted in inappropriate policies.

In effect, linkages must be established among suppliers, producers, traders, and consumers. At the present time in Togo the linkages on the upstream side of the equation are inhibited by the lack of free markets for factors of production. A case in point is the provision of a key agricultural input, fertilizer.

1. Input Supply

The provision of fertilizers to producers has traditionally been done through the Ministère de Développement Rural (MDR). DRDRs have had the responsibility for distributing fertilizer to farmers. Importation of fertilizers has also been a monopoly of the state through the Service des Engrais et Moyens de Production (SEMP). This structure was ostensibly developed to provide inputs at a price small producers could afford. The subsidies and other inefficiencies of the system, however, contributed significantly to the fiscal crisis in which the government now finds itself.

The MDR has accepted the principle of distribution of fertilizer and other inputs by the private sector. Nevertheless, SEMP continues to exist and retains exemptions from import tariffs which private sector operators must pay. The result this year has been that no fertilizers have been ordered at all because SEMP is unable to arrange financing and the private sector has no incentive to do so. Stocks of fertilizer left over from previous years are available at some DRDR warehouses, but the quality and price of these are uncertain.

The lack of a more liberal market for agricultural inputs also results in certain operational inefficiencies in the field. Under the present system, fertilizers and some agricultural chemicals are consigned to DRDR after importation. It must then manage their storage, sale, and distribution. DRDR agents up-country, whose primary task is supposed to be the dissemination of information on new agricultural production techniques to farmers, spend an inordinate amount of their time collecting and filling out orders for fertilizers and equipment, as well as assuring their delivery and supervising credit allocation and recovery.

Much of this work could and should be done by the private sector. Some of the problems of involving the private sector in agricultural services were outlined above. Nevertheless, certain steps to improve the operating perspectives of small private firms could go a long way in opening up this market to them. These would include better access to a broader spectrum of financial services; more innovative credit arrangements, such as seller-supplied credit and hire-purchase agreements; eased import restrictions, a simplified regulatory system, and improved transport infrastructures. At the present time, the government and commercial banks are showing only marginal interest in these issues.

2. Processing

The linkages between agricultural production activities and food and feed processing are very weak. A possible exception to this might be in the poultry industry,

where many small and medium-sized producers run their own feed grinding and mixing operations. These create obvious linkages to the grain sector. However, expansion is constrained by inter-sectoral constraints. As mentioned earlier, most producers do not consider the production of broilers to be an economically viable activity. They concentrate on egg production. One source within the industry estimates that a reduction of the price of broilers from the current 1500 fCFA/kg in Lome to around 500 - 600 fCFA/kg would put the product within the purchasing range of the majority of Togolese consumers. According to this source, the high price is entirely attributable to the lack of a cheap local source of feedstuffs. In other words, maize prices are too high. Maize production accurately reflects the demand for the product for human consumption but not the potential linkage through a demand for poultry feed.

A solution to the feedstuffs problem could lie in increased imports of cheap #2 yellow corn, or, as is being done by the larger producers, such as the Bethania Farm and Société Agricole Togolaise-Arabe-Libyenne (SATAL), importation of chicken feed from Nigeria. The result is under utilized local feed milling capacity and further delinkage, as the mills at these enterprises are used less and maintenance is neglected. Another source of underutilized production capacity related to costs of production is in the increasing importation of day-old chicks from Nigeria and Ghana. A significant amount of incubator capacity is idled as a result.

3. Marketing and Postharvest Handling

The movement of almost all agricultural products in Togo, including the four considered in this report, is done by the private sector. Marketers, nearly all of them women, buy raw and semi-processed (e.g., gari) products either at the farm gate or at rural markets. These same products may then pass through several other markets—staging markets, intermediate markets, and wholesale markets—or be transported directly to a nearby consumer market or to Lome. Invariably, though, producers deliver their crops to the market women early in the marketing chain and rarely take responsibility for final sales. Risks are thus taken by the marketing "professionals" and not by the farmers.

This marketing system is well integrated and extremely well articulated. Traders are quick to respond to new opportunities or products. Since the system is based on continuous movement of a multiplicity of perishable products, very few traders specialize in any one item. Specialization does occur in terms of purchasing location. Smaller traders buy at the farm-gate and turn the product around quickly by reselling at an intermediate market. Others specialize in intermediate sales or wholesaling.

The truly large traders, known as *nana benz*, sometimes employ these smaller and intermediate traders on an intermittent basis. It is these large marketers who "control" the urban wholesale and retail trade. Indeed, they operate in nearly every urban area along the coast from Abidjan to Lagos. Although they are often accused of monopolistic practices, there seems little real evidence of this. A loose cartel organization undoubtedly exists, but it is unlikely this association is dedicated to price manipulation. It is much more likely that the *nana benz* maintain close ties in order to access market information and to protect themselves

from political interference in their business activities. Much of this activity involves interstate commerce. Even highly sensitive commodities like cereals are traded by these women regardless of customs peculiarities from one state to another. The essence of this system is that it works. Moreover, important services, including loans and crop advances, are provided, thus increasing linkages among producers and consumers.

USAID's experience with the Cereals Export Liberalization Program showed that elements of the Togolese administration are not sincerely interested in decontrolling frontier traffic in items such as maize. Yet, a real interregional market for these products exists as evidenced by the study done by CILSS/Club du Sahel (1989). From a certain perspective, the ubiquitous coastal market women, through their mastery of the informal circuits of interregional trade, have given Togolese maize producers access to this wider market, even if the state has been unwilling to do so. USAID should take this as a signal to ignore propositions to "organize" the Togolese market. It is already extremely well organized. What is needed is a serious effort at deregulation, to provide more transparency in market operations and reduce both domestic and export transaction costs.

Storage and transport are adjuncts to the marketing system. Traders clearly perceive them in this way. Market women prefer to pay for private transport for their goods and very rarely own their own trucks. This is because the objective of the marketing system is to keep the product moving. The volume of turnover is the key element in profit-making, while maintaining inventories or vehicles represent supplemental costs. Thus, marketing specialists prefer to deal with enterprises which also specialize in transport services when it comes to moving their product.

Storage is also a throughput in this system. No item is held long enough to justify significant investment in long-term storage facilities. Storage technology in the marketing chain must, of necessity, be transitory in nature, that is, roughly thrown up and then quickly torn down. Multiple-use facilities are also important. Thus, bags of maize are frequently stored in the house or in the back room of a small store. Much produce is simply piled or stacked right in the marketplace, protected by a tarp or makeshift covering. Since volume of sales is conditioned by throughput and inventory is limited these measures are, in fact, quite efficient. The many failures in storage programs undertaken by governments and donors are undoubtedly due in no small part to not having taken these facts into consideration.

The situation with respect to marketing of high-value export products, such as green beans and pineapples, is slightly different. The market demonstrates a much higher degree of vertical integration. The same enterprise usually controls all aspects from growing to delivery at the port. Timing of transport services, especially air freight, is a key element. In fact, exporters all cite the limited amounts of air freight space as being their most serious constraint to expansion. Given the relatively small volumes of fresh produce exported in this way, as well as the short period of the year when these exports take place, investment in specialized cold storage facilities does not appear economic at this time. The more pressing problem of limited freight space needs to be resolved first. Things like more frequent flights, larger quotas, and chartering need to be studied. Private investment in transport and

The banking system in Togo is large and relatively liquid by West African standards. The situation in the Togo banking sector is shown in the table below.

TABLE 7. BANKING SECTOR

Bank	Capital (fCFA Mlns.)	Deposits (1989) (fCFA Mlns.)	Loans (1989) (fCFA Mlns.)	Ownership %		
				State	Pvt.	For.
UTB	1,500	53,257	23,833	35		65
BTCI	1,700	39,887	20,796	50	1	49
BIAO	938	25,604	18,752		40	60
BALTEX	1,600			50		50
BCG	568	66,217	29,871			100
BCCI	900					100
ECOBANK	750				4	96
SNI	500			100		

Source: FED document.

1. Rural Savings and Investment

Small scale enterprises frequently do not qualify for loans from formal credit sources. Their size and the nature of their businesses are considered too risky for conventional loan programs. Many have no collateral other than their personal tools and their good name. Credit funds for small business development established by donor programs have not fared much better.

CCCE's Aide aux Initiatives de Base (AIPB) and USAID's SME Guarantee Fund managed by Ecobank have barely touched their resources. Neither of these programs involves a review and follow-up program, so applications are processed slowly and approved selectively. Furthermore, small business loan programs like those of the CCCE and Ecobank do not provide loans for small agribusinesses' real credit needs: operating capital. Thus credit often plays a minor role in the start-up financing of these enterprises. Most operations are paid for out of savings or retained earnings. When credit is needed, it is obtained from informal sources. This is especially true in the rural areas.

A net lack of incentives to taking the risks involved in entrepreneurial activities seems therefore to be present. The kinds of investments favored in such an environment are those which provide high returns, liquidity, and security. Security comes from such sunk assets as livestock and real estate, including personal housing. Yields from investment in cattle are considered among the highest available, and they provide an excellent source of liquid assets. People in Togo tend to favor what may be called defensive investment, a kind of hedging strategy. Financial performance and return on the investment are not so important in defensive investment as maintenance of a fall-back position in terms of maintenance of cash flow against failure in another area. Thus, boutiques, trading, fruit trees, and small cereals

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The one source of start-up capital outside of personal funds which plays any significant role in small agribusiness is loans from friends, acquaintances, or relatives. Moreover, on an operational level, small firm owners tend to lack access to adequate supplies of working capital. In part this is due to the nature of the small enterprise, where family and business assets often become commingled. More often, however, it is due to a lack of access to an adequate financial services network and the high cost of maintaining inventories in the face of limited demand. Products are typically made on order, usually with an advance stipulated to finance the purchase of materials. Demand for goods and services, as was pointed out earlier, is greatly limited by the relatively small disposable incomes of consumers. Small manufacturers and traders spend an inordinate amount of time waiting for customers. "Numerous studies have shown that for most small producers, particularly those in rural areas, the most important problem which they face is one of finding markets for their output," according to Liedholm and Mead (1987).

Operating capital is uniformly cited by SME owners and agribusinesses as their most limited resource. These businesses produce most of the goods and services used by the vast majority of the population. Yet they do not have access to the factors of production, or even spare parts or trade goods, on an equal basis with their larger competitors. The kinds of equipment imported by large firms are easily recognized as capital or production goods, and can benefit from advantages for those items in tariff codes. Small producers utilize inputs that are not easily distinguishable from consumer goods, such as sewing machines or outboard motors, and are taxable at higher rates. In most areas where irrigation is necessary, as in urban market gardening, there is no enterprise which specializes in repair of irrigation pump sets, and projects or specially set up *groupements* are the only ones who carry an inventory of spare parts. Usually owners of the pumps must either buy the parts themselves, usually in Lome or outside the country, in Ghana, or defray the expenses for the repair shop to do so.

A USAID evaluation of Africa-wide credit experiences found that "the real demand among farmers is for increased liquidity. The best method to improve farmers' liquidity is not to offer them more credit, it is to also offer them more savings services and facilities" (Simmons & Herlihy, 1990, p. 20.). What is really lacking in rural areas is adequate access to financial services. This includes credit, but also savings and investment mechanisms. Two promising initiatives in this area are currently underway, one by the USAID-financed FUCEC program and another by the Canadian NGO SOCODEVI.

2. Mutual Savings and Loan Societies

The FUCEC program is well known to USAID/Togo, and it is not necessary to go into its functioning in any detail at this juncture. The program has been extremely successful in promoting rural savings through its member *Coopératives d'Épargne et de Crédit*. Typically these savings and loan societies generate considerable savings but relatively few investment opportunities. Credit allocations to members, nevertheless, amount to nearly 40 percent of total savings deposited in FUCEC.

The objective of SOCODEVI activities is to create rural women's mutual savings societies that help convert savings into investments. However, it pursues this objective from a novel perspective. A loan program has been established directed at women's groups. The loans are specifically for **productive** activities, and are given at the prevailing bank rates, now 17 percent per annum. SOCODEVI provides training to *groupements* in the preparation of applications. Literacy training is thus an integral part of the service. Applications are reviewed to determine the potential rate of return of the project. A minimum rate of return of 20 percent is required before funding is approved. Once a loan is approved, SOCODEVI provides follow-up services in the form of small enterprise and financial management training.

As with other credit programs for small rural enterprises, loans go universally for expansion of projects which were started with personal or the group's own funds. However, to avoid the problem of mixing business and personal assets, SOCODEVI encourages the development of an investment program for each project financed. A kind of forced saving is thus imposed. The fact that a proportion of the revenues from each project is set aside specifically for expansion of the enterprise from the outset allows SOCODEVI to do what other lenders are unwilling to do: loan money to meet operating costs. Because of the intensive loan follow-up program, SOCODEVI's own operating costs cannot be completely recovered by credit repayments. Nevertheless, they believe that the achievement of the objective of self-financed, enterprise-based groups more than justifies any subsidization that occurs presently.

SECTION V

RECOMMENDATIONS FOR DEVELOPING AN AGRIBUSINESS STRATEGY

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A. Increasing Agricultural Marketing Efficiency

Future development options in Togo may well depend on the competitiveness of agriculture in the area. In an era of restructuring of the government's agricultural policies, only a competitive and profitable agriculture sector will be able to attract the private investment assumed to follow structural reform. At the farm level, competitiveness depends on the mastery of production costs. At the subregional level, it will depend to a large extent on the degree to which local agribusiness is able to exploit its comparative advantage vis-à-vis other subregions. The distortions caused by state interventions in the local economy do nothing to enhance this comparative advantage.

Essentially, disengagement has thus far been an ad hoc process, designed chiefly to appease donors. A World Bank seminar evaluating the structural adjustment process came to the following conclusion, which is applicable to Togo:

"By and large, the initiative on policy has been taken not by leaders and bureaucrats, but by international organizations such as the IMF and the World Bank. The core economic agencies (in the countries concerned) have not exhibited a capacity to undertake policy work; instead they have opted for the posture of reacting to policy proposals designed abroad." (Gulhati, 1986, p. 14)

Even among the donor community, little thought has been given to the necessary job of establishing the linkages which connect producers, suppliers, processors, buyers, and consumers. The state was unable to efficiently perform the tasks of input delivery, credit provision, marketing, processing and distribution of agricultural products. It also seems unwilling to provide the legal framework which would hasten the transfer of these responsibilities to the private sector.

An as yet unpublished Abt consulting firm study of approaches to agribusiness development in sub-saharan Africa suggests the existing agribusiness environment in most African countries falls into one of three categories:

- Those with favorable policies and conditions favoring active extra-regional trade and investment export promotion
- Those with mixed records of reform and somewhat less favorable conditions, where intra-regional and domestic opportunities can be promoted

- Those where the enabling environment requires greater attention before actively promoting agribusiness activities

Togo, with its strong but small agribusiness sector and uncertain policy and regulatory environment, falls in the second category. The best strategy for the conditions present in Togo would be an opportunistic approach to private sector development. This should emphasize building on the existing agribusiness base, exploiting opportunities as they arise, and promoting the development of an institutional voice for the private sector that would encourage a transition to participatory economic and political structures.

Given the small size of the USAID/Togo mission, however, this approach will need to be packaged in a coherent, easily managed program. The overall objective of such a program would be increasing the efficiency of agricultural markets. This program would be conditioned by and address the three principal constraints to agribusiness development identified in this review and the need to establish the following conditions.

1. Transition to Participatory Economic and Political Structures

Togo is in the midst of a transition to a more democratically managed form of government. The transition has not been easy and, as others have indicated, could take several more years. Even then, existing interest groups, with stronger ties to an economic status quo than a true liberalization of the economy, may retain a significant and influential voice.

We believe a positive role for USAID/Togo during this transition is to promote an overall environment conducive to success for those who wish to participate. The review team would emphasize identification of initiative and delivery of assistance to that initiative.

2. Identifying Sources of Initiative

To identify sources of initiative, we would focus on identifying catalysts, that is, people and interventions that can have a wider impact than just the immediate activity being supported. The qualities we would look for are best clarified in the World Bank definition of a catalyst. It defines a catalyst as:

"....an individual or company (domestic or foreign) or a public agency, or a combination of these, that (a) pioneered the process of development in an outward-oriented direction before anybody else in a sector, (b) packaged the needed know-how with domestic endowments and external financing, and (c) diffused the experience and know-how it learned in that initial development process." (World Bank, March 1989)

The GEMINI project would call a catalyst a "key entrepreneur," someone who can or ideally has demonstrated an ability to facilitate a broader transfer of skills. During its rapid reconnaissance, the review team literally stumbled onto several individuals and entities which

are examples of the type of catalyst or key entrepreneur we believe USAID/Togo agribusiness efforts should support.

These catalysts include individuals from the informal (Novinyo, Groupement Agro-Pastorale) and formal sectors (Standard Development, SOTAB), as well as institutions, both NGO (Eden, SOCODEVI) and donor (Caisse Centrale, FED). They include people who bridge the gap between formal and informal activities (Mme. Villieno) and activities that could be catalytic to economic growth in particular subsectors (fertilizer liberalization, feed industry development, land tenure policy). We talked with potential catalysts that are informal yet look to export and those that are formal and oriented towards the domestic market (Ets. FAMEZIO in Tsevie, the manufacturer of CARE's new foot-pedal pump).

3. Focus on Activity

We believe a program based on identifying and assisting catalyst or catalytic endeavors must be needs driven and activity focused. As such, we would not recommend crop-specific approaches. Our decision process would look at whether the person or activity meets the definition of a catalyst, whether for export or local consumption, upstream or downstream, and formal or informal.

A flexible, activity-focused approach provides an active means of determining the effect at the enterprise level of more broadbased changes. It can also serve to strengthen the position of a catalyst in promoting rational policies with the GOT. A World Bank study noted:

"....given initial conditions of large policy distortions and underdeveloped institutions, the developing countries... could rarely afford to wait until perfectly rational policy environments were achieved to promote development in an outward-oriented direction."(World Bank, March 1989)

B. Strategy Options for USAID/Togo

The project or program options related to the above objectives can be broken down into a limited set of related activities. Each activity set can, in turn, be broken down into several sub-activities which may be treated as discreet projects or as components of some kind of umbrella project. A first essential step for USAID/Togo would be to define what it means by agribusiness (we have offered one definition), then how it defines a catalyst or catalytic activity (we would concur with the World Bank's definition), and finally develop a menu of strategic options it is willing to support (we offer some ideas).

We focus our commentary on three major constraints to agribusiness development in Togo. For each constraint, we list several options for consideration and perhaps further analysis by USAID/Togo.

1. Private Sector/Agribusiness Advocacy

The transition period in which Togo currently finds itself presents certain constraints to agribusiness. Likewise, it presents certain opportunities.

With the advent of a system based on debate and compromise, this is an ideal time to develop the essentials of an agribusiness advocacy network. Small agribusinesses have an important role to play in Togo's economy, but this sector needs a voice. Currently the private sector and, more specifically agribusiness, is woefully served by a few institutions with closer ties to the government than the private sector. Rather than being a voice for the private sector before the government, they are a voice for the government before the private sector, when the latter cares to listen.

As the GOT follows its rhetoric with action and truly liberalizes the economy, it will need to look more to enticing elements of the informal sector into the formal sector. However, there are more incentives currently to remaining an informal enterprise for most businesses and agribusinesses than there are to crossing the bridge over to the formal sector. The GOT therefore needs to reorient its policies to offer more incentives to crossing that bridge.

Moreover, in time the liberalization of the economy combined with policy and fiscal reform will generate the financial resources to replace the revenue loss from reform (e.g., reduced customs receipts). In the interim, USAID/Togo may choose to temporarily replace lost revenues and support policy changes through a non-project assistance program.

Activities in Support of Advocacy Role

- Policy Reform:
 - Ease registration procedures for private sector SMEs by promoting a simplified, *dossier unique* registration procedure for them (see the following pages).
 - This activity should be undertaken concurrently with policy analysis of the legal and regulatory system to determine those regulations which actually might serve a useful purpose and those which are disincentives to small business formalization. It should be kept in mind that an effective reform process requires that disincentive regulations be actually purged from the statutes rather than being overlaid by the new rules.
 - A refining of the tax structure to provide the incentives to small agribusinesses to pay their taxes and in other ways formalize their participation in the economic development of the country. A good focus for this activity would be the replacement of the current tax structure by a unified tax on value added (UTVA). USAID/Togo should also support the necessary studies related to identifying and palliating the disruptions involved in such a process.

- Promote agribusiness support organizations:
 - Depoliticize the Chamber of Commerce through promotion of an independent Chamber of Agriculture specifically oriented towards the resolution of agribusiness problems. An alternative would be to establish a special agriculture division within the existing Chamber of Commerce.
 - Strongly support the accelerated utilization of local consulting firms by agribusinesses and donor organizations. This activity could usefully be interfaced with the agriculture chamber support activity.

The lesson learned in many countries has been that policy reform and regulatory improvements must precede or occur simultaneously with attempts to assist agricultural market development. We would support this approach since market participants, both upstream and downstream of production, are often unable to or lack the knowledge of how to take advantage of improvements in the policy and regulatory environment.

Policy reform activities directed at relieving pressure on the private sector might usefully be advocated and managed through an independent Chamber of Commerce/agriculture chamber. The creation of a separate agriculture chamber is being pursued. This move represents a laudatory recognition of the need to focus on agriculture. To effectively play this role, these two groups, if organized separately, must take on a new image with the private sector, develop the capability to analyze and promote advocacy, and offer real services to entice active membership. In short, the Chamber of Commerce needs overhauling.

Presently, the Chamber of Commerce is used as a conduit through which such donor projects as UNIDO and CTI offer services to a narrow group but without backward linkage to developing the chamber's real capacity to finance and manage these offerings post-donor participation. The chamber is void of any real services that it can offer members and therefore lacks an active membership.

The objective of a long-term commitment to the Chamber of Commerce and/or a separate agriculture chamber is the creation of true private sector advocates, for agribusiness and otherwise. To effectively carry out this role, those groups must be capable of analyzing, presenting, and advocating policy and regulatory changes before the GOT, as well as offer other services to members. USAID could offer technical assistance on working out such a package of services.

An example of an undertaking a reinvigorated advocate for agriculture could tackle would be streamlining agribusiness registration procedures through a *dossier unique* concept. A *dossier unique* is based loosely on the French Chamber of Commerce concept of a *centre de formalités des entreprises*. The notion is different from the one-stop idea that is often touted but in practice is less than expected.

Essentially, the *dossier unique* is one form that addresses all the informational needs of the various ministries and departments that must approve the establishment of a business.

A case worker is assigned to shepherd the form through the system. A fee would be paid by the company seeking registration. As noted, the real costs to registering a business are not insignificant, and the opportunity costs push the expense of registering beyond an acceptable threshold for most. The *dossier unique* concept would reduce the real and opportunity costs to registering agribusinesses.

By participating in developing the *dossier unique* concept, promoting it before the GOT, and offering it as a service, the chamber would:

- Enhance its image before the private sector
- Overcome a recognized bottleneck to formal registration of businesses
- Cut its teeth as a "new" advocate of the private sector on a useful, but not overly demanding, activity
- Increase the revenue earned from registrations for the GOT

An additional advantage to focusing assistance on the Chamber of Commerce and/or agriculture chamber is that it offers a focal point through which to address other serious impediments posed by inappropriate or misguided policy and regulations. Through the chamber, USAID/Togo could focus on the individual elements that provide disincentives to the formalization of many informal enterprises. These could be in the form of any number of analyses addressing such things as tax reform, labor code reform, investment code reform, and various forms of legal recourse, such as patent protection and land use planning tenure. That last item is probably one of the most important issues in Togo.

USAID could support a studies unit within the Chamber of Commerce and/or agriculture chamber to address these subjects. For example, one of the first exercises to be undertaken by this unit should be a study of the legal and institutional steps required to increase the arbitrage function in national and regional markets. The possible roles of legalized futures trading and/or forward contracting for certain agricultural products should be at the core of this study.

2. Promote Vertical and Horizontal Linkages

Agribusiness development is in large part contingent on the development and maintenance of intra-sectoral and cross-sectoral linkages. For instance, development of a local feed industry impacts both the poultry and maize subsectors. Increased maize production, in response to increased demand from the feed processing industry, may in turn lead maize producers to seek additional outlets for their product, such as regional grain export markets.

Moreover, production activities in any single subsector may well be organized in different ways, as in the case of vegetable production in Togo. Some farmers specialize in a particular crop for the urban market, such as tomatoes. Others, organized in small

groupements, produce a wide variety of vegetables over the entire year for this same market. Furthermore, possibilities for vertically integrated, highly specialized vegetable crops which appeal to a very particular export market, such as green beans to France may present increasingly attractive options to small farmers and *groupements* if given an organizing catalyst. Despite these differences in organizational approach, all three organizational systems would undoubtedly benefit from improved market price and forecast information.

Activities in Support of Promoting Linkages

- Assist nontraditional export promotion through better access to technical information on export possibilities. This activity could also be channeled through a reinforced independent Chamber of Commerce/Agriculture.
- Encourage private sector uptake of input provision.
- Promote local processing industries (food, feed) through an improved technical services role for the Chamber of Commerce/Agriculture. Providing services for which agribusinesses and farmers are willing to pay is key to establish an independently financed advocacy organization.
- Develop market information services.

The review team believes USAID/Togo could encourage private sector provision of inputs through non-project assistance activities aimed at privatization or dissolution of critical state-owned organizations. The two main actors in this regard would be SEMP and Office des Produits Agricoles du Togo (OPAT). A good starting point would be the re-opening, but thus far unrealized, joint working group on the technical and financial conditions necessary to encourage private sector participation in fertilizer distribution.

In addition, USAID could capitalize on its considerable experience and success in designing and implementing market information services elsewhere in West Africa. USAID/Togo could usefully draw on this experience to create a similar activity in Togo. We consider such an activity critical to maintaining a competitive posture vis-à-vis Togo's neighboring countries that already have such systems, including Mali, Burkino Faso, and Niger.

Development of an improved market information service should be combined with research activities aimed at reinforcing forecasting capabilities through a Geographic Information System (GIS). The mapping of selected village land use areas using remote sensing techniques could provide the parameters for a coherent crop forecasting system. with its realistic estimates of surfaces planted and potential production by crop could be combined with market price monitoring activities. This would also provide for a potential linkage to improved financial services by establishing the basis for mortgageable rural real estate units.

Some of the components to consider in designing such a market information service include:

- Identifying specific, limited commodities to address, such as maize, sorghum, manioc/gari, igraine, and cowpeas.
- Identifying the marketing system's various levels for each commodity.
- Identifying information users at each level of the marketing system for each commodity.
- Using and training people already in place to collect data and monitor markets. This might include extension agents, *groupements*, municipal, commune, and village officials.
- Assessing users' information needs at various levels of the marketing system for each commodity. This could include the depth of analysis required, the frequency required, and the mode of transmission required. There should be an emphasis on ease of access to the information, such as through weekly radio broadcasts.

The success of the marketing information systems in neighboring countries is based in part on the following caveats:

- Employ an incremental approach, allowing for feedback, follow-up, and correction before moving on.
- Commit to the long-haul; the process takes time. Invariably, AID support will go to a government agency for training and institution building as structures are put into place to gather, analyze, and disseminate market information. Budgetary assistance even after a service is established will very likely be required.
- Avoid temptation to overdesign. Satisfy the needs of users, but do not overextend abilities and capacity of a new institution to respond. Do a few things, and do them well.

In the near term, the development of a working and informative marketing information service would help Togo maintain its position as a regional marketing center. Over the medium term, the system should have a positive impact on production and price stabilization. In the long term, it could serve, along with other neighboring country systems, as the foundation for a regional commodity exchange.

3. Improve Agribusiness Access to Financial Services

Paradoxically, the financial services industry in Togo is relatively flush with cash. The creation of savings facilities, like those of FUCEC, and of SOCODEVI for small businesses and *groupements*, has also experienced some success. However, mobilization of these savings in the form of investments in agribusiness activities has not materialized. The need is for a rethinking of the investment process to enhance the conversion of savings into productive investment.

Credit programs, such as the CCCE's AIPB fund, lack the physical resources to undertake such clearinghouse activities as feasibility studies, loan screening, and follow-up. CARE and SOCODEVI, and other NGOs can in many cases provide just these sorts of resources. Better collaboration between such organizations can contribute to converting existing savings and donor funds into agribusiness investments.

Activities to Improve Access to Financial Services

- Interface support services (NGOs, local consultants) with financial institutions and donors:
 - Loan screening
 - Technical follow-up of loan and investment activities
- Mobilize rural savings to generate investment:
- Provide technical assistance to SMEs.
 - Pre-investment/credit analysis
 - Market and marketing assistance

We have found the formal and donor financial systems to be relatively flush with funds. The inability of rural, largely informal operators to tap these sources is likely a combination of several factors, depending on the source of funds:

- Unbankable activities, that is, too low a return for perceived risk.
- Inability to clearly present ideas in a bankable manner that minimizes time of creditors to make decisions and demonstrates that the borrower has an acceptable level of management capability.
- Limited lender manpower to review requests and manage a portfolio of far-flung rural loans.
- Interest rates too low to permit lender to recoup real costs plus risk.

USAID/Togo can address these factors, especially the first three of the four. For the formal banking sector, either interest rates will need to be liberalized and/or fees added to the application, review, and oversight work as compensation for a lower interest rate. Given the existence of a regional central bank and its fairly rigid interest rate policies, the most effective approach would be cost recovery through the addition of user fees.

However, borrowers will also need to present more bankable requests that demonstrate the managerial wherewithal to pay back loans. Management training activities, especially those oriented towards women and *groupements*, can go a long way toward improving the quality of applications. These services can be provided on some kind of subsidized basis, as in the case of the SOCODEVI program, or on a cost for services basis. USAID has had some experience in managing these kinds of operations through NGOs in

other countries, such as the Volunteers in Technical Assistance Private Enterprise Project (VITA PEP) in Chad and the Central African Republic and the National Cooperative Business Association (NCBA) program in Mali.

C. Coordination

A final point, which in a sense may condition much of the above, is that USAID/Togo should maximize its collaboration with other donor and GOT organizations support small private sector activities and agribusiness. In the course of the team's rapid reconnaissance, several groups indicated interest in collaborating with AID to develop an agribusiness sector support program. Among these were the World Bank, Caisse, FAO, UNIDO, and FED.

It has been our experience that the success of coordination depends significantly on the degree of personal commitment. The process, where it has worked well, typically starts early in the design of an activity, remains constant throughout the life of the activity, and is undertaken most effectively by those who have the day-to-day responsibility for managing the activities being coordinated.

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ANNEX A
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ANNEX B

INTERVIEWS

**ANNEX B
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Mr. Abalo	Chief, DCV, DRDR Plateaux. Atakpame.
Mr. Adjafui	Owner/manager, orchard and nursery business, Kpalime.
Ms. Afuakuma Degan	President, Groupement Akofa, Groupement Agro-Pastoral Mauko-Akofa-Akpena Mawu. Lavie Xose.
L. E. Agbodjan	Agricultural Economist, Chief of the Division du Developpement Rural, Ministry of Plan and State.
Patrice Ahounsou	Owner/manager of a private tree nursery. Kloto.
Dr. K. Apetofia	Director, PROPTA. Atakpame.
E. Assiongbon	Director General of Rural Development, Ministry of Rural Development. Lome.
Kodjo Aziagbe	Economist, the Industrialization Fund for Developing Countries (IFU). Lome.
Mr. Aziagble	Engineer, Génie Rural, DRDR (Lome), Pineapple grower and exporter. Lome.
Nina Brandstrup	Associate Program Officer, FAO. Lome.
Chef de Village	Afagnan, Yo Prefecture.
Jaques Daniel	Resident Representative, the World Bank. Lome.
Nadir Doumandji	Resident Representative, FAO. Lome.
Ets. FAMEZIO	Metalworking and pump manufacturing enterprise. Tsevie.
Marie Gibeault	Directrice, Projet d'Appui à la Création d'une Mutuelle de Crédit pour les Groupements de Femmes, SOCODEVI. Kpalime.
Dr. A. Gninofoun	Directrice, Division de Planification et de Programmation, DGDR. Lome.

John Grant	Program Officer, USAID. Lome.
Kolor, Guillaume	Director General, CAREMA. Lome.
Julio Henao	Agro-Economic Division, IFDC. Lome.
Mr. Hounkpati	Owner/manager, Novinyo Farm.
B. Bergmann Jeppesen	Consultant, CEREKEM International. Lome.
Kodjo Keoula	Economist, Division d'Assistance aux Entreprises (DIVAE), Chambre de Commerce d'Agriculture et d'Industrie du Togo. Lome.
Daniel K. Kloutse	Director General, OPAT. Lome.
Mr. Koukom	Conseiller en Coopération, DRDR Maritime. Tsevie.
Brs. Laurent & Mattieu	Monastère de l'Ascension. Danyi Dzogbegan.
Pierre Lesca	Manager, Bethania Farms. Avetonou.
Tete Nathey	Assistant Chief, Cellule PPE, Care Togo. Lome.
Yawo Nayo	Senior Assistant, Cellule de Promotion des Petites Entreprises, Care Togo. Lome.
Sobtafo Nguéfack	Assistant to the Director, ONUDI, Responsable pour le Togo, le Benin, et le Niger. Lome.
Dora Nougbenyo	Chargé de l'Encadrement des Maraichers, Projet Maraichage, DRDR. Lome.
Nicky A. Ntumba	Director, Standard Development. Lome.
Dennis Panther	Agriculture and Small Enterprise Development Officer, USAID. Lome.
K.C. Pleth-Suka	EDEN (Entrepreneurial Development Education and Nutrition, formerly the Association des Jeunes Diplômés et Chercheurs, AJDC), Technical Manager, Project Nutri-2000. Lome.
Guy Richardson	Chargé de Mission, CCCE. Lome.
Heinz Scherers	Interim Director General, Cerekem Exotique. Lome.

Mocktar Sow Expert Assistant, UNDP Project TOG/88/004, (Chamber of Commerce). Lome.

W. Stringfellow Director, Care Togo. Lome.

Raymond Tchegno Director, CARAAC (Togolese NGO). Hiheatro.

Roger Tyack Director, Caisse Central de Coopération Economique. Lome.

Malcolm Versel Agricultural Economist, Technical Advisor to the Service de Planification et de Programmation, DGDR, Ministry of Rural Development. Lome.

Ms. Vilienzo Projet Maraîcher de Danyi (PROMAD). Danyi Dzogbegan.

Kokou Zotoglo Agronomist, Assistant d'Evaluation des Projets de Développement, SAFECO. Lome.

ANNEX C

STATEMENT OF WORK

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The contractor shall undertake the research and analysis necessary to recommend alternative strategies that will assist the Office of the AID Representative, Lome, to develop a Country Program Strategic Plan that will guide the Mission's contributions to the development process in Togo in the next five years. The contractor will provide an assessment team, composed of an agricultural economist and an agribusiness expert, that will:

1. Provide an overview of the agribusiness sector. This overview should accomplish the following objectives:

- identify and describe the types of agro-industries that are active in the agricultural or related sectors of the economy;
- identify and describe the major sub-sectors in the agribusiness sector
- describe the role of the state and its relationships with the private sector.

2. Assess the institutional, economic, regulatory policy and human resource environment in which agribusinesses operate. This assessment should include the following issues:

- identify and describe the types and contributions of public sector institutions involved in public agricultural planning, implementation and policy development;
- describe and analyze the status of any government strategies in the agribusiness sector, i.e., their goals, objectives and effectiveness;
- describe and analyze those government's macroeconomic and sectoral policies that affect agribusiness activities;
- describe the infrastructural base for agribusiness development in the country;
- provide an overview of the human capital base as it affects the development of the agribusiness sector.

3. Present, at the end of week one, an overview of the agribusiness sector in Togo with a list of sub-sectors that are particularly active. The team, with the mission, will choose a few of the more significant sub-sectors (4 or 5) for closer analysis which will reveal real constraints to and opportunities for their development. The nature and origin of the constraints should be identified and described. For example, are they due to government

policies (fiscal, monetary, financial and pricing), legal regulations, lack of basic infrastructure, weak human resource base, inefficient credit markets? The impact of these constraints on the structure of the agribusiness sector and sub-sectors, the conduct of participants (public and private), and their performance in producing, transforming, marketing and exporting agricultural products must be fully explained. Donors' participation in the agribusiness sector and their contribution/alleviation to the creation of these constraints must be clarified. In assessing the opportunities for growth in the sector, an inventory of unexploited and underexploited assets of the private sector should be made, with particular emphasis on unexploited opportunities for non-traditional products. Finally, current efforts to address identified constraints and exploit existing or potential opportunities should be identified and evaluated.

4. Assess the Mission's current activities in Togo's agribusiness sector, and its comparative advantage in helping alleviate the constraints that restrict the expansion of this sector and exploit its opportunities for growth. This will necessarily require a summary analysis of the donor progress in this sector.

5. Make recommendations that will form the core of the Mission's strategy in the agribusiness sector. These recommendations should discuss the following issues:

- policy and institutional reforms that are necessary to increase the incentives to produce and participate in the agricultural marketing system;
- whether the AID program should focus on encouraging traditional or non-traditional exports, or import-substitution activities to satisfy domestic demands;
- what role should multilateral agencies and other donors play? Is a coordination of their activities in the agribusiness sector possible? How?
- identify sub-sectors in the agribusiness sector which are the most promising in terms of growth; recommend options for further study.

Reports

The team will prepare a written report including the analysis described above, and submit the report in draft to OAR Togo at least two days prior to departure from the country. The team will also provide the Mission with a formal debriefing on the report's findings and recommendations prior to departure.

The report will follow an outline to be finalized by the team in conjunction with OAR Togo during the initial ten days of field work. The report will include:

- an overview of the agribusiness sector in Togo
- an analysis of 3 or 4 subsectors which represent different aspects of the agribusiness sector

- an assessment of the institutional, economic and regulatory, and human resource environment in which agribusinesses operate in Togo
- an overview of USAID and other donor interventions in the sector
- a summary of key constraints affecting agribusiness in Togo
- an analysis of important options available to AID for interventions in this sector
- recommendations for the formulation of AID strategy and future activities in this sector.

Four person days are budgeted for the team to finalize the report after departing Togo and receipt of OAR/Togo's formal comments on the draft report. The final report should be submitted to OAR/Togo within 25 days of receipt of OAR's formal comments.