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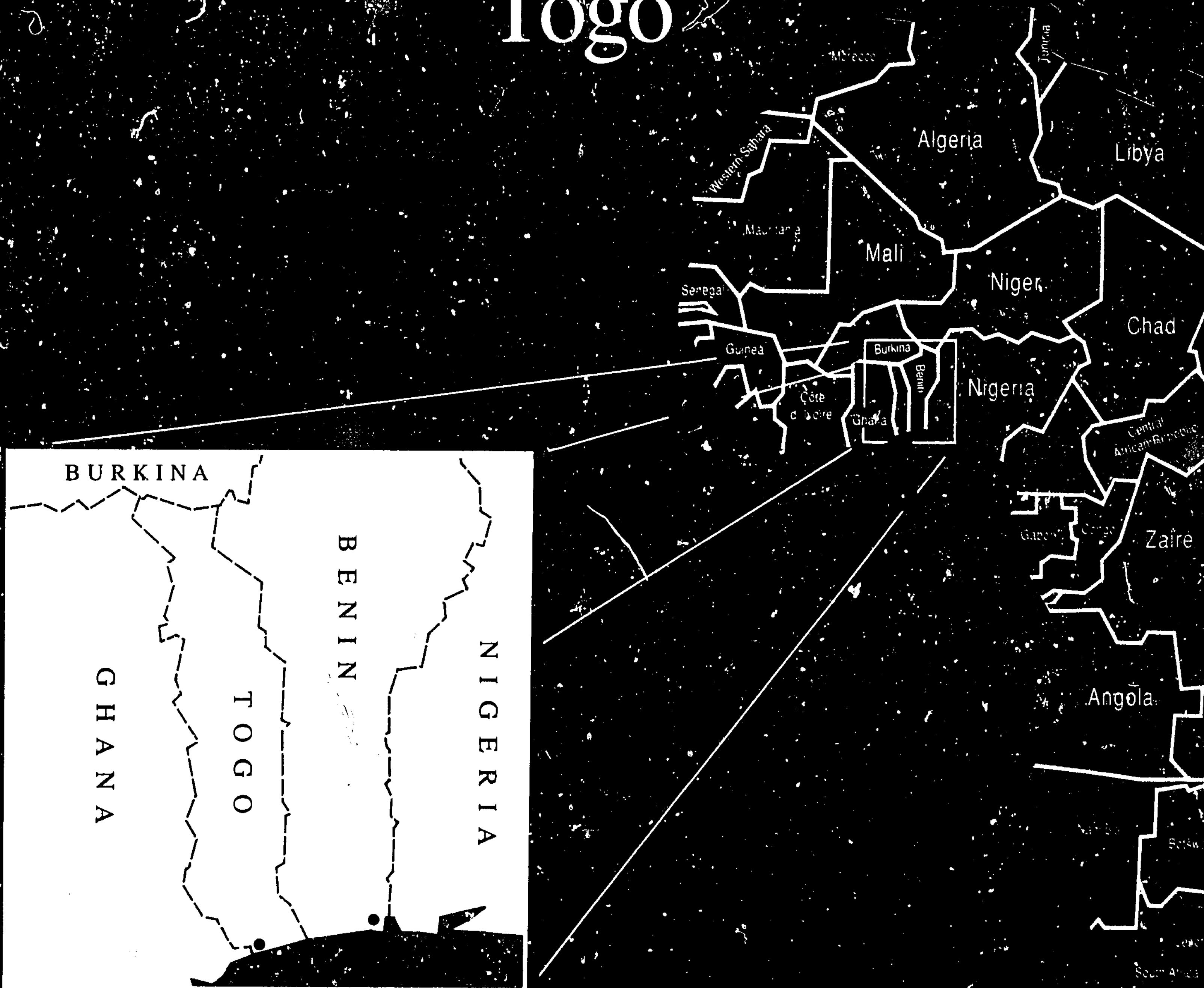
THE AGENCY FOR INTERNATIONAL DEVELOPMENT
PRESENTS

Critical Issues
For American Investors in
Togo



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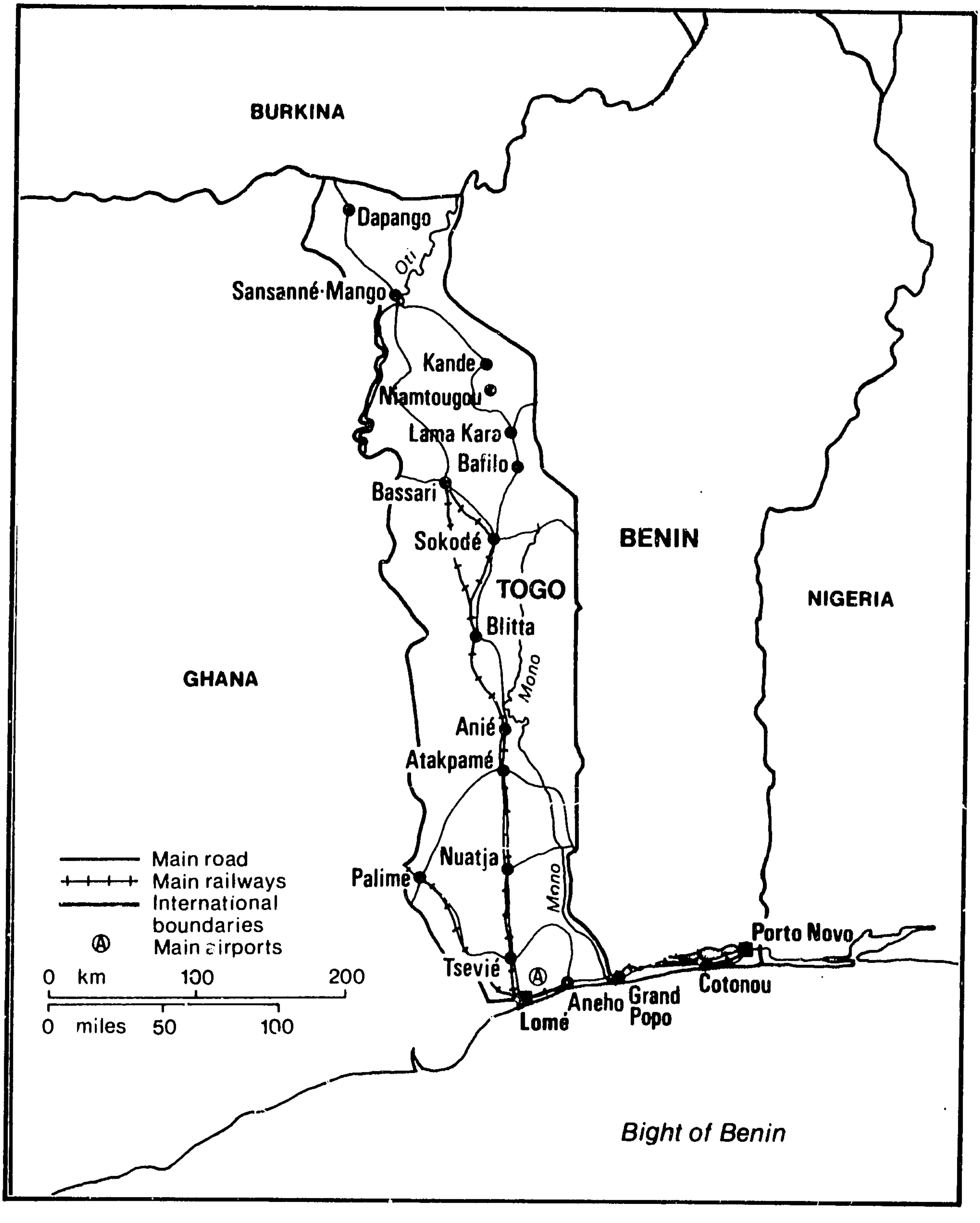
Prepared and published by
Business International
40 Duke Street, London W1A 1DW
United Kingdom

Togo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Dapango
Oti
Sansanné-Mango
Kande
Niamtougou
Lama Kara
Bafilo
Bassari
Sokodé
BENIN
TOGO
NIGERIA
Blitta
GHANA
Mono
Anié
Atakpamé
Nuatja
Palimé
Mono
Main road
Main railways
International boundaries
Main airports
Porto Novo
Tsevié
Cotonou
0 km 100 200
0 miles 50 100
Aneho
Grand Popo
Lomé
Bight of Benin

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Introduction

Togo is a thin corridor, 56,000 km in area, barely 50 kms wide at the coast and some 600 km long, wedged between Ghana and Benin abutting the Gulf of Benin in West Africa. The main trading center and port is the capital Lomé. In contrast to the rest of West Africa, which is divided into an arid Savannah type northern zone and a wet tropical southern zone, a quirk of geography has made Lomé and the coastal region drier than its immediate hinterland. Seasonal rains fall more in the central and northern parts of Togo (excepting the extreme north), blessing the capital with an operational climate superior to neighboring centers because few days are lost through closures for rain.

Ethnically and socially, the country is also slightly anomalous in that about half the population is animist with 10% (in the north) Muslim and 30% Christian. The Ewé tribes who live in the more developed south constitute around 45% of the population and the Kabré, which constitute 35% live in the north. Around 7% of the population are foreigners. The population in 1990 was estimated at 3.5 million.

Togo is a poor country, classified by the World Bank as low income with a per caput GNP of $290-$300, little changed on the 1987 level and considerably below rates of the late 1960s. Because of an ill-advised plunge into industrialization in the mid 1970s on the back of a boom in the price of phosphates - the country's principal foreign exchange earner - Togo has been saddled with debts that have entailed numerous reschedulings and the implementation of three structural adjustment programs (SAP).

However, the effects of general poverty and the implementation of austerity programs are mitigated by the fact that many in rural areas live outside the money economy and food is relatively plentiful. Togo is a predominantly agricultural society with over 70% of the population living off the land. In contrast, less than 10% of the workforce is employed in industry. Phosphates still account for over 40% of the country's foreign exchange earnings.

Togo's strategic position between Ghana and oil rich Nigeria and its relatively good infrastructure and other facilities, have carved out for it a role as an entrepot. Lomé is less than a day's drive from the Nigerian border and has periodically served as a backup to Port Harcourt for getting goods into Nigeria.

A sizable part of economic activity, much of it unrecorded because it forms part of the black economy, is in cross-border trading. It is estimated that as much as half Togo's commerce is re-export business while the IMF, in its trade and balance of payments statistics, allows around 10% under the heading "other coverage" for unrecorded trade or smuggling.

The disadvantage of this strong trading tradition for a small country is that its economic fortunes are unduly tied to those of its bigger neighbors, in Togo's case, Ghana and Nigeria. To complicate matters relations with Ghana have not always been easy. The colonial borders after the First World War, split the Ewé people between Ghana and Togo. This grievance has been exacerbated by Ewé resentment of what they see as northern domination in Togo. In 1986 Togo closed the border for nine months after accusing Ghana of complicity in an abortive coup.

A pragmatic commercial tradition has to some extent tempered the impact of the nationalization vogue that swept through the developing world in the 1970s. In fact, Togo had only one strategic industry to nationalize at independence in 1960 - phosphates - which was finally taken over in 1974. Rather, the government from relatively early after independence in 1960 had been promoting a mixed economy, through state established Sociétés d'Economie Mixte (SEM) - mixed state/private joint ventures - retaining strategic industries and limiting its involvement to catalyzing industrial development.

Another factor pushing the government towards a less ideological and more private sector oriented approach to economic development has been the country's long association with international agencies like the IMF and the World Bank. Togo has earned high marks, especially recently, in implementing stabilization programs and relations with the IMF, the World Bank and its Club of Paris and Club of London creditors are good.

Togo was well ahead of the pack in adopting privatization. With the help of the World Bank a privatization program has been put in place, which since 1984 has seen at least 20 state enterprises sold to local and foreign private sector interests.

Another factor making for greater receptivity to foreign investment has been the lack of state resources since 1980 to finance investment. The authorities have had therefore to rely on the local private sector's resources and foreign capital to fund what little new industrial development there has been. In 1989 the government undertook a radical review of ways and means of promoting industrial investment. A revised investment code was introduced that amalgamated and simplified previous legislation which gave preference to local investment over large scale foreign investment projects. The new code introduces streamlined investment approval procedures along with performance-based incentives geared to encouraging exports, employment generation and decentralization of new investment. The revised code guarantees repatriation of capital and profits, employment of foreign workers where their skills are not available locally and tax and import duty breaks.

However, by far the most significant development for prospective foreign investors was the introduction of legislation to establish an Export Processing Zone in Togo. The new law offers amongst the most generous terms of any of the world's 40 or so free zones and given Togo's political stability and good infrastructure is already exciting considerable foreign interest from companies looking for a strategic base in the subcontinent. USAID and OPIC carried out a regional study of possible free zone sites in the region and decided on Togo and Cameroon for the project based on a number of factors, including political stability, existing infrastructure, prevailing costs for construction, transportation, communications, labor, location and other macroeconomic factors.

Togo is a significant recipient of aid from the World Bank, UNDP, African Development Bank and other multilateral lenders, as well as France, West Germany, Japan and the US. In line with the global trend towards helping the private sector, the International Finance Corporation, France's Proparco and OPIC, (through the promotion of the Free Zone), are putting seed money into projects in Togo.

A liberal attitude to investment is matched by an increasingly liberal attitude to trade. Togo relies for around a third of state revenues on customs dues so the thrust of reforms has been lowering and rationalizing tariff structures without diminishing the flow of revenues to the exchequer. Togo is a member of one trading bloc, the Economic Community of West African States (ECOWAS), and is an observer to another, the francophone rival Communauté Economique de l'Afrique de l'Ouest (CEAO). Although ECOWAS is now beginning to stir as an effective trading group which could be of significance in the future, it is membership of the West Africa Monetary Union (UMOA) that distinguishes Togo and the other six members from most developing countries: Togo has a convertible currency, the Communauté Financière Africaine (CFA) franc. The CFA franc has been pegged to the French franc at its present level for decades. The effect is to create a strong zone of French influence. France provides almost a quarter of Togo's imports. Togo is also a member of the Conseil d'Entente, which groups together five neighboring Francophone countries. In the past the Conseil d'Entente has been mainly concerned with coordinating policy in agricultural projects, but recently it has been holding discussions about energy policy.

Relative prosperity compared with neighboring countries, coupled with stable government, has cushioned Togo from many of the social and political problems and ills forcing change in other parts of the continent. The political system introduced by General Gnassingbé Eyadéma on his accession to power in 1967 has proved remarkably durable. However, demands for greater pluralism do pose a challenge to the authorities.

Urbanization is increasing but is still not the problem it is in other African countries. Lomé, with a population of 420,000, is the only significant conurbation in Togo and most town dwellers retain roots in the countryside.

The government administration is reasonably effective, the infrastructure of ports, roads and telecommunications is good. And, most importantly, educational standards are amongst the highest in West Africa. This is reflected particularly in a high level of basic service skills although for more sophisticated operations Lomé is still not nearly as well equipped as neighboring Abidjan.

French influence and culture is dominant despite moves to Africanize, such as the refusal of the authorities to register 'foreign' first names for Togolese citizens and the President's decision in 1975 to adopt an African first name. The official language is French, despite there being a number of local languages, the most important of which are Ewé and Kabye. The educational system is French based and the judicial system is derived from the Code Napoleon. The administration and judiciary are French trained, while the economy is bound into the French economic orbit through the CFA franc.

In Togo's favor as it embarks on the 1990s is its agricultural self sufficiency, its strong sense of national identity born of rich pre-independence history and exposure to other cultures, and its political stability. It has a relaxed, flexible attitude to foreigners - it is by all accounts the environment in West Africa in which Europeans feel safest and most comfortable - and is now actively encouraging their participation in development.
There are other factors working in Togo's favor for the potential investor:

* the extremely competitive terms offered by the Export Processing Zone legislation.

* Lomé's good port and infrastructure facilities.

* its strategic location geographically to serve the regional markets of ECOWAS, if and when they develop. There is a good metalled road to the northern border and the landlocked states of the interior.

* the small size of the country means that modest operations - essential for those companies seeking a toehold in the continent for the long term - can make an impact on the local economy.

* currency convertibility and stability through the CFA franc's link with West European currencies through the French franc.

* preferential access as a low income country for certain products like textiles into the European Community and the US.

* although French is the official language, English is fairly widely spoken because of cross-border links with English-speaking Ghana.

Working against Togo is its:

* high indebtedness. However, since France forgave its debt, the debt to GDP ratio has come down to 70%. In addition, it should be noted that since debt restructuring, the debt profile is highly favorable to Togo. Commercial debt is negligible, largely trade credits which Togo has honored.

* overvalued currency which impinges directly on local costs - the downside of membership of the CFA franc zone. A long mooted devaluation of the CFA franc before the end of 1990 would be an invaluable fillip to the local economy and provide another significant attraction for locating in Togo.

* vulnerability to external factors - principally the health or otherwise of the Nigerian economy.

However economic success ultimately depends on the government's ability to provide jobs for the ever more youthful population. Togo has until recently had a disturbingly high population growth rate nudging 3.3%. Here Togo is a victim of its own success because infant mortality is about half the Sub Saharan average. Government policy aims to bring down unacceptably high fertility rates and promote greater use of contraceptives.

The population has trebled since the first census in 1961 and is set to double again within the next 22 years if present growth rates are sustained. Present projections aim at bringing the rate down to around 3% by the end of the millennium - still a very high figure. Half the population is under the age of 15. This has put enormous strains on the economy in terms of increased costs of education and other social services as well as creating serious unemployment.

Present circumstances (as of August 1990), particularly with the launching of the Export Processing Zone, provide Togo with an unparalleled opportunity to break the vicious circle of high debt/high population growth rates. It is a window of opportunity that will not be open long as neighboring countries jump on the EPZ bandwagon. For prospective investors, particularly those looking to access the US and EC in a modest way or are looking longer term for a springboard into West Africa, Togo offers an excellent opportunity.

Chapter 1

Economic Overview

1.1 The economy

Togo's economy is based on subsistence agriculture. More than 70% of the population still lives off the land, producing cash crops such as cocoa, coffee and cotton for export as well as crops for their own consumption. Despite the industrialization attempts of the 1970s, less than 10% of the population earn their living from industry and services. Mining, principally phosphate production, is also important.

Food and cash crop production, fisheries and timber, account for around 34% of GDP while the industrial sector accounts for 18%. The largest component of this is phosphate production which accounts for 10% while industry energy and construction accounts for a mere 8%. The remaining 48% is provided by the tertiary sector: commerce, tourism, transport and communications and services. Transit trade through the port of Lomé for neighboring countries is an important part of this last sector.

Economic structure
Latest available figures

Macroeconomic indicators	1985	1986	1987	1988	1989
GDP at market prices CFAfr bn	332.5	363.6	371.7	406.6	449.2
Real GDP growth %	3.1	3.5	1.4	4.7	4.0[a]
Consumer price inflation[b] %	-1.8	4.1	0.1	-0.1	-1.0[a]
Population mn	2.96	3.05	3.15	3.25	3.36[a]
Exports fob[c] $ mn	282	353	283	325	325
Imports fob[c] $ mn	304	414	362	352	345
Current account $ mn	-33.5	-81.6	-117.1	-62.4	-46.4
Reserves excl gold $ mn	296.6	332.7	354.9	232.1	285.3
Total external debt $ mn	936	1,065	1,235	1,210	1,190[a]
External debt service ratio %	26.8	33.2	21.2	26.8	12.0
Phosphate production mn tons	2.45	2.31	2.61	2.34	2.46[a]
Raw cotton production[d] '000 tons	54.8	63.3	79.1	67.1	78.8
Exchange rate (av) CFAfr per $	449.3	346.3	300.5	297.8	319.0
August 23, 1990 CFAfr261.125 per $					

a Estimates. b 'African' index. c Balance of payments basis. d Season ending in October of year shown.
Source: EIU

GDP by sector of origin

	1983 CFAfr bn	1983 %	1988[a] CFAfr bn	1988[a] %
Agriculture, forestry & fishing	90.1	32.0	138.4	34.4
Mining	28.7	10.2	25.8	6.4
Manufacturing	20.1	7.1	32.3	8.0
Electricity, gas & water	5.7	2.0	11.6	2.9
Construction	8.1	2.9	14.0	3.5
Retail trades, catering & hotels	61.9	22.0	90.8	22.5
Transport & communications	18.1	6.4	27.3	6.8
Other services	20.8	7.4	29.4	7.3
Government administration	27.8	9.9	33.1	8.2
GDP at market prices	281.3	100.0	402.8	100.0

a Estimates

Sources: BCEAO; <u>Marchés Tropicaux</u>

1.2 National accounts

Economic performance has traditionally been heavily dependent on the level of trade with neighboring Nigeria and Ghana - customs revenues still account for one third of all government revenues - and the price of phosphates. However, with the slump in the phosphate market, foreign exchange earnings are much more evenly spread now between phosphates and the cash crops of coffee, cocoa and principally now cotton. Free zone investment will make a significant impact on the economy, diversifying it away from traditional commodity exports with volatile prices.

Between 1965-80 GDP grew at an average annual rate of 4.5% (comfortably ahead of 3% average annual population growth rates) before declining to 0.5% between 1981-1987 and effectively wiping out the per caput GDP gains made in the earlier period. The main reasons for the decline were drought in 1983-84, low phosphate output, domestic austerity and the slump in the transhipment trade to Nigeria and Ghana.

However, there were wide annual variations in these figures. With the end of a prolonged drought in 1984 the economy expanded 5.5% but growth trailed off to 1.4% in 1987.

Since 1987 the economy has picked up after an accelerated reform program was put in place in 1988. In that year growth rebounded to 4.7% (largely because of an improvement in phosphate prices), before declining to 4% in 1989 and an estimated 3.5% in 1990. The 1990 performance has to be seen in the context of continuing adverse trading conditions with Nigeria and Ghana, and a combination of a falling dollar and poor commodity prices (except for phosphates) hitting revenues expressed in CFA francs.

The effects of the economic stabilization program are evident in the GDP expenditure figures. Tight control of government spending reduced imports of goods and services from more than 65% of GDP in 1978 to 49% in 1986, and an estimated 38% in 1989. This percentage is being more or less maintained, although the sluggish performance of exports between 1986 and 1989, up only 13% over the period at current prices, means that the improvement in the current account deficit, down from 11% of GDP in 1986 to 3% in 1989 had more to do with import compression than growth in the economy as a whole. However, with the pickup in the economy from new EPZ investment the current deficit is expected to rise to 3.3% of GDP in 1992 as capital goods are imported for the EPZ.

There are three points to bear in mind in evaluating these figures and their implication for future performance:

1. the size of Togo accentuates the impact of relatively minor developments, positive as well as negative: the opening of the EPZ is a definite positive factor.

2. the re-export figures distort somewhat the trade situation although a large element of cross border trading is in the informal economy which could understate GDP by as much as 50%.

3. the political dimension. Although structural adjustment programs increasingly take into account the social cost of austerity, more than ten years of belt tightening are taking their toll. Popular unrest stirred by poor job prospects and diminishing purchasing power coupled with calls for greater political freedom, could force the government's hand and blow the economic reform program off course.

One positive impact of the strengthening currency and tight monetary control has been virtually zero inflation in the domestic economy. The local consumer price index actually declined 0.1% in 1989.

1.3 Agriculture

More than 70% of the population is engaged in agriculture, which embraces food crops, cash crops and livestock raising. Subsistence farming forms the backbone of agricultural activity. Mechanization is rare and yields are consequently low. Nevertheless, Togo has excellent agricultural potential. Only about one sixth of the cultivable land is currently exploited. Virtually all agriculture is rainfed although the building of dams will greatly improve irrigation opportunities. The principal rainy season is April-July, with short rains in October and November.

Self sufficiency in food crops has long been a government priority but supplementary imports have been necessary in most years. Under IMF and World Bank prompting the government has been steadily increasing the prices paid to producers. There are also training programs to counter rural depopulation and improve yields. However the majority of farming still remains small scale with 30% of production coming from lots of less than 1 hectare and 43% from lots of 1-3 hectares and only 15% from lots of more than 5 hectares.

The vagaries of the climate are the most important constraint on agriculture. Two bumper harvests succeeded the two year drought that ended with the 1984 rainy season. But the rains in the two subsequent growing seasons, 1986/87 and 1987/88 were patchy. Forecasts for 1988/89 indicate record rice, maize and cassava production.

Apart from the strategic goal of achieving self sufficiency in basic foodstuffs, the government also encourages other import substitution or export crops like coffee, cocoa and cotton, irrigated sugar cane and rice, fruits and vegetable production. Most rural investment up to 1985 was intended for the northern central plateau and Savannah regions, except for a big World Bank financed cocoa and coffee rehabilitation project in the south.

Production of main food crops
('000 tons)

	1985/86	1986/87	1987/88	1988/89	1989/90[a]
Cassava	474	411	355	403	457
Yam	364	409	360	400	457
Maize	182	127	172	245	245
Millet & sorghum	169	213	168	240	240
Rice	15	20	23	25	26

[a] Forecasts.

Sources: BCEAO; *La Zone Franc, Rapport.*

1.4 Cash crops

The principal cash crops in Togo are cocoa, coffee, cotton, palm oil and groundnuts. Almost all the crops are purchased by Office des Produits Agricoles du Togo (OPAT), the state marketing board which has a monopoly of export sales for cash crops. In 1982 the World Bank agreed to provide assistance in helping OPAT monitor the development of prices and production costs and develop a policy for improving price incentives for producers. Cotton is marketed directly by a cooperative of farmers.

Under IMF and World Bank prodding farmgate prices for cash crop growers have been progressively raised. Prices of coffee and cocoa were hiked to CFAfr400 per kg and CFAfr360 per kg respectively for the 1986/87 season, but a slump in world prices forced the government to reduce them to CFAfr350 per kg and CFAfr300 per kg respectively in November 1988.

1.4.1 Cocoa

Cocoa has lost its preeminence in Togo's economy, largely because of adverse growing conditions, ageing trees, "Swollen root" disease and land tenure problems. The area under cultivation has consequently been falling. The government agency SRCC, supported by the World Bank and assistance from the French government has been trying to replace ageing trees with hardier varieties.

Cocoa is grown exclusively in the south western region of Amou, Wawa and Kloto, near the Ghanaian border. The total area cultivated is around 22,600 hectares. Cocoa production in 1988/89 fell well short of mid season forecast at 8,700, and some 25% lower than the previous year's crop. The total crop is exported.

Conversely cocoa has appeared to have regained some of its luster in international commodity markets with prices rebounding over 60% in the first six months of 1990, suggesting that the slump in cocoa prices had bottomed out. The main reasons for this were continuing unrest in the Ivory Coast, the world's largest producer and agreement by members of the International Cocoa Organization (ICCO) on selling the buffer stock. The price rose from a low of SDR 739.3/ton in early February to SDR 1,107/ton in early June 1990.

1.4.2 Coffee

Coffee production has been affected by adverse growing conditions, drought, high temperatures at sensitive times in the growing season and bush fires. Yields have also been adversely affected by the ageing tree stock which make them prone to scolyte infestations which attack the coffee grains. The 1988/89 coffee crop was forecast to amount to almost 12,500 tons.

The SRCC is replacing ageing trees while farmgate prices were raised around 85% in the mid 1980s which should make coffee growing more attractive. However, the authorities face an uphill struggle in promoting coffee growing because of the competing needs of local foodcrop production. Nevertheless the World Bank estimates that there is potential for considerable growth in exports in the medium term.

Coffee is produced in the coastal region and inland to the West in Kolo, Amou and Wawa. The area cultivated is 40,600 hectares.

More worrying than the disappointing harvests has been the slump in the market following the effective collapse of the ICA - to which Togo is a signatory through OAMCAF, the francophone coffee producers' organization. In July 1989 quotas were suspended leaving Togo to compete to sell output in an oversupplied market where the International Coffee Organization's (ICO) composite indicator price had more than halved to 66.4 cents/lb since the beginning of the year.

The situation has improved little since for robusta, the bean Togo produces, whose price was badly affected by the failure of the ICO to agree new quotas. Robusta prices were languishing at 52.1 cent/lb in early June, down from 57.6 cents/lb, 13 weeks earlier. In contrast the ICO composite indicator price had firmed to 72.9 cents/lb, reflecting strong demand for arabica beans.

1.4.3 Cotton

Cotton production is an agricultural success story. Cotton is now Togo's main export crop and brings in more than coffee and cocoa combined, and only around half the crop is exported as the rest is used to satisfy domestic demand. Production jumped from 7,000 tons in 1978 to around 60,000 tons in the mid 1980s, despite the severe droughts of 1982-83. Since then it has surged ahead, fuelled by firm producer prices, to 79,000 tons in 1988/89. The Cotlook A index hit a six year high in early June 1990 of 90.5 cents/lb.

Raw cotton

	1984/85	1985/86	1986/87	1987/88	1988/89
Production (tons)	24,437	63,342	79,066	67,037	88,000
Price* (CFAfr per kg)	75	90	105	105	95

* best quality
Source: BCEAO, EIU

Cotton is grown principally in the Mono river valley and the far north of the country. Total area planted is 75,000 hectares.

The French government and World Bank have provided the state cotton company Société Togolaise du Coton (SOTOCO) which is responsible for marketing and promotion, with funds to provide insecticides, fertilizers, technical advice and credit to cotton farmers. However, success in raising production has created problems in that ginning and storage facilities have not kept pace. Banque d'Afrique de l'Ouest de Developpement (BOAD) has provided a loan to buy cotton ginning and storage equipment.

The planned rehabilitation of two textile mills will be an incentive to increase cotton production further as they will use about 20.000 tpy.

Togo also produces sisal and kapok.

1.4.4 Cereals, legumes, vegetables, fruits and tobacco

Togo grows maize on 200,000 hectares, producing average harvests of 150,000 tons. It also produces millet and sorghum (150,000 tons on 245,000 hectares).

Rice is also grown but does not cover national needs necessitating imports. The aim is to increase the area under cultivation. Production has reached 23,000 tons on 50,000 hectares. Cassava (600,000 tons), sweet potatoes, potatoes, sugar cane and taro are also grown.

Legumes:	dry beans and soya.
Oils:	Palm oil (5,000-10,000 tons) groundnuts (35,000 tons) castor oil and sesame.
Tobacco:	Some 3,000 tons on 5,000 hectares.
Fruits:	citrus fruits (in the extreme north) avocados (1,500 tons) papayas (80,000 tons) bananas (40,000 tons) pineapple (30,000 tons).
Vegetables:	Tomatoes (5,000 tons).

1.4.5 Livestock

Livestock production plays a small but growing role in agriculture, particularly in the north where small ruminants and poultry farming is extensive and swine production is increasing in certain areas. With the growth of agricultural cooperatives more groups are turning to small livestock production as a means of generating income.

A USAID funded project has introduced animal traction techniques to farmers in the northern and central regions and provide credit to farmers for purchase of oxen.

The livestock population in 1987 included an estimated 250,000 cattle of which half are in the Savannah region, 1.6 million sheep and goats and 200,000 pigs. Lack of vaccine and veterinary doctors to fight periodic epidemics of tsetse fly and other diseases, as well as livestock feed shortages play havoc with production.

Plans to achieve self sufficiency in animal protein involve developing a number of cattle, sheep and pig rearing schemes. Modern poultry farms have been set up in the south. However, there have been problems in obtaining cheap feed. Annual production from these plants was estimated at 6,000 tons in 1981. It is estimated that around three quarters of the rural population rear chickens for their own consumption.

1.5 Office des Produits Agricoles du Togo (OPAT)

OPAT was established by decree in 1964 as a state enterprise (EPE) with monopoly rights to export agricultural produce. Its purpose is to optimize producer prices and supply by improving marketing production. It controls the exports sales of coffee, cocoa, cotton, kapok, coprah, castor oil, karité (shea nut), groundnuts, palm hearts, tobacco and in general all other agricultural exports.

The board, which includes ministers and other officials, set prices in line with government policies. The director general is named by presidential decree.

A 1986 decree relating to the regulation and organization of the marketing of agriculture products relevant to the OPAT monopoly. It called for the institutionalization of a commission of assent and a code of conduct between agreed buyer and the product purchaser must respect.

Income Statement of OPAT, 1985/86-1989/90[1]
(In millions of CFAfr)

	1985/86	1986/87	1987/88	1988/89	1989/90 Est.
Gross sales	36,893	28,824	27,601	26,465	27,515
Cocoa	9,787	9,899	5,084	5,777	4,701
Coffee	8,262	8,241	6,673	7,169	5,285
Cotton	12,983	8,269	14,166	12,548	16,380
Groundnuts	1,855	1,364	40	--	--
Palm products	86	110	--	--	--
Other	3,920	941	918	971	1,146
Of which: sheanuts	(3,242)	(407)	(349)	(405)	(564)
Crop purchases[2]	33,225	34,760	21,761	19,565	20,743
Trading profits	3,668	-5,936	5,840	6,900	6,772
Nontrading revenues (including investment income)	1,002	928	1,995	309	144
Gross profits	4,670	-5,008	7,835	7,209	6,916
Subsidies paid	601	2,298	1,952	132	16
Other charges			7,251	5,343	5,161
Provisions (mainly for future price support)	--	--	--	--	--
Net profit before taxes	4,069	-7,306	-1,368	1,734	1,739
Memorandum item:					
Transfers to the budget[3]	7,150	4,650	600	1,000	...

1 October 1 to September 30.
2 Includes various related expenses.
3 On a calendar-year basis. From 1990 onward OPAT is subject to the normal profit tax.

Source: Office des Produits Agricoles du Togo (OPAT)

1.6 Forestry

The government is acutely aware of the dangers of deforestation in soil erosion and has mounted a crash program to redress the balance. Over 1.5 million trees have been planted in the past 10 years. There are plans to create 7,500 hectares of new forest plantations. Togo has teak plantations covering 8,600 ha in the south of the country. A 3,400 ha plantation of eucalyptus mainly services the government's timber needs for development (telephone poles etc). Timber production is currently 1.3 million m^3 pa, most of which is used as fuel.

The Office National de Developpement et d'Exploitation is in charge of implementing the government's five year forestry plan. This involves opening nurseries to grow teak, acacia and eucalyptus saplings. It has also concentrated on four objectives: boosting production on the state owned farms; boosting production on smaller scale operations; utilizing sawing equipment more effectively, and boosting sales of forestry products and services.

1.7 Fishing

Fishing is underdeveloped and remains relatively unimportant with production in 1987 totalled 14,000 tons. Of the 10,500 tons caught by small scale fishermen, less than 230 tons were trawled. A national fisheries office has been established and the industry is being developed with foreign aid.

Production is restricted in the short run by lack of port and shore facilities and other equipment. In the long run the potential for expansion is constrained by Togo's short coastline although negotiations with neighbors on a regional approach to fisheries development has great scope. The offshore fishing from a wide, shallow continental shelf is exceptionally rich. Freshwater fishing is undertaken almost exclusively by foreigners especially in the lakes created by new dams across the Mono and Oti rivers.

1.8 Mining

Togo is the world's fifth most important calcium phosphate producer and phosphates are its biggest foreign exchange earner. Reserves at current production levels should be good for another 40 years and as extraction and production costs are amongst the lowest in Africa. There is an assured future for the industry. However, the ups and downs of the phosphate market have proved a mixed blessing.

Phosphates were first mined in Togo in the early 1950s when the Compagnie Togolaise des Mines du Bénin (CTMB) began exploiting a 130 million ton reserve of high grade phosphate in the environs of Hahoto and Kpagam near Lake Togo. With nationalization in 1974 CMTB was swallowed into Office Togolais des Phosphates (OTP) the state phosphate marketing organization.

Phosphate production, prices and exports

	1984	1985	1986	1987	1988
Production ('000tons)	2,696	2,452	2,313	2,613	2,340
Exports ('000tons)	2,763	2,445	2,266	2,547	2,867
Receipts (CFAfr mn)	46,027	41,635	30,671	26,194	36,500
Average world price ($/ton)	38.25	33.92	34.26	31.00	36.00

Sources: Office Togolais des Phosphates; IMF, *International Financial Statistics; La Zone Franc, Rapport.*

The boom in phosphate prices in 1973-74 briefly transformed Togo's foreign exchange earnings profile, prompting the government's ill advised crash industrialization program. The ensuing slump when phosphate production dropped from 2.6 million tons to 1.1 million tons in 1975 set the scene for the 1979 debt crisis. Production recovered to 3 million tpy in 1979 but prices remained depressed - around half their 1974 levels. This did not stop the introduction of a fifth production line (raising capacity 20% to 3.6 million tpy) which had to be mothballed in 1981 when it became clear that demand would never sustain the extra capacity. Demand in the early 1980s hovered in 2.2 - 2.4 million tpy range - slightly below the level of estimated operational capacity.

Reports in early 1990 that the quest for high production levels had damaged OTP's operational efficiency appeared to be borne out by falling production in a firm international market for phosphates. Production dropped 7.3% in 1989 to 2.66 million tons. Reports that Togo sold 3 million tons of phosphate in 1989, presumably drawing on stocks have been treated with some skepticism as extraction and processing capacity is still limited.

A major environmental concern with some larger European customers is the high cadmium content in Togolese phosphate. This has led to a sharp drop in European orders since 1985 which has been partially offset by the US buying 535,000 tons. The US is now the largest single purchaser of Togolese phosphate. OTP's markets divide roughly into a third each for North America, Europe and the rest of the world, although Europe has slipped recently to around 25%.

OTP is studying ways, with the help of an Ecu15.7 million loan from the European Community's mineral export revenue stabilization fund (Sysmin), of reducing or eliminating cadmium in an effort to win back lost European markets. However, there seems little chance in the short-term of finding an economic method of removing cadmium from phosphate and while phosphate markets are so depressed buyers will switch to pure sources - which is bad news for Togo.

The International Fertilizer Development Center which opened an office in Lomé in early 1987 has contractual arrangements with OTP to develop new uses for Togolese phosphates. However, with prices steady in the phosphate market OTP should feel the benefit of an investment program starting in mid 1991 and revenues should begin to improve.

1.8.1 Office Togolais des Phosphates (OTP)

CMTB was founded in 1954. It was nationalized and became OTP in 1974.

Capital : CFAfr 3.6 billion: State 100%.

OTP exploits phosphate deposits at Hahoto and Kpagam. Production was around 2-3 million tpy of which around 60% goes to the EC. The company employs 2,000 people of whom 50 are expatriates. Meanwhile the phosphoric acid plant project remains on the shelf awaiting a private developer.

A 1,000 tpy phosphoric acid plant costing CFAfr 80 billion, first mooted in the early 1980s, featured prominently in investment plans and the World Bank financed feasibility studies. However, on the Bank's advice the project was deemed too risky for the government to fund. To date conditions in the phosphate market have not been sufficiently favorable to attract a private investor.

A key decision for OTP is whether future investment is better spent in buying into downstream activities in the US or Europe given the high costs of building plants in Africa. Central to such a choice would be the decision to use downstream investment and the infrastructure that would have to be installed to make it operational as the base for development of other industries.

Togo also has other mineral deposits amongst which are: iron, chromite, bauxite, manganese, gold, limestone, dolomite and marble.

1.9 Energy

Togo has traditionally relied heavily on hydroelectric power from Ghana for its electricity needs. However, the commissioning in November 1987 of the hydroelectric power station on the Nangbeto dam in the Mono river - built at a cost of $140 million with French, West German, Arab Fund for Social & Economic Development, African Development Bank and World Bank assistance - will eventually make both Togo and Benin which jointly promoted the project, self sufficient in electricity. Togo actually produces three quarters of its energy needs but much of the energy generated comes from burning wood and charcoal for domestic fuel. A large part of the country's commercial energy needs are imported.

The state electricity company Compagnie d'Energie Electrique du Togo (CEET) purchases electricity from Ghana through the Comunaute Electrique du Bénin, a company set up jointly by Togo and Benin to import electricity from Ghana. OTP and Cimao have their own power stations.

The state owned Lomé refinery which came into operation in 1978 was closed permanently in 1983. It now operates as an oil storage depot for Shell, BP, Texaco and Mobil under lease arrangements negotiated in 1985.

Offshore oil exploration has been desultory. Getty Oil Company and Texaco were early comers but lost interest. However, a Canadian consortium signed a five year exploration agreement in early 1986 and Union Oil has been prospecting.

1.10 Industry

The manufacturing sector is small, accounting for less than 6% of GDP in 1988. Industrial employment has been stagnant at around 5,000 since the mid 1980s.

The manufacturing base was expanded in the 1960s to include the processing of agricultural commodities for export (palm oil milling, coffee roasting, cotton ginning, plastics etc). During the 1970s the government's stake in industry increased rapidly as rising export earnings from phosphates, coffee and cocoa were channelled into the industrialization drive.

A regional clinker plant, an oil refinery, a steel mill (capacity 20,000 tpy), two integrated textile complexes at Lama-Kara and Notse among others were set up as state run or parastatal industries. Continuing losses prompted the closure of many of them, including the oil refinery and the clinker plant, by the early 1980s.

In 1985 the government leased the steel mill and oil refinery to foreign interests, and has been actively seeking foreign participation in other state sector industries, with the notable exception of the phosphates. In contrast, plans for a $500 million privately funded phosphoric acid plant have so far failed to find takers and the government recognizes that the remaining state enterprises scheduled for sale to the private sector may be difficult to sell.

In general, however, the response has been surprisingly good. New foreign interest has been further stimulated by the idea of establishing a free zone. One operation already committed to the free zone concept is the marketing subsidiary of the steel mill.

1.10.1 Manufacturing

Société Togolaise de Matériaux (SOTOMARIAUX)

Originally established as a limited liability company (SARL) and changed into a Société Anonyme (SA) in 1974. The structure was again modified with the entry of Société Nationale d'Investissements (SNI).

Capital:	CFAfr 96 million : SNI 49%, private Togolese interests 51%.
Finance:	CFAfr 370 million.

Principal activity is manufacturing paints and varnishes for the local and increasingly the regional market. The plant is situated in Lomé port industrial zone. A CFAfr 197 million expansion plan would double production to 2,500 tpy. The plant employs 40-50 people.

Marketing is done through the state SGGG and private sector stockists. The company has its own marketing networks in neighboring markets.

Industrie Togolaise des Plastiques (STP). SEM founded in 1980.

Capital:	CFAfr 300 million : State 25.5%, IFU (Denmark) 25.5%, Daoplast (Denmark) 25.5%, Weisskopt (Switzerland) 23.5%.
Finance:	CFAfr 2.5 billion raised from shareholder funds, CFAfr 2 billion from Crédit Suisse with state guarantee, CFAfr 200 million from IFU. The plant was built by Geilinger and Promdec (Switzerland) on a turnkey contract.

Principal activity is producing PVC piping (600 tpy) and plastic household articles (500 tpy). The plant is situated in the Lomé industrial zone.

The company was privatized and in 1986 made a joint venture under Code B of the Investment Code. Dutch and West German investors have made substantial investments in the company.

UPROMA

Established in 1986 by decree to create agricultural equipment production unit. It will probably be an SEM either with local or foreign partners and will promote the rural sector.

1.10.2 Foodstuffs

Brasserie du Bénin. SEM founded in 1964.

Capital: CFAfr 1 billion : State interests 40%, private German interests 60%.

Manufactures beers and soft drinks. A second brewery was built in 1981 in Kara in the north with a CFAfr 2 billion loan from the Banque Ouest Africaine de Développement (BOAD). The company also operates a bottle top and can manufacturing plant. It employs 300 people. It has since raised its capital by loans on the local market.

Société des Grands Moulins de Togo (SGMT). SEM established in 1972.

Capital: CFAfr 300 million: State 45%, Société Industrielle du Levant 55%.
Finance: CFAfr 875 million.

The mill imports US, French and Canadian wheat for local market. It is based in Lomé port zone. Plant capacity is 27,000 tpy of flour. There are plans to build a corn mill.

Société des Produits Laitiers du Togo (SOPROLAIT). SEM established in 1980.

Capital: CFAfr 250 million : State 41%, private Togolese interests 39%, DTD (Denmark), DPU (Denmark) each 10%.
Finance: CFAfr 911 million raised from shareholder funds, a CFAfr 502 million loan from the Danish government, CFAfr 75 million loan from IFU and credits from local banks.

Principal activity is producing condensed milk, evaporated milk and reconstituted pasteurized milk for the local market. The plant is situated in Lomé port industrial zone.

The company was privatized in 1985 when Emidan of Denmark took a ten year lease on the dairy plant which now produces yogurt, ice cream and novelties under the brand name Fanmilk.

1.10.3 Heavy Industry

Société Togolaise des Hydrocarbures (STH).

EPE established in 1976 to buy, refine and sell hydrocarbons and to prospect for and exploit hydrocarbon resources.
Capital: CFAfr 4 billion . State 100%.
Finance: CFAfr 12 billion raised by Hill Samuel.

Refinery was built by Humphreys and Glasgow and William Press on a turnkey basis. Commissioned in 1978 and is situated in the Lomé port industrial zone, employed 220 people of which 25 were expatriates. It was geared to treat high quality Nigerian crude and produce 1 million tpy of refined products. The majority of output was intended for export but 25% went the local market. Weisser (West Germany) had a contract to provide international marketing. The refinery was closed in 1983.

In 1985 STH was privatized and the lease acquired jointly by Shell International, which has put around $10 million into the enterprise, and the government. It now trades as Société Togolaise de Stockage de Lomé (STSL) and provides storage facilities for Shell, BP, Texaco and Mobil under lease arrangements.

There were reports in early 1990 that Shell had been persuaded to become a majority shareholder in a new company to lease the Lomé petroleum complex.

1.10.4 Quarrying and mining

Société des Ciments du Togo (CIMTOGO). SEM established in 1969.

Capital: CFAfr 240 million: State 50%, Lambert Frères et Compagnie 50%.

The clinker crusher is situated in Lomé port industrial zone. In 1975 capacity was raised from 120,000 tpy to 300,000 tpy at a cost of CFAfr 750 million to meet demand from neighboring countries. There were plans to raise capacity to 350,000 tpy. The plant employs 150 personnel.

Principal activity is crushing clinker. In 1981 it produced about 28,000 tons of cement (mostly for domestic consumption). It has been adversely affected by the closure of Cimao which supplied its clinker.

Société des Salines du Togo (SALINTO). SEM established in 1969.

Capital: CFAfr 100 million: State 63.9%, private Lebanese interests 34.1%, private Togolese interests 2%.

Finance: Initially CFAfr 68 million. This had to be raised in 1974 because of technical problems. Manufacturer Hanovers Trust raised a loan of CFAfr 180 million for this.

Principal activity is producing rock salt for local consumption. Despite new investment, the saltworks rarely operated at more than 12% of its 5,000 tpy capacity.

Salinto has been liquidated and is going to be relaunched with Togolese partners and state backing.

Société Togolaise de Marbrerie et de Matériaux (SOTOMA). SEM established in 1967.

Capital: CFAfr 350 million: State 24%, OPAT 43%, Sinco (Italy) 33% It became effectively a state enterprise when Sinco withdrew.

Principal activity is working locally mined and imported marble, a portion of which is exported to regional markets. The company also owns quarries and foresees opening new ones.

Sotoma was privatized and the company restructured and rehabilitated at a cost of CFAfr 1.5 billion, Société des Ciments du Togo (itself an SEM) shares ownership of the company with the Togo government, but Pompes Funèbres Générales (France) were also interested in acquiring it.

Ciments de l'Afrique de l'Ouest (CIMAO). Multinational company established in 1975. Liquidated August 1989.

Capital: CFAfr 19.3 billion : Governments of Ivory Coast, Ghana and Togo each have just under 31% each, remaining 8% is in private hands.

Finance: CFAfr 52 billion industrial installations costs were financed by World Bank in conjunction with the BEI, CCCE, Banque Africaine de développement (BAD) and BADEA, and buyers credits provided by Banque Francaise du Commerce Extérieur and Crédit Lyonnais. The CFAfr 16 billion cost of the infrastructure was financed by ACDI, BAD, FED, KFW.

Principal activity was exploiting a limestone deposit at Tabligo north east of Lomé to manufacture clinker for the three countries' domestic markets. The site also produces sand and clay necessary to make clinker.

The clinker plant was commissioned in 1981. It had an operational capacity of 1.2 million tpy and employed 504 Togolese, 46 Ghanaians, 17 Ivorians and 12 other expatriates. However, the project was dogged by a number of problems, principally weak management and difficulties in securing feedstock, since its establishment. Lack of hydroelectric power forced the plant to close for four months in 1984. In August 1989 it was finally decided to liquidate the company leaving each shareholder to pay CFAfr 340 million per quarter for four years to pay off the accumulated debts.

1.11 Tourism

Togo has ambitious plans to promote beach and bush tourism and exploit Lomé's excellent facilities as a conference center. Citizens of the European Community, Canada and the US do not require visas to enter the country. However, attempts to entice jaded northerners in search of winter sunshine have not been overly successful; the potential remains untapped.

Official figures show the number of arrivals peaking in 1982 at 144,000 before falling to 114,000 in 1983, recovering to 136,000 in 1985, but slipping thereafter to 115,000 in 1986 and 112,000 in 1987. France and West Germany provide over half of all arrivals. The average length of stay was only 2.4 days in 1987 (2.7 in 1986) suggesting most visitors were in Togo for business rather than pleasure.

Total receipts from tourism declined in 1987 but rose slightly to $19 million compared with $18 million in 1986.

Lomé has three international class hotels which are government owned and numerous smaller hotels in the city and environs. Lomé is sought after as a conference center because of its excellent communications network and the new $35 million trade fair complex "Togo 2000" has housed major exhibitions. There is one other first class government owned hotel upcountry at Kara 430 kms north of Lomé and more modest hotels in tourist resorts such as Kpalimé and Atakpamé in the central plateau.

There were about 2,080 rooms in the classified hotels in 1989, (about three times the number in 1977) providing direct employment for around 2,100 - down from a peak of 3,340 in 1982. Occupancy rates are running at 40%, an improvement on the 28% average recorded in 1987, which suggests the World Bank, which had been looking into how the industry should be restructured, had made an impact.

A campaign is being mounted to attract German, Swiss and Belgian holidaymakers. Togo is also trying to encourage Lufthansa and the German charter company Condor to fly to Togo - which will not be to Air Afrique's liking. Next year the German carrier ICT is expected to start flying direct to the Tropicana village complex which is currently being refurbished by an Italian company.

However, tourism is unlikely to take off until the CFA franc is devalued because it is priced out of all but the most exotic holiday categories.

The major tourist attractions are the coastal region, Kpalimé and Akposso and Atakpam in the plateau region; the Fazao-Malfacassa national park in the central region and the Lions Den Forest in the Savannah region.

1.12 Development Planning

Project and actual figures for Togo's development plans in the 1970s show clearly the weaknesses of national planning policies. Over-ambitious and unbalanced programs were produced in hasty response to the boom in commodity prices. Implementation rates reached only 64% in the second plan and in the third, industry overshot its target at the expense of rural development. Similar data for the fourth (1981-85) is not available.

The Fourth Plan 1985-90 was effectively abandoned after it became evident that the Structural Adjustment Programs had made them redundant. The SAPs have established an ongoing dialogue with the World Bank and the IMF in which planning is implemented through the means of two year rolling plans.

1.13 Currency outlook

Togo's currency is the Coopération Financière en Afrique franc (CFAfr), issued by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) which is pegged to the French franc at the rate of CFAfr 50=Fr1.

The currency depreciated steadily against the dollar in the first half of the 1980s from an average CFAfr 211=$1 in 1980 to a low of CFAfr 498=$1 in the first quarter of 1985. Since then its fortunes have fluctuated. It strengthened steadily to an average CFAfr 298:$1 in 1988, softened to an average CFAfr 329:$1 in 1989 and strengthened significantly in the first half of 1990 on the back of a weakening dollar to CFAfr269:$1 in August 1990.

Exchange rates
period average

	1985	1986	1987	1988	1989
CFAfr per US$	449.25	346.30	300.54	297.85	319.01

There are benefits to the CFA franc being pegged to the French franc - namely, convertibility and an imposed monetary discipline. However, the situation is not an entirely happy one for Togo, because its physical export earnings are dollar denominated and its invisible export earnings are derived principally from Nigeria, whose economic well being is tied to dollar denominated oil.

France has steadfastly resisted calls to devalue the CFA franc which has been maintained at its present parity since 1948. However, it is now so overvalued, that a devaluation seems inevitable, if only to give the economy of the Ivory Coast, which accounts for around 60% of the UOMA's economic and financial activity, a way out of its current dire financial straits.

Chapter 2

Trade

2.1 Free trade

Togo has applied a relatively liberal tariff regime compared with its neighbors and since the implementation of the Structural Adjustment Programs (SAP) has been progressively dismantling trade barriers and simplifying the tariff regime. Togo is a member of the GATT.

The new tax and tariff system introduced by the government in 1990 has led to the integration of the turnover tax TGA and import tax into a single value added tax. At the same time the tariff structure has been simplified by the consolidation of tariffs into four categories and exemptions. The system where duties on aid imports are waived is being gradually reduced. The export tax was also abolished.

The abolition of the state trading group SONACOM's monopoly on imports has given rise to a dual duty regime: imports processed through the state sector and through the private sector. All imports from South Africa are prohibited. Imports from Franc Zone countries may be made freely, but must have a prior authorization from the foreign trade division of the Ministry of Commerce and Transport if they are for commercial purposes and valued at more than CFAfr 10,000. Imports from all others that are valued at more than CFAfr 10,000 require individual import licenses, which are ususally granted except in the case of live or processed broilers (whose import is prohibited), Japanese printed piece goods, footwear valued at less than CFAfr 3,000 and frozen chickens or chicken offal without a specified quantity of local content. There are quotas on a small number of intermediate products, notably cement and steel, and used-cars and spare parts may only be imported by an authorized dealer. All import transactions have to be made through an authorized bank.

Main trading partners[a]
(% of total value)

Exports to:	1983	1988	Imports from:	1983	1988
Canada	...	12.9	France	32.1	24.8
Spain	1.5	12.8	Netherlands	9.7	9.9
France	17.8	12.2	Thailand	...	9.1
Portugal	...	7.7	U.K.	7.9	6.7
Netherlands	19.9	5.4	Taiwan	...	6.8
Italy	3.8	5.2	Hong Kong	0.5	5.8

[a] Drawn from trading partners' return; subject to a wide margin of error.

Source: IMF, *Direction of Trade Statistics.*

Main commodities traded[a]
(CFAfr mn)

	1983	1984	1985	1986
Exports				
Phosphates[b]	26,002	40,942	42,815	34,109
Coffee	4,871	3,026	11,891	8,780
Cotton (ginned)	6,65[illegible]	7,401	11,638	10,356
Cocoa	5,526	21,006	6,837	9,496
Karite	729	871	3,311	1,269
Petroleum products	784	1,148	1,304	8
Clinker & cement	13,237	3,897	1,214	2,033
Palm products	32	-	-	-
Total incl others	61,921	83,588	85,380	70,551
Imports				
Foodstuffs	21,816	23,188	21,939	16,822
of which:				
cereals	8,108	5,802	4,455	3,788
Drink & tobacco	10,366	8,621	7,253	6,268
Fuel & energy	10,191	13,451	8,893	3,775
Raw materials	1,803	1,837	2,475	1,615
Machinery & transport equipment	20,052	23,675	24,344	22,275
Other industrial products	42,666	45,784	62,773	55,712
of which:				
manufactures	32,210	33,024	48,169	42,160
Total incl others	108,141	118,460	129,406	107,983

[a] Excluding re-export trade
[b] Figues differ quite substantially from OTP realisations, possibly because of time lags.
Source: BCEAO.

2.1.1 Trading blocs

Togo is associated with two trading blocs, the Economic Community of West African States (ECOWAS) and its francophone rival, the Communauté Economique de l'Afrique de l'Ouest (CEAO) - on which it should be noted Togo only has observer status. In addition its commercial and financial policies are constrained by membership of the franc zone, which because the CFA franc is tied to the French franc and underwritten by the French treasury, puts Togo firmly in a French zone of influence.

The Banjul summit of ECOWAS heads of state in May 1990, was an important step closer to realization of a West African common market. The member states of CEAO agreed to start the process of internal tariff harmonization with the reduction of the Taxe de Coopération Regionale (TCR), the tariff wall round the CEAO member states, in the first instance from 2% to 1% and the gradual absorption of CEAO institutions into the ECOWAS.

In a separate development aimed at stimulating the flagging transit trade with Burkina and Niger, Togo has agreed to streamline its administration. Togo has lifted the customs bonding fee of CFAfr 10,000 per petrol tanker, and the port tax of CFAfr200 per metric ton of hydrocarbons bound for Burkina Faso and Niger. Burkina Faso recently agreed to remove border taxes on imports from Togo. This is an important step towards the rehabilitation of transit trade through Lomé, which has never recovered from the collapse of Nigerian imports in the second half of the 1980s.

2.2 Trading partners

External trade is divided into three activities, the important transit trade which dominates commercial relations with Nigeria and to a lesser extent Ghana, Niger and Burkina Faso exports which consist primarily of phosphates, cotton, cocoa and coffee, and imports where France is by far and away the biggest supplier of goods and services.

The trade deficit with France widened to a record CFAfr730 million in 1989, an increase of 10% over the previous year. These figures probably understate the true position as French imports are quoted cif (cost, insurance & freight) and thus exaggerate the value of Togo's exports; the reverse is true of French imports. Some 90% of Togo's exports to France were accounted for by three commodities: phosphates, coffee and cotton. Imports from France were mainly manufactured goods.

Geographic Distribution of Foreign Trade, 1985-88[1]

(In millions of CFAfr)

	1985	1986	1987	1988
Exports, f.o.b. [2]	85,380	70,552	73,212	72,209
European Community	55,815	39,535	38,032	37,320
of which:				
Netherlands	18,727	14,470	10,824	8,476
France	19,750	6,300	5,607	5,882
West Germany	6,851	4,296	2,706	1,786
Italy	5,621	4,321	5,115	3,748
Belgium-Luxembourg	1,004	1,108	1,534	1,404
United Kingdom	956	931	4,028	3,943
Africa	7,792	6,048	...	...
Of which:				
Côte d'Ivoire	490	93	182	123
Other WAMU[3]	3,225	2,899	4,052	4,815
Ghana	552	1,052	1,169	496
Nigeria	372	719	723	584
United States	1,364	8,451	5,374	107
Japan	243	1,179	994	193
Other countries	20,166	15,339	...	...
Imports, c.i.f.	129,406	107,983	127,308	145,170
European Community	84,446	74,309	84,204	92,598
Of which:				
Netherlands	(13,155)	(12,137)	(11,793)	(15,407)
France	(41,316)	(34,502)	(41,618)	(44,874)
West Germany	(15,345)	(12,186)	(11,165)	(9,487)
Italy	(2,929)	(2,537)	(3,222)	(3,780)
Belgium-Luxembourg	(2,975)	(2,819)	(2,402)	(2,676)
United Kingdom	(8,148)	...	...	...
Africa	13,242	...	...	...
Of which:				
Côte d'Ivoire	(6,862)	(2,433)	(6,953)	(3,293)
Other WAMU	(3,483)	(1,807)	(2,704)	(2,521)
Ghana	(915)	(147)	(1,054)	(896)
Nigeria	(1,007)	(170)	(1,024)	(2,919)
United States	5,053	2,349	4,611	8,204
Japan	8,523	5,857	6,325	5,702
Other countries	18,122	...	...	...

1 Data for 1989 are not yet available.
2 Excluding re-exports.
3 WAMU, West African Monetary Union.

Source: Ministere du Plan et de l'Industrie, Direction de la Statistique.

2.3 Preferential trade areas

2.3.1 Organization of African Unity (OAU)

The OAU was formed in 1963, its main aims being to promote solidarity among the African states to help raise their living standards, to defend sovereignty and to eliminate colonialism in Africa. The initial 30 signatories to the OAU's charter have since been joined by a further 20, leaving South Africa (including Namibia) as the only sub-Saharan non member.

There are ten specialized agencies within the OAU covering a range of subjects including labor issues, health, communications and transport.

The annual conference of heads of state has increasingly dwelt on economic issues and in 1985 called for an international conference on Africa's debt. The OAU is committed to the creation of an African Common Market by the year 2000 according to the "Lagos Plan of Action" drawn up in 1980. Since 1986 the OAU has called for sanctions against South Africa and condemned the links maintained with that country by some of its members.

At the 24th annual conference of heads of state the OAU in 1989, and ECOWAS summit the previous year agreed on the prohibition of toxic waste dumping in Africa. The budget of the OAU is estimated at $25 million for 1988/89 with members contributing according to a UN assessment, though no single member may contribute more than 20% of the organization's annual budget. Arrears in contributions were estimated to be $45 million at the start of 1988.

2.3.2 Economic Community of West African States (ECOWAS)

ECOWAS was established in 1975 by 16 countries in West Africa, Benin, Burkina Faso, Cape Verde, Ivory Coast, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo.

The principal objectives of the community, to be achieved in stages, are first a customs union and eventually a full common market in order to promote "horizontal" trade within West Africa and so change the north-south trade pattern dominated by the industrialized countries. The treaty further provides for the harmonization of policies in several sectors, particularly agriculture, industry, transport and communications.

However, lack of funds, especially since the largest member, Nigeria, ran into financial difficulties, has hampered the practical implementation of policy. A program that allowed for the gradual harmonization of tariffs was unveiled in 1983 but was never implemented.

A further complication arose with the decision of the CEAO to impose a 2% tariff wall round the trading bloc, effectively splitting ECOWAS in two.

However, following the summits of heads of state of ECOWAS in Banjul in May 1990, CEAO members agreed to suppress the tariff for ECOWAS members not part of the French grouping in steps, in the first instance from 2% to 1%. In addition ECOWAS members agreed to implement the 1983 tariff harmonization program. Both measures were to come into effect at the end of August 1990.

A number of other steps have been taken already to foster intercommunity trade. A registry of ECOWAS companies has been established for companies that wish to profit from the tariff concessions. Registration is at the Secretariat.

Conditions for eligibility are:

1. At least 60% of raw materials must be of common market origin.
2. At least 35% of the cost must be value added from the production of member state(s). This provision overrules the first.
3. The company must have a majority ECOWAS member shareholding.

Fishing companies must have a majority ECOWAS shareholding, the boat captains must be ECOWAS nationals and a majority of the crews.

A Fund for Cooperation, Compensation and Development based in Lomé promotes a fair and equitable distribution of the benefits of economic cooperation and eliminates disparities in the levels of development of its members. Its purpose is to compensate member states that suffer losses as a result of the operations of ECOWAS, to finance community projects in member states, particularly the poorer ones, and to guarantee foreign investment in member states. However, a lack of financial resources has made the fund ineffective and raised the possibility of ECOWAS following CEAO and constructing a tariff wall to finance duty loss equalizations.

In 1988 the fund was opened up to non-regional governments and institutions such as the African Development Bank. It has financed several projects, particularly in transport and telecommunications, and others such as a sub-regional vehicle insurance scheme and Ecobank, the region's first indigenous bank.

Among the difficulties facing ECOWAS are the low complementarity between member states' economies, their rival trading interests, the existence of several other regional organizations with similar aims, the multiplicity of currencies, the delays by member states in the payment of their subscriptions and, in recent years, problems with a 1979 protocol, the second phase of which was to allow ECOWAS citizens unlimited residence in member states from 1985. This was finally adopted in 1986, but successive waves of expulsions by member states (notably by Nigeria) suggest that implementation will continue to prove problematic. However, the organization's members rallied to its call to criminalize toxic waste dumping in late 1988. Conditions for a second $50 million injection were agreed and commitments to pay membership arrears renewed.

2.3.3 Communauté Economique de l'Afrique de l'Ouest (CEAO)

Communauté Economique de l'Afrique de l'Ouest (CEAO) was established by a treaty signed in Abidjan in 1973 and came into effect in 1974. Its member states are Benin, (which joined in 1984), Burkina Faso, Ivory Coast, Mali, Mauritania, Niger, Senegal, while Togo and Guinea have observer status. It is an exclusively francophone grouping formed originally to pre-empt ECOWAS.

Its principal feature is a Taxe de Coopération Regionale (TCR) which all goods entering the trading bloc pay. Unlike the ECOWAS, the CEAO makes no attempt to harmonize inter community tariff structures. However, the CEAO does aim to develop common policies in transport and communications, agriculture, industry, tourism, energy, fishing, external trade and research.

For this a community development fund, replenished in part by the TCR revenues was set up with a capital of $190 million, financed by member states according to their respective shares in the trade of industrial products within the community.

The CEAO's objectives overlap somewhat with those of ECOWAS, to which all of the CEAO's members also belong. 1985-86 were difficult years for the community, due both to revelations of fraud (the so-called "Diawara affair") and to political differences between Burkina Faso - where its headquarters are based - and other member states. That crisis was only finally resolved in early 1987, when new financial controls were agreed by the member states. An inquiry into the Diawara affair found substantial evidence of financial mismanagement as a result of which several senior officials of the CEAO, including the secretary general, were dismissed from office. The affair seriously threatened the Community's survival.

Now with the Banjul summit declaration which not only announced the gradual phasing out of the TCR for other ECOWAS member states but also the absorption of a number CEAO activities into the larger organization, it must be a question of time before it is completely subsumed into ECOWAS.

2.3.4 Union Monétaire Ouest Africaine (UMOA)

Established in 1962 by Benin, Burkina Faso, Ivory Coast, Mali, Mauritania, Niger and Senegal, the UMOA is part of the Franc Zone. The treaty establishing it was ratified by all except Mali, which did not join until 1984. Togo joined in 1963 but Mauritania withdrew in 1973.

All the member states share a common central bank, the Banque Centrale des Etats d'Afrique de l'Ouest (BCEAO), which issues a common currency, the CFA franc. The latter is freely convertible with the French franc at a fixed rate of exchange (CFAfr50=Ffr1). A new treaty was signed in 1973 to restructure the union and establish a West African Development Bank (BOAD).

The union's Council of Ministers, which meets regularly, has a mandate to formulate the broad outlines of monetary and credit policy and, in general, decide on matters relating to the harmonization of monetary and banking legislation within the union. The bank's headquarters are in Dakar, Senegal.

The Franc Zone system facilitates trade between member countries, but more importantly has encouraged the maintenance of trade links with France. The evolution of the EC and the growing demands of Franc Zone member countries for greater financial and economic autonomy have led to modifications in the system, although the countries still agree to hold at least 65% of their reserves in the form of French francs and to effect their exchange on the Paris market.

The Banque Ouest Africaine de Developpement (BOAD) was set up in 1973 as the development bank of the UMOA to promote the balanced development of member states, especially the more backward ones, and their economic integration. Member states supplied half the initial capital, while the BCEAO supplied the rest. Based in Lomé, it started operations in 1976.

One initiative in which it has been involved is the development of a capital market in the Ivory Coast. Working with the World Bank it has investigated internal resource development as a first step towards developing a strong financial structure.

The bank offers medium to long term loans in all sectors that give a return, it also takes equity stakes in companies and finances feasibility studies. At the same time, it is able to guarantee loans and provide interest relief on existing loans.

The bank is moving increasingly into lending to the private sector. In 1977 only 15% of loans outstanding were to the private sector. That figure is now 35%. It would like to do even more business with the private sector but is finding it hard to excite private sector interest despite extensive promotion. BOAD lays down no eligibility conditions for who may take out loans.

BOAD loans are particularly attractive because they are not liable to TGA tax and are therefore some four percentage points below commercial loans.

2.3.5 West African Clearing House (WACH)

The central banks of 15 countries (Benin, Burkina Faso, Ivory Coast, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo) established the WACH in 1975 to settle payments for goods and services on a multilateral basis. The main objective is to provide a facility through which the participants can use national currencies for imports within the region, thereby economizing on the use of foreign exchange reserves. The Franc zone countries including Togo have made little use of the facility, since they enjoy a fully convertible currency and do the majority of their trade with other Franc zone countries.

It has a common unit of account, the West Africa Unit of Account, equivalent to the SDR. Each participant guarantees the conversion of its currency into this unit at a date and rate of exchange specified by the committee of the clearing house. Net balances are settled monthly in sterling, francs, dollars, Deutschemarks or Swiss francs. However, in recent years the volume of transactions through the WACH has dropped substantially as a result of delays at the various stages of the clearing procedure, involving commercial banks, central banks and the WACH itself.

2.3.6 West Africa Rice Development Association (WARDA)

WARDA was established in 1970 with headquarters in Liberia and a governing council composed of representatives of its member states, which include all members of ECOWAS (except Cape Verde) and Chad.

WARDA's principal objective is to make West Africa self-sufficient in rice production. It assists members in their efforts to improve the quality of rice production, adopt varieties of rice best suited to local conditions and facilitate the efficient storage, processing and marketing of rice. It runs several research and training projects, and has been successful in attracting external finance. However, arrears by member states in paying contributions have damaged the organization in recent years, prompting some aid donors to suspend their support.

2.3.7 The Lomé Convention

The Lomé Convention is a trade and aid agreement between the EC and 66 African, Caribbean and Pacific (ACP) states, including 45 African states, which guarantees duty free entry to the EC for some commodities produced by the ACP. All sub-Saharan African countries, with the exception of South Africa, are members.

The third convention was signed in December 1984, replacing those signed in Lomé in 1975 and 1979; negotiations on the fourth convention began in October 1988 and were concluded with a signing of a new convention - Lomé IV - in Lomé in December 1989.

Lomé IV offers aid totalling Ecu12 billion over five years, or around 25% more in real terms than was available under Lomé III. ACP countries are to have greater access to EC markets and there are now arrangements to enable the EC to support structural adjustment programs in recipient countries.

Under Lomé III, running from January 1, 1986, to the end of 1990, more trade barriers were lowered and the rules of origin considerably simplified. Other innovations included provisions on cultural and social cooperation, drought and desertification control, the encouragement of European private investment in Africa, further cooperation in fisheries and shipping and a human rights clause.

Discussions for Lomé IV have exposed ACP states' worries about a "fortress" Europe emerging in 1992. The EC's desire to attach IMF-style conditions on European Development Fund aid along IMF lines while leaving the rest of the convention largely unchanged, has caused some concern among African members.

To achieve its objectives, a series of instruments are clearly defined in the convention. The most important is the EDF with an allocation of Ecu7.4 billion accounting for 87% of the total budget over Lomé III. It is the main source of EC aid to the ACP states and Africa alone will absorb about 90% of total EDF aid spending. An additional Ecu1.1 billion has been made available to the European Investment Bank (EIB), which lends on a commercial basis.

The stabilization of export earnings scheme (Stabex), set up to cover losses of earnings caused by a drop in prices or production of the main ACP agricultural exports, has been made more effective. It now includes better risk coverage and, with the addition of three new products (dried bananas, mangoes and shea nut oil), a total of 48 products are now on the Stabex list. The overall financial resources allocated to Stabex have been increased by 66% cent to Ecu925 million. Togo has benefitted substantially in the past from Stabex payments compensating for low coffee and cocoa prices. These amounted to ECU7.5million in 1988.

Finally, Sysmin, a special financing facility for minerals, covering copper, phosphates, manganese, bauxite, tin and iron ore, has been increased by Ecu47 million to Ecu 415 million. Its prime objective is to contribute to the creation of a more solid basis for the development of the ACP states whose economies are dependent on the mining sectors, and in particular towards helping them avoid a decline in their capacity to export mining products to the Community. Sysmin has been an important contributor to Togo's current investment program to remove cadmium impurities from Togolese phosphates.

2.4 Tariffs and import taxes

The Inclusive Tax Representative of the Tax on Transactions (TFRTT) has been replaced by TGA, a value-added tax levied at 14% with a preferential rate of 5% and a luxury rate of 5%.

2.5 Duties and import licenses

Import licenses are required for all goods other than from France or from the Franc Zone. Goods imported from the franc zone of CFAfr10,000 or more require prior authorization. Imported goods are generally subject to customs duty, normally assessed on an ad valorem basis on cif value and a tax forfeiture, fixed at 18% of the land value. All imports from South Africa are banned.

Chapter 3

Debt and the Structural Adjustment Program

3.1 The debt situation

Economic policy has been dominated by attempts to control and reduce the external debt. In the process Togo has been through a series of IMF stabilization programs and three Structural Adjustment Programs (SAP) since it first got into financial difficulties in 1979 and a fourth was in negotiation in the fall of 1990.

An IMF stand-by agreement in 1979 enabled rescheduling of the greater part of Paris Club unsecured debt. The stabilization program entailed was not particularly onerous as it was restricted primarily to cutting the investment budget.

A second stand-by agreement negotiated when the first 18-month facility expired at the end of 1980 soon aborted when it became clear that Togo was not going to meet its financial targets, mainly because export earnings had not risen as expected. Further, a promised austerity budget, involving cuts in current expenditure, did not materialize.

Mounting arrears and another balance of payments crisis prompted the government to re-open negotiations with the IMF in 1982. It was now clear that reform measures had to be much more radical than anything attempted hitherto. Through 1982 the government worked on a stabilization plan with the World Bank and IMF that not only included an austerity budget but also laid the basis for structural reform of the economy. This proved the turning point in Togo's relations with the international financial community.

The structural adjustment program signed in May 1983 involved a World Bank Structural Adjustment Loan (SAL) worth SDR37 million together with an SDR21.4 million IMF stand-by. This was followed by a second SAL in 1985 backed by annual stand-bys through 1984-1986.

The steady improvement in relations with the World Bank and the IMF suffered a setback in early 1987 when Togo's terms of trade deteriorated sharply because of falling prices of its main cash crop exports, phosphates and a declining dollar. The balance of payments deficit rose and Togo fell behind with repayments triggering a suspension of a 22 month stand-by facility. More seriously this stopped further foreign disbursements.

However, the government quickly took corrective measures and a third SAP was put in place. In February 1988 the World Bank agreed to provide an IDA credit worth SDR 33 million ($45 million). The African Development Bank chipped in with $17.3 million of cofinancing and Japan with loans and credits worth $20.8 million. The structural adjustment facility, together with an IMF stand-by facility of SDR4.8 million, were formally approved in the following month, enabling rescheduling of the Paris Club foreign debt to be resumed.

In late summer 1990 a fourth SAP was being put in place for implementation in December 1990. An IDA credit of $65 million was being discussed.

Meanwhile, in recognition of greatly improved relations with Togo the IMF agreed in June 1989 to put in place an enhanced structural adjustment facility (ESAF) worth SDR46.08 million, a three year arrangement in place of the former 15-month facility.

Nevertheless the $1 billion debt - although not large by African standards - still represents 70% of GDP. However, virtually all of this is owed to foreign government agencies and official multilateral agencies. In 1989 France forgave much of its sub-Saharan debt, which immediately wiped CFAfr37.5 billion of principal and CFAfr5.3 billion interest off Togo's debt. With an ongoing restructuring of debt to take account of IDA low income country debt terms, the debt service ratio is a tolerable 27% and much less if account is taken of unrecorded trade. Indeed the debt profile is even better than these figures suggest as the average interest on newly contracted debt fell from 5.4% to 1.6% in 1989 and average maturities rose to 32.7 years.

External Debt
($mn)

	1984	1985	1986	1987	1988
Total external debt	806	936	1,065	1,235	1,210
of which:					
long term debt[a]	681	788	885	1,048	1,067
short term debt	63	74	89	102	66
use of IMF credit	62	74	90	85	78
Public disbursed debt[a]	681	788	865	1,048	1,067
of which:					
official creditors	577	702	819	983	1,013
of which:					
multilateral	232	293	365	429	465
bilateral	345	409	454	554	548
private creditors	103	86	67	64	54
of which:					
bonds	0	0	0	0	0
commercial banks	91	77	60	58	49
Debt service	93	109	144	100	140
of which:					
principal	46	61	90	60	62
interest	47	49	54	40	78
Total external debt/GNP (%)	122.3	133.1	105.9	104.1	93.1
Debt service ratio (%)	23.6	26.8	33.2	21.2	26.8
Private debt/ total external debt (%)	0	0	0	0	0
Short term debt/ total external debt (%)	7.8	7.9	8.4	8.3	5.4
Concessional loans/ total external debt (%)	29.3	31.9	38.3	40.3	49.0
Variable interest rate loans/ total external (%)	7.4	5.7	4.2	3.5	3.2
Interest arrears on long term debt	0	0	2	26	1

[a] Maturity over one year.

Source: World Bank, World Debt Tables

3.2 Structural Adjustment Program policy objectives

The first 1983-85 SAP had the following objectives to staunch the economic decline:

* halve the state enterprises deficit as a percentage of GDP by initiating a program of privatization of non strategic industries as well as improving the management of enterprises remaining in the state sector (by adjusting prices closer to their costs);
* restructure the foreign debt on terms Togo could honor;
* prepare conditions for a long term economic revival, mobilizing requisite resources in line with the structural and institutional reforms;
* promote development priorities centered on sectors with established potential (the rural sector and mines) or on industry (where rehabilitation of state enterprises would allow an increased contribution in added value, exports and public resources);
* implement institutional reforms to help policy initiatives (stimulating the production of cash crops by raising farmgate prices for instance);
* redirect and reinforce short to medium investment planning bearing in mind the need for effectiveness and flexibility and the operating budget requirements.

It was noted that budget restrictions (no new recruitment, salary freezes and stops on new equipment purchase) enabled domestic and external arrears to be settled (despite a fall in public receipts). However, this was achieved at the price of a 14% fall in real GDP between 1980-1983 and a 20% cut in real per capita GDP. State salaries were slashed 15% in real terms. Measures were recommended starting in 1985 to revive productive sectors.

The second 1985-88 SAP aimed to build on the achievements of the first SAP through:

* completing unfinished projects, assuring the necessary infrastructure and essential running expenses;
* putting a freeze on new projects except the phosphoric acid plant and the Nangbéto dam project;
* preparing for the post-1988 period when new investments could be considered.

However, the emphasis remained crucially on improving public finances by:

* generating greater public revenues (mainly through fiscal measures) and maintaining tight budgetary controls;
* reinforcing the quality of investments;
* taking corrective action with state enterprises;
* reorganizing agriculture by favoring indirect state intervention (raising farmgate prices);
* administrative reform.

The second SAP concentrated on the following aspects of industrial development:

* the selective disengagement of the state from the industrial sector:
* the development of local resources;
* industrial decentralization;
* export promotion;
* the development of regional cooperation and of small and medium scale companies (PME), a key element in developing an industrial infrastructure.

Projects envisaged were the phosphoric acid plant, a state enterprise restructuring program, development of mineral research and the provision of financial and technical aid for the Togolese Investment Center to develop artisan industries and PMEs. Commercial sector development focused on developing Togo's commercial position by increasing Lomé port traffic and developing the capital as a regional financial center.

The third structural adjustment program which came into effect in 1987 and was due to end in late 1990 had as its principal aim the implementation of policies that would provide high sustained levels of growth approaching 5% by the early 1990s.

To this end it advocated:

* a new industrial incentive system complementing the state enterprise privatization program
* flexible agricultural producer pricing policies
* a new legal framework for the parastatal sector and greater transparency in public sector accounts
* structural reforms in fiscal policy to replace reliance on the agricultural marketing board, OPAT and the phosphate company OTP to supplement a narrow tax base

To achieve these objectives, detailed action programs for agriculture, industry and commerce, parastatal management and public resource management would be implemented by the fall of 1989. Further government would seek debt rescheduling on favorable terms as a precondition for mobilizing non project concessional aid to meet its external financing requirements. The foreign exchange provided under the credit was to be used to finance essential imports.

A principal challenge identified at this stage was the need for the government to find other sources of revenue to offset the abolition of export taxes on the main cash crops. The incentives and effects of raising the farmgate prices for these crops was noted. However, this was before the slump in world cocoa and coffee prices.

The main thrust of Third 1988-90 SAP was to deepen the private enterprise development project. The policy document observed that attempts to diversify and deepen the industrial manufacturing base had been disappointing. Industrial production was still concentrated on 20 companies whose production only produced an average 28% of value added. It observed that the massive intervention of the government in the past was still crowding out private sector initiative and the terms of internal trade continued to favor commerce rather than medium term investment while adverse changes in exchange rate movements favored import substitution rather than export oriented activities.

To rectify these distortions the government intended:

* setting up a Tariff Committee to ensure that
  a. protection will be based on customs tariffs only and not reduction exemptions
  b. harmonization of tariff structures
* liberalization of business establishment licensing and domestic taxation
* abolition of state trading group SONNACOM's monopoly on the import of key consumer articles
* abolition of import licensing and import quotas

The main elements in this program, has been implemented. SONACOM's monopoly was abolished in 1989. A new Code of Investments was introduced the same year.

More recently, government policy has shifted to looking at elements that constrain improvements in productivity and competitiveness, like analyzing the cost of factors of production and the provision of raw materials, marketing and management. For instance the government is looking at ways of reducing the cost of energy to industry by reducing high energy transference losses. A Center for Togolese Investors was established as an information center and as a promoter of PME interests and activities.

3.3 Relations with the Paris Club and IMF

The close working relationship between the government on the one hand and the World Bank and the IMF on the other have over the years engendered a harmonization of views and an appreciation of the other side's position and point of view. This has greatly facilitated negotiations with creditors which tend now to be more or less a formality and focused on working out technical details.

There have been two meetings of Togo's creditors. The first was held in Lomé in June 1985, and the second in Geneva in May 1988. A third Conference of Togo's Creditors was planned for late 1990.

Togo's principal bilateral donors are West Germany, USA, Japan, Canada, Kuwait, Algeria, Saudi Arabia and the UK. France wrote off its debt in 1989.

3.4 Aid

Togo is a significant recipient of aid from the World Bank and African Development Bank and European Development Bank, of the multilateral lenders, and France, West Germany, Japan, the US and other bilateral donors. In line with the global trend towards helping the private sector, the International Finance Corporation (IFC), France's Proparco and Denmark's IFU, are putting seed money into projects in Togo, while OPIC, which together with USAID has been promoting the Togo Free Zone, has said it will be prepared to participate if the development contract is awarded to a US company.

With seed capital the issue is not the lack of available finance but the lack of suitable projects. However, it appeared from our research that there was also a lack of communication between borrowers and lenders.

West Germany's DGE had a mission out in Togo in July 1990 but could raise no interest with West German companies in Togo. Part of DGE's problem is that it can not consider investments of less than DM1 million which is well above the investment levels the local market can sustain. Should DGE lower this base line it could become an important source of new seed capital.

The aid donor's roundtable meeting in Geneva in May 1988 which followed the World Bank's third structural adjustment program has given a boost to aid disbursement according to the Development Assistance Committee of the World Bank. Disbursements in 1988 were $224 million compared with $132 million for 1987. As these disbursements tend to be cyclical, the amounts have probably fallen since.

1990 Japan has made grants to Togo of CFAfr1.1 billion to assist with the structural adjustment program and to alleviate debt, CFAfr67 million to buy industrial machinery and material and CFAfr330 million for machinery for cereal production.

The French aid agency Fonds d'Aide et de Coopération (Fac) is providing Ffr1.5 million in credits for a training center for computer technicians and a further Ffr2 million to help computerize the Ministry of Finance.

Gross official development assistance[a]
($ mn)

	1983	1984	1985	1986	1987	1988
Bilateral	64.6	62.3	178.8	104.9	92.9	149.9
of which:						
France	23.9	30.3	28.0	33.2	32.3	82.2
West Germany	25.7	16.5	111.1	18.2	29.0	26.8
USA	8.0	7.0	8.0	10.0	12.0	8.0
Multilateral	60.5	55.2	52.3	76.6	39.2	74.2
of which:						
IDA	32.4	25.0	30.7	50.05	20.3	49.0
UNDP	1.3	3.1	3.3	4.4	3.9	6.8
EC	16.8	20.4	9.4	15.6	3.8	10.3
Total	125.0	117.4	231.1	181.4	132.1	224.1
of which:						
grants	59.4	65.0	177.3	92.1	85.7	107.6

[a] Disbursements by OECD and Opec members and multilateral agencies. Official development assistance is defined as grants and loans having a 25% of more grant element, administered with the aim of economic or social development. Other official flows which do not conform to these criteria and technical assistance grants are excluded.

Source: OECD Development Assistance Committee, *Geographical Distribution of Financial Flows to Developing Countries.*

Chapter 4

Attitudes to foreign investment

4.1 Steps needed to establish a foreign company

The Investment Code was substantially revised and simplified in October 1989 in line with the general policy objectives of the third Structural Adjustment Program. A key feature of the new code is its transparency. Under the terms of the Code, the Minister of Planning, upon the advice of the National Investment Commission can, in effect, change the rules if he so wishes and allow any type of company to take advantage of the new Code.

For the legal constitution of the company

1. A Technical Notice is lodged with the Ministry of Industry and State Enterprises.
2. An Authorization of Installation is given by the Ministry of Transport and Communications.
3. Registration with the Urban Under Directorate of Taxes (Sous Direction Urbaine des Impôts).
4. Registration in the Register of Commerce at the Commercial Tribunal.
5. Declaration of the opening of the enterprise.
6. Registration at the National Office of Social Security and with the National Confederation of Togolese Workers under the aegis of the Labor Inspectorate.

4.2 Industries and services open to foreign investment

The investment code that came into force in August 1989 supersedes the revised investment code of 1985 and takes account of the fact that most new foreign investment will be attracted to the new free zones. It amalgamates the old Togolese Company Charter and the revised 1985 Investment Code into a single piece of legislation with the investment threshold significantly reduced.

To qualify for exemptions in the code, the minimum investment must be CFAfr 25 million. Shareholders must put up at least 25% of the investment and at least 60% of total salaries

must be paid to Togolese nationals.
Sectors eligible are:

a. agriculture, cattle rearing, fishing, forestry and related activities;
b. manufacturing or processing industries;
c. mineral prospecting, extracting and processing;
d. housebuilding;
e. development of tourist infrastructure and hotels;
f. food and raw farm storage "agricoles du cru";
g. applied research laboratories;
h. socio-cultural activities.

4.2.1 Obligations

The company has to make use on a priority basis, all conditions being equal and subject to availability of Togolese services. The quality of product or service will be expected to conform with regular standards. The company will be expected to have a proper accounting department that can operate in accordance with legal requirements and provide requisite information to allow the application to be properly assessed by the Commission Nationale des Investissements.

General guarantees for foreign investment:

Free transfer of revenues, profits and capital, freedom of management to choose suppliers, marketing and hiring etc. the further security of any investment treaty Togo might have with the investing company's country.

The main advantages are fiscal and consist of various duty and tax exemptions and reductions.

There are in effect three zones delineated for investment benefit purposes:

Zone I	The Commune of Lomé and the Prefecture of Golfe
Zone II	Maritime region except Zone I and the Plateau region
Zone III	The rest of the country.

1. All companies that use at least 60% Togolese raw materials and all companies establishing in Zone II and III are exempt from import duties (droit fiscale d'entree), and the Taxe General sur les Affaires (TGA) - sales tax - on imported equipment.

2. All companies are exempt from the Minimum Inclusive tax (Impôt Minimum Forfaitaire, IMF) or the Corporate tax - Impôt sur les Sociétés (IS) until the end of the

exempted period, which in the case of companies that process more than 60% of local raw materials is seven years. Otherwise the exemption is three years.

3. For companies that export, IS and IMF is not charged on exports up to 75% of total turnover. The regime of temporary admission and the regime of drawback envisaged in the Code des Douanes (Customs Code) is fully applied.

4. All companies have the right to a 50% reduction in the salary aggregate used to calculate the payroll tax paid by permanent employees of Togolese nationality. The rate of this tax is further reduced to 2%. This advantage applies to companies based in Zone I until the end of the accounting period of the fifth year from the start of activities; up to the seventh year for companies based in Zone II; and up to the 12th year for companies based in Zone III.

Companies established in zones II and III also benefit from:

* exemption from TGA on the work and services directly relating to the operation of the investment.
* exemption from duties and TGA on an annual quota of gas oil and fuel oil usea in its installations and for the same exemption periods outlined above.

4.2.2 Approval procedure

Applicants have to submit 15 copies of the application to the Direction General du Plan et Developpement which deals with the Secretariat de la Commisson Nationale des Investissements. This Commission is composed of eight administration officials and two representatives of the private sector.

The application should contain separate dossiers on: the nature and object of the project production projections and opportunities; the establishment of the project and its financing; the number of workers and employees; financial forecasts and annexes.

The Direction General du Plan has three days to inform the applicant of any deficiencies in the application. If everything is in order, the Commission Nationale des Investissements has 15 days to consider the application.

It can approve or reject the application. The Commission's decision is communicated to the applicant three days after the consideration period i.e. 18 days after the presentation of the application. Investments of less than CFAfr3 billion are approved by order of the Minister of Plan and Mines. Larger investments must be approved by decree.

4.3 Customs Duties

There are four categories of customs duties. Dues are calculated on value fob (free on board). They are:

1. Reduced rate: 5% on capital goods, agricultural produce, vaccines, spare parts and parts of capital goods and raw materials;

2. Medium rate: 10% on semi finished products and staples;

3. High rate: 35% on products listed in Annexe III of the customs Code;

4. Ordinary rate: 20% on all other products.

There is also a Taxe Statistique of 3% on the value.

Tariffs and taxes

Classification	Duty	Formal sector Sales tax	Formal sector Total[1]	Informal sector Sales tax	Informal sector Total[1]
Capital goods	5%	ex	8.02%	ex	8.02%
Spare parts	5%	14%	23.14%	20%	29.62%
Agricultural products	5%	ex	8.02%	ex	8.02%
Intermediary goods	10%	14%	28.84%	20%	35.62%
Mass consumer goods	20%	5%	29.17%	10%	35.32%
Luxury goods	35%	30%	79.43%	30%	79.43%
Higher rate goods	35%	14%	57.34%	20%	65.62%
Consumer goods	20%	14%	40.24%	20%	47.62%
Primary goods with TGO	5%	14%	23.14%	20%	29.62%
Primary goods with TGR	5%	5%	13.42%	10%	18.82%
Essential goods	10%	5%	18.67%	10%	24.32%
Essential goods exempt from TGA	10%	ex	13.02%	ex	13.02%
Essential goods exempt from DF	ex	5%	8.44%	10%	13.59%
Special: cigars & batteries	5%	14%	23.14%	20%	29.62%
Special: wax print textiles per piece	300f	14%	20.68%	20%	27.05%
per kilo	200f	14%	20.68%	20%	27.05%
Products exempt from DF and TGA	ex	ex	3.14%	ex	3.14%

[1] Cumulative

To protect local industry a temporary tax of three years (non-renewable) was created by Law 89-23 of October 1989. Products liable to the higher tax rates are excluded from this temporary tax which is imposed to protect local industries "put in peril" by imports. The maximum charge for this tax is 15% fob.

4.3.1 Industrial warehouse

At the discretion of the Customs directorate a company can lease from the Lomé port a bonded warehouse to stock raw materials, if the finished products are destined for export. Any element of a consignment destined for the local market must pass through customs beforehand. A bonded warehouse license is for six months renewable.

4.3.2 Drawback

This system allows a company to take possession of raw materials and bonded merchandise for a period not exceeding 24 hours on deposit of a fixed duty of CFAfr3,000.

4.3.3 Guarantee

With a bank guarantee, duty payments may be deferred 14 days. This concession is apparently being phased out as part of the reforms.

4.3.4 Duties exemptions

Certain imports can be exempted from duty by presidential decree. An example of imports eligible for exemption would be those financed through a World Bank loan where duties would simply eat into funds available for utilization.

All export duties have been abolished.

Chapter 5

The Export Processing Zone

5.1 The EPZ

Since 1987 the government has been looking at ways to promote export industries. A major review of economic policy and industrial development as part of the SAP was put in train and attention had focused on two areas of policy reform: a new investment code and a comprehensive overhaul of the tariff system.

The country's regional position and resource base was appraised and the conclusion reached that the most promising area of development lay in encouraging exports and promoting new foreign investment in labor intensive industries.

The free zone idea was born out of the subsequent work done on reforming the investment code, particularly in formulating a comprehensive program of export incentives and seeing how other countries, particularly Mauritius, had benefitted from establishing Export Processing Zones (EPZ).

The finalization of the new investment code - a major improvement on its predecessor in early 1989, set the scene for introducing EPZ legislation.

In consulting various parties interested in such a project, the Togolese authorities found enthusiastic support from USAID and OPIC which between them had been evolving their own EPZ blueprint for selected developing countries. Independently USAID had concluded that an EPZ could make a significant contribution to developing an industrial base and creating jobs, because of the existing favorable business climate in the country, the level of infrastructure, the supportive policy environment and basic factor cost considerations.

Further, because of its strategic location at the heart of the ECOWAS countries of West Africa, its good infrastructure and stable government made it an ideal site for an EPZ serving world and regional markets.

However, what gave the project an added and extremely attractive dimension was a coincidence of regional developments working strongly in Togo's favor: namely Togo's financial strength and sound economic management after many years of implementing Structural Adjustment Programs under the guidance of the World Bank and the International Monetary Fund, and the financial difficulties of its neighbors - notably Ivory Coast, the biggest regional economy and therefore the one in normal circumstances best placed in terms of services and skills to promote an EPZ. However, this window of opportunity will not be open long.

Time has, therefore, been of the essence in getting the legislation formulated and placed on the statute books. The results have been impressive. The draft law No 89-14 governing the status of export processing zones was passed in September 1989 and gazetted as Decree No 90-40 in April 1990. The government examined relevant legislation form other countries hosting free zone programs, and benefited from technical assistance provided by OPIC/USAID in order to define a comprehensive legal regime which places Togo at the forefront of the free zone initiatives worldwide.

Attention then switched to establishing the executive framework necessary to implement the new legislation, i.e. establishing an EPZ authority and setting up the EPZ parks. Togolese policy planning officials visited Mauritius, Tunisia and the Dominican Republic to gain first hand impressions and gather information on how their respective approaches to promoting export manufacturing could be adapted to Togo's circumstances.

Minister of Industry and State Enterprises Koffi Djondjo made regular tours to European capitals in the first half of 1990 promoting the zone and meeting businesspeople. He was also seeking buyers for those remaining state enterprises earmarked for privatization that had not been sold.

By mid-1990 there were already some takers; the level of international interest in the EPZ has delighted officials. As of late August 1990, 17 companies had submitted applications to set up an EPZ operation involving $25 million of investment and creating 1,500 jobs. The Mauritius Free Zone, for instance, got off to a much slower start.

The main interest was expected to come from companies wanting to relocate in West Africa. Although the US had a major hand in promoting the project, the majority of prospective operators were expected to be European and Asian.

5.2 The Sites

The Free Zone regime applies to all Togolese territory but a number of specific sites have been set aside for the establishment of specific "industrial parks". The government has set aside two parcels of land in the industrial area adjacent to the port of Lomé for development as industrial free zones. The Port of Lomé itself functions as a commercial free zone and transshipment center or entrepot.

The first site of approximately 35 hectares, which has been partially improved by the Port Authority, is awaiting the selection of a private developer. The site has already been walled and a road made into the zone and utilities connected. Located approximately 5 kilometers from Lomé adjacent to the EPZ area within the port, it will cater for industrial and service enterprises.

The second site of approximately 72 hectares is less than a mile from the port, and is also located in the Port Industrial Zone approximately 7 kilometers from Lomé.

Locating in a free zone site has the advantage of a package deal; it can be difficult and time consuming to find a suitable site available for EPZ development.

However, with the first park unlikely to be operational before January 1991, companies wishing to avail themselves of EPZ status and a quick start up have had no option but to find their own sites. In these cases, the authorities have either leased sites outside the EPZ parks or companies have been free to negotiate their own leasing arrangements with the private sector.

Having selected Togo as a prime candidate for establishing an EPZ in Africa, OPIC and USAID have committed substantial resources to providing technical assistance for the start-up of the Zone. In addition, OPIC and USAID have also made funds available for contributions to the pre-investment costs of the developer and financing for up to 50% of the development costs.

OPIC and USAID are funding plans to find a private promoter to take over the running and developing of the EPZ. As of late August 1990 three US promoters had visited Lomé and three more were due with the OPIC/USAID mission in September.

The benefits provided by the EPZ are:

1. duty free importation and exportation
2. a tax holiday for the first ten years with a 15% profits tax rate from the 11th year after the registration date of the company
3. a reduced payroll tax of 2% for the lifespan of the company
4. tax exemptions on dividends for the first ten years for foreign shareholders
5. General Business tax (TGA) exemption on all work executed and services rendered for the Free Zone company
6. EPZ companies will also be charged at only 50% the duty rate on utility vehicles
7. Free Zone companies can also keep accounts in convertible currencies and freely effect transfers to foreign destinations outside the Free Zone for capital and operational needs
8. government leases for Free Zone sites are normally for 25 years renewable for up to 99 years.

Registered companies will benefit from reduced rates for the following utilities and services:

1. port services
2. local PTT services
3. electricity. The rate being mooted is 20% plus cost or CFAfr35 per kWh.

5.3 Conditions for eligibility

The main condition for EPZ eligibility is that at least 80% of production be exported. Companies already established and trading in Togo wishing to revert to EPZ status must show that at least 75% of their production from the previous three years was exported.

Companies exporting into the local market pay duties and taxes as if physically exporting into Togo.

Products obtained from raw materials imported into the free zone from a member state of ECOWAS pay only the General Business tax (TGA) at the rate corresponding to the category exclusive of other tax and duties that may be applicable for goods imported from the free zone into the national territory. To be eligible for this concession, goods must be made from ECOWAS raw materials to more than 60% by quantity or 40% by value added, otherwise the duties on raw materials are assessed at the rate for the finished product and not that of the constituent materials.

Companies eligible for EPZ status are:

* labor-intensive companies
* advance technology companies with a local raw material base
* export-oriented companies engaged in international subcontracting
* companies producing inputs for the above mentioned entities
* service companies, such as banks, insurance companies; industrial hardware maintenance companies; support service companies, shipping companies, or any companies whose activities complement and facilitate those of export-oriented companies
* EPZ developers or any individual or company responsible for attracting companies into the zone
* international trading companies, brokerage companies and companies engaged in warehousing packaging or reconditioning are precluded. However, companies for which warehousing is an integral part of their industrial activities are eligible.

5.4 Other advantages

Free zone companies shall be free to determine prices, profit margins and rents of transactions between companies and the TEPZA or between zone companies and foreign markets.

They shall also be free to employ and dismiss Togolese or expatriate personnel provided that preference be given to equally qualified Togolese nationals when hiring. However, the Labor Code applies to the regulatory provisions regarding contracts, salary, apprenticeship contacts, hygiene and safety, savings and social obligations. Working conditions may be freely negotitated between employers and employees provided that internationally recognized workers' rights are respected. Employers should provide their staff with a social insurance policy. Free zone firms are not subject to the provisions of the Labor Code concerning recruitment and lay-offs. All foreign nationals employed are required to have work visas and residency permits.

5.5 Procedures for granting approvals

A firm must submit an application on a form issued by TEPZA.

This is examined by the standing committee for the Approval of Export Oriented Companies. The board consists of a chairman who is the chief executive of the TEPZA together with the four other members of the TEPZA board and three directors representing the state.

An Export Company certificate is issued to companies within 48 hours of the TEPZA presenting selected applications for approval to the Ministry of Industry. However, a further 30 days has to elapse, during which the authorities vet the company and its application, before the approval is confirmed.

5.6 Four companies' experience in the Free Zone

5.6.1 GMC

French paints and plastic coatings specialists GMC weighed a number of options before choosing Togo. It needed to establish a packaging plant for its regional paint plants in Mali, Niger and Burkina Faso as the cost of packaging can be a major expense for local manufacturing operations.

GMC considered a number of sites in West Africa late last year. In the end the choice boiled down to Togo and Benin. Togo won because, quite simply, the new Free Zone offered the best incentives.
Market research also showed that there was potential for local sales. GMC noted that NIOTO, the oil company, imports containers at four times the price in France. The company estimates it can halve that cost.

The decision was taken in late 1989 to base in Togo and there was no point in wasting time. On January 10 1990 GMC made a formal application to the Togolese Center for the Promotion of the Free Zone, the organization dealing with the processing of applications pending the establishment of an authority to establish a 100% owned subsidiary, Euraf.

Land was found and leased from the Ministry of Industry and State Enterprises close to the Lomé Industrial Zone and building began on 10 April, well before approval was confirmed on May 18. By late August 1990 the plant was almost fully operational, permitting the company to lay claim to being the first of the Free Zone companies off the block.

Being first inevitably entailed special problems. Customs officials were not fully acquainted with the Free Zone idea and suspicion was encountered in some quarters. Nevertheless, the containers bringing in the plant and construction materials rolled through the port with no problem. Only one in some hundred or so went astray. For an operation relying heavily on regular raw material supplies this is a major advantage.

GMC did have to install a generator to ensure power supplies but the expense was considered acceptable to ensure an early start. Euraf, the GMC subsidiary, had no problem raising loans in the local market with the backing of its French parent and so was able to start building without a formal agreement.

Euraf will pay CFAfr20,000-50,000 a month for labor paying by results, although being Africa the management recognizes a responsibility to employees that have no social security net. Euraf does not expect to be governed by the Labor Code.

According to a company spokesman, what has made this remarkable achievement - getting the plant operational from a greenfield site in little more than four months - possible has been the way the Togolese authorities have honored their commitments. Contacts in high places have not been a prerequisite for getting things done. Another attraction of Togo is the feeling that you can leave home in the morning knowing that your family will be absolutely safe.

5.6.2 Sun Lines

Sun Lines, a company assembling coach, truck and trailer chassis, has not had such an easy ride. The company was set up by a group of French businessmen who know the area well (one director had worked in Togo on construction projects and another had decamped from Ivory Coast because of the deteriorating economic situation there). French shareholders own 95% of its CFAfr50 million capital, Togolese private sector interests the remaining 5%.

Sun Lines acquired the lease on a site on the main north road just outside Lomé previously used by a public sector company as soon as the provisional approval setting up the company came through in March 1990. It has been busy since revamping it. By September 1990 the first chassis should be rolling off the production line.

The intention is to build from a start-up production rate of eight chassis a month to an optimum production rate of 25 a month. The company expects to be employing 80 people by the end of 1990 which could rise to 150 at end 1991 and up to 250 if market conditions allow. The main markets will be sub Saharan Africa but the company is also negotiating with a number of Maghreb countries and Egypt.

Sun Lines is putting great emphasis on training which is why the workforce will be built up gradually. Finding the right caliber people has not been that easy. There have been language difficulties. For this reason the company intends paying 30-40% above the SMIG (which will bring wage rates up to Ivory Coast levels).

The Inspector at the Inspectorat du Travail has posed no problems as regards imposing conditions of any kind on the hiring of workers. The total tax imposable is a 2% payroll tax and a 1% levy to pay for the cost of operating the Free Zone.

The major concern for Sun Lines has been finding finance for the acquisition of plant and running expenses. Without the backing of a parent company in Europe, raising guarantees has been a major headache. The company finally raised sufficient finance through the UTB to get the project off the ground but the option on the lease of a piece of land adjacent to the workshop had to be waived because the finance could not be raised.

Sun Lines' problems with finance highlight a particular problem of Free Zone companies trying to establish before a properly functioning authority is in place to implement the law. There have been delays in issuing final approvals, without which banks have been leery to lend. According to a company spokesman, the problem is that French banks, conservative creatures by nature, are now so absorbed with Eastern Europe and suspicious of Africa that they are not interested, especially in the little man. "Lack of banking credit is holding up half the development of the country" he said. He would like to see offshore banks established to spread the concept of corporate risk taking.

5.6.3 Sotab

Sotab (Société Togolaise pour le Développement de l'Agriculture Biologique) has hit the same problems of finance as Sun Lines.

Sotab was set up in 1987 by a Togolese businessman Schode Edo who wanted a quieter life than that provided by being one of the country's foremost traders. In his view, running a well ordered plant is far less hassle than having to cope with the ups and downs of trading. It also indulged his passion for organic farming, for his venture employs a revolutionary process for dehydrating fruits and herbs with which he hopes to put Togo on the European map.

He had first, however, to establish Atab, Togo's Association for the Development of Organic Farming, an association that sought out farmers in different parts of the country prepared and able to farm organically. Atab, which was set up in 1987, helps them improve the quality of their produce - mangoes, bananas, pawpaws, groundnuts, cashew nuts, coffee, cocoa and other tropical fruits - and ensure quality and timely delivery.

He had also to clear his lines with the state agricultural purchasing authority OPAT: he arranged to buy coffee and cocoa direct from his selected farmers, paying them what they would have received from OPAT and paying OPAT the difference from the world market price.

Having established supply lines he then looked to the markets and founded Sotab in association with French partners whose contribution was to take care of the marketing. His partners, having identified a market for 400 tpy of dried fruits in various European countries, agreed to finance a dehydration plant in Lomé close to the supply base and settled on a plant with an initial capacity of 160 tpy. With the new EPZ legislation freshly gazetted they decided to set up under free zone status.

It was then they hit their first snag, one similar to that experienced by Sun Lines. They managed to find funding from the French CCCE for the CFAfr150 million investment. However, they could not find a local bank to provide a guarantee and the structure of the company's share capital had to be rejigged so that the French partners had a controlling interest allowing the project to be taken to France where there was no difficulty in finding a guarantee and a number of banks showed keen interest in the project.

Edo thinks specialized farming has a great future in Togo. He himself has a number of ideas for herbal suffusions and remedies and there are plans to put in a second line which would raise capacity to 360-380tpy. His partners say the market is there.

The moral of Sotab's experience is that the local banks lack the experience in corporate lending to identify good projects - although the problems local banks have had in collecting bad loans give a another dimension to the problem. Like Sun Lines, Sotab was caught by the company's ambiguous legal status twixt provisional and confirmed approval occasioned by delays because the administrative system is not yet in place.

5.6.4 STS

Société Togolaise de Sidérurgie (STS) in its state sector incarnation was Société Nationale de Sidérurgie (SNS), a 100% state owned Enterprise Publique Economique (EPE).

Difficulties in finding imported scrap iron feedstock meant it never functioned at more than 25% capacity, although the local market needs were 16,000 tpy. SNS was put on the privatization list. In 1984 it was leased to Ibcon, its name changed to Société Togolaise de Sidérurgie (STS) and John Moore put into run it. It hasn't looked back.

Ibcon has invested $2 million in STS which has been operating profitably. Moore said in 1986 after a year's trading: "In 1985 we produced 6,500 tons of reinforcing bars to the strictest international standards. We launched our own export program including delivery to clients with our own STS fleet of trucks. And we started a new scrap division and exported 6,000 tons to Europe. We started with 65 people. Now we employ 140. And I must stress that their professional qualities, their efficiency and their dedication to the development of their enterprise has played a decisive part in our success".

Moore has since moved heavily into the free zone. His company has many investments in West Africa but has decided to base in Togo. Explaining his choice he said: "This is the sixth year for us in Togo and we like what we have found."

The principal attraction - apart from the stability - is the relatively low operating costs compared with the rest of Francophone Africa. The price of hiring a chauffeur in Ivory Coast is almost three times as high as Togo after you have taken in all the hidden costs.
Moore has three STS subsidiaries in the Free Zone creating 200 jobs.

* **STS Marché Flottant** has acquired a tugboat and two barges at a cost of $1.5 million to run the north coast to Cape Verde. If successful the service could be expanded to run the south coast route as well. The barges will initially be serving STS's manufacturing plants in Benin, Ivory Coast and Togo. STS markets 16 different kinds of steel products - but will also be taking other cargoes en route as it stops in Monrovia, Freetown, Conakry, Bissau, Banjul and Cape Verde. An application had been made to West Germany's DEG for project finance. The World Bank and IFC were also expected to defray some of $2 million total cost of setting up the service.

* **STS Pylons**, is a $5 million operation making galvanized pylons and prefab buildings. Denmark's IFU is backing this project.

* The third is a wire mill that in late August 1990 was under construction with half the equipment waiting to be installed. It was expected to start production early in 1991. This $2 million investment will be the largest wire mill in Francophone West Africa.

In a further development, France's Proparco has expressed interest in backing a refinancing of the steel mill.

Chapter 6

The State and the Free Market

6.1 Attitudes to the free market

The Togolese government had to all intents and purposes shed state capitalism by the turn of the 1980s and since then has been unabashedly for the private sector and the free market only keeping control of certain strategic industries (like phosphates) and services. A strong state element is still evident in the marketing of the major export cash crops like cotton, coffee and cocoa, but this is necessary because of the way these commodities are sold on world markets. Farmgate prices for these commodities are fixed annually by the state-owned Office des Produits Agricoles du Togo (OPAT) which purchases and markets Togolese export crops. Under World Bank prompting, prices have been raised to encourage greater productivity, although the collapse of coffee and cocoa prices in the last two years has not been fully reflected in lower purchasing prices. Energy prices are still controlled, as are the prices of basic foodstuffs. But because of good monetary discipline - a healthy byproduct of UMOA membership - there has been little inflationary impact from them.

Under the guidance of the World Bank and the IMF, Togo has been chipping away at removing restrictive barriers, decentralizing and promoting the private sector. Evidence of this change in policy, particularly regarding planning, can be found in the government position paper presented to the June 1985 Round Table of Creditors. It characterized the new policy to the industrial sector thus:

- selective disengagement by the state;
- decentralization of industrial activities;
- promotion of export industries;
- promotion of small to medium size businesses (PME, PMI).

These new policy lines, the paper said, will be backed up by the necessary regulatory measures (new investment code, Togolese Company Charter) and new institutions (Togolese Center for Investors) and support for human resource development.

The program to put right industrial state enterprises involves:

- rehabilitation and financial cleansing of strategic activities and their maintenance as state enterprises;
- liquidation of enterprises not able to be rehabilitated;
- privatization of all other enterprises.

The meeting told of the new delineation of responsibilities within the phosphate industry: OTP will be responsible for mining the phosphate, relevant state organizations will be responsible for the infrastructure, roads, electricity and transport of the phosphate and the building of a phosphoric acid plant - ruled out at the then prices of phosphate would be given to a Société d'Economie Mixte (SEM) in which the government would have a stake. The meeting then recommended that given the state of the phosphate market it should be given over wholly to the private sector and the government acceded. The phosphoric acid plant is one project which, because of market conditions, has not got off the ground, although it is a key project in Togo's efforts to develop its own minerals processing capacity.

6.2 Attitude to the state sector

Togo had few strategic industries before independence in 1960 to nationalize. The most celebrated case was that of the phosphate industry which was French controlled as the Compagnie Togolaise des Mines du Bénin (CMTB) until nationalization in 1974 when it became Office Togolais des Phosphates (OTP). Up to and including 1984 33 state economic enterprises (EPE) had been established, principally in utilities and other strategic sectors like wholesale distribution.

The government was never dogmatic in espousing state capitalism. For instance, it encouraged mixed state/private joint ventures, SEMs (on the French model), with both local private sector and foreign partners, particularly in the industrial sector, from the early 1970s.

However, the state's involvement in industrial development - previously limited by lack of funds - was given a significant boost by the nationalization of OTP in 1974. Nationalization coincided with a dramatic rise in world phosphate prices, the proceeds of which were used by the government to develop an industrial base in industries as varied as milling, food processing and textiles. Most of Togo's 25 SEMs were established between 1974 and 1980 before the bottom fell out of the phosphate market.

The stocktaking entailed in the subsequent rescheduling and the implementation of an IMF stabilization program highlighted, at a relatively early stage (compared with countries not exposed to such rigorous accounting) the true cost of state industrialization in developing countries: the effects of weak management cushioned from market realities and poorly planned investments in inflated public sector payrolls and malfunctioning plants.

Togo's long association with international agencies like the IMF and the World Bank has certainly encouraged a less ideological more private-sector oriented approach to development.

Chapter 7

Privatization

7.1 Privatization

Ever since the question of how the government was to reduce its debt burden began emerging at the end of the 1970s, privatization has been the favored option.

In late 1982 it was decided to close a number of non profit making joint ventures and a study was made of the reorganization of those companies that could be improved.

The creation of a Ministry of Industry and State Enterprises in September 1984, charged with developing a program for privatizing some 30 unprofitable state owned or parastatal companies, confirmed the government's determination to undertake what was required to restructure the public sector.

The setting up of the ministry coincided with a far reaching review of the state's role in industry. Individual investments were appraised as to whether they should:

* be retained by the state as a strategic asset;
* reorganized and rehabilitated for privatization or;
* closed.

The strategy for privatization involved:

* the liquidation of chronic loss-making operations judged beyond rehabilitation.

* the sale of industrial assets for plants in financial difficulties but still viable.

* the lease of assets as an intermediate step when the nature of the operations do not justify a sale or where the size of the assets involves an investment beyond the resources of the purchaser;

* the divestment of state shares in mixed companies (Société d'Economie Mixte).

Divestiture and Privatisation Programme

July 1990

INITIAL PROGRAM

LIQUIDATION (10)

1. AGETU
2. CNPPME
3. CIE DU BENIN
4. SALINTO
5. SOMAT
6. SOTOPROMER
7. SOTEXMA
8. STALPECHE
9. TOGOFRUIT
10. TOGOPROM

LEASED (3)

1. COMPLEXE SUCRIER
2. SNS
3. SOPROLAIT

PRIVATIZED (11)

1. HUILERIES
2. ITT
3. ITP
4. IOTO
5. SBHT
6. SODETO
7. SOTCON
8. SOTOMA
9. STB
10. STH
11. TOGOTEX

PENDING (6)

1. CAAN
2. FAB
3. LE MOTEUR
4. OTODI
5. SOTOTOLES
6. TOGOROUTE

ADDITIONAL PROGRAMME

PENDING (3)

1. CNCA
2. MIRAMAR
3. TROPICANA

UNDER OBSERVATION (6)

1. BALTEX
2. GTA
3. SATAL
4. SONAPH
5. SONACOM
6. SOTONAM

ON HOLD (9)

1. BB
2. BTCI
3. CIMTOGO
4. SGMT
5. SIT
6. SOTED
7. TOGOGAZ
8. UPROMA
9. UTB

REMAINING IN PUBLIC SECTOR

REMAINING (26)

1. BTD
2. CEET
3. CET
4. CNSS
5. EDITOGO
6. HOTEL KARA
7. HOTEL DE LA PAIX
8. HOTEL DU LAC
9. HOTEL DU 2 FEVRIER
10. HOTEL SARAKAWA
11. LONATO
12. LNBTP
13. ODEF
14. ONAF
15. OPAT
16. OPTT
17. OTP
18. PAL
19. RNET
20. SALT
21. SITO
22. SNI
23. SOTOCO
24. SRCC
25. TOGO-PHARMA
26. TOGOGRAIN

New Owners/Managers

LEASED

TRADE NAME	NEW NAME	NEW MANAGERS	SECTOR
1. Complexe Sucrier	Sinto	Chinois	Sugar
2. Soprolait	Fan Milk	Emidan (Denmark)	Dairy Products
3. SNS	Société Togolaise de Siderurgie (STS)	IBCON (US)	Steel Rods

TRANSFER OF SHARES

TRADE NAME	NEW NAME	NEW OWNERS	SECTOR
1. Huileries Togoloasies	Nouvelle Industrie des Oleagineux du Togo (NIOTO)	CFDT (France), SGC (Togo) Proparco (France), Togo (Private)	Cotton Seed Oil
2. Industries Des Oleagineux du Togo	Industrie Togolaise des Plastiques (ITP)	Denmark, Germany, Holland (Private) Shell (Togo)	Plastic
3. Industrie Togolaise des Plastiques (ITP)	Complexe Petrolier de Lome (COMPEL)	Shell (Togo) Shell (UK) Togo (State)	Petroleum Products
4. Société Togolaise des Hydrocarbures	Société Togolaise et Danoise des Savons	Domo Keni Int (Denmark) Togo (private)	Soaps & Detergents
5. Sodeto	Société Togolaise de Boissons STB	Brasserie du Benin (Germany and Togo)	Carbonated Drinks
6. Société Togolaise de Boissons (STB)	Sanecom	Togo (private)	Garmet Making
7. Société de Confection (SOTCON)	La Togolaise de Commerce et Des Boutiques Hors Taxes (TC.BHT)	SGGG (Togo) & Togo (Private)	Duty Free Shops at Airports
8. Société des Boutiques Hors Taxes	Togotex International	Cha Chi Ming (Hong Kong)	Textiles
9. Industries Textiles Togolaises	Nouvelle Société Togolaise de Marbrerie	Cimtogo & Togo (state)	Marble and Bricks
10. Togotex			
11. Sototmo			

The first phase of privatization involving the leasing or sale of 30 of the 74 enterprises owned by the state or in which it has a stake was launched in 1984. Until July 1990 it had produced CFAfr5.3 billion in rents, and CFAfr9 billion in proceeds from sales. It had also generated CFAfr27 billion in investments and created 2,050 jobs, a figure which was expected to rise to 8,000 by the end of 1992.

The second phase, which was due to be launched in the second half of 1990, involved the sale of remaining SEMs, so leaving only the core group of 26 state enterprises that are to remain in state hands.

Several major enterprises including the country's steel mill and oil refinery, a dairy and two textile mills, have been acquired by or leased to local and foreign investors. (See Industry section).

7.2 Privatized companies and candidates for privatization

The following companies have been privatized:

* SNS was taken over by Ibcon in 1984.
* STH was taken over by Shell in 1985.
* SOTEXMA (agricultural equipment storage) taken over by CEMAG of France in January 1984 .
* SOPROLAIT taken over by Emidan in November 1985.
* Industrie des Oléagineux du Togo (IOTO) acquired by private French investors who bought two edible oil factories. They were to begin production in 1988.
* Industrie Togolaise de Plastiques (ITP) by Dutch and West German investors.
* Kara textile complex (TOGOTEX) and Dadja textile complex (ITT) by Cha Chi Ming in early 1990.
* Société Togolaise de Marbrerie et de Matériaux (SOTOMA). A Norwegian firm Norcem has invested in the newly restructured company.
* Ducros-Togo spice processing and packaging company is putting export production into the EPZ.
* Société Togolaise de Confection (SOTCON), bought by private Togolese investors.
* Société Togolaise des Détergents du Togo (SODETO), making soaps and detergents, bought by Domo Ken Int of Denmark and private Togolese.

Other companies for which the government is now actively seeking partners are:

* Office Togolais du Disque (OTODI), recording studios.
* Société Togolaise des Salines du Togo (SALINTO), salt production.
* Société Nationale de Transports Routiers (TOGOROUTE) with its large fleet of trucks and tractors.

* Société Togolaise de Galvanisation de Toles (SOTOTOLES) making galvanized roofing tiles.
* Baguida poultry farm (FAB).
* Agou Nyobo handicraft center (CAAN).
* National Center for Studies and Computer Processing (CENETI).
* Société Immobilière Togolaise (SITO).
* Société Togolaise de Navigation Maritime (SOTONAM).

7.3 Togotex: a privatized company

Togotex International, the textile group acquired in early 1990 by the Hong Kong group Cha Chi Ming and relaunched as an EPZ company, started life in 1981 before privatization as Compagnie Togolaise de Textiles (TOGOTEX), a Société d'Economie Mixte or joint venture. The state had 25% of its CFAfr1.8 billion capital, Boralevi 13%, Gentec (Switzerland) 20%, Renara 13%, Schippes 12%, Hatfort Corp 17% and Smiets 1%. The project was financed by CFAfr 9.45 billion raised from shareholder funds and Spanish buyer credits. The plant was built by Intex Engineering on a turnkey contract.

The principal activity of the TOGOTEX plant situated in Kara industrial zone was spinning and weaving, producing jeans, knitwear and sponge cloths. The major part of production was destined for export markets, principally in Europe, the US and Canada.

Together with Dadja textile complex (ITT) the Kara plant was put on the market for privatization in 1985, the state undertaking to keep the plants ticking over until they were sold. The estimated cost of rehabilitating the two plants was put at $30 million. France's Caisse Centrale de la Coopération Economique (CCCE) and the Banque Européenne d'Investissement (BEI) offered to put up $2.3 million for the Kara complex and $8.1 million for the Datcha complex.

Schaeffer-Texunion (France) and several US groups expressed interest in acquiring the two complexes, but it was a US South Korean firm, Penn Africa Textile Corp that was offered first option on the plants after putting in a bid early 1987. However, negotiations were protracted and stuck on financing. The Hong Kong group, Cha Chi Ming was brought in as a potential partner and when the talks finally foundered, the South Korean company signed an agreement in December 1989 to take over Sogotex and rehabilitate the two mills.

Cha Chi Ming looked at Congo and Burkina Faso before choosing Togo for its political stability. The company was already well entrenched in the region having seven textile mills in Nigeria and one in Ghana. However, it was their first sortie into Francophone West Africa. A new company Togotex International was to be formed capitalized at CFAfr1.5 billion. Part of this capital came from local shareholders but a large proportion was supplied by the World Bank's International Finance Corporation (IFC). The company plans to produce a variety of knitted and woven goods for export to the US and Europe as well as African wax print cloth for the local market. It is expected to provide employment for 5,000 people.

In signing the convention with the government to take over the mills in January 1990 the company was able to negotiate certain advantages "on an individual basis." The decision to go for EPZ status was taken because it fitted in with the company's strategy to the regional market. Although the fact that mills are situated upcountry is a handicap for exporting, the Kara plant is likely to be given EPZ status.

The main worry the company anticipates is with the ambiguous state of labor legislation and in particular the force of the Code du Travail in hiring new labor. (It should be said that the company intends to invest heavily in training, flying in experts from Hong Kong to supervise the training). Under the Code du Travail, the trial period can be as much as six months while under the Convention Collective negotiated with the relevant ministry, the terms are much more specific and favorable for employers. The trial period is a month with hourly workers on eight day renewable contracts and weekly workers on one month renewable contracts.

Labor costs are the lowest in the CFA zone. However, investors should note that a minimum level of 21.5% of salary and social security is added on top of labor, as well as other benefits such as medical expenses and a bonus of a 13th month's salary. Total fringe benefits amount to about 30% of wages, with private companies typically surpassing the statutory requirements.

7.4 Further opportunities

A number of other investments are being prepared including:

a. complex of six to seven production units for peanut butter, chocolate, tea, soups, liquid fragrances, pimento paste;
b. cassava processing unit;
c. pineapple conserve unit;
d. agro industrial development project growing tomatoes in the Savannah region;
e. soluble coffee production unit;
f. multipurpose fruit and vegetable processing unit;
g. yam processing unit;
h. pharmaceuticals products unit;
i. clay exploitation unit;
j. can making unit;
k. small electrical equipment assembly unit.

Interested investors should contact: Ministry of Industry and State Enterprises, BP 2748, Lomé. Telex 5396.

Chapter 8

Capital sources and banking services

8.1 Financial market institutions

Banking in Togo is regulated under Law of July 1965 relating to Banking and Credit. The Ministry of Finance manages the country's credit institutions under the treaties and conventions to which Togo is signatory. As a member of the West African Monetary Union (UMOA), Togo shares a common currency with the other members of the union, Benin, Burkina Faso, Ivory Coast, Mali, Niger and Senegal. The CFA franc is pegged at CFAfr50:1 French franc.

Monetary policy, determined by the Ministry of Finance, is executed by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) based in Dakar through its agency in Lomé which controls the seven commercial banks, one offshore bank, two development banks and two financial institutions based in Togo. It performs all the normal functions of a central bank, rediscounting commercial and uncovered financial positions short term and investment positions medium term. However, the refinancing of commercial banks is limited to 35%, and credit to governments is limited to 20% of the previous years fiscal receipts. The latter is an important part of the fiscal discipline that has made the CFA franc a strong currency.

Money supply
(CFAfr bn; year end)

	1984	1985	1986	1987	1988	1989c
Currency in circulation	36.99	39.21	46.02	48.27	23.20	22.23
Demand deposits[a]	53.67	43.48	43.63	42.77	41.16	41.53
Money[b]	90.69	82.74	89.67	91.04	64.38	63.48
% change	9.2	-8.8	8.4	1.5	-29.3	-1.4
Money & quasi money	136.08	143.20	165.49	163.81	144.31	144.08
% change	15.6	5.2	15.6	-1.0	-11.96	-0.2

[a] including post office deposits: [b] some totals do not add due to rounding: [c] at end September

A commission made up of representatives of member states with advisers from the Banque de France meets regularly to set interest rates and monetary targets, including the allocation of credit to particular member countries where national commissions set credit ceilings that, in the past, have tended to favor the public sector.

8.2 Monetary reform of the UMOA

Because of the economic problems of most of the member states and the need to conserve liquidity, the basic discount rate, historically high, was hiked in November 1989 to a record 11%. This raised the cost of borrowing in Togo, mid August 1990, to 16%-18%. As there are no local money market instruments to regulate imbalances within member states of the union - each state holds discrete accounts with the Banque de France - and interest rate structures are rigid, the high discount rate has discouraged credit circulation in Togo.

However, largely because of a huge capital outflow from the BCEAO, amounting to some $500 million per year in the late 1980s, the monetary system is being reformed. The preferential discount rate was abolished in October 1989, as a first step to having the BCEAO cease intervening directly in the money market and limiting its involvement to regulating interest rates. This should allow an independent money market to develop, if as is planned, interbank lending is encouraged. Commercial banks are being encouraged to put their balance sheets in order by getting rid of the large quantities of non-performing public sector debt that they were forced to take onto their books by the administrative system of credit allocation. They are also being recapitalized with reduced government shareholdings in them. Credit ceilings for particular sectors are being lifted and a new Banking Supervisory Commission is to audit banks in the Franc Zone every 18 months.

International liquidity
($ mn; year end)

	1984	1985	1986	1987	1988	1989
Foreign exchange	201.1	296.3	331.8	354.5	231.7	283.3
SDRs	2.0	0.1	0.6	0.1	0.1	1.7
IMF reserve position	0.2	0.2	0.36	0.3	0.3	0.3
Total reserves excl gold	203.3	296.69	332.7	354.9	232.1	285.3
Gold[a]	3.3	3.2	3.9	4.6	4.1	5.6[b]

[a] Valued at 75% of the fourth quarter London price.
[b] At end September 1989.

Source: IMF, *International Financial Statistics.*

8.3 Will the CFA franc be devalued?

Given the major divergence in economic development and performance between member states of the UMOA, the IMF and the World Bank have been urging France to abandon underwriting the CFA franc. However, this is unlikely, since it would amount to a severe curtailment of French influence in Africa. The IMF and the World Bank are also arguing for a significant devaluation of the CFA franc, by as much as 50%. This has become particularly pressing since the Ivory Coast, which accounts for around 60% of the UMOA's financial activity, has experienced financial difficulties.

Because of high interest rates, dictated by the need to stem capital flows from the Ivory Coast and Senegal, rather than Togo, the banking system through the 1980s and 1990 was very liquid.

This was bad for an economy teetering on the verge of recession working to stimulate not only industrial investment but an entrepreneurial attitude to risk in the financial sector. With interest rates so high, corporate lending in most cases was not worth the risk for Togo's corporate lenders, and borrowing has been unattractive to companies. This has kept liquidity in the banking system.

The arguments in favor of devaluation are that it would immediately cut labor costs significantly which because of the strong CFA franc are not competitive with trading competitors outside the franc zone; it would stimulate trade, particularly with Nigeria which has been very depressed since the naira was devalued; and the inflationary effects on the domestic economy would be a good tonic to revive economic activity. However, at present, with devaluation discussed but not implemented, fears of devaluation have added to capital outflows, by making depositors convert into French francs (which they can freely do under the rules of the zone) in order to avoid devaluation of their deposits.

8.4 The domestic banking scene

The Ministry of Finance relies on the following institutions to manage the country's banking and financial system. They are:

* National Council of Credit whose job is to study all aspects of economic development that affect credit policy and advise the government.

* Banking Committee (Comité des Banques et Etablissements Financiers) which is charged with overseeing banks and financial establishments.

BCEAO has a consultative and technical role. It is also an executor of government policy, and monitoring banking activities on the instructions of the Banking Committee.

Banks must have a minimum paid up capital of CFAfr 50 million and financial establishments CFAfr 10 million which must be more than a certain percentage - 8% in the case of commercial banks and 12% development banks - of all on and off balance sheet liabilities.

Banks are also required to have a reserve requirement of 15% unless their reserves equal or are greater than their paid up capital. Banks may acquire shareholdings providing their total value is no more than its working capital and no one investment exceeds 15% of working capital. Short term commitments may not exceed 75% of liquid assets.

The BCEAO supervises the banking system and rediscounts bills. Short term rediscounting is provided for trade bills and uncovered positions and medium term rediscounting for investment credits. Interest rates are determined by Togo's membership of the UMOA.

In line with the UMOA reforms the government intends to adopt a more flexible interest rate policy and there is even a suggestion that it issue T Bonds to soak up excess liquidity, so helping to improve Togo's external credit rating. Much of the excess liquidity comes from speculative flows: foreigners with business interests in Togo holding non-resident accounts and other ECOWAS nationals, particularly Nigerians, moving funds into convertible CFA francs.

All seven commercial banks operating in Togo have foreign participation. Three major banks, each roughly the same size account for two-thirds of all banking activity. They are:

Union Togolaise de Banque (UTB) has CFAfr 600 million capital; government share 35%, Crédit Lyonnais 35%, Deutsche Bank 18% and Banca Commerciale Italiana 12%.

Banque Togolaise pour le Commerce et l'Industrie (BTCI), formerly Banque Nationale de Paris' agency in Lomé before nationalization in 1974, has CFAfr 300 million capital of which 35% is held by Togolese interests, 32% by BNP and 33% by SFOM.

BIAO-Togo is 60% owned by Banque Internationale pour l'Afrique Occidental (Paris) and 40% by Togolese interests. In order to rationalize its West African operation, BNP is selling its stake in BIAO to consolidate and strengthen its involvement in UTB.

The other four commercial banks:

Banque Commerciale du Ghana has a capital of CFAfr 118 million and is a 100% subsidiary of Ghana Commercial Bank.

Banque Arabe Libyenne Togolaise pour le Commerce Extérieur was created in 1975 with a capital of CFAfr 500 million equally shared between Togo and the Libyan Arab Foreign Bank. It has recently had financing problems.

Bank of Credit and Commerce International a 100% affiliate of BCCI is now controlled by the state Abu Dhabi. It is particularly strong in specialized commercial banking.

Ecobank-Togo is a 100% affiliate of Ecobank Transnational Inc (ETI - see below). Incorporated in March 1988, it was the first of a chain of West African locally established commercial banks - in Benin, Ivory Coast, Ghana, Nigeria - which make up the network of the region's first truly indigenous bank.

The decision to set up ETI was approved by the heads of state of ECOWAS in November 1984 and the bank was established in Lomé in November 1985 with an authorized capital of $100 million (of which $50 million has been called and $33 million has been paid). The ECOWAS Fund for Cooperation, Compensation and Development has a 10% stake in the venture and some 1,000 individuals and institutions from the ECOWAS states own the remaining 90%, although participation is not limited to ECOWAS nationals.

It is the region's first private international financial institution and was inspired by West African private sector interests led by the West African Federation of Chambers of Commerce wanting to make a contribution to regional development.

Its aims are to:

* promote the growth and improvement of indigenous banking and financial services through ECOWAS countries;

* mobilize and promote productive investment from within and without the subregion;

* promote the development of inter-regional trade and trade between the region and the outside world.

The bank intends to offer the whole range of corporate banking facilities from providing prime guarantees to technical assistance in the preparation, financing and implementation of projects. Its management is Citibank trained.

8.5 The development banks

Banque Togolaise de Développement (BTD), Togo's national development bank, was created in 1967 with a capital of CFAfr 400 million. The government has a 60% stake, France's Caisse Centrale de la Coopération Economique (CCCE), 20% and BCEAO, 5% while the "big three" commercial banks, BIAO, BTCI and UTB each have 5%.

BTD is expected to play a more aggressive role in industrial development. Up till now around 33% of its CFAfr 9 billion loans have been in real estate and only 20-30% in industry and artisan activities with around 20% in construction materials. The bank is currently being revamped and new foreign funding is being actively sought.

Société Nationale d'Investissement et Fonds Annexes (SNI), the state owned national investment bank was established in 1971 to provide subsidized loans to Togolese controlled enterprises. It has a capital of CFAfr 500 million and raises funds by competing with the local banks for domestic deposits. Insurance companies are also required to place 50% of their resources with the SNI.

SNI manages the following subsidiary funds:

* Fonds National d'Investissement (FNI) is financed by an 0.5% levy on business turnover which can be drawn down within two years as investment capital after which it becomes a state obligation bearing interest redeemable after 30 years. Its principal function is to encourage the development of PMEs (small and medium sized enterprises) by offering them subsidized loans.

* Fonds de Garantie de Crédits aux Entreprises Togolaises, guarantees loans to Togolese controlled PME that have difficulty in raising collateral at the same time providing interest rate relief. This facility which provides an 80% guarantee on loans has hardly been used.

* Fonds d'Amortissement de la Dette Publique which is charged with managing Togo's external debt.

It is debatable whether SNI is an effective agent to promote industrial development. It inherited a portfolio of failed public enterprises, around 75% of investments are in industry and mines. However, it has virtually no new industrial investments in recent years. Of the CFAfr 597 million in loans extended by SNI in 1986 nearly half (49%) were to real estate and only 28% to industry and mines. Total investments in 1989 amounted to CFAfr 2 billion and revenues CFAfr 40 million - only 0.5% of the sums advanced.

Caisse Nationale de Crédit Agricole, the state owned agricultural credit agency founded in 1977 with capital of CFAfr333 million, has been wound up after being declared insolvent. A new agricultural credit system is being set up to replace it.

8.6 Financial establishments

Société Togolaise de Crédit Automobile. Private sector foreign capital and the Taw

International Leasing Corp established since 1972 under US law provide specialist financial services.

8.7 Financing imports

The Treasury finances imports if a company is able to provide a summary declaration under the guarantee "soumission cautionée" of a local bank. There are two types of credit:

- Collection credit: is open to certain enterprises to permit them to pick up their merchandise without waiting for customs clearance against a bank guarantee. Dues are paid eight days after the arrival from customs of the collection bulletin at the Treasury's customs desk.

- Duties credit: this functions after the expiry of the collection credit and provides 120 day credit at 7%.

The aim of these credits is to enable commercial and industrial companies that depend on imported materials to maintain regular stocks. In fact only those companies that have influence with the commercial banks can avail themselves of these facilities. Although the Treasury supplies the credits, the commercial banks decide, in the light of their own dispositions, who is going to benefit from them.

8.8 Credit availability

The commercial banks are sometimes criticized for thinking too short term and not sufficiently of project financing. This is a legacy of Togo's strong trading tradition. Many of the major private sector players operate outside or on the fringes of the banking system, especially the so called "Mama Benz" who organizes the wholesales and informal trade with the interior and across the border. Corporate lending is not very developed and its progress has been strongly inhibited by high real interest rates.

There are also murmurs that the banking system, dominated by the French banks and particularly Crédit Lyonnais and BNP through their shareholdings in the "big three" which account for nearly 70% of all short and medium term credit in local currency and 60% of balance sheet operations, is too conservative. One French businessman trying to establish a joint venture bemoaned the absence of US style corporate banking.

On the other hand the banks counter, there are very few viable projects around to support. The lack of reliable market information because of rudimentary accounting is another hindrance. However, the major problem facing local banks is the lack of enforceable guarantees. Most guarantees are taken out on real estate which if occupied is virtually impossible to reclaim. The setting up of a mutual society to provide PMEs with guarantees is being considered in the longer term.

Commercial banks account for over 80% of credit activity, and that is overwhelmingly with the private sector. There has consequently been very little use made of the "obligations cautionnées" or state commercial credits guaranteed by the Fonds de Garantie. This may have helped conserve state resources, but it also reflects the low level of activity in state enterprises.

8.9 Bank credits

Short term credit is generally provided by commercial banks for financing trade etc. Maximum duration is two years.

Medium term credit is provided by commercial and development banks. Maximum duration is five years. However, for members of the UMOA, the BCEAO provides productive investment credits of up to seven years. When the borrower has the backing of the FGCET, the national credit guarantee agency, BCEAO takes a quota of up to 80% of the total credit provided.

Long term credit provided by the development banks are normally for seven years but the BCEAO can extend it to ten years.

8.10 Foreign exchange availability

Foreign exchange availability is not a problem because of the CFA franc's convertibility.

However, although transfer of funds can be easily arranged through any of Lomé's commercial banks, formal authorization is required for transfers outside the franc zone. EPZ operations will be able to remit funds - capital, funds and running expenses - freely without controls of any kind.

Chapter 9

Labor

9.1 The labor force

The total labor force in mid 1987 was estimated at 1.26 million. According to a recent unofficial study 73% of the workforce is in agriculture, 5% in banking services and formal industry and 22% in the informal sector. About 100,000 seasonal workers travel to Ghana each year and around 2,000 expatriate Europeans work in Togo.

A 1981 World Bank Study estimated that the labor force would grow by about 300,000 between 1981 and 1985. Total job creation in the same period was estimated to be 200,000 projecting a 2.3 growth rate in the informal sector and a 2.8% growth pattern in the modern sector. This would create an excess supply of approximately 100,000 young people seeking jobs. The situation since then has not changed much and unemployment in Togo is officially estimated at 25% with underemployment substantially higher.

Although unskilled labor is readily available in Togo, semi-skilled, technical and managerial labor is not easily available. A number of workers with higher skills come from Ghana in search of higher wages and better opportunities, and the Ivory Coast's current financial problems should produce a stream of people with qualifications in banking and services. Togo's graduates of higher education, on the other hand, have tended to look for work in neighboring countries where salaries are higher.

In the early stages of EPZ development, however, the vast majority of workers sought by the user industries are unskilled. The creation of an EPZ industry will offer more opportunities and many emigrant Togolese are expected to return once jobs requiring higher skills become available.

The Labor Code in its current form is restrictive and not favorable to the stimulation of industry. There is a provision in the Labor Code that all hiring has to be done through the Service de Main d'Oeuvre at the Ministry of Labor. The service operates as a clearing house for all employment in the country. Firms that have an opening cannot hire on their own, they must notify the Service which will then refer workers for the opening. This is reported to be a major impediment to the proper conduct of business and can be a costly provision, as firms cannot hire on their own even if the Service has no appropriate referrals. However, EPZ companies are allowed to hire and fire employees as they choose, provided that the majority of permanent employees are Togolese.

9.2 Wages and Prices

Minimum wage rates in Togo for unskilled, common labor and for semi-skilled labor are US$52.15 and US$58.88 per month, respectively. These rates compare moderately favorably to other CFA countries and are slightly less than those in Kenya where the minimum wage ranges from US$54 to US$80 per month for unskilled and semiskilled workers respectively and the Far East and Caribbean Basin. Togo's wage rates are higher, however, than those of Madagascar ($23 - $30), to take an example of a non-CFA country considering a free zone program.

Salary levels
(CFAfr)

Group	Category	Level	Monthly salary
Workers & employees	1	-	16.688
	2	a	19.816
		b	20.806
		c	22.537
	3	a	24.405
		b	25.624
		c	27.530
	4	a	29.551
		b	30.996
		c	34.017
	5	a	37.225
		b	39.087
		c	41.307
	6	a	43.635
		b	45.816
		c	52.222
	7	a	59.328
		b	62.294
		c	65.409
Supervisors	8	a	74.569
		b	78.297
		c	88.521
	9	a	97.401
		b	102.271
		c	108.640
Managers	10	a	115.763
		b	121.551
		c	137.157
	11	a	158.641
		b	166.573
		c	174.902
Senior managers	outside classification		

A charge of 18.1% of the salary should be added for social security

Fringe benefits in Togo are relatively high, but this is comparable to other Francophone countries.

Unit cost rates
(U.S. Dollars)

DIRECT LABOR	
Basic Labor: US$ Wage/Hour	$0.39
Skilled Labor: US$ Wage/Hour	$0.68
Fringe Benefits: % of US$ Wage/Hour	29%
Gross Man-Hours Available/Week	40
Gross Man-Hours Available/Year	2,080
Net Direct Labor Hours Worked/Year	1,920
Productivity: %	65%
MANPOWER OVERHEAD	
General Manager: US$ Salary/Year	$100,000
Expatriate Assistant Manager	$80,000
Prod./Quality Manager: US$ Salary/Year	$75,000
Finance Director: US$ Salary/Year	$4,630
Sales Director: US$ Salary/Year	$4,630
Engineer: US$ Salary/Year	$4,050
Production Supervisors: US$ Salary/Year	$2,150
Account Assistant: US$ Salary/Year	$2,050
Assistant Engineer: US$ Salary/Year	$2,150
Shipping Foreman: US$ Salary/Year	$1,400
Administrative Staff: US$ Salary/Year	$970
Misc. Labor: US$ Salary/Year	$750
Fringe Benefits: % of US$ Salary/Year	29%
NON-MANPOWER OVERHEAD	
Building Rental: US$/Sq.M./Year	$36.00
Electricity: US$/KWH	$0.11
Water: US$/M3	$0.67
Telecommunications: US$/Minute	$4.69
SHIPPING	
Ocean Freight: US$/40' Cnt	$2,100
Air Freight: US$/kg	$1.56

There are two consumer price indices, the African index reflecting the cost of living for an African family resident in Lomé is virtually unchanged since 1986, mainly because the strength of the CFAfr has kept down the price of imports.

Consumer prices: annual average, Lomé

	1983	1984	1985	1986	1987	1988*
African index (1963=100)	429.0	413.8	406.3	423.1	423.3	426.8
% change	9.4	-3.5	-1.8	4.1	-	0.8
European index (May 1961=100)	372.9	396.9	412.7	437.6	436.9	429.1
% change	5.8	6.4	4.0	6.0	-0.2	-1.8

* estimates
Source: BCEAO

The European index tended to rise slightly faster until the mid 1980s. However, both indices are based on consumption patterns in the 1960s and underestimate the true rise in the cost living, due to rising housing costs as urbanisation has proceeded.

Chapter 10

Taxation

The tax regime is based on the French system but has had many changes over the years to accommodate Togo's own particular needs. It is governed by a tax code (Code des Impôts). The droit commune (common code) covers personal and corporation tax. Régimes dérogatoires cover the special codes such as the Investment Law.

10.1 Personal Taxation

Everyone earning more than CFAfr 180,000 a year is liable to income tax - Impôt sur le revenue des personnes physiques (IRPP). Taxable income is estimated on the sum of all revenues net of allowable expenses in any one year, accruing to the individual in Togo[1]. Taxpayers are required to make a declaration by 31 March on their earnings for the preceding year.

All non salaried professionals pay a graded rate on net revenues. The rate starts at 10.5% on CFAfr 181,000 and rises to a maximum 55% on CFAfr 12 million and over. In general payment is by provisional deposit based on the previous year's trading. Non salaried professionals are liable to the Minimum Inclusive Tax (IMR). As with corporations, this tax may be subsumed into the income tax liability if this is greater, and payment is by instalment three times a year.

Income tax rates for salaried staff are shown in the table below. Tax is paid monthly. Taxable income is defined as the salary net of allowances. Salaried staff are given a 10% allowance on their gross salary after employer deductions for social insurance etc. and a further 15% allowance on the balance up to CFAfr 8 million a year after which it falls to 5%.

[1] The sole points of reference when determining the liability for tax on repatriated revenues is their provenance and the fiscal domicile of the taxpayer.

Income tax rates
(CFAfr)

Income from	to	Tax rate %
0	180,000	0
181,000	250,000	10
251,000	400,000	14
401,000	600,000	18
601,000	1,000,000	22
1,001,000	2,500,000	30
2,501,000	5,000,000	35
5,001,000	7,500,000	40
7,500,000	10,000,000	45
10,001,000	12,000,000	50
12,001,000	and over	55

10.2 Corporate Taxation

The main company tax is the corporation tax (Impôt sur les Sociétés-IS). This is 40% and is paid in three equal instalments on the approved accounts for the previous year's trading.

In addition, companies are liable to the Minimum Inclusive Tax (IMF) amounting to 1.5% of the previous year's turnover. However, this tax is subsumed into IS if the corporation tax liability is greater. Its collection is identical. It is not, in any case, payable by companies in the first year of operation.

The other major corporate tax liability is a 7% Payroll Tax (Impôt sur les Salaires) which is payable for all employees.

It should be noted that company cars are taxed separately at an annual rate of CFAfr 50,000 for a car of 6-16CV and CFAfr 100,000 or over. However, this liability is deductible before corporation tax.

10.3 Real Estate Taxes

Land Tax on developed property is in sum 21% of the survey rent. This sum is apportioned as follows:

4% representing the real estate value

2% the value of furnishings
12% rental value of the building and the fixtures and fittings
3% goes in taxes to the Prefecture and the Commune.

The tax on undeveloped property is 2% of its notional value. An additional tax of 1% is imposed on urban property that is undeveloped but has building permission.

10.4 Indirect Taxes

The main indirect tax is the Turnover Tax (Taxe Générale sur les Affaires - TGA). Individuals and companies are responsible for collecting the tax.

Rates are dependent on activity. The standard rate is 2% on the value of all products and merchandise before tax and duties. However manufacturing and construction pay 10%, services 12% and hotels and restaurants etc. 14%. The TGA and the import tax are being merged into a Value Added Tax as part of IMF inspired reforms.

In addition there is a local sales tax of 6% on all products and merchandise except for primary materials, products and agents for manufacturing so long as these are not for the production of goods on which TGA is liable.

Chapter 11

Political Outlook

11.1 Political stability

Togo has a remarkably stable political environment. General Gnassingbé Eyadéma who has been in power since 1967 is now one of the longest serving heads of state in Africa. Power is highly concentrated in his hands as he is also Minister of Defense and head of the armed forces. Polls called to endorse government policies or the appointment of candidates invariably attract over 95% approval ratings making them a formality. Despite the lack of pluralism the government has been able to command a wide degree of political respect if only because of the fact that it is the only government that most Togolese can remember.

The main internal difficulties stem from tribal affiliations. President Eyadéma is from the north; Togo's first president Sylvanus Olympio was from the south. This has created tensions as when, in 1986, dissident elements from the Ewé tribes, which were separated when Togoland was partitioned, staged an abortive coup employing British mercenaries, allegedly with Ghanaian backing. There have been other attempted coups and periodic outbreaks of anti-government leafletting in Lomé, which lies in the Ewé part of the country.

In general however, the presidents strong insistence on promoting civilian government and the countervailing force of his northern roots against the economically richer and more active south have set the frame for Togo's remarkable stability.

The government has addressed the agitation for greater openness and pluralism by establishing:

* Africa's first independent Human Rights Commission. Togo has ratified the Africa Charter of Human Rights sponsored by the OAU.

* consultation of the people by the ruling party, the Rassemblement du Peuple Togolais, as to how the party leadership should change.

Although the absence of an institutionalized political opposition must *a priori* make it more difficult for the government machine to be responsive to shifts in public opinion, the single party system in Togo has been an effective way of fusing tribal traditions in the organizational requirements of a modern state.

However, the government is sensitive to the winds of change sweeping sub Saharan Africa. The Interior Minister said in February 1990 prior to the March general elections to the National Assembly: "the democratization process that has been started is irreversible", and the government accepts that the ruling party has to be subordinate to the law, and that pluralism of opinion and a free press are allowed. Nevertheless, the transition to greater pluralism will be a challenge to the political system.

11.2 External relations

Given the longevity of General Eyadéma's rule, Togo has gained a preeminent position in regional politics belying its modest size. President Eyadéma must be largely credited with rebuilding regional relations after the Biafran war of the late 1960s. President Eyadéma's close friendship with General Gowon did not preclude good relations with his successors. Indeed, his offer of asylum to Gowon in 1975 helped the process of reconciliation. Togo has mediated in a number of other regional disputes, riding changes of government and ideology and sustaining good relations with both parties in conflict. For instance it recognized the MPLA in Angola without upsetting Zaire, and maintains good relations with Morocco while strongly supporting Polisario. Togo played an important part in helping to settle the Chad dispute with Libya.

Togo was a founding member in 1975 of the 16 nation Economic Community of West African States (ECOWAS), the regional grouping dedicated to establishing a regional common market. The Community's Fund for Cooperation, Compensation and Development is based in Lomé. It is a member with observer status of the Communauté Economique de l'Afrique de l'Ouest (CEAO), the francophone counterpart to ECOWAS. It is also a member of the Union Monétaire Ouest Africaine, the francophone West African currency union, which it joined in 1963, one year after foundation.

However, strained relations with Ghana remain the greatest foreign policy concern. Although they have improved since 1987, Ghana's alleged involvement in the abortive coup of October 1986 led to Togo closing the border for nine months.

Relations with the West are dominated by Togo's intimate contacts with the old colonial power, France: through language, cultural exchanges, aid, the West African currency union and a defense treaty. However, Togo is trying to expand relations with other Western countries. Ties with West Germany have been traditionally strong and links with the EC are maintained through Togo's membership of the African and Caribbean States (ACP) under the Lomé Convention. However, a significant development of the 1980s has been Togo's warming relationship with the US, which was crowned by President Eyadéma's trip to the US in August 1990.

11.3 Colonial history

Togo gained independence in 1960. It was previously French Togoland, which formed part of a mandated territory administered by the French and the British.

In pre-colonial times the region that came to be known as Togo, the name of a lake near Lomé, had contact for several centuries with the West, principally through the slave trade. (Pre-colonial links with South America whence many of the slaves were shipped are still maintained today.) With the suppression of the slave trade in the early 1850s the interest in Togo became more political as "the scramble for Africa" by the European powers began in earnest. The Germans staked their claim to the region and signed a treaty with regional chiefs in 1884 which established the German protectorate of Togoland.

The German occupation did much for Togoland in establishing an infrastructure, sound administration and the plantation economy. However, after Germany's defeat in the First World War, Togoland became mandated territory under the 1919 Versailles settlement. The UK assumed responsibility for the western section - about one third of Togoland - which was administered as part of the Gold Coast, and France the remainder.

The de facto partition of the country was formalized through a UN supervised referendum in 1956 that decided that the British administered section should be incorporated into the Gold Coast which a year later became the independent state of Ghana. Partition created problems between the two nascent nations in splitting the Ewé tribes.

11.4 Post independence history

The immediate post independence era was turbulent and marked by fierce competition between the country's two preeminent politicians, Sylvanus Olympio and Nicolas Grunitzky. Olympio became Togo's first president, but in January 1963 was shot and killed in murky circumstances, prompting an army intervention. His rival Grunitzky succeeded him but was himself overthrown in January 1967. The army's intervention this time put an end to plural politics. In April 1967 Colonel Etienne Eyadéma came to power. In late 1969 he founded the national party Rassemblement du Peuple Togolais. Confirmed as president in 1972 he has been reelected twice since on seven year terms.

The Third Republic, promulgated after a referendum, approved a new constitution in December 1979. It has the hallmarks of a single party state: an elected president with wide executive powers who heads the party and the armed forces.

The political structure is hierarchical. At the base, village committees elect delegates to a political structure that provides regional committees. These committees run local government. The country is divided into five regions, 21 districts and 9 subdistricts. The regional committees sit, together with special interest groups such as the trade unions, specialized committees, the armed forces, central committee, politburo and members of the government on the National Council, the party's most "sovereign" policy making standing committee. The Congress, the grass roots party organization, is only convened occasionally to discuss constitutional changes and nominate the presidential candidate. On it sits the National Council and regional delegates.

The executive consists of the Central Committee which includes the Politburo, government members and elected representatives from the congress which has to sanction major policy changes and is thus the supreme executive. However, the key political decisions are taken by the Politburo, presided over by the president.

The National Assembly meets only occasionally. It's principal function is to enact laws proposed by the Council of Ministers and to act as a political sounding board. It has 77 members elected from party members on universal suffrage for five year terms. The last elections were in February 1990.

Chapter 12

Operating Environment

12.1 Price Controls

Ordinance No 17 of April 1967 abolished price controls. However, Decree No 06/MCT/DCIPC of February 1990 empowers the Direction of Internal Commerce for Prices (DCIPC) at the Ministry of Transport to control profit margins.

There are two systems:

Regime A - A supervised system (régime de la liberté surveillé) where the price of products have to be notified to the DCIPC before sale.

Regime B - A system of indirect control (régime du contrôle surveillé) where a price banding system is operated. This system applies to certain imported or locally produced foods and consumer products. The bands vary between 15%-25% for basic staples like sugar, flour, rice, milk and vegetable oil to 20-35% for items such as household goods and appliances, to 50%-60% for clothes, tools and spare parts.

Some products, essentially staple products and domestic appliances, must have their prices approved before sale under Regime A.

12.2 Rules on Foreigners Owning Land

Foreign nationals may not own land except if given by the special dispensation of a Presidential decree. These are granted only occasionally.

Foreign companies invariably lease sites usually from the government. In this case leases are usually granted for 25 years renewable in all for 99 years. Foreign companies are free, however, to negotiate land lets or leases with the private sector.

12.3 Industrial Protection

Industrial protection has not yet really been tested in Lomé. Patent protection and licensing provisions are based on French law. The African Organization for Industrial Protection (OAPI) an adjunct to the Ministry of Industry and State Enterprises is charged to keeping registers of patents and trademarks. It can advise companies having made an industrial protection application, on how long patents are valid.

Chapter 13

Infrastructure

13.1 Roads

Togo has 2,250 miles of paved and 700 miles of unpaved roads, with the most important paved roads being the North-South road from Lomé to the Burkina Faso border (410 miles) and the coastal road linking Ghana to Benin (35 miles). While the paved roads are generally in good condition, unpaved roads in the bush are often frequently unusable in the rainy season. Projects funded by the World Bank and the EC will further ameliorate and expand the existing road network.

The road network is an important economic asset, particularly for traffic plying the road from Lomé Port to the landlocked interior. There is a dynamic trucking industry which has developed to serve this traffic.

13.2 Air Transport

Togo possesses two international airports in Lomé and Niamtougou in the north. Only the Lomé International Airport is effectively in use. It is served by several international carriers including Air Afrique, UTA, KLM, and Sabena as well as other African national airlines. There is no direct service between the US and Togo, however, there are nine flights per week to European destinations. A recent agreement with Air Zambia envisages a direct airlink with New York.

There are no regular scheduled cargo flights in and out of Togo; air freight is handled by the passenger planes that all have mixed passenger/cargo capacity. The combined cargo capacity of all flights per week is over 120 tons which should be enough in the early stages of EPZ operations, depending, however, on how much of the available space is currently used by existing traffic. This fact needs to be investigated in order to determine the adequacy of freight service availability. The reported cost of air freight at US$7.5 per kg to Paris and US$7.64 to US$10.89 to New York, depending on quantity, seems high and needs to be verified. If costs are indeed this high, this could be a major deterrent for light manufacturing operations in Togo by companies using air freight for their shipments. Comparable air freight cost from Mauritius to Paris, for example, are approximately US$2.75 per kg and from Madagascar, which is currently considering an EPZ program, to Paris only US$1.23 per kg.

13.3 Maritime Transport

The port of Lomé is one of the most efficient and safest in West Africa. Port facilities are good and the equipment available for loading and unloading is modern and well maintained. The port has 4 general cargo berths with an admitted draught of 30 feet and a terminal for container vessels with 35 feet draught in 2 berths of 725 feet length, making it a deep-water port accessible to most ocean going vessels.

In 1988, the port handled 1,109 ships that unloaded 1,985,720 tons of goods and loaded 288,030 tons before departing. Since most ships leave Togo virtually empty, cargo space for exports is readily available and should not pose a problem for EPZ firms exporting to Europe or the United States.

Cargo rates from Togo to the US and Europe are very competitive at US$2,005 per 20 feet container to New York or Baltimore in the U.S. and US$1,150 per 20 feet to Western Europe. As a reference, a 20 feet container from the Caribbean/Central American region to Miami costs anywhere from $1,000 to $2,000 depending on the country of origin.

The Free Zone warehouse in Lomé Port is primarily used for transhipment of goods destined for Burkina, Niger and Mali. The Free Trade Zone is administered by the Port Authority for the Port of Lomé and allows for the unloading, transshipping, and storing of imported goods without the payment of Togolese customs duties.

Lomé Port has the reputation for being one of the safest ports in West Africa: pilferage and theft are rare. Customs procedures are handled through a large customs office in the port. Officially it should take no more than 48 hours to clear goods through customs. However, users report it can take much longer.

13.4 Electric Power

Togo is still highly dependent on Ghana for its power needs, despite the commissioning in 1987 of the Nangbéto hydroelectric dam in central Togo on the Mono river. The dam produces 150 million kW annually shared by Togo and Benin, co-owners of the plant. Generally, power is very reliable, even in the dry season. Due to the fact that Togo has to import a large share of its power needs from neighboring Ghana, the cost of electricity is very high.

13.5 Telecommunications

Telecommunications from Togo to the US and Europe are excellent by regional standards. There is direct dial service to over seventy countries including the US, Canada, South America, Japan, Europe, and most South-East Asian countries. The cost of a call to the

United States at $4.80 per minute and $2.70 per minute to France is about average for the region.

The telephone network has nearly reached capacity. However, a few spare lines are available. The World Bank and the European Investment Bank are currently funding a telecommunications project that will modernize the system and increase its capacity in the first phase, and build a satellite earth station in the second. The project is expected to be completed within two years. Several telecommunications firms including GTE and COMSAT are actively bidding on the project.

13.6 Energy and water

Super grade gas costs CFAFr200/litre, ordinary grade is CFAfr195/litre, gas oil is CFAfr175/litre, paraffin oil is CFAfr130/litre

Electricity rates vary from CFAfr53/kWh to CFAfr48/kWh for those using more than 200kWh. Lower rates are available in certain circumstances for offpeak consumption. Studies are underway to have the tariff for industrial users lowered. Free Zone companies are being offered energy at cost plus 20%.

Water is charged at CFAfr230/m^3 for those using more than 30m^3 a month.

Installation of telephone and fax each cost CFAfr143,320 with monthly rent of CFAfr2[illegible]50. Telexes cost CFAfr353,056 to install and monthly rent is CFAfr93,320.

13.7 Living conditions

Lomé is arguably the most attractive place in West Africa for an expatriate to be posted. The weather is equable and because of a quirk of geography it does not suffer from heavy rains in the rainy season. The infrastructure is good, telephones etc. work, and because Lomé is small there are no problems with mobility. There are no problems either in finding imported goods and schooling for children is good, there being a number of French run lycées, an American and a British school.

Perhaps the most important factor, however, is Lomé's excellent security record. It is a relatively crime free city which means expatriates and their families can move around with no fear for their safety.

For further information the following should be consulted:
Guide de l'Investissement prepared by the Centre Togolais des Investisseurs, Avenue Georges Pompidou, BP 360, Lomé. Tel 21.35.92. Telex 5023chamcon and Fax 21.47.36

Chambre de Commerce d'Agriculture et d'Industrie du Togo Conseil National du Patronat Togolais Groupement Togolais des Petits et Moyens Entreprises

Appendices

Appendix One

THE EXPORT PROCESSING ZONES LAW I

National Assembly: Law N° 89-14, September 1989

PREAMBLE

This law aims at promoting the expansion of export-oriented industrial activity in Togo by guaranteeing companies operating under this system the most conducive conditions for their competitiveness.

The law is an instrument for the promotion of economic development in as much as it enhances investment in the industrial sector, provides opportunities for the creation of permanent jobs locally, and makes it possible for the country's industrial sector to acquire new forms of technology and technical skills as well as to boost exports.

1. GENERAL PROVISIONS

Article 1 : This law shall establish, within the national territory, Export Processing Zone developed and managed by private, public or para-statal entities.

Article 2 : The objective assigned to the Export Processing Zone shall be to provide a favorable investment climate for export-oriented industries and services by encouraging the use of local manpower resources.

Article 3 : Export Processing Zone status may be granted to physically identified, fenced and isolated zones.

Article 4 : Export Processing Zone status may also be granted on an individual basis to any export-oriented company duly registered in Togo, irrespective of this location in the country.

Article 5 : Export Processing Zones shall be established by decree passed at a Cabinet meeting following a joint proposal by the Ministers of Industry Planning and Finance.

Article 6 : Government owned land may be leased out by the "Société d'Administration des Zones Franches de Transformation pour l'exposition, described in Article 7 hereunder, with conditions to be defined by a joint decision of the Ministers of Industry and Finance.

2. ADMINISTRATION OF EXPORT PROCESSING ZONES

Article 7 : The Administration of the Export Processing Zones shall be entrusted to a joint state and private company called "Société d'Administration des Zones Franches" placed under the authority of the Minister of Industry. The Board of Directors of this company shall be composed of nine members, three of whom shall represent the state and six the private sector. Decisions of the Board of Directors shall be reached by simple majority.

This company shall be responsible for :

- identifying and mapping the zones ;
- seeking developers for the zones ;
- building the basic infrastructure to the perimeter of the zones ;
- performing administrative formalities for the developers of the zones and zone companies ;
- coordinating the various zones ;
- examining and processing applications.

The company is not empowered to create or manage a Free Zone.

Article 8 : The public services necessary for the functioning of Export Processing Zones, especially the Customs Department and the Police Service, shall have permanent offices in the zone. Personnel assigned to these offices shall be placed under the authority of their respective administration :

Article 9 : Companies which have been granted Export Processing Zone status but which are not physically established in a zone per se must similarly accommodate the Togolese Customs Department.

3. FRAMEWORK FOR EXPORT-ORIENTED COMPANIES

CHAPTER 1 : CONDITIONS OF ELIGIBILITY

Article 10 : Companies falling into one or more of the following categories may be authorized to establish within the Export Processing Zone or enjoy Export Processing Zone status:

- labor-intensive companies;
- advanced technology companies;
- companies with local raw material base;
- export-oriented companies engaged in international sub-contracting;
- companies producing inputs for the above-mentioned entitles;
- service companies such as insurance companies, banks, industrial hard-ware maintenance companies, support service companies, shipping companies, or any companies who activities complement and facilitate those of export-oriented companies.

Export Processing Zone developers, private, public or para-statal entities, individuals and companies responsible for attracting companies into the zones which they created and provided with the necessary infrastructure, shall also enjoy Export Processing Zone status.

International trading companies, brokerage companies, and companies engaged in warehousing, packing, and reconditioning of goods shall be precluded from enjoying the benefits provided for under this scheme.

However, companies for which warehousing is an integral part of their industrial activities shall enjoy all the benefits of this law.

Article 11 : In order to be eligible for the benefits of an Export Processing Zone or to establish an Export Processing Zone, companies must fulfil the following conditions:

- guarantee to export all of their production subject to the provisions of article 28:
- reserve permanent jobs for Togolese nationals on a priority basis.

Article 12 : Within the framework of the development of the zones, foreign companies providing complementary services to the developers of the zones shall be entitled to all the benefits granted to the developers. However, service companies may establish themselves in Togo only after obtaining a service contract signed by Government approved developers.

Article 13 : An industrial company initially established in Togolese customs territory may submit a request to be granted Export Processing Zone status, if during the previous three years, 75 % of its sales were exports.

CHAPTER 2 : COMPANIES' OBLIGATIONS

Article 14 : Companies which apply for the benefits provided for under this law must be incorporated or registered in the Togolese Republic and operate an accounting system which will enable them to comply with legal provisions and regulations as well as existing business practices.

All these formalities must be accomplished before the authorization is confirmed.

Article 15 : The "Société d'Administration des Zones Franches" shall collect from each company in the Free Zone an annual fee to be paid into a fund for the enhancement of the efficiency of public services and financing of vocational training.

Firms which have been granted individual Export Processing Zone status shall be subject to the same fee.

A decree shall establish the modalities for the enforcement of these provisions, by category of company.

CHAPTER 3 : PROCEDURE FOR GRANTING APPROVAL

Article 16 : In order to obtain authorization to operate under the Export Processing Zone system , a firm shall submit an application on a form issued by the Societe d'Administration des Zones franches.

Article 17 : The completed application form shall be examined by a Standing Committee for the Approval of Export Oriented Companies. This Standing Committee shall be composed of 5 members of the Board of Directors of the Société d'Administration including the 3 Directors representing the State.

The chief executive of the Société d'Administration shall be the Secretary of the Standing Committee.

Article 18 : An Export Company Certificate shall be issued to companies selected to receive Export Processing Zone status by decision of the Minister of Industry upon proposal by the Société d'Administration within a period of 2 business days from the date of application. However, a 30-day period will enable the competent authorities to check on the background of the applicant and the company, after which approval shall be confirmed or withdrawn, by decision of the Minister of Industry.

CHAPTER 4 : NATURE OF BENEFITS

Article 19 : Companies which have been granted Export Processing Zone status shall enjoy the following customs benefit:

* exemption from import duty, general business tax and statistical tax on plant and equipment, including office furniture, spare parts, raw materials, semi-finished products and consumable products necessary for the installation and operation of the company ;
* 50 % reduction of the above duties and taxes on commercial vehicles ;
* exemption from all duties and taxes at the time of exportation of goods initially imported into or manufactured within the Industrial Free Zone.

Article 20 : Companies granted Export Processing Zone status shall enjoy the following tax benefits :

* 0 % company income tax rate for the first 10 years and 15 % rate from the 11th year following the date of approval of the company ;
* reduced rate of 2 % on salaries during the company's entire life span ;
* dividend tax exemption during the first ten years for non-national share-holders ;

* General Business Tax (TGA) exemption on work executed and services rendered for the company enjoying Export Processing Zone status.

Article 21 : Companies established in the Export Processing Zone or enjoying Export Processing Zone status :

- shall be exempted from all duties, levies and taxes which are not expressly mentioned in Article 19 and 20 above ;
- shall be free to determine prices, profit margins and rents of transactions between companies in the Export Processing Zone or between Zone companies and foreign markets ;
- may procure goods and secure services from the firm or company of their choice;
- shall enjoy a preferential rate on port services ;
- shall be free to employ and dismiss Togolese or expatriate personnel subject to the provisions of Article 11 ;
- may acquire their own telecommunications network such as satellite earth stations and microwave systems ;
- shall enjoy preferential rates from the Post and Telecommunications corporation of Togo (OPTT);
- shall be free to produce power for their exclusive consumption and pay preferential rates for power provided by the public utilities.

Article 22 : Under this law, authorization shall be given :

- to companies in the Export Processing Zone to transfer capital to countries outside the Franc Zone in order to undertake their investment and commercial transactions ;
- to their expatriate employees, shareholders and non-national creditors to transfer funds to companies outside the Franc Zone ;
- to companies for the right to have foreign currency accounts.

Article 23 : Companies exporting goods and or services shall, on confirmation of the approval by the Ministry of Industry be granted all the benefits set forth in this law and shall be exempted from obtaining any other authorization and license regardless of the nationality of the firm or the nationalities of owners.

4. COMMERCIAL REGIME

Article 24 : Import and export transactions shall be made under the supervision of the Customs Department. Goods meant for the companies in an Export Processing Zone shall be directly and immediately conveyed to the appropriate zone to be cleared at a single customs post.

Article 25 : All types of goods may be allowed into the zone subject to any justifiable prohibition, especially on the grounds of public morality, public order and security as well as the protection of the health and life of persons and animals or the conversation of the ecosystem.

Article 26 : Companies which have been granted Export Processing Zone status may be authorized on exceptional cases to sell a maximum of 20 % of production on the Togolese Customs territory by a joint decree of the Ministers of Finance, Industry, and Commerce.

In these cases Customs duties and taxes shall be payable on the finished product offered for sale within the national Customs territory according to the existing Customs tariff.

Article 27 : Sales made to companies enjoying Export Processing Zone status by companies established within the Customs territory shall be considered as exports under Customs regulations.

5. PROVISIONS GOVERNING ACCESS TO THE EXPORT PROCESSING ZONE

Article 28 : Police duties and the maintenance of order shall be carried out by personnel of the Togolese Police Service according to the rules and regulations in force and by the zone's own security personnel.

Article 29 : No person shall be authorized to reside in an Export Processing Zone. No commercial activity shall be authorized in an Export Processing Zone other than to serve the needs of companies and employees located in the Zone. Only service companies approved under the provisions of Article 10 may undertake activities in the zone.

Article 30 : Access to the Export Processing Zone shall be restricted to duly authorized persons and vehicles.

6. FINAL PROVISIONS

Article 31 : Without prejudice to the specific provisions of the Togolese Environment Code, any individual or company offending the provisions of Article 25 and 29 paragraph 2 hereunder shall be liable to a jail term of 2 to 12 months and a fine of CFAfr 100,000 to 2 million, or only one of these two penalties.

Any individual or firm contravening the provisions of Article 29 paragraph 1 and Article 30 hereunder shall be liable to the penalties provided for under Article 34 of the Togolese Penal Code.

any individual or company which in an application, declaration or document submitted in order to benefit from the provisions of this law makes a false declaration shall be liable to a jail term of two months to twelve months and a fine of F CFA 100,000 to 2 million, or only one of these two penalties.

Any individual or company shall deliberately use or attempt to use a false or misleading document or account shall be liable to the same penalties set forth in the preceding paragraph.

Any company which infringes the provisions of Article 11, 14, 18 and 26 of this law shall be issued with a warning by the Société d'Administration des Zones Franches to be eventually followed by the withdrawal of the certificate and closure of the company.

Article 32 : Any commercial dispute which might arise among investors or between investors and developers or between developers and the Société d'Administration des Zones Franches in respect to the rights and obligations of the various parties shall be settled amicably. Failing this, the dispute shall be referred to the court of arbitration of the Chamber of Commerce, Agriculture and Industry of Togo. In case of disagreement, the conflict shall be referred to the International Court for the settlement of Investment Disputes or the Paris Chamber of Commerce for final settlement.

Article 33 : Texts setting forth the measures for the enforcement of this law shall be prepared, giving detailed information on the provisions of the law.

Article 34 : This law shall be published in the Official Gazette of the Togolese Republic and enforced as State Law.

Done in Lomé, on this 16th Day of September 1989.

Général GNASSINGBE EYADEMA

Appendix Two

THE EXPORT PROCESSING ZONES LAW II

Decree N° 90-40 relating to Law no. 89-14 governing the status of export processing zones
September 1989

CHAPTER I - GENERAL PROVISIONS

Article 1 : This decree specifies the provisions of the law which governs the status of export processing zones.

Article 2 : According to this decree of following definitions shall apply :

- export processing zone (also termed industrial free zone or EPZ) : a zone that is physically defined, enclosed, planned, which can contain industrial buildings and that is equipped with services and infrastructure and is made available to Free Zone Companies ;
- zone developer : a physical or legal entity, that has planned and developed a parcel of land from his or its property or that which has been leased and operates the land as an Industrial Free Zone after having received authorization from the competent authorities ;
- free zone corporation : a licensed corporation under the free zone regime which is established inside a free zone such as the one defined above ;
- single-factory free zone : a licensed corporation that has been granted Export Processing Zone status and which has not been established inside a defined free zone ;
- utility vehicles : automotive transportation vehicles for persons, merchandise, and buses of at least 9 seats for transportation of personnel. Tourist vehicles are excluded therefrom ;
- public sector : all public and para-public corporations ;
- private sector : any physical or legal entity which is not from the public sector ;
- bank transactions : any bank operation, especially deposits, loans borrowing, any type of credit, guarantees and securities, fund transfers, as well as all services directly or indirectly connected to these operations ;
- one-stop shop : an office charged with all administrative formalities and consular acts required for the proper establishment of a physical or legal entity which seeks EPZ status ;
- preliminary qualification : an authorization granted to the developer of zones for the purpose of starting planning work.

CHAPTER II - TOGO EXPORT PROCESSING ZONE AUTHORITY

Article 3 : The Togo EPZ Authority shall be formed by Decree as a mixed company under Togolese law, whose capital is subscribed by the government, public or para-public organizations and private physical or legal entities such as industrial and commercial corporations, service companies, especially financial institutions, insurance, maritime or aerial navigation companies, zone developers or associations such as the Chamber of Commerce and Industry.

The distribution of capital is 1/3 for the public sector and 2/3 for the private sector.

Article 4 : The Board of Directors of the Togo EPZ Authority is made up of nine (9) members, three (3) of whom come from the public sector and represent the Ministries of Economy and Finance, of Industry and State Companies and of Commerce and Transportation.

Article 5 : The length of the mandate for directors is three (3) years, and is renewable.

Article 6 : The Chairman of the Board of Directors is elected from among the directors who represent the private shareholders under a simple majority of members present and represented.

Article 7 : The Board of Directors can deliberate legally only when six Directors are present, as least two of whom represent the State and four, the private shareholders.

Article 8 : The EPZ Authority shall operate as a one-stop shop by supplying information to investors and other physical and legal entities as to the prices of establishing and operating their corporations.

The Board's responsibilities include :

- the control, inspection and supervision of the licensed zones or corporations with free zone status;
- the certification of facilities in the zones and single-factory free zones, for conforming to environmental, safety and security standards ;
- the execution of access roads and the enclosing of properties designed to accommodate free zones, the provision of basic infrastructure to zone perimeters in association with relevant organizations;

It also ensures in association with public or private sector organizations the completion of all formalities which enable :

- the proper incorporation, registration or matriculation of a corporation ;
- the securing of building permits, or of any other authorization that is directly connected with industry free zone activities ;
- the accommodation and installation of equipment and supplies ;
- the securing of residency permits for expatriate staff ;
- all other activities deemed necessary for the proper operation of industrial free zones.

Article 9 : The Togo EPZ Authority will mediate in individual and collective conflicts that occur in free zones.

Article 10 : The Permanent Committee for licensing Exporting Firms, which is incorporated within the Board of Directors of the Togo EPZ Authority, is responsible for examining and issuing a technical opinion on projects; studying petitions for selling goods and services produced by free zone corporations in the Togolese customs territory, the authorization for which is based on counsel from that Committee.

It is also responsible for :

- ensuring cooperation between public or para-public utilities, promotional bodies and the Togo EPZ Authority by facilitating the flow of information between those various organizations ;
- ensuring sound coordination of activities between the various committees that may be formed within the Togo EPZ Authority ;
- executing or ordering the execution of studies or surveys deemed necessary for the development of activities in industrial free zones, as well as for the improvement of services supplied in free zones.

Article 11 : The Togo EPZ Authority is endowed with funds that are used to :

fund its investment, training and improvement programs ;

improve the efficiency of services provided to the zones and to licensed corporations.

This fund is supplied by :

- capital provided by shareholders ;
- voluntary contributions ;
- dues levied on licensed free zone corporations ;
- resources derived from real estate transactions ;
- fees levied for services provided by the Authority ;
- financial support of the State or of any development assistance or technical and financial assistance organization ;
- all other resources that might be made available to the Togo EPZ Authority.

CHAPTER III - EPZ DEVELOPERS AND SINGLE-FACTORY FREE ZONES

Article 12 : The Togo EPZ Authority can acquire or obtain under long-term lease public or private lands and make them viable for the creation of a free zone.

Article 13 : Zone developers can propose properties that they already own, or for which they hold a right of possession for the creation of a free zone.

Article 14 : A free zone developer is granted a license as an exporting company. The developer must submit a preliminary qualification request to the Togo EPZ Authority.

This request shall include :

- information on the developer ;
- the development plans for the selected zone and the construction plans for industrial buildings and offices ;
- the separation of the various industries according to their field of activity; their negative effects and the physical and climatic constraints of the site; planned plot distribution; the access roads and water, electricity, telephone and sewage services.

The plans shall also be necessarily accompanied by:

- the nature of ground occupancy expected usage (types of occupancy or usages that are barred or subjected to special considerations);
- conditions of occupancy;
- optimal potential of land usage;
- property title or possession documents;
- means of finance;
- description of services anticipated for users of the zone;
- the timetable for the execution of initial investments;
- the maintenance program for the project.

These development plans are to be conceived on a scale of 1/1,000 and, before they are executed, they must have obtained a favorable opinion from the Togo EPZ Authority. That opinion will be supplied within 30 days of the date of filing.

Article 15 : The buildings shall abide by Togolese standards or any other international standard that is recognized by the Urban and Housing Administration.

Article 16 : The development plans and the construction projects conceived by the planners and architects must be in conformity with the relevant texts in force.

Article 17 : The preliminary qualification license is granted within thirty business days as of the date of filing.

The developer holding this license benefits from free zone status. In the event that the project is rejected for insufficient information, the applicant can submit a completed application that integrates the additional information requested; the application will be reviewed under the same deadline as specified above.
In the event of a final rejection of the application for failure to conform to licensing conditions, the applicant will be so notified.

Article 18 : The developer is given six (6) months from the date of notification of the preliminary qualification license to begin the development of the zone. After the deadline has passed, and in the absence of any acceptable justification, the license can be withdrawn.

Article 19 : The execution of zone development takes place under the control of the Togo EPZ Authority. In this regard, the developer is to send a report to the Authority every 3 months on the state of progress of the work.

Article 20 : The Togo EPZ Authority issues a certificate of compliance within 15 days of the completion of infrastructure improvements. At the same time the EPZ Authority will present a request for designation of the zone to the Ministry in charge of Industry.

Article 21 : A zone developer assumes the following obligations :

- the promotion of authorized activities in the zone, by supplying the necessary information to potential investors;
- the leasing, selling, or renting with option to buy to licensed exporting companies developed property lots, industrial facilities or buildings for the purpose of executing their production program;
- the undertaking or subcontracting of necessary amenities and installation of infrastructure and buildings that enable the proper carrying-out of activities in the zone;
- the ensuring, in conjunction with technical services or other relevant organizations, of the regular supply of water, energy, and telecommunications services for the free zone companies;
- the supplying of requisite authorizations, the ensuring of control, coordination and the management of activities in the zone under its authority, the maintenance of infrastructure (roads, water conveyance, internal pavement, electricity, telecommunications), industrial buildings, offices, merchandise loading and unloading and control stations ;
- the authorization, if needed, of the installation of firms whose activities complement those of companies present in the zone;
- the assurance that executives of free zone companies cooperate with customs and police services;
- the carrying-out of all other authorized activities to allow for the proper operation of industrial parks.

Article 22 : Single-factory free zones must submit to the Togo EPZ Authority a construction plan for its factory prior to the commencement of work.

The land occupied by a single-factory free zone shall be surrounded by an enclosure which will be at least 2.5m high and difficult to scale; the building shall be located at least three meters inside the enclosure.

Article 23 : Within a single-factory free zone, the company must set aside space where customs agents can carry out their duties.

Article 24 : Single-factory free zones must pay for the benefit of customs services to the Togo EPZ Authority, a contribution that is equal to the annual salary of a customs agent, in addition to the fee that is specified by Article 15 of the law. The amount of that contribution will be determined by a joint decree of the Minister of Economy and Finance and of the Minister in charge of Industry.

CHAPTER IV - LICENSING PROVISIONS AND PROCEDURES FOR FREE ZONE CORPORATIONS

Article 25 : Any request for EPZ status is submitted on an application form drawn up by the Togo EPZ Authority.

Article 26 : Five copies of the request proposal are filed with the Secretariat of the Togo EPZ Authority which issues the filing receipt to the applicant.

The proposal must contain :

- the presentation of the project;
- the identification of the site;
- information on the operating company;
- banking references of the investor, the major shareholders and the parent company;
- the level of production and anticipated markets;
- the total expected investment as well as the means of finance;
- the estimated number of employees by skill level;
- projected operating budgets for 5 years.

Article 27 : The Togo EPZ Authority sends the proposal with its opinion to the Minister in charge of Industry in order to issue an interim certificate within the timetable prescribed by law.

Any proposal that is rejected on the basis of insufficient information or the absence of a required document can be resubmitted after corrective action has been taken.

Article 28 : The 30-days deadline specified in Article 18 of the law for confirmation is applicable, as of the date of issuance of the interim licensing certificate.

An export firm certificate is issued to the corporation by the Minister of Industry.

Article 29 : A free zone corporation has 6 months to initiate its activities. This deadline is renewable only once at the discretion of the Togo EPZ Authority.

The refusal to renew leads to a withdrawal of the license.

The Togo EPZ Authority is responsible for monitoring the execution on installation works. In this regard it receives from the zone corporation a report every three months on the state of progress of the work.

CHAPTER V - OBLIGATIONS OF LICENSED FREE ZONE CORPORATIONS

Article 30 : Free zone corporations and single-factory zones must comply strictly with the following obligations :

- the activity and production must be limited to what is specified in the export firm certificate;
- the storage of raw materials, spare parts, consumer products and finished products must be in facilities set up in the zones, with easy access for control;
- informing the relevant authorities present in the zone of the receipt of merchandise, for the purpose of examination and control;
- to utilize merchandise and raw materials for the sole functions defined in the exporting firm certificate;
- the completion of documents providing statistical information on the activities of the firm and placing these documents at the disposal of the Togo EPZ Authority;
- the facilitation of inspections and periodic controls by the relevant authorities.

These inspections and controls are designed to:

- protect the environment against pollution and protect industry against accidents and negative effects;
- make licensed companies abide by production programs approved by the Togo EPZ Authority;
- protect the national market against the influx of unauthorized products.

CHAPTER VI - SERVICE ENTERPRISES REGIME

Article 31 : the service firms authorized by joint decree of the concerned Ministries can conduct their activities inside free zones.

The provision of these activities are viewed as exports and as such they benefit from the exoneration of all duties and taxes set forth for those services.

CHAPTER VII - EMPLOYMENT AND MANPOWER REGIME

Article 32 : The EPZ Authority will ensure that priority is reserved for employment of equally qualified Togolese nationals.

Article 33 : The regulatory provisions pertaining to employment contracts, salary, apprenticeship contacts, hygiene and safety, savings and social obligations or corporations as well as to medical services set forth by the Labor Code apply to free zone firms.

Article 34 : The working conditions are freely negotiated between the employer and the employees provided that internationally recognized workers' rights are respected.

Article 35 : The free zone firms are not subject to the following procedures and formalities of the Labor Code:

- recruitment, individual and collective lay-off procedures and formalities;
- arbitration and settlement procedures for individual and collective labor conflicts;
- the system for classifying professional categories.

Article 36 : The employer is expected to provide the staff with a social insurance policy. The employer will document upon request from the Togo EPZ Authority the regular payment of premiums.

Article 37 : Any employment conflict that arises in a free zone firm is subjected to an amicable settlement between the parties.

If the conflict persists the aggrieved party petitions the Togo EPZ Authority in order to obtain a definitive settlement.

Article 38 : Any worker of a foreign nationality is obliged to have a work visa and a residency permit in order to regularly hold a job in a free zone firm.

The requests for work visas and residency permits are received at the one-stop shop of the Togo EPZ Authority which issues the visa and the permit to the expatriate worker.

The Togo EPZ Authority can require the applicant to supply information necessary to make the decision to grant the visa and the permit.

The Togo EPZ Authority issues the work visa and the residency permit until the end of the 5th year, after which time the number of foreign workers is limited to 20% of the total number of employees, or those in any professional category.

Article 39 : The firms that benefit from the free zone regime will supply to the Togo EPZ Authority a list that contains:

- the names, nationality, skills, positions and total remuneration of their staff.

Any amendments or changes that occur are to be provided.

CHAPTER VIII - NATURE OF THE OTHER BENEFITS

Article 40 : The preferential rates envisaged in Article 21 of the law are set by joint decrees of the relevant Ministers based on the production and distribution cost of those services, plus a margin not to exceed 20%.

Article 41 : The firms that benefit from the free zone regime as established by the law have the right to install, own and operate private telecommunications networks, including satellite antennae, switches, local networks and end equipment systems that are needed to supply international commercial channels, data and video telecommunications services to companies residing inside the zone. Private telecommunications networks can be operated by a single owner, or by several owners who are grouped into a joint venture, and used by developers and users of the zone.

However, the use of telecommunications network is limited to licensed developers and users with free zone status for intra-zone communications and international communications originating or terminating in the zone.

Article 42 : No restriction or prohibition with respect to the sale or purchase of foreign exchange applies to free zone firms.

CHAPTER IX - FOREIGN EXCHANGE CUSTOMS CLEARANCE AND PROCEDURES

Article 43 : Merchandise arriving by sea and air and earmarked for the free zone will be the subject of a separate manifest.

Article 44 : The consignee of the ship or the aircraft must draw up a manifest certificate which concerns the packages that are addressed specifically to the free zone.

Article 45 : The consignee of the ship or the aircraft must file upon arrival of the ship or aircraft the two manifests with the customs office at the point of entry.

Article 46 : Merchandise listed on the manifest certificate is sent to the free zone as soon as it is unloaded under the responsibility of the Port Authority of Lomé for maritime transport and, for air transport, the handling corporation designated for the purpose.

Article 47 : The clearance under customs occurs upon filing the manifest certificate with the Free Zone Customs Office.

Article 48 : Merchandise is unloaded directly at the facility of the addressee inside the free zone, following the completion of port formalities conducted in the zone.

Article 49 : The addressee can open the containers before the filing of the detailed declaration, with the approval of the chief of the Free Zone Customs office.

This approval can be granted according to an accelerated procedure when the addressed regularly imports the same type of merchandise, raw materials, semi-finished products or finished products.

Article 50 : All merchandise sent by ground transportation and earmarked for the free zone must be taken immediately to the Free Zone Customs office by the most direct route.

Article 51 : The operations that are conducted by single-factory free zones shall be under the control of a permanent Customs Office.

CHAPTER X - DECLARATION OF MERCHANDISE IN THE FREE ZONE

Article 52 : Any merchandise earmarked for the free zones shall be the subject of a detailed Model S 9 declaration.

Article 53 : In order to accelerate customs clearance, the Customs Administration can proceed with the physical verification of the merchandise in the factory.

Article 54 : The exoneration of duties and taxes specified in Article 19 of the law also includes the toll tax (Taxe de Péage).

Article 55 : Imported products, admitted free of duty and sold to free zone companies, are considered to be re-exports. Re-exports shall be exonerated from the special re-exports. Re-exports shall be exonerated from the special re-exporting tax.

CHAPTER XI - EXPORTS FROM THE FREE ZONE

Article 56 : Merchandise earmarked for export must be presented to the Free Zone Customs office with an export manifest for customs formalities. The Port Authority of maritime transportation, and for air transportation, the handling corporation designated to this end, are charged with the conveyance of merchandise to the point of embarkation at the Port or the airport.

With respect to all exports by ground transportation, the transporter must take the designated route which will lead to the exit border office, as specified by the Free Zone Customs office.

Article 57 : Single-factory free zones must comply with export formalities at their designated customs office.

Article 58 : The industrial firms that have settled in the free zone must account for materials, subject to verification by the Customs Administration.

CHAPTER XII - SALES TO THE NATIONAL CUSTOMS TERRITORY

Article 59 : Products obtained in the free zone from local raw materials or those from members states of ECOWAS are only subject to General Business Tax (TGA) at a rate corresponding to their category, exclusive of any other import duties and taxes on goods imported from the free zone to the national customs territory.

Article 60 : The provisions described in the previous article apply to products obtained in the free zone by the use of local or community raw materials that represent at least 60% in quantity or 40% in value of all raw materials used.

Article 61 : The products obtained from materials of which the percentage is less than 60% in quantity or 40% in value of all raw materials used are assessed for duty at the rate for finished products of that tariff classification, and not at that of constituent materials.

The value to be taken into account for taxation is the cost of production.

Those products are subject to all duties and taxes in force in the customs territory.

Article 62 : Products that are sold from the national customs territory for the use of free zone companies benefit from the reimbursement of duties and taxes paid when the amount of duties and taxes is at least CFAfr 100,000. An export declaration is also required to that end.

The reimbursement provisions are determined by a decree of the Minister of Economy and Finance.

Article 63 : When the authorization set forth in Article 26 of the law is obtained, the free zone firm must establish an arrangement with a non-free zone corporation that is duly set up in the customs territory to sell merchandise produced in the free zone to Togolese consumers.

Article 64 : If the import authorization is granted for a product which is also manufactured by an industry present in the customs territory, the import of that product from the free zone shall be subject to duties and taxes specified in the official rate structure of customs, plus an adjustment rate set by the inter-ministerial decree which grants the import authorization.

CHAPTER XIII - CUSTOMS AND FISCAL REGIME FOR SINGLE-FACTORY FREE ZONES

Article 65 : Single-factory free zones are assigned to a fully empowered customs office designated by the General Customs Administrator.

Conveyance and placement under customs take place according to regular procedures. The Customs Administration can require that the merchandise by escorted from the customs clearance office to the factory.

Article 66 : No firm benefitting from a preferential regime can lay claim to exonerations specified in regards to corporate and dividend taxes beyond a period of ten years as of the date of granting the initial benefits.

Article 67 : New firms which arise from dissolution, merger or break-up of companies that have benefitted from free zones incentives are subject from the time of their creation to the tax on corporations at the rate of 15% from the 11th year on.

Article 68 : The dividends which are distributed by a free zone company are exempt from income tax of physical persons during the first ten years, when the beneficiary is not Togolese.

CHAPTER XIV - SUBCONTRACTING REGIME

Article 69 : Production by firms set up in the customs territory for the use of industrial companies in the free zone are deemed to be exports. They are exempt from the General Business Tax (TGA).

Article 70 : The firms that are set up in the customs territory and which work for free zone companies benefit immediately from temporary admission of their raw materials, semi-finished products or finished products. Entry of the finished product into the free zone shall be viewed as a re-export and shall service to satisfy temporary admission procedures.

Article 71 : When firms in the customs territory use raw materials or semi-finished products already cleared through customs for production of a good for export to the free zone, drawback benefits as specified in Articles 146 and 147 of the customs Code will apply. The reimbursement procedures are defined by Decree of the Minister of Economy and Finance.

CHAPTER XV - FINAL PROVISIONS

Article 72 : The Ministers of Planning and Mining, of Industry and State Companies, of Economy and Finance, of Commerce and Transportation, of the Interior and Security, of Labor and Public Service, of Equipment and of Postal Services, of the Environment and Tourism, of National Education and Scientific Research and Technical and Vocational Instruction are charged according to each one's purview, with the execution of this decree which shall be published in the official gazette of the Togolese Republic.

Lomé, 4 April, 1990
Général GNASSINGBE EYADEMA

Appendix Three

THE INVESTMENT CODE

PRESENTATION NOTE

The Investment Code as we know is an instrument for the promotion of investment particularly in the production and processing sector.

It is a legal, fiscal, and financial act through which the State undertakes to forego, during a determined period, some of its prerogatives in order to enable national or foreign investors to establish and undertake their activities under favourable economic conditions.

Introduced since 1965 into Togo's economic system, the Investment Code has been subject to revisions or modifications aimed at adapting it to the exigences of prevailing economic conditions.

Act 89-22 of October 31 1989 defining the Investment Code which we have the honour to hereby present to you is no longer a revision nor a modification of the previous code. It is a new framework for investment promotion. For this reason, the present Investment Code includes important innovations which in some cases constitute a complete break between the old and the new one.

Unlike the previous Code which is presented in two documents one dealing with the national small-and medium-scale enterprises, and the other with the major enterprises the new Investment code is embodied in a single document which applies only to private enterprises duly established in Togo. The system of classifying the authorised enterprises according to regimes has also been discontinued.

OBJECTIVES OF THE INVESTMENT CODE

The main objectives of this Code are to encourage export-oriented investments, increase the employment of Togolese nations, promote the establishment of Togolese small-and-medium-scale enterprises and develop local resources.

The Code encourages the private sector to play a dominant role in economic production. It has been prepared, taking into account the new customs tariff and the Law defining the Free Zone Status.

The new Code is based on the granting of incentives according to performances. Under this type of incentive scheme, the range of benefits granted will automatically be commensurate with the extent to which set economic objectives have been achieved. In other words, the enterprises will henceforth merit the benefits to be enjoyed by gearing themselves towards the appropriate activities. This is an improvement, compared with the previous Codes under which benefits were granted without adequately taking into account the effective contribution of enterprises towards the attainment of national objectives. In addition, the automatic provision of incentives on the basis of performance reduces the volume of administrative resources to be allocated for examining the investments before approval as well as their monitoring thereafter.

INNOVATIONS REGARDING THE MEANS AND PROCEDURE

In order to achieve the main objectives, this Investment Code introduces several innovations designed to address the problems inherent in the previous Codes. These innovations deal with incentives ensuring an efficient and a real encouragement of enterprises on the one hand, and the authorization procedure which ensures an expeditious processing of applications and a prompt satisfaction of investors.

INCENTIVES

* Implementation assistance: this assistance is limited to units which develop local raw materials and decentralised enterprises;

* Assistance for the creation of jobs with the possibility of reducing the taxable balance by 50% of the aggregate salary paid to Togolese nationals;

* Decentralisation incentive with exemption from the TGA on equipment, services, works and fuel:

* Export incentive with the granting of full rights under the temporary admission framework of the drawback regime on imported raw materials and produce and the reduction of corporate taxes and the IMF according to exports.

Furthermore, the export benefits (reduction of taxable profit, temporary admission and/or drawback) also apply to existing enterprises even if they do not present an expansion program. The authorization granted the enterprise to operate under the Investment Code will however be required to ensure that it is within an eligible sector of activity.

In addition to these new incentives, several other benefits in the previous code have been included in the new one.

AUTHORIZATION PROCEDURES

In the bid to satisfy investors promptly and efficiently, the authorization procedures have been simplified.

The presentation of the application form has been simplified by being limited to precise information which could be easily processed by the National Investment Commission.

The number of the members of the National Investment Commission has been reduced to include only the technical departments resulting not only in the reduction of documents to be submitted by the applicant but also a reduction in the expenses to be incurred in the examining and processing of applications.

The promptness with which the application forms are processed, a maximum of 30 days from the date of submission of the application within which the authorization Decision or Decree will be made known instead of 3 to 6 months for the previous codes.

BENEFICIARIES UNDER THE CODE

The new Code provides a wider but a more specific scope for operation. In addition to the industrial, agricultural and handicraft activities towards which it is traditionally geared, the present Code covers other activities such as social housing programs tourism, hotel management, applied research laboratories and industrial plant maintenance.

Finally, the Code's provisions are applicable not only to new investments but also to activities involving the expansion of existing investments provided that the expansion program amounts to at least 50% of the cost price of fixed assets.

National and foreign economic operators, by foregoing some of its fiscal and parafiscal duties through the multiple benefits granted under the Investment Code, the Togolese State intends to revive the country's economic activities through the enthusiasm with which you will participate in undertaking the productive investments in the major sectors of activity defined in and governed by the Code.

THE INVESTMENT CODE

Law N° 89-22

I : PRELIMINARY PROVISIONS

Article 1 :
This Act aims at promoting the expansion of economic activity in the Togolese Republic by stimulating investment. The Act's main objectives are to foster the processing of local raw materials, boost exports and labour-intensive-investments, decentralize economic activities, and promote national small-and medium-scale enterprises. The Act applies to enterprises duly registered in Togo (excluding Togolese Public Enterprises) which are engaged in an activity authorised under the conditions spelt out in title III hereunder. The Act defines the guarantees and benefits granted in respect of investments undertaken by these enterprises as well as their obligations.

II : GENERAL GUARANTEES

Exchange Control

Article 2 :
With regard to exchange control, non-resident individuals or firms which invest in an authorized enterprise in the Togolese Republic shall be entitled to, in conformity with the provisions of Article 11 of this Act, the transfer of any type of revenue earned on the capital invested or the proceeds of the liquidation or disposal of the enterprise.

The authorised enterprise may also conduct transfers to non-resident individuals or firms in the course of normal and current payments for supplies and services.

Liberty of Management

Article 3 :
In accordance with the laws and regulations in force, any duly authorized enterprise established in the Togolese Republic shall be at liberty to choose its suppliers and formulate its production, marketing and employment policy and in general, undertake all managerial activities in accordance with trade regulations and practices.

Guarantee for Foreign Investments

Article 4 :
Authorization granted under this Code shall amount to an authorization for the investment to enjoy all the guarantees provided for in Article 15 of the Treaty establishing the Multilateral Investments Guarantee Agency, ratified by Togo under Act N° 87-24 of December 22, 1987.

Article 5 :
Disputes between the Togolese Republic and a foreign individual or firm relating to the validity, interpretation, and enforcement of the text authorizing the enjoyment of a benefit provided for in title III hereunder or the non-fulfilment of the obligations contained therein or the guarantees specified herein which might nog have been settled amicably shall be settled finally through a conciliation and arbitration procedure emanating:

- either from agreements or treaties on investment protection concluded between the Togolese Republic and the State of which the individual or firm concerned is a national;

- or from a conciliation and an arbitration procedure to which the parties concerned expressly assent;

or from March 18, 1965 Agreement establishing the International Centre for the Settlement of Investment Disputes (ICSID) between States and nationals of other States under the aegis of the International Bank of Reconstruction and Development ratified by the Togolese Republic through Decree N° 32 of July 24, 1967.

Foreign individuals or firms participating in the capital and management of the company incorporated in Togo may refer to ICSID the disputes highlighted in Paragraph 1 of this article between the local company and the Togolese Republic. The consent of the parties to CIRDI's competence as required by the latter's governing instruments is with regard to the Togolese Republic, by this Article while the interested party shall do the same in its application for authorization .

III : GENERAL PROVISIONS

Eligible Sectors of Activity

Article 6 :
Enterprises engaged in or wishing to undertake an activity in one of the following sectors may be entitled to the enjoyment of the benefits provided in the herein.

1. Eligible sectors for any enterprise:

   a) agricultural, livestock, fisheries and forestry activities as well as plant and animal products processing;
   b) industrial production or processing activities;
   c) minerals prospection, extraction or processing;
   d) low-cost and social welfare housing schemes;
   e) tourism infrastructure and hotel facilities construction and operation;
   f) storage of unprocessed food and agricultural products;
   g) applied research laboratories;
   h) socio-cultural activities.

2. Sectors eligible for national small and medium scale enterprises as defined in Article 25 include:

   a) industrial plant maintenance;
   b) conditioning of unprocessed goods;
   c) productive handicraft.

The list of activities defined by this article as eligible for the enjoyment of privileges and guarantees under the Investment Code may be reviewed by a decision of the Minister of Planning upon the advice of the National Investment Commission.

Conditions Governing the Investment Program

Article 7 :
Any enterprise referred to in Article 1 above which presents a program offering satisfactory financial and technical guarantees and which seeks either to establish a new enterprise or expand an existing one in the sectors referred to in Article 6 above, may be authorised to enjoy the benefits provided for herein.

Article 8 :
The investment program presented shall include:

an investment of not less than CFAfr 25 million, exclusive of working capital and taxes. National small-and medium-scale enterprises are exempt from this provision as stipulated in Article 25;

- financial from the enterprise's own resources exclusive of working capital and taxes;

- allocation of not less than 60% of staff salary to Togolese nationals.

Article 9 :
To obtain authorization, a program aimed at expanding an existing activity must:

- involve an investment, the amount of which shall not be less than 50% of the overall value of capital. Assets listed will be those in the enterprise's accounts as of the close of the fiscal year preceding the application.

- fulfill the conditions governing the investment's financing and the employment of Togolese nationals as provided for in Article 8 above.

Obligations of Investors

Article 10 :
Enterprises that apply to receive the incentives provided for under this law must:

- use, under equal conditions of quality, price, and availability services of Togolese origin as a matter of priority;

- conform to the national or international quality standards applicable to the products and services derived from their activity;

- operate an accounting system which will enable them to conform to legal and regulatory accounting practices;

- provide all the information necessary for the enforcement and monitoring of the conditions precedent to authorization.

Procedure for Granting Approval

Article 11 :
The granting of the benefits provided for under title III of this Code shall be subject to an authorization given:

- by Decision of the Minister of Planning after concurrence of the Minister of Finance.

The Ministerial Decision providing the authorization shall be made after receiving the opinion of the National Investment Commission:

- where the investment or expansion program capital exceeds a ceiling established by Decree;

- or where this opinion required by one of the Ministries consulted during the processing of the application;

- or by Decree upon the request of the National Investment Commission and after the Cabinet's opinion on the Minister of Planning's report in case the investment program's capital exceeds the ceiling established by Decree.

Applications shall be deposited at the Directorate General of Planning and Development of the Ministry of Planning for processing.

Applications shall be accompanied by a set of documents the nature and content of which shall be specified by a Decision of the Minister of Planning.

During the processing of an application, the Directorate General of Planning and Development shall consult the Ministries of Finance, Trade and Industry as well as other relevant Ministries depending on the application.

The procedure for the authorization shall be defined by the decree specifying particularly the period within which:

- any additional information would be requested from the applicants upon the acknowledgement of receipt of the application;

- the completed application shall be processed;

- the National Investment Commission shall make its pronouncement;

- the approval decision shall be given.

Article 12 :
A commission known as the National Investment Commission shall be established to:

- make proposals or recommendations on the enforcement of the Investment Code;

- advise the Minister of Planning on applications submitted for the enjoyment of benefits under the Investment Code;

- ensure compliance by the authorised enterprises with the general and special obligations provided for under the Investment Code by establishing for this purpose any sub-committee and delegating it with the necessary powers;

- make recommendations on the penalties applicable;

- prepare an annual report for the Government on the authorised enterprises and the enforcement of the Investment Code.

The permanent secretariat of the National Investment Commission shall be provided by the Directorate General of Planning and Development of the Ministry of Planning.

The composition and operational procedures of the National Investment Commission shall be established by Decree.

Article 13 :
The text granting authorization under the Investment Code shall particularly specify:

- the aim, scope, capital, location and implementation period of the investment program;

- the benefits granted to the authorized enterprise and their duration;

- the breakdown of equipment, materials, services of works enjoying the exemptions provided for under Articles 16 and 22 hereunder;

- where applicable, the turnover amount and the total salary paid during the financial year preceding the application. These figures are necessary for calculating the benefits to be granted an exiting enterprise applying to expand its activity;

- the date of authorization should be taken into account for the granting of benefits provided for in Chapter 11 hereunder.

Penalties

Article 14 :
In case of non-compliance with the commitments made ;

1. The authorization may be suspended if within three (3) months following a written warning to the beneficiary by the Minister of Planning, no remedial step has been taken by the authorised enterprise to comply with regulations.

2. The authorization may be totally or partially withdrawn following an inquiry, if within a maximum period of six (6) months after the date of suspension of the authorization the enterprise fails to comply with regulations.

3. Where a manifest fraud of serious and deliberate omission by the enterprise in the fulfillment of its obligations has been established by the National Investment Commission upon the request of the Minister of Planning the decision to withdraw the authorization may be taken immediately and may entail a refund to the Treasury of the amount in tax and customs benefits enjoyed during the period following the authorization up to the effective date the withdrawal subject to the appeal provided for in paragraph 5 hereunder.

4. Suspension shall be pronounced by a decision of the Minister of Planning. The authorization shall be withdrawn in the same manner as it was granted. The decisions will state the reasons for the suspension or withdrawal of the authorization and set the date(s) of effectiveness.

5. The appeal against a decision withdrawing authorization, can be introduced in a relevant Togolese court or follow the arbitration procedure described in Article 5 above within 60 days of the notification of the withdrawal decision.

CHAPTER II
Nature of Benefits

Article 15 :
Any enterprise referred to in Article 1 of this Code fulfilling the conditions spelt out in articles 7 to 10 above and authorised in conformity with the procedure defined in Article 11 shall enjoy the benefits provided for herein.

Article 16 :
Any enterprise referred to in Article 6.1 a, c, f, which processes locally produced plants, or animals, raw materials or mineral ores, or which is established in Zones II and III referred to in Article 21 shall enjoy, during the investment's implementation phase, exemptions from import duty and the general business tax (TGA) on materials and equipment imported solely to undertake authorized activities.

Enterprises shall be considered processors of local raw materials when their locally produced raw materials and intermediate products comprise 60 of the total value of raw materials and intermediate products purchased for the manufacture of the product.

The exemption can neither be applied to operational equipment except special machinery (87-03-87-07 of the Official Customs Tariff), nor building materials.

The implementation phase extends for the period specified in the authorization beginning on the date of authorization specified, and shall not exceed three (3) years.

The materials and equipment eligible for exemption under this article can only be transferred, lent cost-free, or in return for a payment, following the payment of duties and taxes as specified by the common tariff law in force on the basis of their residual value.

Operating Assistance

Article 17 :
Authorized enterprises are exempt from the minimum lump sum tax (IMF) for those of:

- three fiscal years following the commencement of activity for any authorized enterprise;

- five fiscal years following the commencement of activity for small-and medium-scale enterprises as defined in Article 25;

- seven fiscal years following the commencement of activity for enterprises processing locally-produced plants, animals, and raw materials, or mineral ores.

For the purpose of this Code, and where the exact date of commencement has not been indicated, the financial year covered by the first balance sheet shall be considered as the year operations began.

Export Incentives

Article 18 :
Authorized enterprises engaged in exports shall enjoy the following benefits :

1. Exemption from the portion of the calculation of the corporation tax, and an exemption from the turnover quota for the calculation of the IMF for each financial year; this being equal to the proportion of export turnover recorded during the financial year in relation to the enterprise's overall TGA-free turnover. This exemption however, shall not apply when the enterprise's export quota exceeds 75% overall turnover. The exemption shall apply each fiscal year that the authorized enterprise engages in exports in perpetuity.

2. Granting of full rights:
   a) under the temporary admission framework provided for by Articles 142 b to 145 of the Customs Code;
   b) under the drawback framework (refunding of duties) provided for by article 147 of the Customs Code in respect of imported raw materials and goods to be used as inputs in the manufacture of export products and subject to the fulfillment of the conditions provided for by customs regulations.

Incentives for the Creation of Jobs

Article 19 :
Any authorized enterprise shall be entitled to enjoy, during the period specified in Article 24, a reduced salary tax at the rate of 2% on the remunerations paid to the employees of Togolese nationality.

Article 20 :
Any authorized enterprises shall, during the period specified in Article 24, be entitled to an incentive for creating jobs. This incentive shall be equal to 50% of the total annual salary paid to its permanent employees of Togolese nationality which will be used as the basis for calculating staff salary tax. The

amount thus calculated shall be deductible from the taxable balance of the financial year during which the salaries were paid. Any excess amount which cannot be deducted from the taxable profit shall constitute a fiscal deficit to be carried forward in the manner provided for by the General Tax Code.

Decentralization Incentives

Article 21 :
For the purposes of granting benefits according to the region in which the authorized enterprise is located, the Togolese territory has been divided into the following zones :

Zone I : City of Lomé and the Prefecture of Golfe ;

Zone II : Martime Region (excluding Zone I) and the Plateau Region ;

Zone III : Central Region, Kara Region and the Savanna Region.

The division of the Regions into the above zones may be modified by the Minister of Planning upon the request of the National Investment Commission.

Enterprises shall be deemed as established in the decentralization zone if at least 90% of their staff is working in the zone under the authorized investment or expansion program.

Article 22 :
Authorized enterprises established in Zones II and III shall, in addition to the installation assistance provided for in Article 16, enjoy an exemption from the turnover tax on services and works contributing directly to the implementation of their investment program.

Article 23 :
Authorized enterprises established in Zones II and III shall enjoy an exemption from the fiscal duty and the TGA on fuel (gas oil and fuel oil) used in their fixed installations within a fixed annual quota and for the duration specified in Article 24.

Article 24 :
The benefits described in Articles 19 and 20 shall apply;

- Up to the close of the fifth fiscal year following the commencement of activity with regard to enterprises established in Zone I;

- Up to the close of the seventh fiscal year following the commencement of activity with regard to enterprises established in Zone II;

- Up to the close of twelfth fiscal year following the commencement of activity with regard to enterprises established in Zone III.

Benefits Granted to National Small-and Medium-Scale Enterprises

Article 25 :
For the purposes of this Code, the following shall be considered small-and medium-scale enterprises ;

1. Individual Togolese entrepreneurs whose investment program amounts to over five (5) million and under twenty five (25) million CFA francs exclusive of working capital and taxes ;

2. Enterprises organised in the form of a trading company with an investment program amounting to over five (5) million CFA francs and under two hundred (200) million CFA francs exclusive of taxes

and working capital ;

a) undertake their activity in one of the sectors specified in Article 6.1 in which Togolese nationals hold a majority of the capital holding and a determining management power; or

b) undertake their activity in one of the sectors specified in Article 6.2 and the total capital of which is held by individuals of Togolese nationality or firms wholly-owned by Togolese nationals.

Article 26 :
The establishment of an authorized small and medium scale enterprise in the form of a trading company fulfilling the conditions of Article 25.2 as well as the conditions governing the capital increase of such a company may be entitled to receive a reduced registration fee during the installation period.

As such the deeds certifying the establishment and capital increase of the company shall be subjected to the fixed rule applicable for innominate deeds as provided for by Article 538-13 of the General Tax Code instead of the proportional rule normally applicable.

Benefits Granted for the Expansion of an Existing Enterprise

Article 27 :
An authorized enterprise wishing to embark on an expansion program may enjoy;

1. An exemption from the minimum lump sum tax as provided for in Article 17, with respect to the higher turnover recorded from the close of the fiscal year in which activity commenced;

2. Exemption from the corporate taxes or the IMF as the case may be, in proportion to the export turnover recorded as stipulated in Article 18 above. This exemption shall take into account the overall volume of exports from the existing activity and the expansion program;

3. Reduced salary tax including an incentive for the creation of jobs as provided for in Articles 19 and 20 above, on the basis of the increase in the overall salary amount paid to Togolese employees, compared with the amount paid during the fiscal year preceding the application ;

4. When the expansion program is located in Zone II or III, the installation assistance provided for in Articles 16 and 23 shall correspond to the materials, equipment, services and works relating there to as well as the exemption from fuel duties and taxes as provided for in Article 23.

Application of Benefits

Article 28 :
Authorized enterprises may accumulate the benefits specified under this item upon fulfillment of the established conditions. The duration of the same type not be accumulated, the longest duration to which an enterprise is entitled shall be pre-indicated.

The granting of benefits shall cease entirely when the conditions originally agreed to are no longer fulfilled. It is however understood that national small-and medium-scale enterprises with a capital stock of over two hundred (200) million CFA francs during the authorization period shall continue to enjoy exemption from the IMF as provided for in Article 17.

No benefits granted to an authorized enterprise under an investment or expansion program shall be renewed for the same program.

IV : FINAL PROVISIONS

Article 29 :
Any provisions contrary to this Act, and particularly the provisions of Act 85.03 for the Investment Code and the Act 85.02 for the Togolese Enterprises Charter of January 29, 1985 as well as their enforcement texts, shall be abrogated subject to their transitional enforcement as provided for in Article 30 hereunder.

Article 30 :
Enterprises enjoying the benefits provided for under Acts 85.02 and 85.03 referred to above, or the previous texts abrogated by these laws, shall remain governed by the aforementioned laws until the legal duration of their benefits expire. This provision includes agreements concluded within a three-month period of this Act's promulgation.

The transitional provisions on the reduction of customs duties and taxes are set forth in Article 8 of the Official Tariff Reform Act.

In addition to the possibility of obtaining an authorization to expand its activity, any existing export-oriented firm which undertakes its activity in one of the sectors referred to in Article 6 may apply to enjoy the benefits provided for in Article 18.1 of this Code.

Existing export-oriented firms enjoying further benefits provided for under Act 85.02 or 85.03 may not enjoy the benefits spelt out in Article 18.1 of this Code, unless they renounce the framework established by the said acts or agreement.

Article 31 :
Decrees setting forth, as needed, the enforcement modalities of this Act shall be prepared.

Article 32 :
This Act shall be published in the Official Gazette of the Togolese Republic and enforced as State law.

Done in Lomé on the 31st Day of October, 1989

signed

Général GNASSINGBE EYADEMA

For Distribution

Gbégnon AMEGBOH

Minister Delegate at the
Presidency of the Republic

Appendix Four

TOGOLESE CORPORATION CHARTER

Law No 85-02

Preamble : Aware of the necessity to expand the corporations promoted and managed by Togolese nationals, the Government proposes to the Togolese corporations a series of particularly favorable advantages whenever they make an investment of at least CFAfr 5 million and less than CFAfr 300 million.

In addition, the government provides:

- an efficient promotion of their activities ;
- access to markets with favorable competing conditions ;
- trimming and administrative formalities ;
- reduction of the delay to obtain approval ;
- opportunities of partnership between Togolese and foreign corporations.

The Togolese Corporation Promotion Board is created by this document. It is responsible for collecting approval for new corporations and investment approvals for existing corporations. It is also competent to know all the difficulties which may arise between Togolese Corporations (approved or not) and the State.

The Committee is responsible for proposing recommendations to the Government designed to favor the Togolese corporations in its annual report.

Thanks to its composition, with officials from the private sector as well as the public sector, it vouches for the respect of the provisions of this Charter and of freedom of enterprise.

Article 1 : Area of Application.
The advantages of this Charter are available to new corporations in which Togolese nationals own the majority of the shares and are actual managers. These corporations must meet the following requirements:

1. Make an investment of at least CFAfr 5 million and less than CFAfr 300 million. Beyond this limit, the Law No. 85-03 of 29 Jan. 1985 concerning Readjustment of Togolese Republic's Investment Code is applicable. These lower and upper investment levels may be revised by the Minister of Planning. The working capital cannot be included in the calculation of the investment, but its amount must be indicated in the request for approval.
2. To work toward the realization of economic and development objectives.
3. To guarantee that at least 70 % of their payroll will go to nationals.
4. To make sure that at least one quarter of the financing of the corporation comes from its own funds.
5. To generate a value added rate, all taxes included, equal to at least 40 % of their turnover. This rate could be revised by an order of the Minister of Planning.

The advantages of this Law are available to the following categories of corporations :

1. Agricultural, cattle raising, fishing and forestry corporations, whether or not they transform their products.
2. Corporations providing goods or services deemed necessary to the economic life of the country.
3. Arts and crafts producers.
4. Maintenance, cleaning and tourism corporations.
5. Civil engineering contractors according to the terms of Article 13 of this document.

Corporations whose main activity consists of buying products and goods to sell them without transforming them are excluded from the area of application of this Law.

Article 2 : Individuals
Individuals who seek the benefits of this Law's provisions may obtain the same advantages as those designed for the corporations, provided:

1. The investment is to CFAfr 25 million.
2. They are legally registered.
3. They are in good standing with the tax and customs authorities.

In case their investment is superior to CFAfr 25 million, these individuals should incorporate.

The collection of registration fees provided for in Article 10 will be suspended upon presentation of a temporary certificate delivered jointly by the Minister of Planning and the Minister of Economy and Finance. This temporary certificate is valid only for the activity for which the approval is requested.

As soon as the approval has been given, the future corporation is permanently exempted from the above mentioned fees, providing, however, it has initiated the normal steps toward its registration.

Article 3 : Exemption on equipment
The equipment and the machinery needed to operate the corporation, as well as the special vehicles, are exempted from the Import duty, Fiscal duty, and the Inclusive Tax Representing the Tax on Transactions during the set up period, limited to two years from the date of the notification of approval.

Commercial vehicles may be exempted up to the limited of 15 % of the total amount of this investment.

Article 4 : Exemption on Spare Parts
Spare parts specifically recognizable as belonging to a single machine or device or several machines falling within the same tariff position follow the regime applying to this machine or these machines and are exempted form the same fees during the same period starting from the actual start up of the corporation.

This provision does not apply to commercial vehicles, except special vehicles.

Article 5 : Sale of Used Equipment
Equipment and supplies which may be exempted according to the terms of Articles 2 and 3 can be disposed of, or lent free of charge, or for a fee only after payment of the duties and taxes according to the rates in force, on the basis of the residual value of these equipment and supplies.

Article 6 : Exemptions on Raw Materials
The Fiscal Entry Duty and the Inclusive Tax Representing the Tax on Transactions on Raw Materials and Consumer Goods necessary for the operation are paid off according to the following quotas :

- 0 % for the first 3 years
- 25 % for the 4th year
- 50 % for the 5th year
- 75 % for the 6th year
- 100 % for the 7th and subsequent years,

starting from the date of the notification of approval.

This exemption is limited to a list of specific products which, for each corporation, is attached to the document of approval.

The exemption is applicable only in case the raw material and consumer goods were not available in Togo.

Article 7 : Exemptions on Export duties and taxes
The products manufactured by the approved corporations are exempt from the Fiscal Export duty and the Inclusive Tax Representing the Tax on Transactions.

Article 8 : Temporary exemption from Corporate Tax, Income Tax and the Minimum Inclusive Tax
The approved corporations are granted exemption from Corporate Tax, Income Tax and Minimum Inclusive Tax on the following basis and for the following periods :

Zone I	:	(Lomé, Gulf area) : - in proportion of the profits and turnover of the first accounting period.
Zone II	:	(Marime region - except Zone I - and Plateau region) : - in proportion to the profits and gross annual sales of the first and second accounting periods.
Zone III	:	(Central region, La Kara region, Savannah region) : - in proportion to the profits and gross sales of the first five accounting periods.

These zones can be changed by an order from the Minister of Planning.

Article 9 : Payroll Tax
The Payroll Tax (Articles 171 to 178 of the Law No. 83-22 of December 30, 1983 concerning the General Tax Code) is reduced from 7 to 2 % for the first five accounting periods.

Article 10 : Registration Fees and Property Tax
- The rates of registration fees for the declarations of incorporation, of capital increase, of extension or merger of corporations, provided for in Articles 440 and 591 to 597 of the Law No 83-22 of December 30, 1983 concerning the General Tax code, are reduced by 50 %.
- The fees, when they do not CFAfr exceed 43 million, can be paid by installments spread over 3 years starting from the date of payability in the month which begins every accounting period.
- As for the property tax, provided the corporations observe the provisions in force concerning water and environment protection, no tax will be imposed on the unloading of water back into the rivers.

Article 11 : Agricultural and agri-business corporations
The approved agricultural and agri-business corporations are exempt from the Corporate Tax, the Income Tax and the Minimum Inclusive Tax. This exemption concerns the taxes calculated from the profits and turnover, in the following proportions :

In Zones I and II :

- 100 % for the first two accounting periods
- 50 % for the next two accounting periods

In Zone III :

- 100 % for the first five accounting periods
- 50 % for the next three accounting periods

Article 12 : Activity expansion
Already established corporations which meet the requirements of Article 1 may ask to be exempted from the Fiscal Import Duty and the Inclusive Tax Representing the Tax on Transactions on the equipment they need for their expansion, according to the provisions of Article 2, with the exception of any other benefit, when they make an investment of at least CFAfr 5 million.

However, they may ask to receive all the benefits for their expansions when these are subject to separate accounting than that of the main establishment, provided :

1. The investment considered is more than CFAfr 25 million.
2. The expansion itself meets the requirements of Article 1.

Article 13 : Case of Public Works Contractors and related activities
Public works and related activities corporations established in Togo at the date of this Law may get the exemption from the Fiscal Import Duty and the Inclusive Representing the Tax on Transactions on Equipment and Machinery needed for their activity :

1. When their equity is owned mainly by Togolese nationals.
2. When they actually manage the corporation.
3. When the investment is more than CFAfr 5 million.

This exemption may be requested :

1. For the equipment accepted as production equipment.
2. For special vehicles.
3. For commercial vehicles, within the limit of 30 % of the total investment.

This benefit is granted at the exclusion of any other benefit.

Article 14 : Protection of foreign minority interests in Togolese Corporations
In order to encourage joint ventures between Togolese and foreign corporations, the government of the Republic of Togo guarantees :

1. The right to transfer foreign capital having participated in financing investments in approved corporations according to Article 1 of this Law;
2. This guarantee extends to funds generated by a transfer or cessation of activities;
3. The right to transfer income from capital, profits and dividends.

These guarantees work within the framework of the currency exchange regulations and of the international agreements signed by the Republic of Togo.

Article 15 : Togolese Corporations Promotion Committee
A Togolese Corporation Promotion Committee has been created, which includes :

- The Minister of Planning or his Representative
- The Minister of Economy and Finance or his Representative
- The President of the Economic Affairs and Production Commission in the National Assembly
- The Director of General Planning
- The Director of Industry and Arts and Crafts
- Two Representatives of the Chamber of Commerce, of which one must necessarily represent small and medium sized corporations and industries
- One Representative of the Professional Association of Banks
- One Representative of the supervising Ministry concerned with the corporation's activities
- One Representative of the Togolese business leaders
- One Representative of the Bank which is financing the project
- One Representative of Togo's National Workers Federation

This Commission meets at least once every two months.

It may take on any other person whose competence it deems useful for its mission.

The secretarial work is provided by the General Direction of Planning and Development.

The project's promoter must appear in front of the Commission and present his project. He does not participate to the proceedings.

The notification of approval by an order of the Minister of Planning will be within three months from the date the complete proposal is submitted.

Article 16 : The approval is granted only once and is not renewable. However, the corporation may, in case of an expansion of activities, request the application of Articles 12 and 13 of this Law.

Article 17 : The corporations benefitting from the charter, except the ones with an Inclusive Tax regime must provide the Secretary of the Togolese Corporation Promotion Commission, as well as the Tax administration, according to the recommendations of Article 19 and 160 of the Law No. 83-22 of December 30, 1983 regarding the General Tax code, before expiration of the four months delay following the closing of their accounting period, with two copies of the following documents :

- income statement,
- profits and losses account,
- balance sheet,
- provisions and tables for depreciation and general expenses.

These documents must be certified by a Certified Public Accountant.

The corporations which are taxed according to the Inclusive Tax regime must however present a simplified document showing their turnover and the amount of their year's purchases.

In addition, they commit themselves to communicate to the appropriate authorities all the economic and statistical information that may be requested of them and accept without restriction to be subject to the administrative monitoring requirement by the pertinent regulatory provisions.

Article 18 : Approval may be revoked or withdrawn in case of non-compliance with Articles 1, 5, 11 and 17 of this Law and in case the initial program is not achieved, by an order of suspension from the Minister of Planning who notifies the corporation and the Togolese Corporation Promotion Commission.

The Corporation has a delay of 45 days after notification to correct the violation. After this deadline is past, the suspension becomes permanent.

In case of tax evasion, the suspension takes effect immediately. The corporation must in this case reimburse to the Treasury and the Customs Administration the total amount of the exemptions obtained, plus the legal penalties incurred as a result of the violation.

Article 19 : Authority of the Togolese Corporation Promotion Commission
The above mentioned Commission establishes its rules during the first session.

Periodically, it releases a report to the government, at a minimum of once a year.

This report includes in particular :

a) recommendations designed to favor Togolese Corporations as regards financial contributions, banking facilities and port and internal fiscality;
b) recommendations concerning the measures accompanying this Law;
c) an activity report.

The Commission has authority to :

- be consulted on the creation of new corporations and the expansion of existing ones;
- study requests for approval and give its advice to the Minister of Planning;
- monitor the corporations getting the benefits provided for in this Law to make sure their achievements are in keeping with the data they submitted in their request for approval;
- give its opinion on the materials and equipment intended for corporations enjoying the benefits of the present Law;
- record the date of actual start up of the corporations and inform the departments concerned;
- develop and communicate to the Government an annual report on the activities of the approved corporations;
- recommend withdrawal or revocation of the approvals to the Minister of Planning;
- have any corporation, approved or not, refer to it problems encountered as a result of this Law or because of government services, or any situation this corporation may deem harmful to its operation.

Article 20 : The provisions of this Law are not an obstacle to the granting of benefits provided for by the common legislation or regulations.

Article 21 : Previously enacted provisions which are in opposition to the provisions in this Law are abrogated.

Article 22 : This Law will be enforced as a Law of the Republic of Togo.

LOME, 29 January 1985
The President of the Republic
Général GNASSINGBE EYADEMA

Appendix Five

A.I.D. Strategy

The U.S. development objective is to help promote sustained, broad-based economic growth through an integrated strategy which combines policy dialogue, training and project assistance. The A.I.D. strategy focuses on resolving problems relating to agricultural production, rural credit, child survival and rapid population growth. This strategy is being implemented primarily through two projects: Togo Rural Institutions and Private Sector (TRIPS) and Health Sector Support for Child Survival (HSSCS). The former project, being implemented by the Cooperative for American Relief Everywhere (CARE) and the World Council of Credit Union (WOCCU), seeks to expand the participation of the private sector in technology transfer, input distribution and agricultural marketing and financial systems. The latter project aims to improve the capability of the Ministry of Health to plan, manage and coordinate the delivery of child survival services in a rational, cost-effective manner. All these activities receive support from the regional Human Resources Development Assistance (693-HRDA) project which is making a special effort to train Togolese from the private sector and to increase the number of women participants.

A major accomplishment in 1989 was the satisfaction by the Togolese government of all remaining performance conditions under the African Economic Policy Reform Program (AEPRP) related to the full liberalization of the food export trade. Also of high importance was the selection of Togo in 1989 by the Overseas Private Investment Corporation as the site for the establishment of an export processing zone.

Other Donors

A major focus of donor assistance in Togo has been economic liberalization and fiscal management. France remains the largest donor, followed by Germany. The donors are concentrating most of their assistance in the agriculture, education and health sectors. The United States is a minor donor.

FY 1991 Program

The requested $4,000,000 from the Development Fund for Africa will provide funding to continue support for the five-year Togo Rural Institute and Private Sector (TRIPS) project ($3.0 million) and to start a new Child Survival project ($500,000) which will build upon previous efforts in this and the population area. The balance of project funds will be used for training activities under the regional Human Resources Development Assistance project, Africa Training for Leadership & Skill (ATLS) and for Program Development and Support. Food commodities will continue to be provided under the P.L. 480 Title II program to support the Catholic Relief Services' maternal, child health and school feeding programs.

Appendix Six

ACRONYMS

BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BOAD	Banque Ouest Africaine de Developpement (West African Development Bank)
CEAO	Communauté Economique de l'Afrique de l'Ouest
CFA	Communauté Financière en Afrique
EC	European Community
ECOWAS	Economic Community of West African States
EPZ	Export Processing Zone
GATT	General Agreement on Tariffs and Trade
MNC	Multinational Corporation
OPAT	Office des Produits Agricoles du Togo
OTP	Office Togolais des Phosphates
SAP	Structural Adjustment Program
SMIG	Salaire Minimum Interprofessionel Garanti (Minimum salary)
TGA	Taxe Générale sur les Affaires
UOMA	Union Monétaire Ouest Africaine
TS	Taxe Statistique (Import tax)