Agricultural and industrial policies for inclusive growth in Togo

Derrick Abudu

June 2023

Abstract

Togo’s agriculture sector has witnessed some positive developments. For example, the country became self-sufficient in maize production between 2000 and 2019, spurred by changes in agricultural policies. However, development of the sector remains inhibited by low productivity growth, primarily because of limited access to agricultural input and output markets, low mechanisation, high taxation and low public expenditure on agriculture.

Togo plans to modernise the agriculture sector through the National Agricultural Investment and Food and Nutrition Security Programme 2017–2026. A major pillar of this involves attracting external investment, contributing to job creation, improving the standards of agricultural products and improving access to foreign markets. Foreign investment and firms’ participation in agro-processing are considered critical to raise agricultural productivity and expand the sector’s contribution to inclusive growth. However, unless it is carefully managed, there are risks that increased foreign participation in the sector will also lead to undesirable outcomes; these include the displacement of local farmers and the ‘crowding-out’ of domestic investment.

Therefore Togo needs to balance the approach of attracting foreign investment in agro-processing with enhancing the capacities of smallholder farmers and fostering linkages between foreign firms and local producers. A strategic approach is crucial to reap the benefits of increased foreign investment and participation within the sector and the associated modern production methods.
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Acknowledgements

The author would like to thank Jodie Keane, David Musial and Dirk Willem te Velde for their comments on earlier drafts of this paper, and Sherillyn Raga for her contributions. This study has been commissioned by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German government. The views presented are those of the author and do not necessarily represent the views of GIZ, the German government or ODI. Comments are welcome to d.abudu@odi.org.uk.

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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>APRODAT</td>
<td>Agropole Development Agency</td>
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<td>CAADP</td>
<td>Comprehensive African Agriculture Development Programme</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>FDI</td>
<td>foreign direct investment</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
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<td>IFC</td>
<td>International Financial Corporation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>MIFA</td>
<td>Agricultural Financing Incentive Mechanism</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>PNIASAN</td>
<td>National Agricultural Investment and Food and Nutrition Security Programme</td>
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<td>ProMIFA</td>
<td>Agricultural Financing Incentive Mechanism Support Project</td>
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<tr>
<td>SEZ</td>
<td>special economic zone</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>USDO</td>
<td>U.S. Department of State</td>
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<td>ZAAP</td>
<td>planned agricultural development zone</td>
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1 Introduction

Togo has exhibited robust growth in the past decade, at an annual average rate of 5.7% (2011–2019); growth has rebounded since the slowdown induced by the pandemic (1.8% in 2020, to 5.3% and 5.4% in 2021 and 2022, respectively). The agriculture sector is a cornerstone of the Togolese economy, accounting for a quarter of gross domestic product (GDP) and about 39% of total employment (World Bank, 2022). Agricultural exports (mostly unprocessed crops) comprised around one-third of Togo’s goods exports between 2015 and 2021, of which 10% was cotton.

The United Nations Conference on Trade and Development (UNCTAD) (2023) highlights Togo’s export potential in sesame seeds, cashews, phosphates, soybeans, cocoa, timber, palm oil, coffee, and vegetable fats and oils. The report further highlights that these products could be critical to the development of Togo’s agrifood value chains through the production of higher-value products and activities ancillary to production, such as packaging and labelling.

Nevertheless, agricultural labour productivity is low and stagnant, and structural transformation in the sector has been slow over the past three decades (World Bank, 2022). Low labour productivity in the sector limits Togo’s capacity to maximise its comparative advantages (e.g. fertile lands, favourable rainfall patterns, strategic location, a natural deep-water port, phosphate resources for fertilisers). This constrains the country’s participation in regional and global value chains and its ability to leverage opportunities from external demand for agricultural and food products (ibid.).

The Togolese National Development Plan (NDP) 2018–2022 recognises the potential of the agriculture sector as a driver of growth and job creation. But it also acknowledges the constraints facing agriculture, such as lack of finance, low quality of investment, low availability of technical skills, lack of control over water, difficult access to land and lack of infrastructure, among others. Specifically on the issue of private investment in agriculture, market failures, partly because of ineffective government subsidies on inputs such as fertiliser, have contributed to low private sector involvement (World Bank, 2022; UNCTAD, 2023). These constraints explain the low foreign direct investment (FDI) in the agriculture and agrifood sectors.

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1 Author’s computations based on International Monetary Fund World Economic Outlook (April 2023) data.
2 Author’s computations based on World Integrated Trade Solutions data.
except for by the Singaporean group Olam in the cotton industry (UNCTAD, 2023).

In this regard, Togo has pursued the development of agricultural growth poles (agropoles) and special economic zones (SEZs) in its NDP. Regarding agropoles, a pilot project has been launched in Kara region, entailing rational land use planning, a built-in agro-park with an electricity and fibre optic supply, water pumps, mini-drinking water supply systems, capacity-building and other equipment support (Presidency of the Republic of Togo, 2023). Increasing the productivity of the agriculture sector remains a key pillar of Togo’s latest roadmap (2020–2025) (Presidency of the Republic of Togo, nd). In the case of SEZs, the Adetikopé Industrial Platform (PIA), a 400 ha vertically integrated industrial zone, has been established as a pilot project. PIA has similar aims as agropoles, which is to ease access to land and to provide access to critical infrastructure for the expansion of agriculture and agro-processing.

Additionally, the government seeks to increase agro-processing of the country’s key crops, including cocoa, maize, rice and soyabean, to be able to export more value-added products. Its medium-term plans include a commitment to improve the business environment, with efforts towards land reform and the digitalisation of public services. In addition, the government seeks to attract investment and activate high-potential sectors (agriculture, agro-industry and logistics) (UNCTAD, 2023).

This study examines progress and constraints in Togo’s agricultural development and explores areas where foreign participation may reinforce or curtail the agriculture sector’s contribution to inclusive growth and job creation. The paper is structured as follows. Section 2 provides an overview of agriculture sector development and policies in Togo. Section 3 follows this with a discussion of the development implications of FDI in agriculture. Section 4 concludes with policy implications.
2 Agriculture sector development and policies in Togo

2.1 Land, climate and main crops in Togo

Togo has a total land size of 56,785 km², with total land use, as of 2019, for crops (2.8 million ha) and permanent meadows and pastures (1 million ha) of 3.8 million ha (FAO, 2021). Togo has an estimated 800,000 households engaged mostly in smallholder farming, with only 2% farming for commercial purposes (FinMark Trust, 2017). Regarding ownership of land, the majority of land in Togo is not registered and has no land title, and about half of the country’s land is customary (UNCTAD, 2023).

In terms of climate, the country’s southern parts have tropical climate conditions and a coastline. These areas also have two rainy seasons – that is, in April and November – with annual rainfall averages of 1,000–1,600 mm. The northern regions, by contrast, are characterised by a single rainfall season (from May to October), with annual rainfall averages of 900–1,100 mm (World Bank, 2022).

Owing to the differences in climatic conditions, the northern parts of the country mainly support the cultivation of food crops like cassava, millet, yam and maize. In contrast, the southern regions grow food and cash crops like cocoa. Additionally, given the single rainy season, farmers in the north are more susceptible to the vagaries of the weather and therefore require more agricultural mechanisation support, like irrigation facilities, to match crop yields in the south.
Togo’s principal crops are staple food crops: cassava, yam, maize, millet and sorghum. All the country’s main staple crops grew in average output between 1990–1992 and 2017–2019 (see Figure 1), reflecting an increase in domestic consumption of these crops. Similarly, chicken and beef production witnessed a rise in the period under discussion; however, cow milk output declined.

Togo’s traditional export crops comprise cotton, cocoa, coffee, palm oil, groundnuts and, in recent times, cashew. Although all of these crops witnessed a rise in output between 1990–1992 and 2017–2019 (see Figure 1), most of the production is exported unprocessed as limited processing is undertaken in country (IMF, 2019).

2.2 Factors inhibiting agricultural development

The main issue constraining Togo’s agricultural development is low productivity growth and low processing of agricultural output, which hurt the incomes of farmers, especially smallholder farmers, and mean that output fetches little in terms of export revenue. In addition, farmers rely heavily on obsolete agricultural inputs and technology. Taxation and output market policies, as well as limited public expenditure on agriculture (Republic of Togo, 2015; Ali, 2017; World Bank, 2022) also underpin Togo’s low agricultural productivity, as the subsections below discussed.
2.2.1 Agricultural inputs and technology

The use of modern agricultural inputs such as fertiliser and improved seeds, which are critical to enhancing the yields of rainfed crops including maize and millet, needs to be higher in Togo. The detrimental effect of low usage of modern agricultural inputs is particularly acute for farmers in the northern parts of the country, where rainfall is scant relative to the southern regions. A household survey reported by the World Bank (2016) reveals that the underlying reason for this low use of modern agricultural inputs is limited access and high prices. As Table 1 shows, apart from low use of inputs, the Togolese agrarian sector is less mechanised than those in peer countries: irrigation, at 8,000 ha, is relatively lower and has remained flat since 2015.

### Table 1 Area equipped for irrigation ('000 ha)

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<th>2015</th>
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2.2.2 Taxation

In Togo, given the high presence of smallholder informal firms, the tax burden falls mainly on the formal agriculture sector. This increases the price of inputs from the formal agriculture sector, which is injurious to the revenues of smallholder farmers. Aside from the under-taxing of informal firms, most imported agricultural equipment and machinery is subject to at least 5% duty, plus 18% VAT and (on some items) a community tax of 6%, which increases the costs of mechanising agricultural production (World Bank, 2022).

2.2.3 Output market policies

Access to output markets is a major constraint to agricultural development in Togo. Factors such as limited access to storage, poor quality certification and trade barriers are contributing to the difficulties in accessing output markets. Such factors might partially explain the declining trend in producer prices for some of Togo’s main crops in the past decade. According to the World Bank (2022), inflation-adjusted producer prices declined for cocoa (-20%), cotton (-

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3 Food crops such as maize and millet are grown in most parts of the country, including the north; as a result, an expansion of the agriculture sector spurred by an increase in the production and processing of such crops has the potential to increase the sector’s contribution to inclusive growth.
48%) and maize (-17%) in the period 2008–2019, a situation that has pushed some farmers to resort to area expansion to increase their incomes. Easing access to output markets is crucial to improve the living standards of rural households, as typically about 80% of these households produce the country’s most widely cultivated food crop – maize – and 38% sell their output to the domestic market (World Bank, 2016).

2.2.4 Public expenditure on agriculture

Public spending on complex infrastructure like roads and productivity-enhancing research and development is crucial to transform the agriculture sector. As with most developing countries, in the aftermath of the global food crises of 2008, Togo’s public expenditure on agriculture increased, with development partners playing a crucial role in providing funds. However, post-2010, spending on agriculture as a share of the sector’s GDP declined to 2.8% in 2011 from 6.5% in 2010 (World Bank, 2022). It is worth noting that, on average most of the public expenditure, 46% in 2017–2019 (ibid.), goes to subsidies on inputs, including fertilizer and seeds, as well as transfers, with limited benefits to smallholder farmers, as access to modern agricultural inputs is still a significant challenge. What is equally worrying is Togo’s low and declining expenditure on research as a proportion of agricultural GDP compared with in other countries (see Figure 2).

**Figure 2**  Total agricultural spending (% of agricultural GDP)

![Figure 2](image)

Source: Author using data from IFPRI Agricultural Science and Technology Indicators Database.

2.3 Agricultural policies in Togo

From 1990 to 2005, Togo went through political and economic crises that led public and private investment to plunge, weakening the economy and social conditions. As a result, ensuring food security,
creating productive jobs in the agriculture sector and raising farmers’ incomes have become a priority for Togolese policymakers since 2000.

2.3.1 National Programme of Investment for Food Security

The National Programme of Investment for Food Security (PNIASA), which covered 2010–2015, launched in 2013 (Climate Change Laws of the World, nd), was developed to support Togo’s Comprehensive African Agriculture Development Programme (CAADP). The CAADP includes a target of an annual agricultural growth rate of 6%. Accordingly, the Togolese government identified the following axes for the transformation of agriculture to support more inclusive growth (Republic of Togo, 2015; World Bank, 2022):

- sustainable expansion crop industries, with a focus on cotton, cocoa and horticulture
- improved access to agricultural inputs
- fish and animal production
- agriculture research and
- improved governance and institutional coordination.

Agricultural investment channelled through the first three axes is expected to regenerate or increase the production and exports of maize, rice, cassava, cocoa, coffee, cotton and horticulture and to boost the production of small ruminants, fish and poultry. Subsidised inputs and support services like coffee cuttings, cocoa pods for crop industries and feedstuffs, fingerlings and vaccination to support fish and animal production also featured as part of the government’s investment objectives under PNIASA. Apart from easing access to factors of agricultural production, modern irrigation facilities, conducive to the needs of both smallholder and large farmers, are expected to be developed. Specifically on irrigation, currently, only 1% of Togo’s agriculture is irrigated, an issue the government has plans to develop a masterplan to address (Togo First, 2022a).

The last axis is expected to create the institutional framework to guide the development of the agriculture sector. To this end, the government has set up the Agricultural Transformation Agency, to become operational in 2023 (Togo First, 2022b). Through this axis, the government aims to, among other things, improve the institutional framework to ease access to land and to create a one-stop shop for implementing new investment strategies in the agriculture sector (Republic of Togo, 2015).

4 The CAADP is a policy of the African Union that commits member countries to spend at least 10% of the budget on agriculture and to devise policies to attain an annual agricultural growth of at least 6% (see African Union, 2021).
2.3.2 National Agricultural Investment and Food and Nutrition Security Programme 2017–2026

The implementation of PNIASA contributed to growth in Togo’s agricultural production; for instance, the country became self-sufficient in maize between 2000 and 2019 (World Bank, 2022). Nonetheless, gaps in targets versus realised goals persisted after PNIASA. This reflected an insufficient supply of quality fertiliser and low processing of agricultural products (ibid.). Given these limitations, there was an impetus for a new approach.

In response, the Togolese government developed the Agricultural Policy Accompanying the Strategic Plan for the Transformation of Agriculture in Togo by 2030 (Republic of Togo, 2015). The investment plan to support implementation is the National Agricultural Investment and Food and Nutrition Security Programme (PNIASAN), launched in 2017. PNIASAN has four implementation priorities (World Bank, 2022):

- leveraging rural space through planned agricultural development zones (ZAAPs) and agro-parks to increase agricultural production

- increasing access to agricultural inputs, including land, labour and finance, as well as attracting large-scale investments into agro-parks (e.g. the ZAAPs)

- improving agricultural research and innovation as well as the transfer of knowledge and

- enhancing the agriculture sector’s institutional framework to improve land titling regarding more extensive land holdings.

One of the aims of PNIASAN is to modernise agriculture in most parts of Togo. This is to be achieved through the establishment of zones to ease access to land, complemented by the provision of infrastructure including warehouses, irrigation systems and inland dry port facilities. Linked to this objective is the establishment of ZAAPs. Togo aims to increase access to agricultural land to achieve food self-sufficiency and increase agricultural exports by creating 400 ZAAPs by 2025 (Agridigitale, 2023).

Linked to the objectives of PNIASAN is the ambition to establish 10 agricultural growth poles through public–private partnerships to increase agro-processing (UNCTAD, 2023). In 2019, Togo piloted the first agropole project, the Togo Agro-Food Processing Zone, in Kara (Irwin-Hunt, 2020), in the country’s northernmost region. Through the Kara agropole, the government aims to increase productivity and production of rice, maize, soybean, broiler meat and export crops cashew nuts and sesame. In addition to increasing the production of these crops, the government seeks to increase processing from 19% to 40% through attracting private investment (World Bank, 2022).
In addition to the creation of agropoles, Togo plans to establish SEZs to increase the size and competitiveness of the private sector, especially in agro-processing. The aim of SEZs is to ease access to land and provide the infrastructure and logistics to spur the competitiveness of the private sector. To this end, as a pilot programme, the Togolese government launched the Adetikopé Industrial Platform (PIA) in 2021. PIA is Togo’s first industrial platform, a vertically industrial zone of 400 ha created through a joint venture between the Togolese government and private entity (PIA Togo, 2022). The industrial zone is centred on textiles, with the focus on processing intermediates and exporting finished products; it will also host other sectors such as soya, wood and assembly (UNCTAD, 2023). Through PIA, Togo aims to encourage regional development, especially in regions with limited infrastructure (as the zone has a dry port facility, among other things), and to develop local production ecosystems.
3 Foreign participation in the agriculture sector and development implications

The Togolese government envisages that, to realise the objectives of the PNIASAN, about $1.35 billion will be required, of which $880 million is expected to come from the international private sector (World Bank, 2022). The plans to develop agropoles are hinged on diversified, efficient, modern and eco-friendly farming and an expansion of agro-processing (AfDB, 2016). Of the 10 agropoles the government has identified so far, two are under consideration: the Kara and Agropole du Littoral projects. The Kara project, which is the pilot agropole and designated for the transformation (processing) of agricultural products, is estimated to cost $43 million, and is being supported by the African Development Bank (AfDB), the South Korean government and the Green Climate Fund (World Bank, 2019). The Agropole du Littoral is designated for both the production and the transformation of agricultural products, including fishing products. The project is being developed by Zhongmei, a private Chinese investor that has been promised a 99-year lease (ibid.).

However, UNCTAD (2023) has assessed that achieving the objectives of the agropoles has been slow, partly because of significant challenges related to access to land, coordination of different agricultural programmes and projects, and mobilising resources for basic infrastructure (e.g., irrigation, roads, electrification). The pilot agropole in Kara hosts 200 cooperatives built around value chains for maize, rice, sesame seeds, cashew nuts, chicken and fish over 5,000 ha of land (IFC, 2023). However, there is little information on significant FDI presence in the Kara agropole.

It is recognised that FDI will be crucial to meet the goals of PNIASAN. In this context, Togo established the Agropole Development Agency (APRODAT) in 2018, responsible for the development of agropoles. As part of APRODAT’s mandate, the private sector is allowed to develop and manage an agropole, and APRODAT will seek to attract private investors (World Bank, 2019). Attracting FDI is a key priority for the government, demonstrated by recent reforms to reinforce non-discrimination against foreign investors through the Investment Code adopted in 2019, increasing
ease of doing business and rolling out new powerplants (USDO, 2022). Reported mechanisms through which foreign participation can spur agricultural development of a host country include through increases in investment, technology, jobs, access to foreign markets, and product and delivery standards (UNCTAD, 2009).

This section discusses the entry points through which foreign participation can support increases in agricultural transformation, but it also highlights potential challenges.

3.1 Technology and innovation

Agricultural development through innovation and use of modern technology, such as improved seeds and irrigation methods, can be crucial to reducing poverty. This applies in Togo’s context, especially in the semi-arid northern parts. However, mainly because of limited research and access to credit, agricultural innovation and the use of modern technology in developing countries like Togo tend to be low. As a result, domestic technology will often have to be complemented by foreign imports.

Foreign participation can lead to the effective transfer of modern technologies. The effective involvement of foreign plantations, seed companies, fertiliser enterprises and food processors can bring modern technologies (such as new farming methods and technologies intrinsic to inputs such as seeds) that are unavailable locally. This could be critical for Togo, which faces limited availability of agricultural inputs like improved seeds and fertiliser. To put things in context, according to the World Bank (2022), Togo had only two private companies producing 300 tons of improved seeds in 2019, a volume dwarfed by Ghana’s production of 6,000 tons in the same year.

Another area in which foreign participation can be crucial for the transformation of the agriculture sector of a host country is irrigation. Togo’s agriculture irrigation, at 1%, is dwarfed by the global average of 20% (Togo First, 2022c). This increases the impacts of adverse climate shocks such as drought on the agriculture sector. To this end, leveraging foreign technology to develop irrigation schemes is essential to agricultural transformation in Togo, especially in the semi-arid regions of the country’s north. Studies (Gadédjisso-Tossou et al., 2018, 2020) have documented that modern irrigation facilities could increase crop production, such as maize, in the northern regions of Togo.

However, there are reasons for low expectations surrounding the potential technology benefits of foreign participation. Togolese firms have few to non-existent links with foreign companies, as most local firms operate in the informal sector and are small or micro in size, preventing transfer of technology and know-how (see World Bank, 2022; UNCTAD, 2023). Technologies developed or used by foreign companies may not be the most appropriate or beneficial for
developing countries. In addition, foreign companies tend to concentrate their research and innovation activities on certain commercial crops, which might not benefit large segments of smallholder food crop farmers in developing countries. In the context of Togo, in addition to cash crops, food crops, horticulture, livestock and the processing of agricultural products remain critical leverage to spread the gains of agriculture-led growth across the country.

3.2 Finance and investment

Domestic investment in agriculture, especially in research and development as well as in infrastructure, is salient for the sector’s transformation. Additionally, access to finance will be crucial in adopting modern agricultural technology. In Togo, access to finance is constrained by limitations on borrowing from the local market to only up to eight years; and expensive rates ranging from 12% to 18%, and 24% for microcredit (UNCTAD, 2023).

In addition, in several developing countries, domestic investment in the agriculture sector tends to be low mainly because of limited fiscal capacity. This is the case in Togo (see Figure 3), where gross fixed capital formation in agriculture as a proportion of agricultural value added is lower than that of its peers and has declined since 2005.

Figure 3 Gross fixed capital formation (agriculture, forestry and fishing) as a share of value added (US$ 2015 prices)

Source: Author using FAO (2021).

Foreign participation can play a complementary role alongside domestic capital to increase the total agricultural investment. Foreign investors can also spur the diversification of the agriculture sector by increasing the amount of investment in higher value-added crops. This is the case in the Agropole du Littoral, which has attracted a Chinese private investor, Zhongmei, which has a 99-year lease and has committed to paying a group of private owners of land in the agropole’s area (World Bank, 2019).

In addition, especially for smallholder farmers, establishing contracts with foreign investors can ease financial constraints. One way this
happens is through contractors (e.g. agribusinesses) facilitating (smallholder) farmers’ access to credit to purchase critical agricultural inputs, in part through contractors’ superior ability to monitor and enforce credit contracts (Key and Runsten, 1999). Additionally, contracts with foreign firms can serve as a substitute for (complex) collateral and increase the incomes of local farmers through higher returns from agricultural production, thereby reducing constraints to access to credit.

In the context of Togo, the government has recognised the need to spur access to agricultural credit to increase investment. This has been done through several initiatives, including the Agri-SME stream of the National Inclusive Finance Fund, which subsidises 30–50% of agricultural inputs like fertilizer, and the PNIASA guarantee fund, to support lenders like microfinance institutions (Julien et al., 2021).

In addition to these funding schemes, in 2018 the Togolese government launched the Agricultural Financing Incentive Mechanism (MIFA) based on risk sharing to mitigate the risks associated with agricultural financing to boost credit supply (Szebeni et al., 2021). The Agricultural Financing Incentive Mechanism Support Project (ProMIFA) was set up to implement MIFA. The objectives of ProMIFA are to increase stakeholders in agropastoral value chains’ sustainable access to markets and customised financial and non-financial services. As of 2021, as a result of MIFA, 150,000 agriculture actors have been supported by financial institutions (Republic of Togo, 2021).

Easing smallholder farmers’ access to agricultural credit increases the revenue and productivity associated with the production of crops like soybean, maize, sorghum and paddy rice (Agbodji & Johnson, 2021; Ali & Awade, 2019). To this end, leveraging the participation of foreign firms to complement the capacity of domestic credit capabilities to increase the supply of agricultural credit could be necessary in developing the sector.

Aside from the positive impact foreign participation can have on the host nation’s agricultural finance and investment, it can also have some undesirable impacts. Foreign firms, mainly through large plantations, can ‘crowd out’ domestic investment by capturing most opportunities, such as through grabbing vast portions of land, limiting local farmers’ ability to sustain production and weakening their revenues.

Additionally, certain foundational measures are required before local farmers can leverage foreign participation to access credit. Findings of a number of studies (Ali and Awade, 2019; Julien et al., 2021; Yang et al., 2021) show that Togolese farmers’ access to credit is conditional on being a member of a farmer association, cultivating certain cash crops and proximity to microfinance institutions.
3.3 Job creation

Foreign participation can contribute to creating jobs and upskilling the skills of individuals engaged in agricultural activities in several ways. This could be crucial for a country like Togo, where farmers make up 39% of the population, and about 75% of the entire workforce is considered vulnerable (World Bank, 2022). The effectiveness of foreign participation in creating jobs depends on the existence of a pool of skilled labour. Togo has recognised this need, and has set up a training centre for industrial trades and a training centre for textile trades within PIA to train future employees (UNCTAD, 2023). Tailoring skills to the needs of the private sector to increase employment prospects, especially for vulnerable groups like young women and people with disabilities, has been a key priority for Togo’s training programmes in the context of PIA (GIZ, nd). Nonetheless, according to UNCTAD (2023), the number of graduates from training programmes is insufficient compared with the demand from companies.

Foreign participation contributes to job creation in host nations through investment in plantations, contracting local farmers as suppliers of agricultural products, spillovers of better agricultural knowledge, increasing the availability of modern agricultural inputs and easing local suppliers’ access to credit.

The job creation opportunities associated with foreign participation can be minimal or sometimes undesirable. The reliance of foreign firms on labour-saving production processes, coupled with their limited direct participation in agricultural production rather than downstream agricultural activities (e.g. processing and trading), can lead to low job creation. In addition, the displacement of smallholder farmers by foreign companies to access vast amounts of farmland can cause employment to decline.

In the case of Togo, although the developers of the Agropole du Littoral have promised to pay rent to private landowners and employ people from the surrounding communities, the agropole is being developed for the production and transformation of agricultural products (World Bank, 2019). To the extent that agricultural production in agropoles or parks requires large portions of serviced land, the development of more agropoles that incorporate agricultural production could contribute to the displacement of smallholder farmers. In addition, Togo’s main export crops – cotton, cocoa, coffee, cashew – are cultivated mostly by smallholders whose primary priority is increasing the yields and quality of their output (ibid.). Thus, in the absence of efforts to link these farmers to foreign investors in or outside agropoles, Togo may not maximise the job gains from foreign participation in agriculture.
3.4 Foreign market access

Togo’s top agricultural exports (i.e. cotton, palm oil, milk and cream, soya bean) are unprocessed. Similarly, the country’s cash crops, including cocoa and cashew, are also exported in raw form. This implies that the country does not reap the maximum economic benefits associated with the value chains of these products. Access to foreign markets is vital in diversifying and upgrading the agricultural exports of the country. Togo is a least developed country, and so it exports under duty-free quota-free arrangements in most cases. In addition, implementation of the African Continental Free Trade Area is seeking to deepen intra-African value chains.

Foreign firms facilitate access to international markets by providing the key ingredients, including access to credit, modern technology and inputs like fertiliser, and the skills required to increase agricultural productivity to compete in these markets. In the case of Togo’s cotton sector, this is what the government has sought to achieve by attracting the Singaporean firm Olam into the sector. Three decades ago, Togo was a successful producer of cotton, with average yields of 1,200 kg/ha; these have dropped to around 700 kg/ha in the past three years (World Bank, 2022). Olam’s mandate for the Togolese cotton sector is to double yields, modernise processes and equipment all along the supply chain and boost exports by developing the brand ‘Cotton Made in Togo’ (ibid.).

In addition, some foreign firms are connected to networks in international markets and can increase access to these markets through supplier contracts with local farmers. Foreign firms can also support the market access of non-traditional exports such as vegetables, contributing to export diversification.

While foreign participation can support market access, this could come with challenges. Reliance on multinational firms to access foreign markets can require local firms to meet specific standards. These standards can be out of reach for smallholder firms and consequently limit their access to foreign markets. What is more, a developing country like Togo may not have companies in place to certify products to facilitate exports. Additionally, foreign firms could negotiate with local firms to supply unprocessed agricultural products to export to their subsidiaries abroad. This would deny the host nation the opportunity to increase local processing of agricultural products to create more value-added products.

3.5 Diffusion of quality and safety standards

Another channel through which foreign participation can contribute to the transformation of agriculture is the diffusion of quality and safety standards surrounding agricultural products. To meet the standards of foreign firms, local producers must enhance their capacities to increase product quality, which can spur competition among local farmers to access multinational supply contracts. An improvement in
the agricultural trade balance from CFAF-44 billion in 2016 to CFAF-5.65 billion by 2022 is one of the targets of Togo’s NDP, which it seeks to achieve partly through the agropoles strategy (Republic of Togo, 2018).

To help achieve this target, meeting the standards required in foreign markets will be critical. This is particularly the case for one of Togo’s key markets – the EU – especially regarding agricultural products. In the case of agricultural food products, evidence (Kareem et al., 2022) suggests that African countries’ inability to comply with EU food standards stems from poor trade facilitation measures, mainly because of inefficient food and border logistics procedures, which increase the incidence of rejection of products at the EU border. Thus, leveraging opportunities through initiatives like PIA could be important, utilising foreign firms to meet (quality) product standards to access markets like the EU. The World Bank (2022) highlights that Togo has untapped potential in horticultural exports, but deficiencies across the system of quality control and certification mean the country is not yet reaping the benefits of this.

However, smallholder firms may not have enough resources or sufficient capacity to meet the standards of foreign firms. In addition, poor road and storage infrastructure means that farmers of products such as vegetables and fruits in remote areas may not be able to meet the delivery standards imposed by foreign firms. Poor storage and logistics have been found to be among the main constraints weighing on Togo’s horticultural sector (World Bank, 2022). These factors could inhibit access to foreign markets and lead to the exit of farmers who do not have alternative produce buyers.
4 Conclusions and policy implications

The Togolese government has since 2000 implemented policies to transform its agriculture sector to support the structural transformation of employment and the growth of farmers’ incomes. Consequently, Togo’s agriculture sector has witnessed some increases in production. Chief among them have been rises in the production of critical agricultural products like cassava, maize, rice, cocoa, cotton and chicken.

Nonetheless, agro-processing is limited, and the agriculture sector is inflicted with low-productivity growth because of limited access to modern inputs (e.g. fertiliser and improved seeds) and technology, high taxation of the formal sector and of imported equipment, difficulties in accessing output markets and low public expenditure.

Plans to establish agricultural growth poles (agropoles) as part of the government’s PNIASAN are expected to lift agricultural productivity and spur the transformation of the agriculture sector; within this, foreign participation could be essential.

This study has examined the interplay between foreign participation and the development of Togo’s agriculture sector to support inclusive growth. The study highlights that foreign participation can directly complement domestic resources to raise agricultural investment and indirectly assist by easing local farmers’ access to credit.

However, for agropoles to be successful, modern technology and agrarian mechanisation will be required. Foreign participation could be critical in bringing modern technology and better production methods. Increasing foreign participation could also support the creation of productive agricultural jobs directly, through the establishment of companies, and indirectly by creating contracts with local producers. If foreign participation is targeted at labour-intensive agricultural products spread throughout the country, this will be important for the inclusivity of growth.

The study also underscores the potential to leverage the diffusion of (quality and delivery) standards and international market access associated with foreign participation to lift the quality of agricultural products and increase and diversify exports.
Nonetheless, the study also shows that there are reasons to manage optimism about the potential complementary benefits of foreign participation. Foreign participation could ‘crowd out’ domestic investment through land grabs and through the displacement of farmers, especially smallholders. Linked to this is the removal of local smallholder farmers – that is, job losses. In the context of Togo, the study finds that this could entrench the development gap between the north and south regions, should such displacement and crowding-out effects be more common in the north.

Job losses could also arise as a result of reliance on capital-intensive and labour-saving equipment production methods employed by foreign firms or their local associates. Regarding the quality- and export-enhancing potential of FDI, some local farmers, especially smallholders, may not have the capacity to meet new standards, limiting their access to foreign markets. Poor infrastructure, chiefly roads and storage, makes it even harder for rural farmers to meet standards imposed by foreign firms.

In the context of the government’s ongoing efforts to attract FDI in the agriculture sector, specific measures are required to leverage these opportunities and to attenuate their possible detrimental effects.

4.1 Investment promotion: entry conditions and regulatory conditions underpinning FDI

High labour intensity is associated with non-equity forms of foreign participation, such as contract farming. In contrast, capital-intensive mechanisation associated with heavy investment requirements is associated with FDI. Given Togo’s need to facilitate the modernisation of its agriculture sector while at the same time generating productive jobs, the government, through the Ministry for Investment Promotion, could prioritise both forms of foreign participation, anchored on priority agricultural products. To maximise the role of foreign participation in inclusive growth, investment promotion efforts should include crops that can be cultivated in rural areas and in the north of the country.

Additionally, setting clear entry conditions on access to critical inputs such as land and water will be crucial to maintain local producers’ access to these resources and avoid the displacement of local farmers. Clear land title rights surrounding leasing and ownership will be essential.

4.2 Synergies between FDI and local farmers

To increase the inclusiveness of the benefits associated with foreign participation, fostering linkages with local producers will be key – to transfer know-how, technology and incomes to contracted farmers. Also, enforcing such linkages could prevent foreign firms from exporting unprocessed products to subsidiary agro-processing plants, to the detriment of Togolese agro-processors. Finally,
fostering synergies with smallholder producers of crops in rural and northern areas of the country will be critical to their development.

4.3 Capacities of farmers

The capacities of smallholder farmers will have to be improved so they can benefit from foreign participation. Smallholder farmers can meet the necessary standards to enter contractual arrangements with foreign firms through education and training programmes and the supply of critical inputs such as fertiliser. Additionally, easing farmers' access to credit will be vital for them to be able to adopt modern inputs like improved seeds and technology.
References


