



APPLYING THE GROWTH IDENTIFICATION AND FACILITATION FRAMEWORK (GIFF) TO LEAST DEVELOPED COUNTRIES: CASE OF TOGO

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Abstract

With the qualitative and quantitative implementation of the Growth Identification and Facilitation Framework (GIFF), a policy instrument for New Structural Economics, this paper considers the prospects for growth and development in Togo. The goal of our research is to give the Togolese government a new economic policy focus through the use of the GIFF. Secondary data, firm

level surveys, stakeholder interviews, and current datasets are used throughout the paper. We argue that government should concentrate on those particular products and resources in order to capture industrial transfer for its rapid economic development, where the country has comparative and latent advantages. We recommend that the government of Togo sanitize the market and business environment by reducing the tax law and implementing policies that attract foreign direct investment and promote economic growth.

Keywords: Growth and Development; Growth Identification and Facilitation Framework; New Structural Economics; Comparative and Latent advantage; Economic Policy

INTRODUCTION

The New Structural Economics (NSE) theory and the Growth Identification and Facilitation (GIFF) approach suggest that Industrialization is essential to dynamic economic growth, and industrial policies including sector-targeting and investment facilitation can effectively support industrial structural changes of a developing economy (Lin & Lin, 2012b, 2012a). An increased number of low-income countries, including many in Africa, are inspired by the East Asia success model for accelerated economic catch-up through industrialization and economic diversification. New international opportunities exist for African countries. The “sunset” industries in some emerging economies due to labor cost increases can be potentially the “sunrise” industries in the latecomers.

According to Te Velde et al. “The Growth Identification and Facilitation Framework (GIFF) has a particularity to offer practical development paths for enabling developing countries to follow comparative advantage in its industrial development and to tap into the potential of advantages of backwardness in industrial improvement in an effort to attain sustained and dynamic growth” (Te Velde et al., 2011). These impacts of the GIFF may prove to be significant in terms of the developing economies. GIFF comprises of 6 main steps which are as given as follows:

- Step One: Selection of the precise target.
- Step Two: Removal of binding restraints.
- Step Three: Appeal for foreign and international investors.
- Step Four: Enhancement of innovation and discoveries.
- Step Five: Recognition of the influence of industrial parks.
- Step Six: Provision of targeted assistance and motivations to the potential industries.

The GIFF methods, helps countries discovering sectors with latent comparative advantages (Te Velde et al., 2011), sectors that may not exist today but could be developed based on hidden comparative advantages, for instance, abundant and cheap labor and unexploited resources in many African countries, to reach the sectoral competitiveness in a global market, different from the traditional emphasis on protracted protection and subsidies. It focuses on “quick wins”, showing countries not to wait or focus on their weaknesses but to start somewhere with what they have and can do best by using limited resources to achieve initial successes to generate a “snowball” impact.

We use secondary data from different sources based on the economy of Togo and also from surveys form different factories and industries that are working in the Togolese Economic Zone. We choose to apply the GIFF in Togo because it provides a different approach and dynamics in terms of opportunities and implications. Moreover, the use of GIFF framework for developing countries is scarce and debatable which requires further analysis. This paper attempts to provide evidence in terms developing nations through GIFF. For the purpose we use and explore Togo as a sample for this study. The implications of this study are expected to contribute in better policy regulations in terms of developing nations.

TOGO AT GLANCE

The Togolese Republic is situated in West Africa. It is bordered by Benin in the East, Ghana in the west, Burkina Faso in the north, and the Atlantic Ocean in the South. With an area of 57,000 square kilometers (22,008 square miles), Togo has a population of approximately 7.6 million. Throughout history, Togo has been an important hub for traders (Wikipedia, n.d.). The coastal region was a major trading center for Europeans between 11th to the 16th century.

Togo was also a German colony in 1884; later Togo was colonized by France after World War I and gained its independence in 1960 with French as the official language. In 1967, Gnassingbé Eyadéma (father of the new president), through a coup d'état overthrew the First President Sylvanus Olympio and became president of an anti-communist, single-party state. In 2005, his son Faure Gnassingbé, the current president was elected after the death of his father (Britannica Encyclopedia, 2020).

A sub-Saharan tropical nation with a climate that provides good growing seasons in total four, the economy of Togo deeply depend on agriculture. The Togolese freedom of economic rating was 6.21 making it the 121th freest in 2017 (Gwartney et al., 2019). This is due to the changes and improvement in many sectors such as property rights, fiscal health, and the tax burden. In the sub-Sahara, Togo ranked 35th among the 47 countries. The government had made some efforts to modernize the banking, transportation, electricity, and infrastructure.

However, a weakened public administration, inefficient business environments are challenges that undermining the competitiveness and driving a great portion from informal to the formal sector that the government needs to solve. Without forgetting the threshold and the quota of the Foreign Direct Investment in certain sectors, the vulnerability of the political intervention, regulatory, supervisory and judicial systems and corruption are also part of the obstacles to the economy is facing.

The macroeconomic performances considering the significant decisions have marked development strategies over the period 2008 to 2017. Three major discoveries develop from this investigation. To begin with, Togo has accomplished some macroeconomic strength, at the expense of a reasonable drive in terms of new employment opportunities, development, and productivity. Besides, its external deficit is struggling to shrink despite the accomplishments in economic growth. Moreover, there is a very gradual change in the economic structure of the country. Furthermore, there are still cutoff points to get to the objectives of structural transformation. Capital accumulation, which is the principle driver of growth, faces financial restrictions.

However, the execution of the various development policies has empowered Togo to realize the progress in reviving and restoring the economy through maintaining an average annual real GDP growth of 5.0% over the period 2013-2019 (African Development Bank Group, 2019). As a result of upgrading the structural framework and repayments of debts, the macroeconomic strength of the country has enhanced. The debt ratio, which was 79.4% of GDP in 2016, is in a declining trend and expected to be in the EU standard of 70% level by 2017 (IMF, 2014; Togo Embassy London, 2020).

The level of poverty fell by 3.6 percent from 58.7% in 2011 to 55.1% in 2015. The decline in poverty is due to two main components: economic growth (for 2.2 points) and redistributive approach (for 1.4 points). However, more vigorous and sustainable work is required for attaining growth and extend the effect of pro-poor strategies to accelerate social incorporation and inclusion (IMF, 2014). Similarly, according to reports, the unemployment declined by 3.1 percent, from 6.5% in 2011 to 3.4% in 2015. But the rate of underemployment rose from 22.8% in 2011 to 25.8% in 2015. The informal segment controls the supply of employment which is the main cause of low productivity and efficiency (African Development Bank Group, 2019; IMF, 2014). The graphs below show the institutional quality and macro stabilities fact.

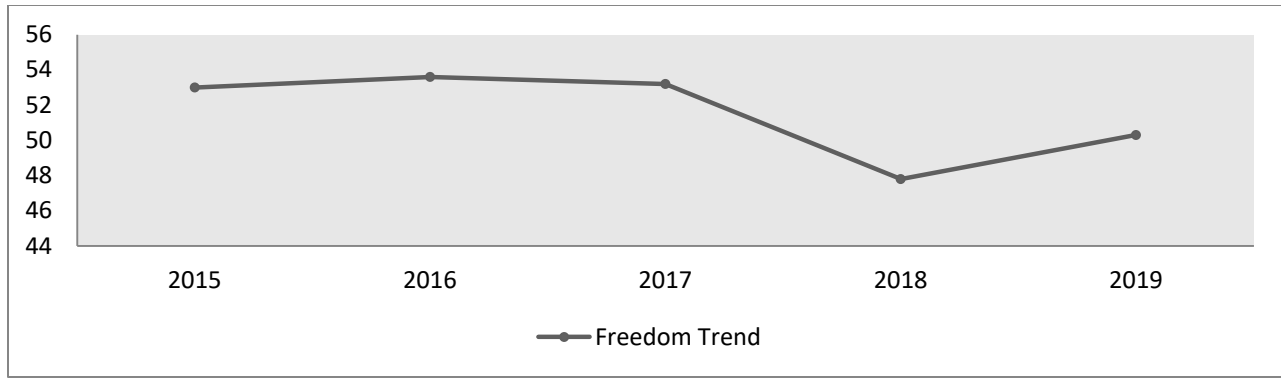


Figure 1 Freedom Trend (Source 1 Index of Economic Freedom)(The Heritage Foundation, 2019)



Figure 2 Rule of Law (Source 2 Index of Economic Freedom)(The Heritage Foundation, 2019)

There are challenges in the authorization of contracts and assurance of property rights since most land titles are undefined and unclear. The statutes of fundamental property rights are insufficiently characterized blend of the civil codes and customary laws. As a result, frequent clashes over legal issues and legacies are quite common. Lack of transparency in the judicial system, insufficient resources, corruption and discrimination are the main challenges which pose serious problems for the country.

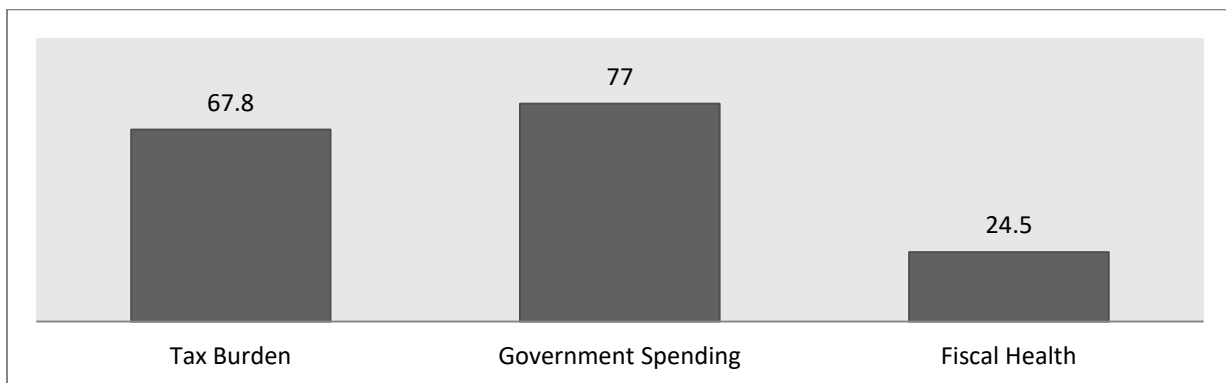


Figure 3 Government Size (Source 3 Index of Economic Freedom)(The Heritage Foundation, 2019)

The highest individual income tax and corporate tax rate are 45% and 27% respectively. Value-added taxes and property taxes are also included. The total domestic income consists of 21.5% of the general tax burden. Recently, government spending has amounted to 27.7% of the GDP, budget deficits out of the GDP has averaged 6.3% while the public debt stands at 78.6% of GDP.

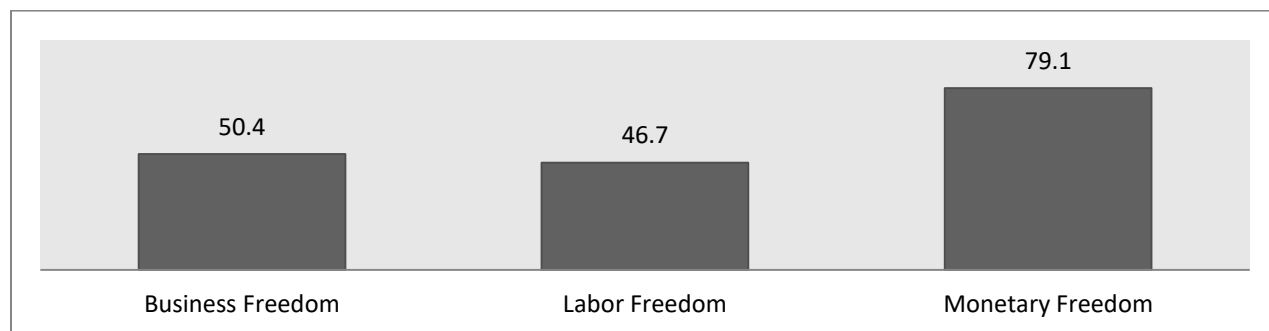


Figure 4 Regulatory Efficiency (Source 4 Index of Economic Freedom)
(The Heritage Foundation, 2019)

The latest reforms, to improve the entrepreneurial atmosphere have reduced the time and cost concerning new businesses. However the weak public administration continues to weaken general competence. Dynamism is lacking in the labor market, while informal labor activity remains significantly high. Fuel subsidies have been reduced, but remain a burden on the budget and are projected to rise in the medium term as oil prices increase in foreign markets.

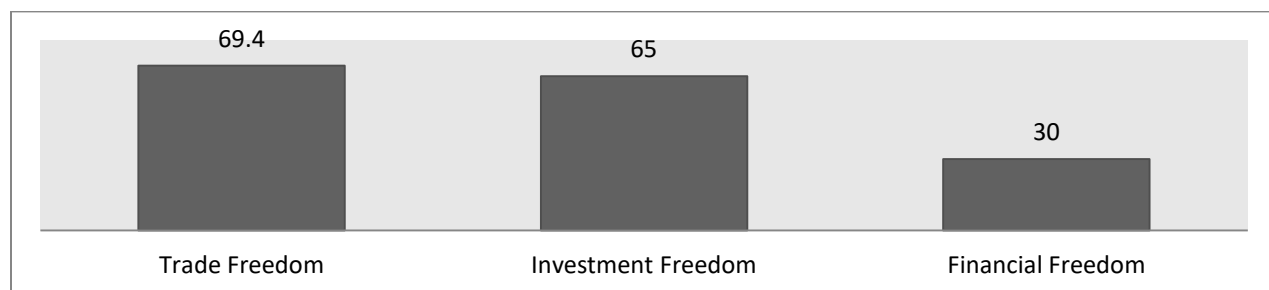


Figure 5 Open Market (Source 5 Index of Economic Freedom) (The Heritage Foundation, 2019)

The combined amount of exports and imports correspond to 100% of GDP. The average tariff rate implemented is 10.3%. Non-tariff barriers remain intact, although border enforcement period needed for both exports and imports has been decreased. Land ownership abroad is

limited, but law treats foreign and domestic investors reasonably and equally. About 46 percent of Togolese adults have a bank account.

Even though the overall economic situation of Togo is still precarious, the country serves as a regional commercial and trade center. The main imports are machinery, equipment, petroleum, and food. According to OEC, the total import in 2017 is \$8.15B, making Togo the 103rd largest importer in the world. There is a decline of 2.4%, from \$9.2B in 2012 to \$8.15B in 2017 during the last five years led by Refined Petroleum and Crude Petroleum respectively 43% and 12.9%. The main exports are cocoa, coffee, phosphates and cotton. For the last five years the Togolese export has decreased by about 7.6% meaning from \$1.83B in 2012 to \$1.63B in 2017 by occupying 135th largest exporter in the world in 2017 (Macrotrends, 2020). The main exports are led by Refined Petroleum which represents 20.8% of the total exports of Togo, followed by Gold, which accounts for 12.3%. From the market perspective and in terms of reforms, the Togolese government has made progress in the liberalization of the economy.

Table 1 Macroeconomics Aggregates of Togo

Year	GDP growth (%)	Current account balance (% of GDP)	Inflation, consumer prices (%)	Current account balance (BoP, current US\$)
2000	-0.78348	-9.38339	-9.38339	-1.4E+08
2001	-1.62681	-11.4189	-11.4189	-1.7E+08
2002	-0.92215	-8.21596	-8.21596	-1.4E+08
2003	4.954398	-7.6702	-7.6702	-1.6E+08
2004	2.119065	-9.17082	-9.17082	-2.1E+08
2005	1.180407	-8.94049	-8.94049	-2E+08
2006	4.052413	-7.50337	-7.50337	-1.8E+08
2007	2.290454	-8.1141	-8.1141	-2.2E+08
2008	4.062253	-6.70529	-6.70529	-2.2E+08
2009	5.537911	-5.24909	-5.24909	-1.8E+08
2010	6.099259	-5.82914	-5.82914	-2E+08
2011	6.398199	-7.80132	-7.80132	-3E+08
2012	6.543507	-7.59348	-7.59348	-2.9E+08
2013	6.112343	-13.1528	-13.1528	-5.7E+08
2014	5.920589	-10.0212	-10.0212	-4.6E+08
2015	5.742868	-11.027	-11.027	-4.6E+08
2016	5.099992	-9.78817	-9.78817	-4.4E+08
2017	4.40001	-7.60337	-7.60337	-2.6E+08

Source 6 (The World Bank, n.d.)

ANALYSIS: WHAT DOES TOGO DO BETTER?

The identification of the priority sectors through systematic analysis and in-field diagnosis is the most critical first step. If chosen rightly, all steps that follow to support the industries are likely to render maximum results; otherwise, all the efforts and valuable resources to be deployed can be wasted and even create negative consequences.

It is difficult to underestimate the masses of jobs that the manufacturing is able to create in an economy. The history has shown from the developing world and the emerging economies, where they all started, how they did it and what they have achieved. The manufacturing jobs create stronger backward and forwards linkages than jobs created in any other part of the economy. Meaning, it induces more job creation than any other sector making it a special driver of growth, including dynamic economies of scale, strong properties of learning-by-doing, embracing innovation, boosting exports and laying the foundation for continuous industrial upgrading and diversification. Finally, manufacturing jobs tend to be characterized by higher productivity, meaning higher wages for employees. A country like Ethiopia has created strong conditions to develop its manufacturing sector, which resulted in Ethiopia achieving one of the fastest economic growths in Africa. According to UNCTAD, Ethiopia became the top destination of FDI in East Africa in 2016, attracting USD 3.2 billion of investments (DEMEKE, 2019).

In case of Togo, we identify the sector which contributes most and has the latent comparative advantage. We identify the sector which attracts more investors.

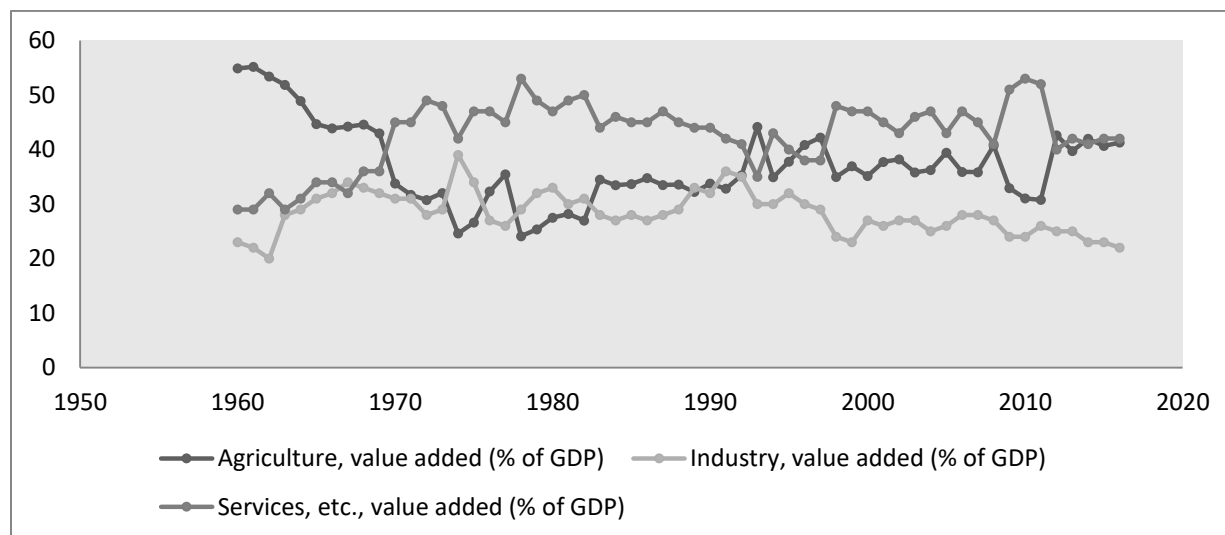


Figure 6 Value Added per Sectors of the Economy (Source 7 By the Authors using (World Trade Organization, 2018))

The graph presents the contribution of the three sectors of the Togolese economy from a period of 1960 to 2017. From the trend of the three sectors, the Service sector contributes more to the GDP growth than other sectors from 1970 to 1992 and from 1997 to 2012 followed by the Agricultural and Industrial Sectors. The agricultural sector may hide the latent comparative advantage in the short run considering the size of the fertile land available in Togo. Figure 7 shows the unequal distribution of the labor force per sector, this can demonstrate the fact of working in the service sector is more beneficial and rational for the population and apparently, is adding more value to the economy. The figure highlights that the significant proportion of the work force belongs to the agricultural sector, which is similar to previous figure (Figure 6) which clearly shows that there are opportunities in the service and agricultural sector for investment and the industrial sector is still unexploited with great future prospects.

Knowing the cost and abundance of labor force and resources in Togo, the Government needs to step in considering the service sector as being the first to add value to the economy, the agricultural sector as having the hidden comparative advantages and the industrial sector still remaining traditional and unexploited, so that it reaches the sectoral competitiveness in a global market.

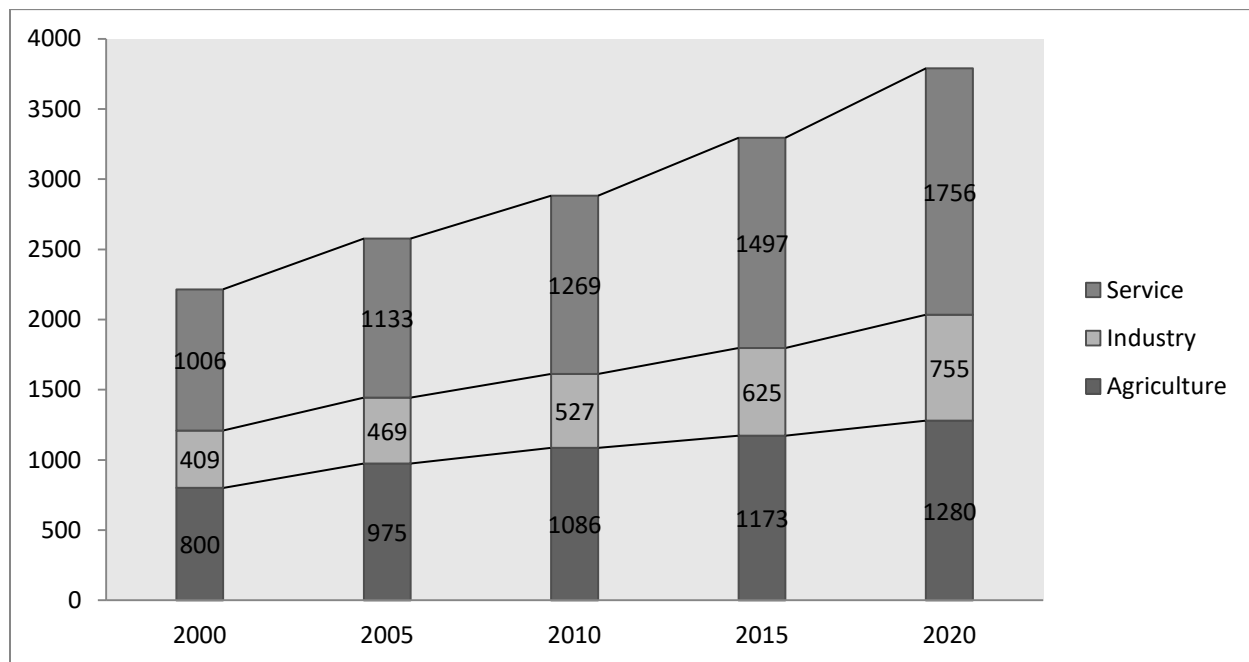


Figure 6 Employment by Sector (Source 7 ILO, Key Indicators of the Labor Market (KILM))
(International Labor Organization, 2020)

Table 2 Labor Cost

Factors	Benin (2011)	Burkina (2014)	Mali (2014)	Nigeria (2011)	Senegal (2015)	Togo (2014)
Mean weekly hours actually worked per employed person	42	46	43	43	43	40
Share of employees working more than 48 hours per week (%)	27.2	41.4	30.3	30.5	50.3	46.6
Minimum Wage USD	68.44	59.31	68.44	299.66	144.309	59.88
Productivity in terms of GDP per worker USD in 2017	2064.24	1703.10	1640.33	3948.57	2470.60	1429.81

Source 8 ILO, Key Indicators of the Labor Market (KILM) (International Labor Organization, 2020; Minimum-Wage.org, 2020)

Togolese labor force despite being abundant is one of the cheapest in West Africa according to

Table 2 with the data from the International Labor Organization (ILO). The fundamental fact that a factory takes into consideration in terms of labor is not only its abundance but also its cost. Furthermore, an efficient firm considers the unit labor price instead of the hourly cost of labor. Note that the wages may be high but the unit labor price may be low due to the high worker productivity. Togo is the second-highest after Senegal, with a workforce share of more than 48 hours per week and the second-lowest minimum wage after Burkina Faso.

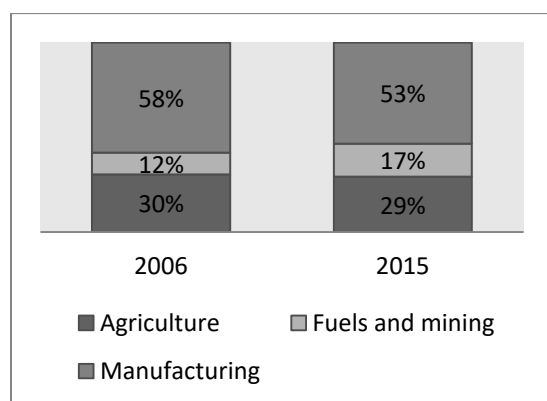


Figure 8-A Structure of Merchandise Trade
(Exports)

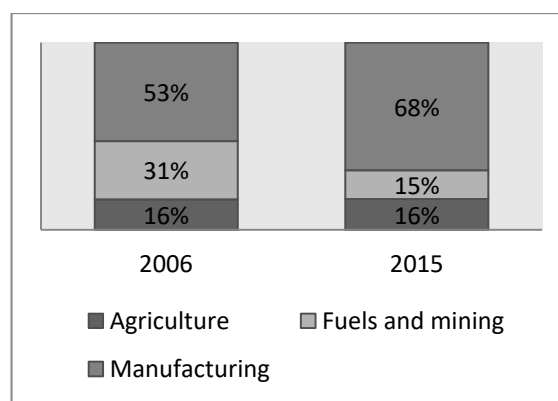


Figure 8-B Structure of Merchandise Trade
(Imports)

(Source 10 World Trade Organization, 2020)

In Togo, the industrial sector is a crucial sector for Togo's economic development and is a focus area for government policy support; hence its contribution to the GDP is lesser as compared to other sectors. Although, it is dominated by the SOEs, nonetheless, in the private sector, there is an increase and diversity in use of resources and mineral production such as iron, phosphate, dolomite and limestone, followed by the increase in the investment. In 2014, Togo counted 29 mining operators from all over the world, out of which 18 are related to the industrial mineral deposits which mainly produce construction materials (The World Bank, 2015). The Togolese government is reforming this key sector to be more attractive for the FDIs. We should mention based on our survey, we find out that the Industrial Sector is the most emergent sector with tremendous potential and opportunities in Togo due to the perpetual improvement of the facilities giving by the government to the economic actors of that sector lately. Recently, more and more permits and licenses are being given for the exploration and exploitation of the sector resources. Figure 7 below shows the rapid increase in the exploitation of the sector.

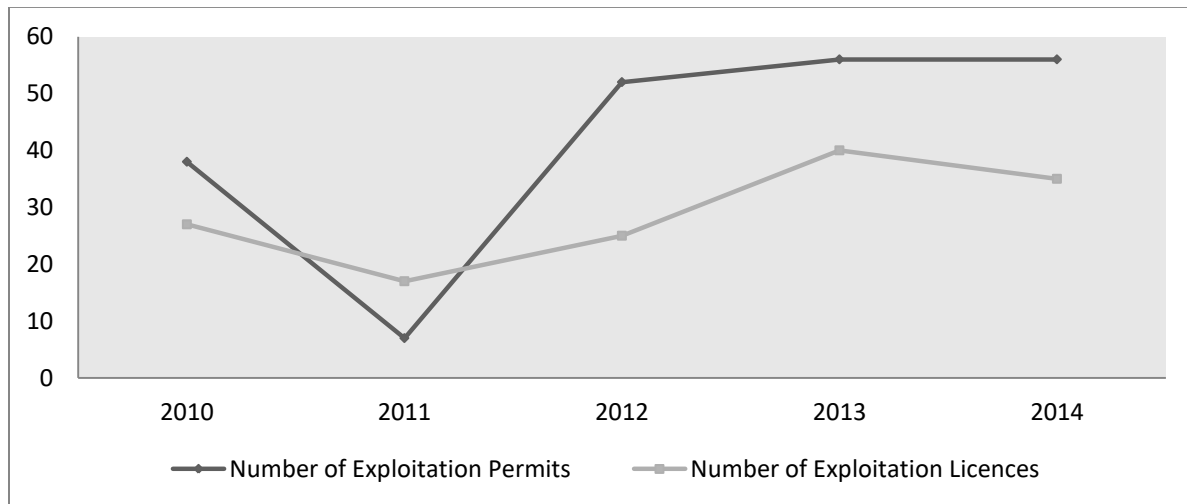


Figure 7 Growth in Mining License Allocation by the Government
(Source 9 MME, Lomé (December 2014))

Let's have a close look at the main products of the industrial sector in Togo. Phosphate remains the main driver of the mining industry. The country, with its large deposits, is the world's fourth-biggest producer of the ore. Kpémé (a town in Togo) is one of the largest phosphate deposits in all of Africa (The Economist, 2015). Besides phosphate, the Industrial sector is highly dominated by limestone, iron, gold, diamond and clinker (cement manufacturing).

Table 3 The Production of the key products 2005-2013

Production/Years	2005	2006	2007	2008	2009	2010	2011	2012	2013
Phosphates (thousand tons) SNPT	1,021	1,171	1,171	843	726	695	866	1,100	1,214
Limestone(thousand tons) WACEM	2,253	2,301	1,824	1,824	1,704	1,656	1,923	1,919	1,608
Iron (tons) MM Mining	-	-	-	-	-	-	45,189	82,196	79,868
Gold* (kg)	6,178	5,903	10,158	11,834	12,954	10,451	16,469	18,551	21,860
Diamond (in carats) ASM	2,354	5,118	2,690	8,787	125	0	207	455	23
Aggregates (m3)	-	-	-	36,489	49,362	128,341	273,517	247,468	217

Note: ASM = Artisanal and Small-scale mining; WACEM = West African Cement.* = Quantity shipped, including much of the gold in transit from neighboring countries tested before shipping and, to a lesser extent, gold produced by the ASM in Togo.

In 2013, 27% of the Togolese total exports were from phosphate. Its reserves have a life expectancy of over 100 years, including carbonated phosphate deposits (Extractive Industries Transparency Initiative (EITI), 2015). The fabrication of dolomitic marbles, clinker cement, limestone, iron, and manganese also contribute to the GDP and export earnings. The table shows the main production of the Togolese industrial sector. Among the products, there are some products in which Togo has latent comparative advantage such as Phosphate, Iron and Cement. As factor endowment based on the approach of GIFF, Togo should go either for Phosphate, Iron or Cement.

TOGO VS IT'S COMPETITORS: WHAT DOES TOGO HAVE?

Labor

There is a yearly growth of 2.5% of the Togolese population. In 2016, the total population was 7.6 million (The World Bank, n.d.). Togo has a relatively high employment-to-population ratio in comparison to the West Africa average with a percentage point gap of 18% in 2018 covering three-quarters (76%) of the working-age population. The gender gap in the employment-to-population ratio is smaller in Togo and the youth has an even higher employment-to-population ratio relative to the West African average that stands at a percentage point gap of 29%.

Table 4 Estimations of the employment-to-population ratio, Age and Sex distribution, 2018

Sex	Age	Togo	West Africa	
Men and Women	Total	15+	76%	58%
	Youth	15-24	61%	32%
Men	Total	15+	78%	63%
	Youth	15-24	61%	36%
Women	Total	15+	74%	53%
	Youth	15-24	61%	29%

Source 10 ILO, Key Indicators of the Labor Market (KILM)

(International Labor Organization, 2020)

In the above table, we can see how competitive Togo is when it comes to the structure of the population. The Togolese population is composed of 76% youth which is significantly higher than the average in West African nations.

LATENT COMPARATIVE ADVANTAGES: WHAT CAN TOGO POTENTIALLY DO WELL?

From the previous analysis we have identified three (3) main products Phosphate, limestone (clinker to produce cement) and Iron that Togo can focus on for the development of the industrial sector.

Phosphate

The mining sector in Togo has in the past, insignificant impact on the economy. In the 1980s and 1990s, Phosphate was the main source of export earnings and accounted for 40% of government revenues. However, the country's annual output has declined significantly, from 3.39 million tons in 1989 to 800,000 in 2009, due to the dilapidated facilities, mismanagement, and incapacity of the Togolese Office (Togo First News, 2020).

In 2014, in phosphate rock production, by tonnage of output, Togo was considered 19th in the world. Likewise, 1.8 million metric tons of limestone was also used locally to manufacture cement (Wikipedia WEbis, 2015). In 2013 the government privatized the states owned enterprises and a year later, an attempt was launched to modernize the mining code, backed by the World Bank, by introducing international standards in an effort to attract private investment. The recovery plan for the sector estimated more than 200 billion CFA francs (nearly 305 million euros) of investments over the period 2011-2015 to boost production. This strategy was based on the New Phosphate Society of Togo (Société Nouvelle des Phosphates du Togo-SNPT) (World Bank, 2010). The first phase consisted of upgrading and modernizing all existing

facilities and opening two new mines in Dagbati and Nyita in the south near Lomé. The second phase focused on the acquisition of state-of-the-art logistics.

The result was quick; total exports from Togo to the United States were estimated at 9.1 million dollars, compared around 7.7 million dollars in 2013. U.S. imports were estimated at \$1.02 billion, compared to \$1.01 billion in (US Census Bureau, 2020). According to the latest report by the UK firm Moore Stephens LLP for the Extractive Industries Transparency Initiative (Itie-Togo), released in September, the phosphate sector has generated 24, 3 billion CFA francs, or 27% of the country's total export earnings in 2013, after clinker (43.5 billion, or 49% of export earnings) and just ahead of gold (21, 5 billion, 24%), which are the other two main mining products exported by the country (Moore Stephens, 2017). Through this program, a third shipping platform at the Harbor was completed to serve as a development corridor in West Africa.

Limestone

The WACEM Corporation contributes primarily by income tax to the state budget (CFAF 1,185 million in 2007). The effect of WACEM on jobs is not as great as its turnover, as the cement industry is mainly capital intensive (which reaches a maximum of 45.6 billion CFA francs in 2007). The total workforce consists of 1,865 individuals (plus 270 at FORTIA). The value added was 13,700 million FCFA in 2007 or about 1% of GDP (World Bank, 2010).

The Togolese cement market has been and still competitive in West Africa due to its lower price offers. The government sets the maximum rates. Following a rise in July 2008, these retail prices for CIMTOGO and FORTIA cement rose to CFAF 81,000-92,000 per ton (depending on quality) and CFA 77,000 per ton, respectively (Perez, 2019; World Bank, 2010). The recent rise has taken Togo's prices closer to those of Benin, but, as a major economic advantage for Togo, they remain far below those of other sub-regional countries (120,000 to 140,000 CFA francs, for example, Mali). The prices of Cement per ton in different African nations are given as:

Table 5 Price of Ton of Cement

	Ghana	Côte d'Ivoire	Nigeria	Togo	Benin	Niger	Senegal	Gabon	BurkinaFaso
Price US \$/tons	145	170	250	130	142.8	153	170	119	175.1

Source 11 Calculated by the Authors with USD1=588.37XOF, 29/4/2019

Compared to the prices in the region, Togolese consumers are therefore well off. The cement industry is undoubtedly called to play in the future an even more important role in the economy of Togo, both for clinker and cement exports, and for supplying the country's building sector with cement. The abundance of the limestone subsoil, a port infrastructure well suited to the transport of heavy goods and production experience of more than two decades, are important comparative advantages allowing Togo to be one of the major producers and exporters of clinker and cement in West Africa. To ensure a substantial increase in production for the next 30 years, the currently identified reserves of quality limestone should be adequate. It must be kept in mind; however, these known reserves will be depleted one day. The interest of Togo is, therefore, to drive from the exploitation of this non-renewable resource a benefit that optimizes the various advantages for the country and its population.

Iron

The mining potential of Togo is well known. Despite overall declining trends in the price of minerals, Togo continues to attract investors. The launch of Mining Development and Governance Project (PDGM) in Lomé, funded by the World Bank, attests to this potential. This sector is one of the main sectors with high growth potential identified by the government as part of the strategy for accelerated growth and employment promotion. The Acting Resident Representative of the World Bank in Togo Gogwill Tange was pleased to accompany Togo in the transparent and efficient management of its mineral resources (The World bank, n.d.).

The land in the North of Togo is known for its diversity of techniques implemented to transform the ore into metal and history of labors involved in complex steel activities. The amount of iron produced in recent decades exceeded local consumption. During this period, the metallurgists put in place a geographic sector of the operating chain: the villagers of Dimuri specialize in coal mining; around Bandjeli and north of Bassar, metallurgists extract and reduce ore; Iron is processed by blacksmiths from Bitchabe and surrounding areas, as well as south of Bassar (Barros, 2012). The purification techniques of the raw iron magnifier were analyzed by the ethnologist Stéphan Dugast (Dugast, 1986, 1988, 2004). They are original and complex chains identified by the metallurgists.

An experimental session in situ was organized in February 2016 in the village of Bitchabé. The participants in this experiment, descendants of the blacksmith, had never practiced this operation of purification. Under the guidance of the elders, they were able to best reconstruct the gestures and tools needed to forge iron ores. This ancestral activity was very important in the old local economy, unfortunately, it was abandoned about a century. Contrarily,

in the Economic Zone in the Southern Part of Togo in Lome precisely, the production of the iron is in order of billions (between 1 to 20 Billion XOF) among the factories investigated.

After identifying the three mains products that Togo can potentially rely on for the development of the industrial sector, we will find the binding constraint that constitute the challenges that the government can remove or to convert into win-win in other to attract early investors.

BINDING CONSTRAINTS

Electricity

Togo, like other African countries is suffering from the same symptoms related to power and electricity. The high constraints on electricity and transportation challenges and tests the Government commitment to implementation of policies.

Table 6 Cost of Electricity

	Ghana	CI	Nigeria	Togo	Benin	Senegal	BF	Ethiopia	Egypt
Electricity US /kWh	0.27	0.12	0.08	0.11	0.26	0.10	0.25	0.04	0.11

Source 12, USAID Website (USAID, 2020)

Electricity is perhaps the most critical factor of production. Factories simply cannot run without electricity, and some machines can ruin batches of materials if the power cuts out during the production process. Even though Togo has a competitive cost for electricity in the region, it suffers from poor supply according to some industry investigations. Ethiopia is a strong competitor, it keeps its cost low as a deliberate development strategy and the availability is guaranteed in Special Economic Zones (SEZs). We can now understand the reason behind the delocalization from China to Ethiopia by the Chinese factories. Ethiopia is working towards the ambitious goal of becoming a world manufacturing hub and middle income country by 2025, and it intends to provide the necessary fuel for it. Ethiopia's development plans, the Growth and Transformation Plan I (2010-2015) (Addis, 2010) and its successor GTP II (2015-2020) (Addis, 2016) entail targeted goals in expanding energy capacities. This low electricity cost and consistent supply are likely to remain a key advantage for Ethiopia. The country's total generating capacity already stood at 4,180MW in 2017, up from 2000MW in 2010. Ethiopia is continuing to invest heavily in electricity generation, including the Grand Ethiopian Renaissance Dam.

INFRASTRUCTURE: TRANSPORTATION CHALLENGES

The main infrastructure needed to support trade with global markets and SEZ focused development model are SEZ infrastructure and the route from the SEZ to the market. The latter of these are often called connective infrastructure and include crucial installations such as port facilities and roads.

Table 7 Transportation of a container at the harbor

	Benin	Egypt	Ethiopia	Nigeria	Togo	Ghana
Cost to export (US\$ per container)	\$1,052	\$625	\$2,380	\$1,564	\$1015	\$875
Cost to import (US\$ per container)	\$1,487	\$790	\$2,960	\$1,959.50	\$612	\$553

Source 13 (The World Bank, 2020)

Recently, Togo ranked the first in the region to be the most competitive harbor (2018). However inside the country, Togo is facing lot of challenges but this can be solved through cooperation with construction companies from China or other nations. It will be good if the priority is given to the infrastructure projects directly benefitting SEZ activities, ensuring a smooth flow along the supply chain, through the zone, and to the export points in order to foster export-oriented manufacturing activities. For example, in Ethiopia the big infrastructure push in recent years has been clearly directed at increasing export-oriented manufacturing FDI. Financial limitations in railroad development were addressed by the government, and the construction of an electric railway linking Addis-Ababa to Djibouti port was prioritized on the government's agenda (Addis, n.d., 2010, 2016). It was officially completed earlier this year after 3 years of construction: the "Ethiopia-Djibouti project will change the way things work for any investor, particularly one who wants to get involved in manufacturing", the Transport Minister said (Ethiopian Embassy of Belgium, 2017). In fact, the railway will reduce the transport time to Djibouti port from 3 days to 12 hours (BBC News, 2016), critically improving Ethiopia's situation on what was its main weakness vis-à-vis its competitors. In his declaration relayed by the Ethiopian Embassy in Belgium, the Minister did not omit to point out that "between 2008 and 2015, the country has witnessed a more than tenfold increase of foreign direct investments" and is confident that "this attractiveness is set to further increase in the next years".

The latest Togolese "The National Development Plan (NDP) 2018-2022" has the Strategic Area 2 to develop Agricultural production and processing, manufacturing and extractive industries poles (The World Bank, 2018). To achieve quick and sizeable wins, the Government should consider prioritizing the road network, especially given the small size of the

country. It appears to be the only transportation mode capable of reaching throughout the 'supply to export' chain, and will facilitate the development of multimodal transportation once in place.

CONCLUSIONS AND POLICY RECOMMENDATIONS

The Government's commitment to implementation by using its business strategies to attract multilateral co-operations and act on bilateral collaboration will be the key. We have through the GIFF demonstrated the comparative and the latent comparative advantage that Togo has vis-à-vis other countries in West Africa. The Service sector is the leading sector in Togo with the major contribution to the GDP and with the highest proportion of labor forces mainly youth, followed by the Agricultural sector which is composed of the latent advantage and finally the most promising but unexploited is the industrial sector. Knowing the cost and abundance of human, physical and natural resources in Togo, the Government needs to step in considering the resources in the service and industrial sector as being the first to add value to the economy, so that it reaches the sectoral competitiveness in a global market. We therefore invite the Togolese government to pay a closer attention to the issue.

The role of great leaders is also reflected in the success of China and Ethiopia. China's Deng Xiaoping was willing to make radical departures from the policies of the previous 30 years to experiment, iterate, and bring China to flourish after many years of deindustrialization. In Ethiopia, beginning with Prime Minister Meles Zenawi, followed by Prime Minister Hailemariam Dessalegn, and supported by Minister Arkebe Oqubay, things are transforming from being one of the least hopeful and aid-dependent countries in Africa into a manufacturing powerhouse. In each of these cases the governments actively sought FDI into SEZs, with the heads of government becoming personally involved in courting potential investors and working with them to solve their problems. The Togolese Government in order to catch up with other emergent economies has to follow the steps of GIFF (Lin, 2012):

- *Promote FDI*: If currently there are no domestic firms in the selected sectors, seeking FDI or creating new firm incubation programs could provide effective short-cuts to develop the desired new industries. For example It can seek a sister arrangement with a province in China and to have the province as a strategic partner for setting up a SEZ to mobilize investors from labor-intensive manufacturing clusters in that province to relocate to Togo.
- *Upgrade domestic industry*: if currently there are domestic firms in the selected sectors, but their product quality, technology and production capacity are not up to the

international competitive standards, and sector specific industrial upgrading programs could be used to help significantly uplift these industries.

- *Establish SEZ and industrial park development:* Special economic zones or industrial parks can be used to address barriers to company entry, attract FDI and foster industrial clusters in countries with weak infrastructure and bad business environments.
- *Create special incentives to encourage “first- comer” investors:* This includes tax exemptions and duty reduction to compensate pioneering enterprises, Technology upgrading, workforce training and R & D support, and priority access to foreign exchange.

The research provides implications for developing countries to focus on resources that provide comparative advantage to the nations. Developing nations can implement relevant policies in accordance with the recommendations from the research findings. The research provides basis for future researchers to explore this field and provide quality research outcomes. For future research, the use of primary and secondary data complemented with econometric modeling and statistical analysis can provide further evidence and robust outcomes regarding the topic. Both time series and panel data can also be used for enhancing the research conclusions and practical implications of the outcomes.

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