

**KEY CHALLENGES FOR
THE 'MISSING MIDDLE'**

#ClosingTheGap

Assessment of the
entrepreneurial ecosystem
in Togo

Commissioned on behalf of:

Dutch Good Growth Fund (DGGF) / Investment fund local SMEs

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#ClosingTheGap Togo has been commissioned on behalf of DGGF as part of the ClosingTheGap series of entrepreneurial ecosystem assessments. The findings and recommendations are at the discretion of the consultants -Enclude - and do not necessarily reflect the opinion of DGGF and/or its partners.



Ministry of Foreign Affairs of the
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Dutch Good Growth Fund



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Executive Summary

This report presents the results of a study conducted on behalf of the Dutch Good Growth Fund (DGGF) to get a better understanding of the 'missing middle' in francophone West Africa, of which Togo is one of the focus countries. The report describes the main factors that hamper growth of SMEs in Togo and limit their access to growth finance, and suggests possible actions to increase their access to funding.

The analysis of the ecosystem is based on six domains which are: **Culture, Policy, Markets, Finance, Support, and Human Capital**. In order to map these domains and identify solutions and opportunities for improvement in Togo, an initial desk study was undertaken. Subsequently a short field visit took place in March 2017 where 20 stakeholders from various ecosystem domains were interviewed. On March 17, 2017, a workshop was held in Lomé with 15 key stakeholders to validate findings and design possible solutions to overcome the gaps in the local entrepreneurial ecosystem.

A Challenging Environment

Togo is an important trade hub in West Africa, thanks to the deep water port of Lomé and relatively good connections with neighbouring countries. The economy depends heavily on trade and agriculture. However, it is also one of the poorest countries in the world, in terms of GDP per capita. A positive culture around entrepreneurship is developing slowly, but is still far from being mainstream. Most entrepreneurs in Togo have entered business out of necessity, to support their families in the absence of other job opportunities, and there is a high level of informality among SMEs.

Besides the nascent entrepreneurial culture, there is also a lack of skilled professionals, a limited supply of Business Development Support, and limited access to finance for local businesses. After a long period of political instability, which had a huge impact on the economy, the country has experienced steady growth since 2006. The WB Enterprise Survey, which is based on a sample of 150 formal enterprises, suggests that Togo outperformed most other countries in Sub-Saharan Africa, in terms of both employment and sales growth in 2016¹. There are several initiatives to support SME development, but there is a great deal of work yet to be done.

The Missing Middle is a Reality

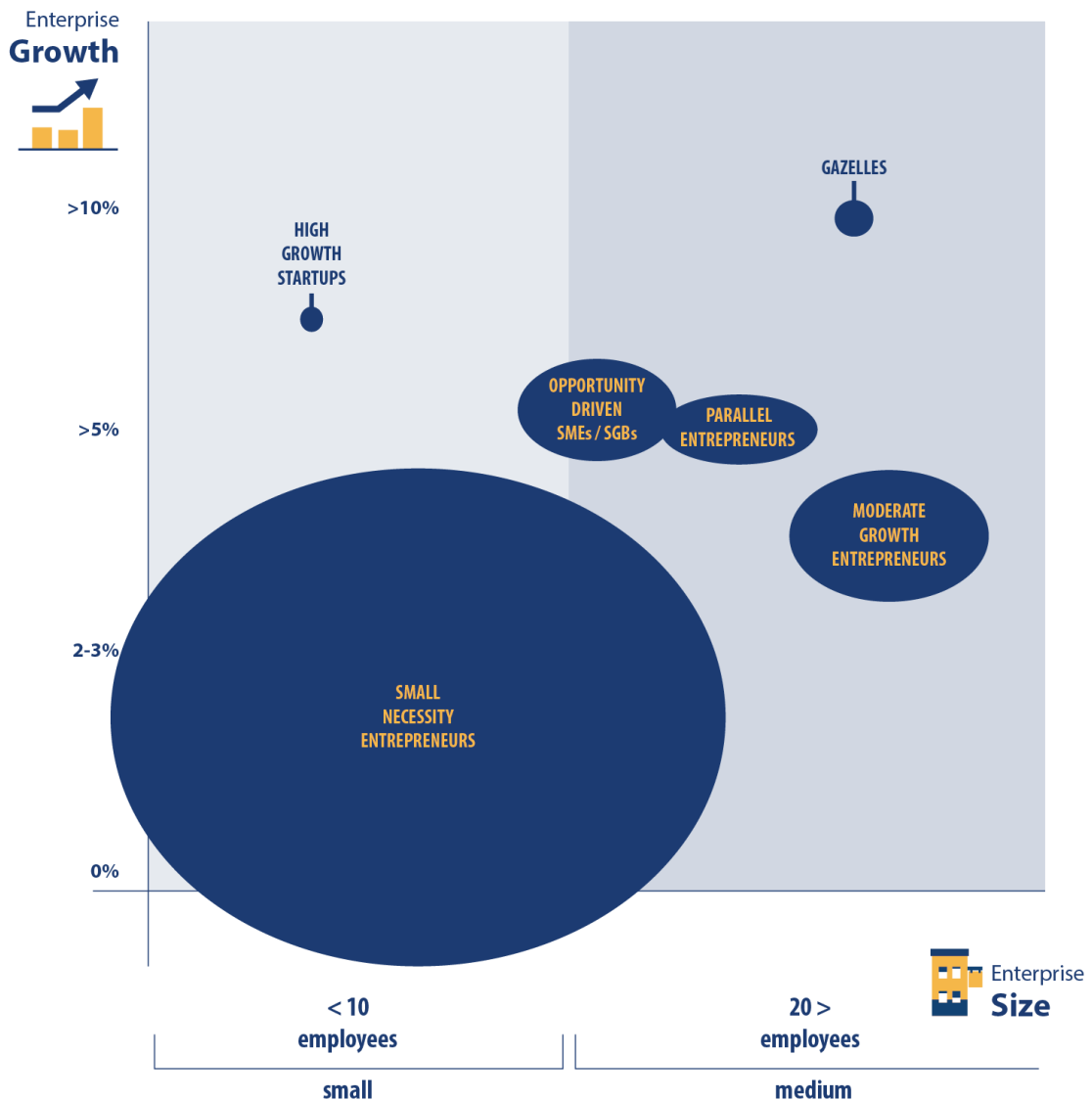
Micro finance, family and friends are the main financing sources for small and newer businesses, for limited amounts. High growth enterprises have access to (short-term) debt finance, but other types of SMEs remain underserved or unserved by the current financial landscape.

The leading factors contributing to the lack of financing for small and medium businesses are:

- **Entrepreneurship:** There are a few (donor/government-sponsored) initiatives that have recently emerged to promote entrepreneurship; however these are mostly project-based (i.e. short-term and ad hoc) and the entrepreneurial culture is only developing slowly and the

¹ <http://www.enterprisesurveys.org/-/media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/Togo-2016.pdf>

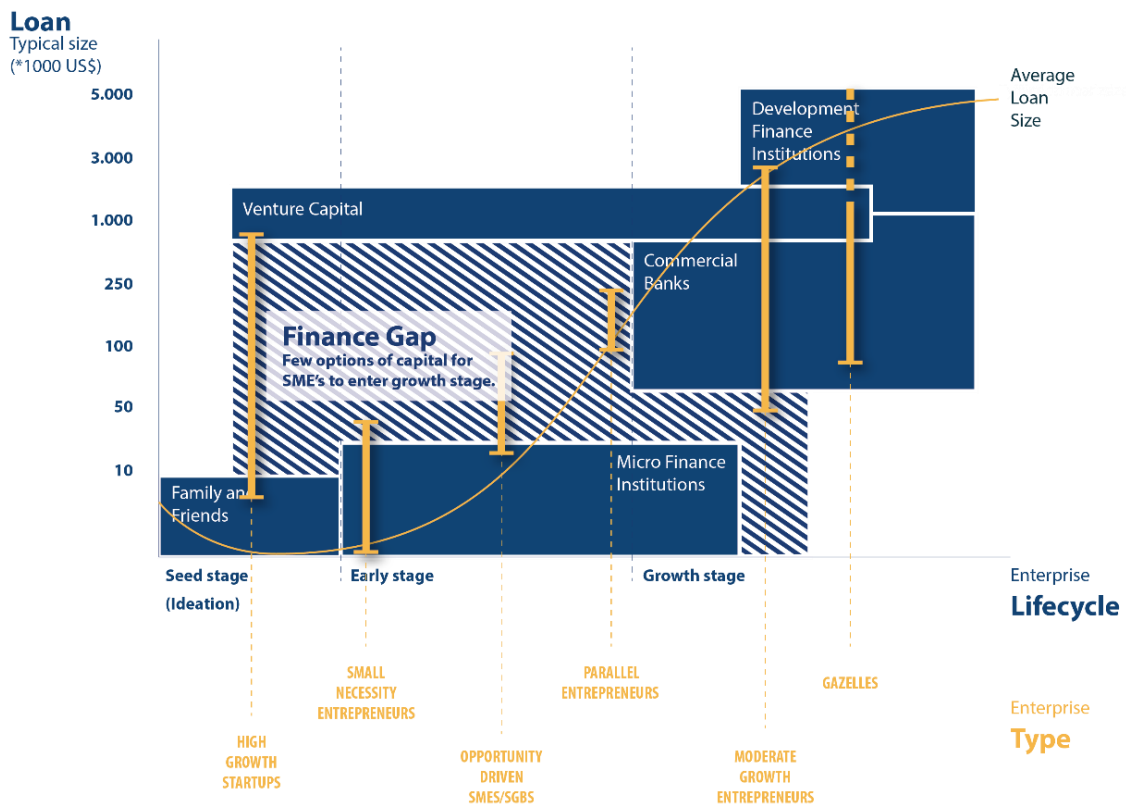
ecosystem is still weakly developed.



- Informality and the level of professionalization:** The high degree of informality of most enterprises translates into lack of proper financial accounting, insufficient capital to put up as collateral, and lack of professional management skills, and leads to unfair competition for formal SMEs. Entrepreneurs are often not aware of what their needs in terms of capacity development are. Thus, there is a need for organizations to help them to identify these shortcomings so that they can tackle their main challenges. The BDS on offer is either not affordable for them or not accessible due to their limited outreach.
- SME finance:** MFIs in Togo are competing with banks for (short-term) loans up to €75,000. Most banks do not see SMEs as a profitable and sustainable business line, beyond the larger and well-established companies. There is a lack of legal assurances for banks that they will be able to recover their money if the entrepreneur defaults, even when they have taken collateral. As a result there are only limited financing options - essentially only short term bank loans (< 1 year).

- Investors' appetite:** There are not many private investors active in Togo because of high transaction costs and limited presence of investable enterprises. However, there may be opportunities for the ones ready to provide different financial products – sometimes more adapted to SMEs financial needs than commercial debt - such as leasing, factoring or investment capital notably from impact investors, in sectors like agribusiness or tourism.

The resulting financing gap for SMEs in Togo is shown in the image below.



Looking forward, the two most promising pathways for closing the financing gap for SMEs seem to be helping missing middle enterprises transition out of informality and grow into bankable, investable businesses, while stimulating better more advanced financial service delivery to missing middle enterprises.

A number of concrete actions to close the financing gap are suggested at the end of the report, based on interviews with local stakeholders and the final workshop in Lomé:

- Develop an entrepreneurial mind-set from an early age, through integration of entrepreneurship education and training in curricula
- Foster the level of professionalism of the local SMEs -including the young and women led ones - notably in terms of their business management capacity (including accounting)
- Promote, strengthen and facilitate access to high quality affordable BDS, notably for start-ups and early-stage enterprises - including the ones being led by women and youth
- Enhance the public administration capacity to deliver on what has been planned and encourage more coordination among isolated initiatives.

1. Introduction

1.1. Objective of the Study

This study has been conducted on behalf of the Dutch Good Growth Fund (DGGF), an initiative of the Dutch Ministry of Foreign Affairs. The DGGF part 'Investment Funds local SMEs' is a "fund of funds" investment initiative of the Dutch Ministry of Foreign Affairs that aims to improve access to finance for the missing middle – that is entrepreneurs who have outgrown micro-financing but do not yet have access to conventional financial services.

The Seed Capital and Business Development (SCBD) Facility was established to further the impact of the DGGF by providing technical assistance, seed capital and business support services to intermediary funds and local SMEs. In addition, the program incorporates a knowledge sharing component that supports research, tests assumptions and shares insights on financing SMEs in developing countries and emerging markets, and fosters industry-wide knowledge exchange.

Under the SCBD knowledge development and sharing component, the DGGF #ClosingTheGap series aims to improve the common understanding of key challenges faced by entrepreneurs and especially the "missing middle" in countries covered by the DGGF mandate. The #CTG series is a tool to facilitate and support local and international stakeholders' efforts to set the agenda for SME development. Working together, local stakeholders and their international partners should be better able to identify solutions to the main gaps in entrepreneurial ecosystems that hamper the growth of local enterprises.

The study was commissioned to get a better understanding of the 'missing middle' in francophone West Africa, of which Togo is one of the focus countries. The report describes the main factors that hamper SME growth and access to finance, and suggests possible actions to increase SMEs' access to funding.

1.2. Methodology

The first DGGF #ClosingTheGap study piloted in 2015 in Kenya applied the Entrepreneurial Ecosystem Diagnostic Toolkit, published by the Aspen Network of Development Entrepreneurs (ANDE). Based on the lessons learned from the pilot in Kenya, we have customised the methodology for the purpose of this study. As shown in the figure, the research follows the Babson entrepreneurial ecosystem model, one of the leading models in the current entrepreneurial ecosystem thinking, which determines six different ecosystem domains. A detailed description of the methodology can be found in Annex 6.



The six ecosystem domains studied were:

- **Culture:** is the culture supportive and enabling of entrepreneurship?
- **Finance:** can entrepreneurs gain access to debt, equity and other financial products?
- **Human capital:** are the human resources that local enterprises require available in the market?
- **Policy:** do policies enable and facilitate entrepreneurship?
- **Markets:** do entrepreneurs have sufficient business opportunities?
- **Support:** do entrepreneurs have access to enterprise development support services?

We started our evaluation of the entrepreneurial ecosystem in Togo with a **desk study** to get an initial overview of the local entrepreneurial ecosystem. First we analysed how Togo scores compared to other countries in Africa in each ecosystem domain, by combining multiple indicators from a number of different indexes. Index sources used for scoring the 6 domains of entrepreneurial ecosystems were the World Bank's Enterprise Surveys (ES); the Global Entrepreneurship and Development Index (GEDI) produced by George Mason University; data from the Doing Business (DB) project of the World Bank; and the Global Innovation Index, co-published by the United Nations.

DGGF is partnering with the Enterprise Survey Unit of the World Bank to undertake enterprise surveys in the countries covered by the current assignment. In Togo, a survey was undertaken in 2016. The findings from this survey are being used in this report², acknowledging the bias of these data towards formal, and therefore larger and more professional, firms.

After the desk study, representatives from various ecosystem domains were interviewed during a **field visit** of one week in March 2017. This group included 7 SMEs (not including the BDS providers); 6 SME support structures (including semi-public and private structures) and 7 financial players (banks, MFIs and guarantee funds). (For full list of participants, see Annex 1.). These discussions enriched the information from the desk study, and uncovered the root causes explaining the existence of a 'missing middle' in Togo. In addition, they helped to identify some of the key stakeholders, both organisations and individuals that act as frontrunners in the development of a more conducive entrepreneurial ecosystem in Togo.

These and other relevant stakeholders were gathered during a workshop with 15 stakeholders of the local ecosystem on March 17, 2017, to validate findings and design possible solutions. See Annex 4 and 5 for a list of workshop participants and summary of outcomes.

² <http://www.enterprisesurveys.org/-/media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/Togo-2016.pdf>

2. The Business Landscape in Togo

2.1. Togo in a nutshell

Box 1: Togo key facts

Area:	56,785 km ²
Location:	Bordering with Ghana, Benin and Burkina Faso
Population:	approx. 7.5 million
Capital:	Lomé
Other economic hubs:	Sokodé, Kara, Kpalimé
Official language:	French
Other languages:	Ewe, Kabié and others
Religion:	Christian (30%), Muslim
Currency:	Franc CFA (FCFA)
GDP per capita:	Approx. USD 590

Source: Economist Intelligence Unit



Situated on the Atlantic coast, Togo shares borders with Ghana and Benin, and Burkina Faso in the north. Togo declared independence from France in 1960. In 1967, Gnassingbé Eyadéma led a successful military coup d'état after which he became president. At the time of his death in 2005, Gnassingbé was the longest-serving leader in modern African history, after having been president for 38 years. In 2005, his son Faure Gnassingbé was elected president.

Togo is a member of the UEMOA (West African Economic and Monetary Union). Thus, like most Francophone countries in the region, it uses the CFA Franc, which facilitates trade and ensures a degree of monetary stability. The West African Development Bank (BOAD), which is associated with UEMOA, is based in Lomé. Togo long served as a regional banking center, but that position has been eroded by the political instability and economic downturn of the early 1990s.

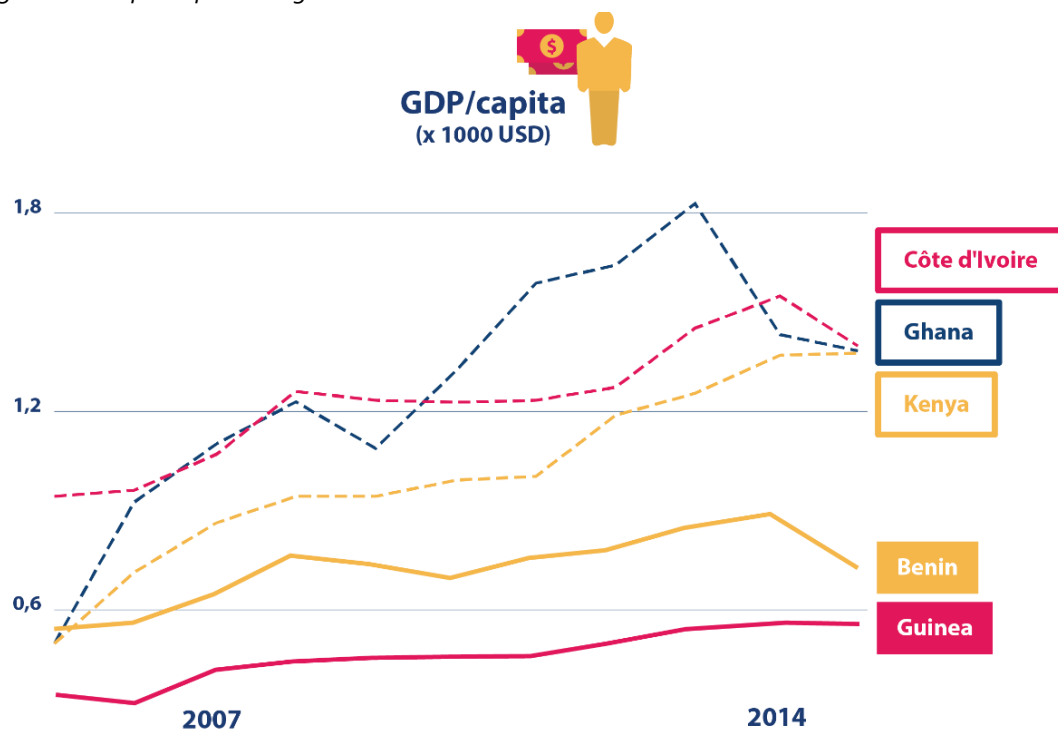
The country serves as a regional trade hub, with its deep water port through which many imported goods pass on their way to the hinterland. Export earnings represent about 25% of Togo's GDP. Phosphates, coffee, cocoa and peanuts are the major exports and together generate roughly 30% of export earnings. Other major crops are cassava, jasmine rice, corn and millet. Lack of electricity is a permanent problem, because the country only produces about a third of its consumption; the rest is covered by imports from Ghana and Nigeria. Low market prices for Togo's major export commodities coupled with the volatile political situation of the 1990s and early 2000s have had a negative effect on the economy³.

³ Sources: CIA World Factbook Togo (July 2017), Togo Labour Market Profile 2014 (Ulandssekretariat Danmark), UEMOA.

2.2. Togo's Entrepreneurial Ecosystem in the Regional Context

Togo's ecosystem scores lower than most other West African countries⁴ according to the scoring methodology, which is based on a range of indicators including the WB Doing Business ranking and the Enterprise Survey⁵. **Togo is a low-income country in terms of GDP per capita**, which is heavily dependent on its natural resources⁶, mainly mining and to a lesser extent agriculture. The country has suffered from political instability, but has had a period of steady economic growth in recent years, fuelled by political stability and a concerted effort by the government to modernize the country's commercial infrastructure⁷.

Figure 1: GDP per capita in Togo and selected countries



Source: World Bank

Togo scores poorly on various international indices, compared with its neighbours. For instance, on the UN Human Development Index it is ranked 166 out of 188 in 2015, just above Benin. However, this is higher than all the other countries in francophone West-Africa, except Senegal (162) and higher than you would expect based on per capita GDP.

An important measure of a country's entrepreneurial ecosystem is the World Bank's Doing Business Index, which is a weighted average of several factors. This index presents a ranking of the world's economies based on 10 distinct aspects of their business regulatory environment, and combines this in an overall "Ease of Doing Business" ranking. Togo is the 154th place, slightly above Benin and Guinea, but below Mali, Côte d'Ivoire and Senegal.

⁴ See Annex 6 for details on the scoring methodology.

⁵ Unfortunately, Togo is one of the few countries in the world not covered by the WEF Global Competitiveness Index.

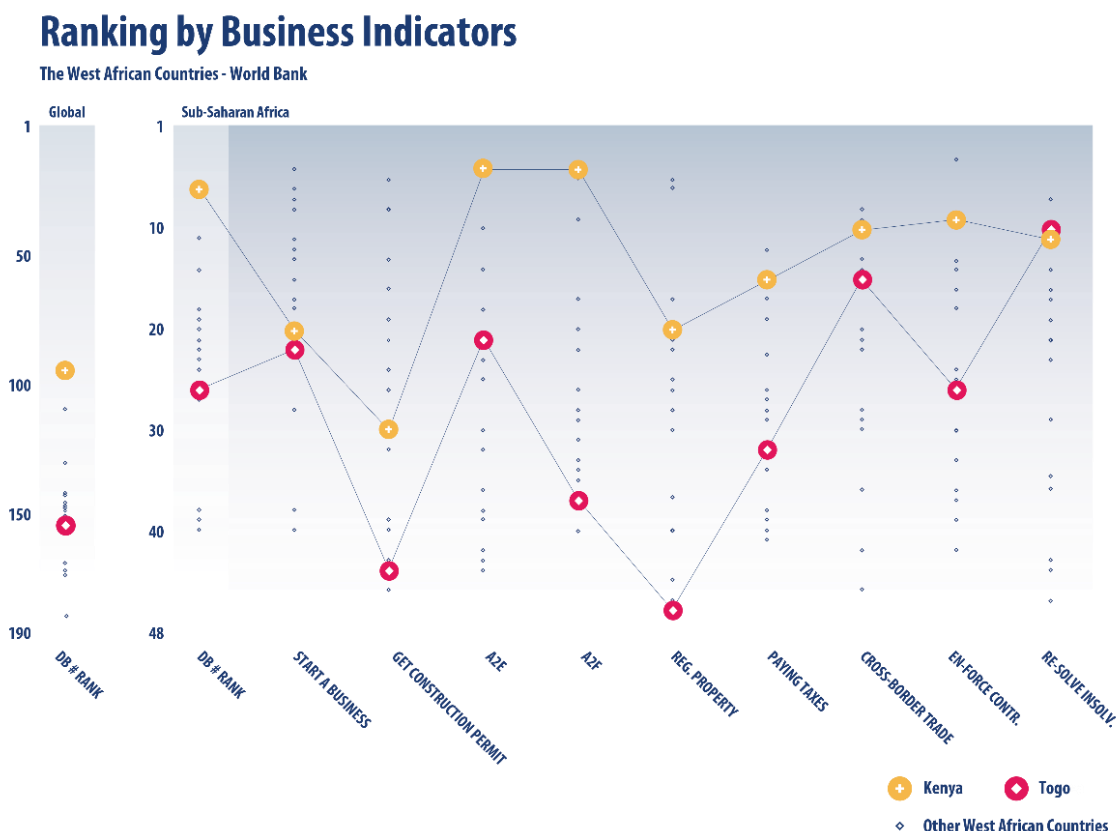
⁶ The country is among the world's largest producers of phosphates, which represent 20% of export earnings.

⁷ The CIA World Factbook Togo (July 2017)

2.3. The Private Sector in Togo

As in all the countries in the West-African region, the private sector in Togo is characterized by a high degree of informality. Exact figures are hard to come by, but according to some estimates it is well above 70% and a lot higher if we include agriculture. The informal sector accounts for 68% of total economic activity, over 70% of non-agricultural employment, over 90% of agricultural employment and around one third of trade and transport turnovers⁸.

Figure 2: World Bank Doing Business Indicators Ranking for West African Countries



For this study we will use the definition of the Ministry of Commerce, which simply defines SMEs as firms with 5-100 employees. This is the same definition used by the WB Enterprise Survey. The Togo Internal Revenue Service defines SMEs as all those businesses with an annual turnover of up to 100 million FCFA (€150,000). Each bank in Togo uses its own definition, which range from annual sales of 25 to 2,500 million FCFA. The higher the turnover range they use to define SMEs, the less likely they are to provide loans to smaller businesses.

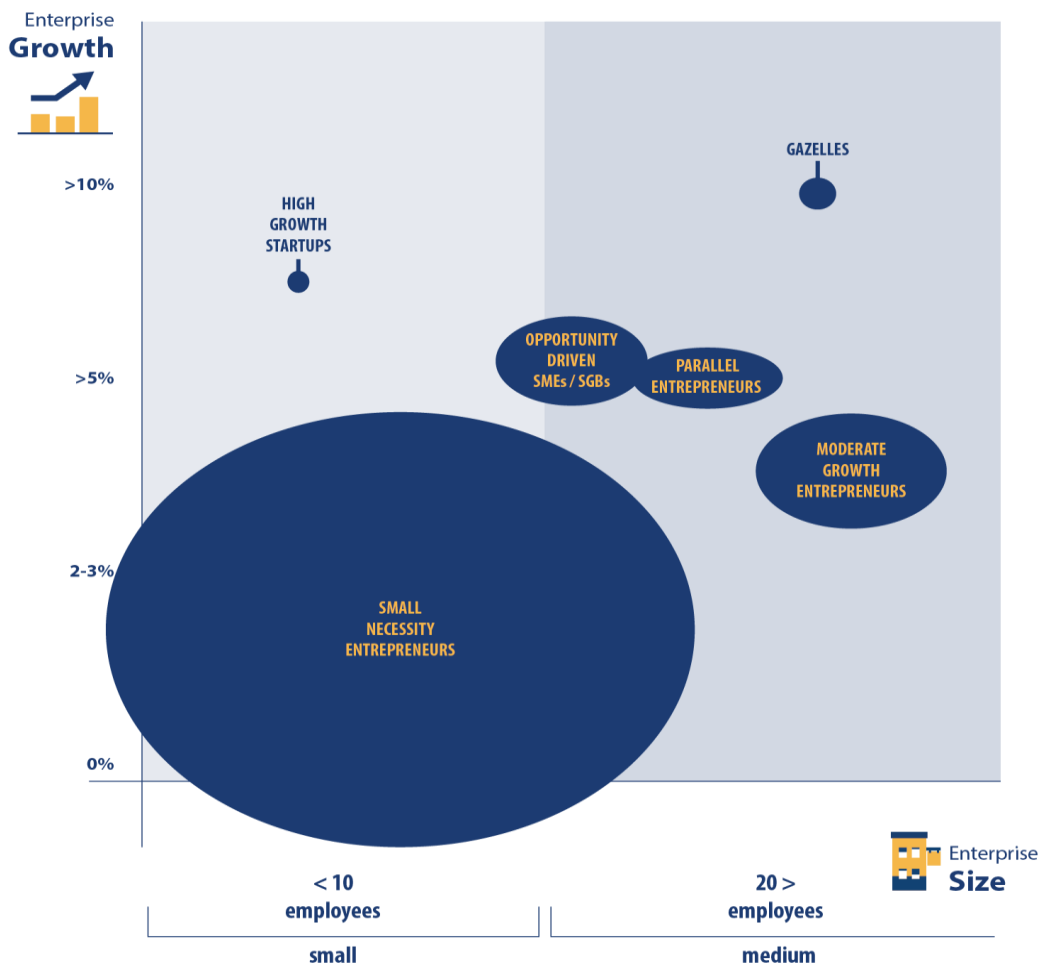
The SME Landscape

SMEs are not a homogeneous group. They differ greatly in terms of size, degree of formality, experience, market orientation and related funding needs. The SME sector can be classified based on two criteria: size and growth. The **segmentation of the SME sector in Togo results in five types of entrepreneurs**, with distinctive funding needs, that would benefit from customised support. These segments are described below.

⁸ According to a WTO report (2006) and Togo Labour Market Profile 2014 (Ulandssekretariat Danmark).

- **Small necessity entrepreneurs.** The biggest group of entrepreneurs in Togo are small necessity entrepreneurs, barely larger than a micro enterprise, set up to achieve an income for the owners' family, and aimed at survival rather than growth. In some cases, access to finance would be welcome to increase their working capital, but their financial administration and business planning practices are insufficient to approach funders, other than perhaps MFIs that provide small amounts for short periods.
- **Moderate growth entrepreneurs.** These are traditional firms offering a product or service with a stable demand but usually not deploying innovative products or production techniques. In the context of Togo, with a steady growth of 5%, some of these firms may develop into mid-sized enterprises over time. They are often family businesses with a higher rate of formality than the small necessity entrepreneurs. They are typically on the verge of having access to bank financing.
- **High growth start-ups.** These are typically young entrepreneurs, often starting a business in the technology sector. Togo has relatively few of these, in comparison with Senegal or Côte d'Ivoire, for instance. These new entrepreneurs may struggle initially, as they learn to manage the basic challenges of doing business in Togo, such as bootstrapping, handling authorities, and coping with unreliable infrastructure. There is not much funding available for early stage start-ups.
- **Opportunity driven SME's.** These are entrepreneurs that engage in opportunistic business behaviour, copying successful business models observed elsewhere and regularly switching or adding new business activities. This group includes entrepreneurs that run several businesses at once (**parallel entrepreneurs**) and who will often own small businesses in a variety of sectors and industries. They tend to lack a long term business vision, but limited market knowledge.
- **Gazelles.** Successful start-ups that have made the move from small to mid-size firm in a very short time, thanks to high annual growth rates of around 10%, are called gazelles. Usually formally registered, they typically have 20-100 employees, have achieved a mature financial performance, and are headed by a strong business leader. Gazelles look for larger amounts of long-term finance to invest in assets, and usually have access to debt or other forms of financing. There are not many gazelles in Togo.

Figure 3: Segmentation of SMEs in Togo



Source: Adapted from Intellectap⁹, 2015 and authors' research¹⁰

SMEs and Access to Finance

Surveys are typically biased in favour of larger, formal and Lomé-based SMEs, and include less information about smaller, more rural and informal enterprises. Even so, access to finance is considered to be the top obstacle to doing business by small enterprises in Togo, followed by tax rates and political instability, according to the recent WB Enterprise Survey. For medium-sized enterprises the main perceived obstacles were tax rates and access to finance¹¹.

Being an entrepreneur in Togo often involves looking for new short-term business opportunities to survive the next few months, rather than a consistent focus on building long-term clients and a quality-oriented enterprise. The result is copycat SMEs, with very limited market knowledge and no clear, long-term business strategy. Successful role models are rare, though they do exist.

- **Bindaké Yindo** of "Marbin SARL", a construction company with 40 employees
- **Jean-Marie Noagbdji** of Café TIC, the first ITC company in Togo, with 105 employees.

⁹ ClosingTheGap Kenya, Intellectap 2015

¹⁰ Size of sub-segments is estimated by authors based on the World Bank Enterprise Survey and field data.

¹¹ <http://www.enterprisesurveys.org/~media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/Togo-2016.pdf>

Snapshot: High growth enterprises in Togo

Maubin SARL

Director/owner:	Bindaké YINDO
Location:	Lomé
Business activity:	Construction
Established:	2009/2013
Staff:	40
Formal:	Yes

Description of the business

- Mr. Yindo is an agricultural engineer, who worked for various NGOs, setting up rural development projects. This experience taught him how to manage projects and gave him the confidence to set up a construction company.
- Initially he had appointed someone else as manager but this did not go well, so in 2013 he took over himself.
- The turnover quickly grew from FCFA 5 million in 2013 to FCFA 360 million last year.

Financing the business

- Mr. Yindo set up the company with his own funds and those of his business partner.
- In 2016, he got his first bank loan to pre-finance a large public contract for FCFA 20 mln and after that another for FCFA 50 mln.
- In both cases they were ST loans (up to 12 mth), at an interest rate of about 10%.

Challenges

- The company needs LT finance to buy more equipment, to be able to compete with foreign companies from China and Europe.
- They also have difficulties in finding competent technical staff. Most employees are trained on-the-job, because the level of tech schools graduates is not good enough.

CAFÉ Informatique & Telecom

Director/owner:	Jean-Marie Noagbodji
Location:	Lomé
Business activity:	ICT services
Established:	1987
Staff:	105
Formal:	Yes

Description of the business

- Mr. Noagbodji set up his company 30 years ago, the first ICT company in Togo.
- He now has an internet service provider, a data centre, a MS training centre and a research lab.
- They now have 105 employees and a turnover of FCFA 1.5 billion last year.

Financing the business

- The business was set up with his own funds, growing gradually over time as he reinvested his earnings into the business.
- They work with three different commercial banks, but despite their track record they still have difficulties accessing finance.
- Banks require collateral of 130-150% of the loan and on top of that they often assess the value of real estate well below the real value.

Challenges

- They are now setting up a new data centre with their own funds, but with bank funding they could do so much faster.
- "Many SMEs cannot access finance because they are not well organised, so support in this area would help them to access finance".
- They work a lot with interns; they have 15 now. About 40% are later hired as employees.

2.4. Financing Enterprises in Togo

Different SMEs have different financial needs, depending on size, type of business, and asset base. The financial landscape in Togo, however, does not serve each segment, for various reasons.

Financial Needs of Enterprises in Togo

The main characteristics and corresponding financial needs of the SME segments mentioned in section 2.3 are shown in the table below.

Table 1: SME Segments in Togo and their Financial Needs

Sub-segment	Key characteristics	Financial needs*
Small necessity entrepreneurs 3-10 employees	Small size, low growth Many copycats, mostly informal The entrepreneur runs the enterprise € 5,000-50,000 annual turnover	Micro-finance Short-term working capital, small amounts, mainly trade finance
High growth start-ups 1-10+ employees	High growth potential Usually struggle for the first 3-5 years Often young (tech-savvy) entrepreneurs € 10,000-100,000 annual turnover	Mid-term seed capital to initiate activities (operations, staff) Short-term working capital and overdrafts Smaller amounts
Opportunity driven SMEs 10-20 employees	Driven by market opportunities, copycats Lack of client and market knowledge € 20,000-200,000 annual turnover	Duration depends on type of business Mid-term asset finance Mid-sized amounts
Moderate growth entrepreneurs 20-50 employees	Steady growth, often family businesses More formalised (around 20%) € 100,000-500,000 annual turnover	Mid-sized amount working capital Long term finance to invest in assets Leasing/trade finance
High growth entrepreneurs 50-100 employees	High growth, both family and non-family, professional businesses, usually PLCs > € 500,000 annual turnover	Bank finance, private equity
Gazelles 20-100 employees	High growth rates Mature financial performance > € 200,000 annual turnover	Bank finance, venture capital, angel investors

Source: Authors' research

*) Financing term: short term < 12 months, medium term 1-3 years and long term > 3 years.

Financing size: small <€50 K, mid-size, €50-200K, large >€200K

Existing Financial Offer

Generally speaking, the breadth of the financial ecosystem in Togo is limited, although there is a fairly large banking sector, with 13 registered commercial banks¹². The most relevant banks for SMEs are Orabank, Ecobank and Banque Atlantique, followed by BTCI and UTB¹³. Most banks have branches all over the country, but there is strong focus on Lomé.

The microfinance sector has recorded strong growth in recent years, both in terms of their total credit portfolio as well as the size of their loans. In 2012 there were 75 micro-finance institutions in Togo, which provided 16.3% of all debt finance. The maximum loan amount provided by FUCEC, the largest MFI, is FCFA 50 million (€ 75,000). Thus, MFIs are slowly but surely moving closer to banks and to some extent taking over the role of banks where loans to SMEs are concerned.

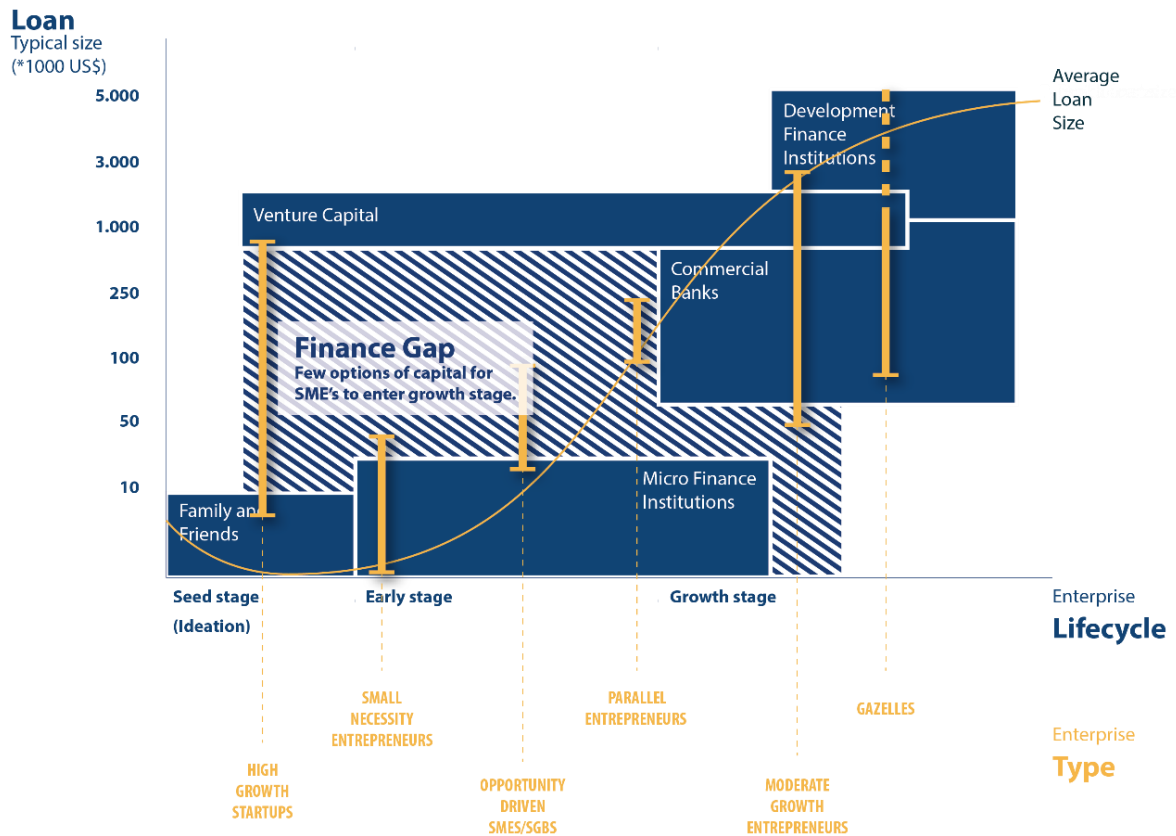
As to the depth and breadth of services offered by the financial sector in Togo:

- Banks only cover a small part of the investment needed by SMEs, and none of the major banks has a strong focus on SMEs, except perhaps Orabank;
- Microfinance institutions focus are starting to compete with banks, providing higher amounts (up to € 75,000);
- Leasing is still in its infancy; and
- Private equity and venture capital is virtually unknown.

¹² Making Finance Work for Africa "Togo: Financial Sector Profile" (www.mfw4a.org/togo/financial-sector-profile.html)

¹³ Author's interview with the president of APBEF, Mr. Koffi Eza.

Figure 4: Schematic Representation of the Financing Gap for Togolese SMEs



Source: Authors' research

Schematically, this leads to the following description of the financing gap we notice in Togo (Figure 4): Micro finance and family & friends are the financing sources for small and newer businesses, up to a certain level. High growth enterprises and gazelles have access to equity and debt, but most other types of SMEs remain underserved or unserved by the current financial landscape.

Table 2: Overview of the Financial Landscape in Togo

Sources of financing	Examples	Products	Amount	Costs	Targeted sub-segment
Family and friends	Nearly all SMEs in Togo	Informal debt	N/A	Low	Start-ups, micro- and small entrepreneurs (MSE)
MFI	FUCEC, Mutuelle ASJD, FECECAV, SEBADERS	ST loans, often group lending	€ 100 -75,000, low-risk	12-18%	Micro-entrepreneurs and small necessity entrepreneurs
Banks	Banque Atlantique, BOA, BTCI, Ecobank, Orabank, UTB, etc.	Mainly short-term loans and leasing (not yet active)	€ 50,000 -1 million, low to medium risk	9-12%	Moderate growth entrepreneurs
Leasing	N/A	Asset finance	€ 50,000 -150,000, low-risk	<15%	Moderate growth entrepreneurs, gazelles
DFIs	AfDB, FMO, Proparco, IFC-World Bank	Private equity, grants (for BDS), credit lines	Usually at least € 1 million, medium risk	Variable	High-growth SMEs that have passed the start-up phase and have solid track record
Private and Corporate Investors	AfricInvest, E&I Partners, diaspora	Private equity and venture capital	> € 500,000, high risk (at least € 10 million for AfricInvest)	IRR: >20%	Gazelles and high-growth SMEs
Donors	AFD (Ariz), Fonds Gari, African Guarantee Fund	Guarantee funds, seed capital	50% guarantee, low to medium risk	1-2% commission	Moderate growth entrepreneurs, gazelles

Source: Authors' research

3. A Deep Dive into the Entrepreneurial Ecosystem in Togo



In this chapter we present observations about each dimension of the entrepreneurial ecosystem in Togo, highlighting the key issues affecting access to finance for local enterprises in the market, policy & institutions, finance, business support, human capital and culture. The issues will be examined from both an **enterprise and a financier perspective**. Each section concludes with an analysis of the main issues and presents possible solutions, including a summary of the main strengths and weaknesses, and a few possible action steps.

3.1. Culture: Political instability, informal sector, few role model entrepreneurs

Togo became independent from France in 1960. The first years after independence were marked by military coups, followed by 38 years of presidential rule by General Gnassingbé Eyadema. In 2005, Eyadema died and was followed up by his son, Faure Gnassingbé, who was later confirmed as president following controversial elections. Gnassingbé has won two more elections, in 2010 and 2015. Gradually the country is becoming more stable politically, although as violent demonstrations in 2012 showed, tempers can still flare up easily.



Economic growth has been fairly stable at 5-6% p.a. in recent years, although the private sector is still underdeveloped and there is a very large informal economy. Formal unemployment was estimated at 7.7% for 2015, but underemployment is common and predominant among the self-employed, in particular among women¹⁴. The large informal sector, which grew out of necessity and provides a living for the large number of unemployed, at the same time makes it difficult for the formal sector to compete on an equal footing.

Togo still bears the scars of nearly 40 years of dictatorship and political instability, but the country is slowly but surely starting to show signs of recovery. However, it still has a long way to go towards creating an entrepreneurial mind-set and developing a dynamic, innovative private sector. A positive culture around entrepreneurship is slowly emerging, both through donor-funded projects, as well as nationally coordinated initiatives, e.g. the PAEIJ-SP project to support young entrepreneurs in the agro-sector or the ANPE-DACE initiative.

¹⁴ Sources: Heritage Foundation, Index of Economic Freedom 2017, and Togo Labour Market Profile 2014.

Enterprise Perspective

Most of the entrepreneurs in Togo are necessity entrepreneurs: they did not choose to become entrepreneurs to grasp profitable business opportunities or because they preferred to set up their own business above being employed. Very few have a clear vision let alone strategy for where they want to head with their business. There are some exceptions, in particular in the BTP (construction) sector, agribusiness and tourism, but they are few and far between.

Successful entrepreneurs that can be role models for young (aspiring) entrepreneurs are lacking. Nevertheless, there are a few hidden success stories, which could be more widely disseminated to create entrepreneurial awareness among youth, e.g. the so-called Nana Benz, successful female traders that have established themselves in the wax-printed cloth business in West-Africa, operating as wholesale traders from Lomé¹⁵.

Box 2: Nana Benz – Successful Women Entrepreneurs

The Nana Benz of Togo, made their mark by trading in wax-printed cloth starting in the 1930's, way before independence. They started from nothing to rise to be among the richest. Originally they imported the fabric from Dutch companies based in Indonesia. From there the material arrived in Togo and the women distributed it throughout West and Central Africa. They became known as Nana Benz because in the mid-50's through 80's they had made so much money that they were the only people who could afford Mercedes Benz cars, so much so that the government used to hire their Mercedes Benz for important guests and state functions. The phrase 'Nana Benz' came to symbolize the freedom, ingenuity, creativity, pride, achievement, success, and courage of these women. A woman did not become a Nana Benz through inheritance, or society's choice, but through ingenuity, and struggle.



Several business associations are active in Togo. The main one is the employers' union, CNP (Conseil National du Patronat du Togo), which is constituted of 14 professional associations. These include the APBEF (for the financial sector) and the AFCET (women business owners). There is a federation of Women Business associations of TOGO called FEFA, which is constituted of 33 professional associations throughout the country. FEFA TOGO has founded a Women Business Promotion Center with the first ever established incubator "INNOV'UP" for women entrepreneurs and start-ups. The Federation counts about 4,000 members (see Box 6). The Chamber of Commerce & Industry (CCIT) has about 3,000 members, but only a few larger companies pay membership fees.

Financier Perspective






Most financial institutions are wary of providing loans to SMEs, which they see as high risk due to lack of long term business vision, managerial capacity and proper financial records. A new perspective that recognizes different types of entrepreneurs, including some that are well-educated, dynamic and innovative, is essential to convincing financial institutions to engage in what may be a growth segment in the future. However, this changed perception will only come

¹⁵ See: <https://afrolegends.com/2012/02/21/african-queens-of-textiles-the-nana-benz-of-togo>

about if there is a concerted effort both from policy-makers as well as the private sector to promote an entrepreneurial culture among young people in Togo.

Analysis and Possible Solutions

A positive culture around entrepreneurship is emerging slowly in Togo, but is still far from being mainstream. More efforts from both the public and private sector will be necessary to create awareness of the benefits of entrepreneurship and self-employment. The CCIT organizes regular events and training for its members. They have plans to expand these training events to (aspiring) entrepreneurs, focusing on business planning and accounting. The government also has set up several initiatives to support young entrepreneurs. However, these initiatives are all still in the early stages and lot still has to be done to promote an entrepreneurial culture.

	 Description	 Actions
 Strengths	<ul style="list-style-type: none"> • A positive culture around entrepreneurship is emerging • There are a few entrepreneurial role models, such as Nana Benz, mainly in trading sector • Recent initiatives tap into this entrepreneurial potential and provide targeted support 	<ul style="list-style-type: none"> • Promote entrepreneurial awareness at schools and through business plan competitions • Disseminate success stories of entrepreneurs in public media • Expand the support for young entrepreneurs by setting up new incubators/accelerators
 Weaknesses	<ul style="list-style-type: none"> • There is no strong entrepreneurial tradition • Many entrepreneurs display copy-cat behaviour • Business associations are not very active 	<ul style="list-style-type: none"> • Support new business initiatives by young entrepreneurs • Introduce/support business ideas from abroad, e.g. from diaspora • Involve business associations in the process

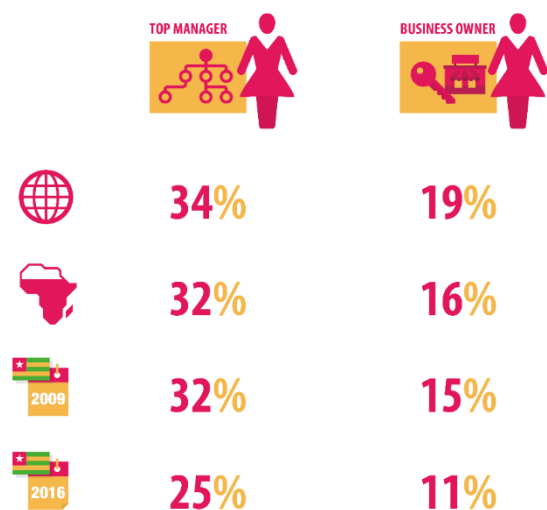
3.2. Human Capital: Mostly On-the-Job Training

As mentioned above (see 2.2), Togo scores low on human capital indices compared to peers in the region. For instance, it was ranked 166 out of 188 on the UN Human Development Index in 2015. SMEs in Togo state that it is challenging to find well-qualified employees and focused managers with an appropriate set of business skills¹⁶. This is somewhat surprising as enrolment in all school systems is higher than the Sub-Saharan average: over 90% for primary, 45% for secondary and 2.4% for vocational education¹⁷. This suggests that there is either a quality issue or a mismatch between supply and demand in the labour market. According to the WB Enterprise Survey 2016, 34% of the firms offer formal training to their employees.



The difference between men's and women's average schooling in Togo is one of the largest in the West-African region, in particular where secondary education is concerned. There is also a difference between employment rates for men and women, although this is not the case for young people. Women are also over-represented in the informal economy. Thus, according to a recent study, 70% of the workers in the informal sector were women in 2014. The same study estimates that 34% of women were underemployed as compared to 8.4% of men¹⁸.

Figure 5: Female participation in Togo



Women are also under-represented as entrepreneurs in Togo. Though exact figures for a representative sample of SMEs are unavailable, the most recent WB Enterprise Survey reported that 25% of the interviewed firms had female participation in the ownership of the firm and only 11% had a female manager. Togo scores lower than the Sub-Saharan average in both respects – 29% and 14% respectively – and also than in the previous Enterprise Survey (2009)¹⁹.

Source: World Bank Enterprise Survey

Overall, we can conclude that entrepreneurial success in Togo comes with age and experience; young entrepreneurs are not able to acquire the necessary entrepreneurial skills and competences at school, universities or at specialised business schools.

For youth entering the labour market in Togo is extremely difficult. The formal sector cannot create enough jobs to absorb them. Thus, not only is the unemployment rate for youth higher than average, but more importantly the so-called NEET rate of youth Not in Employment, Education or Training was estimated at 11% in 2012. That is reason for concern as this group has

¹⁶ Author's interviews in the field.

¹⁷ Source: Togo Labour Market Profile 2014. Percentages for SA are 75%, 40% and 1.9% respectively (2011).

¹⁸ Togo Labour Market Profile 2014 (Ulandssekretariat Danmark).

¹⁹ WB Enterprise Survey 2016. It should be noted that the % is based on a sample of 150 firms, including 23 large firms.

very limited prospects of getting gainful employment. There is a Youth Employment Program, which forms part of the Action Plan of the National Youth Policy²⁰. There are also several initiatives to support young entrepreneurs, as mentioned in the previous section.

Enterprise Perspective

Most entrepreneurs in Togo have not received any formal training in business management or entrepreneurship, and most SMEs are informal and lack skills to maintain sound financial administration or optimize their business operations. The lack of professional business skills can limit business expansion, both directly and indirectly as it constrains access to finance.

The vocational training system is not considered practical and business-oriented²¹. Thus, most growth-oriented SMEs prefer to train their employees on-the-job. This was mentioned by several interviewed SMEs, who preferred to hire trained interns as they were not able to find technical staff with the right skills set. This was also confirmed by Conseils Réunis, a local consulting firm which provides HR and management training to local companies.

Financier Perspective






Only a few SMEs have adequate business planning and sound financial management. Thus, banks find SMEs lacking in management skills and without a clear view of their financial needs. SMEs tend to become better organised as they grow larger and can afford to hire a professional manager or accountant. Many smaller SMEs operate informally, focusing almost exclusively on day-to-day needs and challenges without any long term strategy. Thus, financiers consider SMEs a risky group and not bankable or ready to absorb capital.

²⁰ Togo Labour Market Profile 2014 (Ulandssekretariat Danmark).

²¹ Togo Labour Market Profile 2014 (Ulandssekretariat Danmark).

Analysis and Possible Solutions

Education levels in Togo are above the average for Sub-Sahara. Nevertheless, SMEs find it hard to get qualified staff and many firms provide formal training to their employees. This is due to insufficient quality of (vocational) training or mismatch of supply and demand on the labour market. Despite some isolated initiatives, there is insufficient business education that targets SME employees and owners. This hinders the professionalization of SMEs and causes them to be run in an ad-hoc fashion. This ultimately limits their access to external finance.

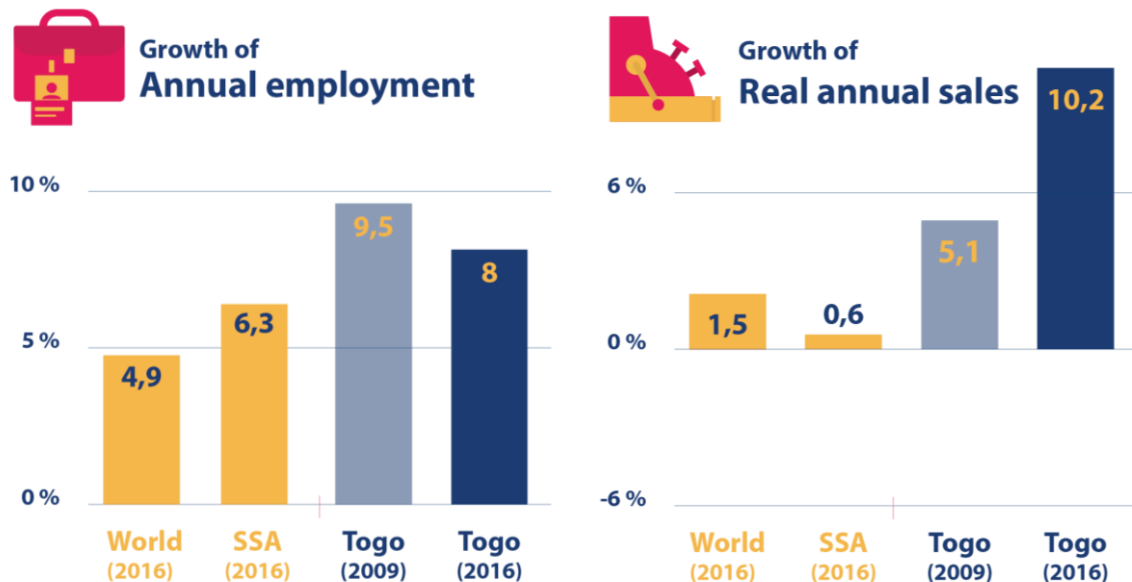
	 Description	 Actions
 Strengths	<ul style="list-style-type: none"> • Young, low-skilled population provides cheap labour force • There are a few promising initiatives to support youth employability / entrepreneurship • Young university graduates and returnees from abroad can start new businesses 	<ul style="list-style-type: none"> • Invest in business sectors where Togo may have a competitive advantage based on labour costs • Continue to support new initiatives targeting youth and women, such as business plan competitions and business incubators • Highlight success stories of women and young entrepreneurs to set an example for others.
 Weaknesses	<ul style="list-style-type: none"> • Lack of professional skills, both of business owners as well as employees • Entrepreneurs tend to run their businesses in an ad-hoc way, focusing on the short-term • Women are under-represented among business owners and managers 	<ul style="list-style-type: none"> • Invest in better technical education and more practical skills training, taking into account demand from the private sector • Expand the offer of business training for entrepreneurs, with a strong focus on women and young entrepreneurs

3.3. Markets – Steady growth after years of stagnation

Togo is a low income country, with a GDP per capita of \$ 590 in 2015. The economy depends heavily on commercial and subsistence agriculture, which provides employment to 54% of the work force and contributes 47% of GNP. Trade is also extremely important to Togo's economy, which stands to reason for a small country like Togo. In 2014 it represented 38% of employment and of GNP²². Exports have grown consistently in recent years, but so have imports leading to increasing trade deficits since 2008. The main export products in terms of value are cement, calcium phosphates and cotton, mostly to SSA countries. The main import products are petroleum oils, cement and medicine, mostly from Europe. Motor cars and water vessels are also important import and export categories. Thus, it is clear that Lomé is a transit port for imports to the neighbouring countries. The Togolese economy has performed better than the SSA region in recent years, as shown by the WB Enterprise Survey 2016.



Figure 6: Annual employment and sales growth, formal SME's



Source : WB Enterprise Survey 2016

Based on the WB Enterprise Survey, the Togolese economy is more open than on average in SSA, with 34% of the sample exporting and 81% using imported goods, compared with 15% and 46% respectively for SSA. This was already the case in the previous Enterprise Survey in 2009. However, the average time it takes to clear imports through customs is surprisingly higher in Togo than the SSA average (19 vs. 16 days), whereas it was less than half in 2009²³.

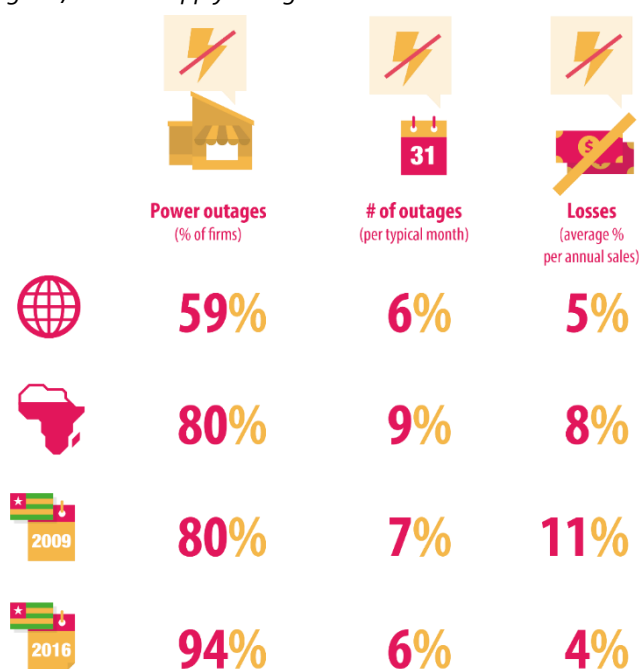
²² UN Data 2015 (<http://data.un.org/CountryProfile.aspx?crName=TOGO>)

²³ This is a very surprising outcome, which may be influenced by outliers. It would be more relevant to compare median values.

The Heritage Foundation attempts to rank economies based on degrees of economic freedom. Overall, Togo ranks 138th out of 180 countries (and 29th out of 47 SSA countries), but where Trade Freedom is concerned they were ranked 124th and Investment Freedom 89th. In both cases Togo has improved its ranking in recent years²⁴. In fact, Togo scores a lot better than its direct neighbours, Ghana and Benin in terms of Trade Freedom.

Poor infrastructure and wide-spread informality raise the costs of doing business. In particular, the erratic power supply is a constraint for SMEs, although the situation seems to have improved between 2009 and 2016, based on the Enterprise Surveys conducted in those years. In 2009, the average number of power outages per month was above 10, whereas in 2016 it was only 5.5, well below the average of 12.7 for SSA. The estimated sales loss as a result of power cuts was also much lower, down from 10% in 2009 to 2.8% in 2016 (vs. 6.2% for SSA)²⁵.

Figure 7: Power supply in Togo



In 2009, electricity supply was the third most important constraint for small firms, after access to finance and political instability; in 2016 it had been overtaken by tax rates. Thus, while most SMEs face with high transaction costs due to poor infrastructure; this is no longer a major constraint to business growth. Electricity and transportation are both mentioned as business environment constraints in the Enterprise Survey for 2016, but only by 7% and 3% resp. These percentages are much higher for Sub-Saharan Africa on average.

Source: World Bank Enterprise Survey

Enterprise Perspective

Lomé is clearly the country's economic hub. Togo's infrastructure is still underdeveloped, making transport costly. Access to energy can be intermittent and expensive, especially outside Lomé. The UEMOA-market, which unites eight West African countries, is an enabling factor. Togo clearly benefits from this market, as well as from its strategic position and the deep-water port of Lomé, through which many goods pass to Togo's neighbour countries.

Financier Perspective

High transaction costs, uncertainties and information asymmetry make SMEs a risky business for funders. From an investor's perspective, Togo's small economy and the limited number of players






²⁴ Heritage Foundation, Index of Economic Freedom 2017.

²⁵ WB Enterprise Surveys 2009 and 2016.

is a disadvantage. However, its easy access to other West African markets may increase its appeal for funders. The mining sector is an important sector, but agribusiness, tourism and trade also offer interesting investment opportunities. Now that political stability has improved, Togo should be able to attract new investors.

Analysis and Possible Solutions

The early stage of economic development poses challenges to SME's and funders operating in Togo. High value-added products and services, and associated business models are difficult to realise profitably. Many small firms get stuck in their growth path, without enough capital to reinvest, innovate and grow. As a result, they struggle to stay in business and do not grow at all. Most businesses target the local market, as they are not competitive on an international level. New market opportunities exist for construction and logistical enterprises, which have easier access to finance, as well as agribusiness, tourism and trade.

	 Description	 Actions
 Strengths	<ul style="list-style-type: none"> • Strong mining sector, which may offer opportunities in the supply chain • Many opportunities for agri-business initiatives • Market-oriented development is promoted by government 	<ul style="list-style-type: none"> • Build the capacity of SMEs to be able to act as subcontractors to the mining companies • Provide incentives and technical support to new, growth-oriented agri-business SMEs
 Weaknesses	<ul style="list-style-type: none"> • Weak economic development, with less opportunities for SMEs • High transaction costs due to weak infrastructure • High degree of informality SMEs creates unfair competition 	<ul style="list-style-type: none"> • Public procurement processes which encourage or favour SMEs • Stimulate domestic production to reduce dependency on imports • Promote formalisation of SMEs by simplification of procedures and tax reduction for small firms

3.4. Policy & institutions – positive initiatives, but a long road ahead

Togo has undertaken a series of reforms in recent years, restructuring its key banking, electricity and transportation sectors. The corporate tax rate, formerly one of the region's highest, has been lowered. The government has also taken steps to divest public enterprises and privatize inefficient public banks. The government has the ambition to become an emerging economy by 2030.

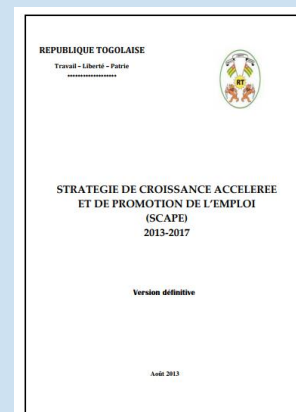


However, an inefficient business environment and weak public administration continue to undermine overall competitiveness. A significant part of the economy occurs in the informal sector, which leads to unfair competition with formally registered firms and reduces the country's tax-base. Togo still depends heavily on foreign aid, which was suspended from 1993 to 2007, but is now once again flowing in. However, foreign direct investment is limited and regulatory and judicial systems are vulnerable to corruption and political interference.

Box 3: Towards an emerging economy

The government of Togo has the ambition to grow into an emerging economy by 2030. In the document 'SCAPE' (Stratégie de Croissance Accélérée et de Promotion de l'Emploi 2013-2017), describes the priority sectors for the GoT and the actions that are needed to improve the five key pillars; infrastructure, the business environment, agriculture, employment and entrepreneurship.

Togo's business regulatory environment has shown improvements according to World Bank's Doing Business report, amongst others by the establishment of a one-stop-shop, preparing a Doing Business roadmap, identifying key short term measures to improve Togo's economic performance, revising and adopting of a new investment code and introducing a new Free Zone law. Togo has also made progress in privatizing state activities, including an insurance company, two banks, hotels, power distribution, and port container-handling activities.



Source: World Bank

As mentioned above, Togo ranks 138th out of 180 countries (and 29th out of 47 SSA countries), in terms of economic freedom according to the Heritage Foundation (HF), and as such is labelled "mostly unfree". The HF distinguishes 12 categories of economic freedom and Togo scores poorly in half of them, mainly in those categories that have to do with "Rule of Law", which includes property rights, judicial effectiveness and government integrity²⁶

This assessment is confirmed by the WB Doing Business Index, which ranks Togo in 154th place, just above Benin. The most prominent categories – in negative sense – are paying taxes (#169),

²⁶ Heritage Foundation, Index of Economic Freedom 2017.

getting a construction permit (#180) and registering property (#183). Other categories in which Togo scores poorly are fiscal health, labour freedom and financial freedom²⁷.

According to the WB Enterprise Survey it takes 85 days to get a construction permit, 78 days to get an operating license and 23 days to get an import license, which in all cases is a lot longer than the SSA average²⁸. According to the DBI getting a permit to construct a FCFA 15 million (€23,000) warehouse can take as much as 163 days at a cost of 14.6% of the warehouse value. Registering that same warehouse may take 283 days at a cost of 9.2% of its value²⁹.

Corruption by public officials may present a major administrative and financial burden on firms. Based on the Heritage Foundation's assessment, Togo is still in the danger zone in position #103 in terms of government integrity. Based on the time it takes to get a construction permit, register property or get a license, the incentives are high to cut corners by paying a bribe. On the whole this is not validated by the WB Enterprise Survey 2016, which suggests that bribery incidence is a lot lower in Togo than other SSA countries³⁰.

Enterprise Perspective

As mentioned, Togo scores quite poorly on the World Bank Doing Business Index. In West Africa, only Benin, Guinea, Guinea Bissau and Liberia are ranked lower. Togo only distinguishes itself positively compared to other West-African countries for cross-border trade, resolving insolvency and, to a lesser extent, access to energy. Starting a business has become easier last year, but is still lagging behind all the other Francophone countries in West Africa, except Guinea. Enforcing contracts is more complicated only in Benin.

Box 4: Projet à l'Appui à l'Employabilité et l'Insertion des Jeunes dans les Secteurs Porteurs

The PAEIJ-SP aims to assist young entrepreneurs - farmers and other value chain support service providers - to set up businesses in the agro-sector. They have selected 5 priority sub-sectors they wish to promote: maize, manioc, soya, poultry and goats. The aim is to find lead or anchor firms (processors, aggregators, input suppliers) that will be supported to invest in backward and forward linkages in order to upgrade the entire value chain and improve competitiveness.

The project started in 2017. So far, they have received 900 proposals from which they selected 600. After a round of training, those 600 will be invited to present an improved proposal, from which 300 will be selected and submitted to partnering financial institutions (banks and MFIs) trained by the project for funding. Eventually the ones that are approved by the financial institutions will have access to a loan at 10% interest and with a 50% portfolio guarantee operated by a licensed financial institution. The loan range will be from FCFA 200,000 to 150 million (€3,000-230,000) depending on the target and the activity. The long term goal is to create 20,000 jobs in the agricultural sector.

Source: Interview with project manager and external advisor

²⁷ <http://www.doingbusiness.org/data/exploreeconomies/togo>

²⁸ World Bank Enterprise Survey 2016, Country Profile Togo.

²⁹ <http://www.doingbusiness.org/data/exploreeconomies/togo>

³⁰ This suggests that the sample selected for the survey is not representative, as none of the firms mentioned that they were expected to pay a bribe to get a construction permit, whereas this was 11.6% in the 2009 survey and is over 30% for SSA.

From the perspective of the entrepreneur, there are still serious challenges to register a business, to get a construction permit or to register property, which explain the high degree of informality in the Togolese economy. Unless these challenges are adequately tackled, it is not likely that this will change significantly in the near future.

Financier Perspective






The financial sector in Togo is not yet very SME-oriented, and an important reason for this is the high degree of informality and the lack of reliable financial accounts and proper management. As long as these informal practices continue to be widespread, partly due to the high threshold for informal enterprises to register their business and comply with all the legal requirements, banks will be reluctant to lend to SMEs.

Formal financial institutions cannot lend to informal SMEs that lack proper financial accounting and tend to have weak management. Moreover, lending to informal SMEs can lead to legal complications if the SME does not repay the loan. Many SMEs are opportunistic, with varied activities and income streams. Other SMEs practice parallel bookkeeping and prefer to be opaque in order to minimize tax payments. Under these circumstances, it is very difficult for banks to assess the riskiness and repayment capacity of SMEs.

Moreover, the time and cost involved in getting a construction permit or registering property is a serious handicap for SMEs to be able to provide sufficient collateral to banks in order to access loans for asset finance. This is compounded by the problems with property rights and judicial effectiveness, which undermine the effective value of real estate as collateral.

Analysis and Possible Solutions

Although the policy regime towards SMEs has improved in recent years, in practice there are still a lot of constraints. The high degree of informality does not stimulate growth of the sector given its limiting effect on access to capital. Government efforts to improve the ecosystem are not enough and have yet to create a significant impact. Informality is encouraged by high taxation and complicated procedures. There has been a “one-stop-shop” (*guichet unique du CFE*) for registering businesses at the Chamber of Commerce in Lomé since 2000, which was revamped in 2012, but as we stated above there is still a long way to go.

	 Description	 Actions
 Strengths	<ul style="list-style-type: none"> The GoT has expressed a strong commitment to private sector development in its Strategy for Accelerated Growth 2013-2017 The country has made some headway on some of the Doing Business indicators and in trade and investment freedom 	<ul style="list-style-type: none"> Several policy initiatives / projects are aimed at supporting SMEs and entrepreneurs, e.g. ANPE-DACE and PAEIJ-SP More has to be done to harmonize actions of the GoT in dealing with SMEs and start-up entrepreneurs
 Weaknesses	<ul style="list-style-type: none"> Lengthy and costly procedures for getting permits/licenses and registering property High degree of informality of SMEs as a result Graft and corruption remain serious problems 	<ul style="list-style-type: none"> Simplification and speeding up of procedures, while reducing the cost and lowering tax levels Develop a coherent strategy to incentivize formalization Reduce incentives for corruption on both sides

3.5. Finance – Banks mainly provide short-term finance

The WB Enterprise Survey identifies access to finance as the main constraint SMEs face in growing their businesses, closely followed by tax rates³¹. In the previous Enterprise Survey this was only the case for small firms; for medium and large firms the political instability and practices of the informal sector were the main constraints. This is confirmed by the Doing Business Index which ranks Togo as 139th worldwide, in getting credit, and 36th in SSA, lower than any other country in West Africa (see Annex 7). This mainly due to two factors:



- The Credit Bureau (BIC) which was formally created in 2016 is not yet operational;
- The complications with regards to property rights and the availability of collateral.

The Togolese financial ecosystem plays a limited role in mobilizing resources for the economy, with total financial assets amounting to about 30% of GDP. Nevertheless, there is a fairly large banking sector, with 13 registered commercial banks and 75 micro-finance institutions³². The sector is highly concentrated with the largest three banks accounting for over 60% of total bank assets. The GoT has important stakes in several banks. The most relevant banks for SMEs are Orabank, Ecobank and Banque Atlantique, followed by BTCI and UTB³³.

The MF sector has recorded strong growth in recent years, both in terms of their total credit portfolio as well as the size of their loans. In 2012, they provided 16.3% of all debt finance. Most banks have branches all over the country, but with a strong focus on Lomé. MFIs in Togo can provide higher loans than in most other countries in West Africa. For instance, FUCEC – by far the largest MFI in Togo – offers individual loans of up to FCFA 50 million (about €75,000) and even the much smaller Mutuelle ASJD has loans of up to FCFA 15 million (about €22,500)³⁴.



³¹ World Bank Enterprise Survey 2016, Country Profile Togo.

³² Making Finance Work for Africa "Togo: Financial Sector Profile" (www.mfw4a.org/togo/financial-sector-profile.html)

³³ Author's interview with the president of APBEF, Mr. Koffi Eza.

³⁴ Author's interview with the directors of FUCEC and ASJD.

Box 5: Faitière des Unions Coops d'Épargne et de Crédit du Togo (FUCEC)

FUCEC is by far the largest MFI in Togo. It is based on the US credit union model, which was introduced to Togo by an American missionary in 1959. FUCEC itself was created in 1969 and received a lot of support from USAID and WOCCU in the 1980s. This support ended in 1994 due to the political unrest. Currently, FUCEC has 37 “caisses locales” as members, which have 110 branch offices among them. The total assets are FCFA 120 billion (€180 million) and loan portfolio FCFA 52 billion (€80 million), about 80% individual loans. It is a licensed and regulated MFI that offers current and savings accounts; short and medium term loans; international money transfers through Western Union; and micro-insurance. They can provide loans of up to FCFA 50 million, for which the borrower has to deposit at least 20% of the loan and pays 12-18% interest p.a. FUCEC is also registered with the Credit Bureau which has yet to start operating. In view of its track record and funding from AFD, FUCEC may also be an option to improve access to finance for SMEs.



Several guarantee funds operate in Togo, the oldest one is Fonds Gari, which was created in 1996 and was recently acquired by the African Guarantee Fund (AGF), set up by a former president of the AfDB, Mr. Kabe oka. The new finance structure of the AGF is: 81% DFIs (AECID, AfDB, AFD, Danida and NDF) and 19% BOAD and 23 African commercial banks. AGF claims to focus on loan guarantees for SMEs (from €50,000 to 1 million), but in practice this is not yet the case. For instance, in 2016 Fonds Gari (at the moment the only guarantee fund of AGF) provided a total of FCFA 30 billion (€45 million) in guarantees for loans to 27 enterprises in the whole ECOWAS region, thus the average amount was about €1.67 million. The main intermediary banks in Togo are Banque Atlantique, Ecobank, Orabank and to a lesser extent, BTCl³⁵.

Fonds Gari has 3 types of guarantees:

- Individual guarantees for loans from FCFA 25 million to 3 billion (€40,000-5 million)
- Portfolio guarantees for loans up to FCFA 25 million
- Equity guarantees

Fonds Gari/AGF also has a Trust Fund which can be used to reinforce the capacity of SMEs (develop business plans, financial accounting, management) as well bank staff. Fonds Gari only provided three individual loan guarantees in Togo in 2016, two to Orabank and one to BTCl.

Besides Fonds Gari/AGF the main other guarantee fund in Togo is Fonds Ariz, which was set up by AFD. This facility offers a “silent guarantee” (*garantie silencieuse*) of up to 50% of loan value, mainly on individual loans. From 2017 it also offers a portfolio guarantee. Guarantees up to €300,000 do not need approval from AFD, while those above €300,000 do. Guarantees of above €2 million are vetted by Proparco. Their procedures are less complicated for banks³⁶.

In principle, guarantee funds can be an important instrument to facilitate access to finance for SMEs, but in practice many banks tend to use the guarantees for loans that they would have provided anyway and often on top of collateral, in the form of a mortgage on real estate. Thus, the additionality of guarantee funds can often be questioned.

³⁵ Author's interview with Mr. Franck Adjagba of Fonds Gari/AGF.

³⁶ Author's interview with the deputy director of Orabank.

The Bureau d'Information du Credit (BIC) was formally inaugurated in June 2016. This credit bureau is part of a regional initiative launched by the UEMOA (or WAEMU, West African Economic and Monetary Union), which has its HQ in Abidjan. The BIC has signed contracts with all 13 commercial banks, 6 MFIs and 2 other financial institutions. The idea is that they share information on the debts of their clients. However, the BIC was not yet operational in March 2017. Moreover, as not all MFIs are regulated, they are not linked to the BIC.

In summary, the main constraints regarding access to finance for SMEs are:

1. Collateral demand from banks is extremely high for SMEs.
2. It is very difficult to get long term loans, due to the shortage of long-term deposits.
3. Relatively high interest rates, in particular for loans from MFIs that charge 12-18% p.a.
4. Very little equity finance or risk capital is available to SMEs.

We will discuss each point one-by-one below:

High Collateral Requirements

While it is difficult to get exact figures on collateral requirements for bank loans to SMEs, interviews with banks and entrepreneurs indicated that these tend to be quite high. One bank mentioned 130%, but according to one of the entrepreneurs it is closer to 150% of the value that the bank itself assesses for the property. The collateral requirement may be lower when there is a guarantee from a guarantee fund.

Enterprise Perspective

For most entrepreneurs, collateral requirements represent an insurmountable obstacle to obtaining long term debt. Pledged assets need to be immovable, as no register for movable assets is in operation in Togo. This results in a situation where only a very small number of SMEs is able to provide enough collateral to meet the requirements, and most of the collateral is probably the owners' own private assets, not the business' assets. Most SMEs are not aware of availability of guarantee funds, and banks will not suggest using a guarantee unless they already feel confident that they want to approve the loan request.

Financier Perspective

Many SMEs lack clear financial records, organized management systems or a long-term vision, which makes it challenging for banks to assess repayment capacity. Court cases can take a long time to resolve, and for banks, such a lengthy dispute settlement procedure locks up scarce capital. Thus, in order to minimise the probability of default, banks aim for wealthier SME owners with as much "skin in the game" as possible. Otherwise, they rarely see a business case for offering loans to SMEs, although some banks and MFIs make exceptions for specific sectors, e.g. Orabank has a preference for the construction sector.

Box 6: Association Professionnelle des Banques et Etablissements Financiers (APBEF)

APBEF is the association of all 13 commercial banks and 4 non-bank financial institutions in Togo, e.g. Fonds Gari, la Poste, SGI (Société de Gestion et Intermediation) and La Caisse de Financement. It falls under the Ministry of Economics & Finance, as well as the employers' union, CNP. APBEF played a crucial role in setting up the credit bureau (BIC) in Togo last year.

In our interview with the executive director of APBEF, Mr. Koffi Eza, he mentioned three areas in which progress can be made to facilitate access to finance:

- a. Guarantee funds are an important instrument, but there should be stricter requirements for banks to really use these guarantees for loans to SMEs.
- b. Banks should diversify the products they offer to SMEs, including factoring and leasing (*credit-bail*). There used to be a leasing company in Togo in the 1980s but this did not prove successful. The Central Bank should promote this kind of finance again.
- c. Private equity and venture capital should also be promoted.

Limited Supply of Long Term Loans

The bulk of SME lending by banks consists of small loans for short durations. This was confirmed in the interviews with banks. Formally most banks offer loans to SMEs of up to 5-7 years, but in practice it is rarely longer than 1-2 years. The main problem, as mentioned above is the limited availability of mature funds for banks, but it is also a risk mitigation strategy. One bank mentioned that the NPL rate for SMEs is higher than for larger enterprises and others echoed similar opinions. Guarantee funds are seen as too bureaucratic and hence do not offer sufficient incentives to banks to provide long-term loans to SMEs.

Enterprise Perspective

Most SMEs do not have high expectations with regards to bank finance. They perceive the procedures to be complicated and lengthy, without any guarantee of success. Thus, most of them resort to informal credit from friends and family, as well as money lenders. SME clients of banks tend to be the more established, larger firms. But even high-growth firms like the two highlighted in section 2.3 find it difficult to obtain the kind of long-term finance that they need to expand their businesses to their full potential.

Financier Perspective

A few banks in Togo claim to be more focused on SME lending, such as Ecobank, Orabank and Banque Atlantique (BA), although in the case of BA the term SME is a bit misleading as it includes all firms with annual turnover of up to € 3 million. Most banks focus mainly on trading activities, which is mainly working capital. There are a few exceptions, such as the construction sector which is seen as lower risk, but also in this case it is mostly short-term finance.

High Interest Rates

Interest rates in Togo are perceived to be high by the SMEs in Togo, although they are not higher than in the other UEMOA countries. Banks charge 8-12% p.a. and MFIs 12-18% p.a. plus additional fees. One of the reasons for high interest rates is the high yield on treasury bills, which sets a minimum threshold at which banks are willing to lend money to the private sector. The problem is not as big as other countries in the West African region, as government spending has

been curbed in recent years, but public debt is still over 60% of GDP³⁷. According to new Central Bank regulations, banks are not allowed to have more than twice as much invested in treasury bills as their own capital³⁸. This could make it more attractive for banks to lend to the private sector. Another source of upward pressure on interest rates is the decision of the BCEAO to raise the reserve requirement ratio for banks, in an attempt to halt deficit financing by money creation and thus contain inflation.

Enterprise Perspective

SMEs find bank loans to be expensive and difficult to access. Entrepreneurs indicate that they are generally looking for long term loan products with an attractive interest rate, but this is not being offered by any bank. Because loan procedures at MFIs are seen as a lot faster and less cumbersome, some SMEs end up resorting to MFIs for loans of up to €75,000. However, MFIs tend to charge higher interest rates than banks.

Financier Perspective

As noted, lending to the government and large enterprises is generally more attractive to banks in Togo. As a result, interest rates for loans to SMEs are pushed upward. In addition, SMEs are perceived as high risk by most banks as their financial accounts are not always reliable, and even when they are able to provide collateral, in practice it is difficult to seize and monetize the collateral when the entrepreneur defaults on the loan.

Limited Equity for SMEs

Private equity and venture capital is practically non-existent in Togo. There are several actors in the region, but most are not yet active in Togo.

- **DFIs like DEG, FMO or Proparco** invest in both financial institutions and individual enterprises, mainly large enterprises in sectors like mining, energy or tourism;
- **AfricInvest** is an African private equity company set up by various DFIs in 1994, with HQ in Tunis and offices in 7 other countries in Africa. They currently operate in 23 countries across the continent and have one investment in Togo, in the mobile phone company Etisalat. Their investments tend to start at €10 million.
- **Investisseurs & Partenaires (I&P)** is French private equity company set up in 2002 which currently has six offices in Africa (including in Burkina Faso, Côte d'Ivoire and Senegal). Like DFIs, I&P invests in financial institutions and SME funds, as well directly in companies (in the €300,000 to 3 million range). Currently no investments in Togo.
- **Private and angel investors** come from the diaspora or simply see business opportunities in West Africa. A new kind of funding, which can be in the form of donations, equity or even loans, is crowd-funding. An example is the Iroko project, which is a form of crowd-lending for SMEs in West Africa, currently only available in Côte d'Ivoire and Senegal³⁹.

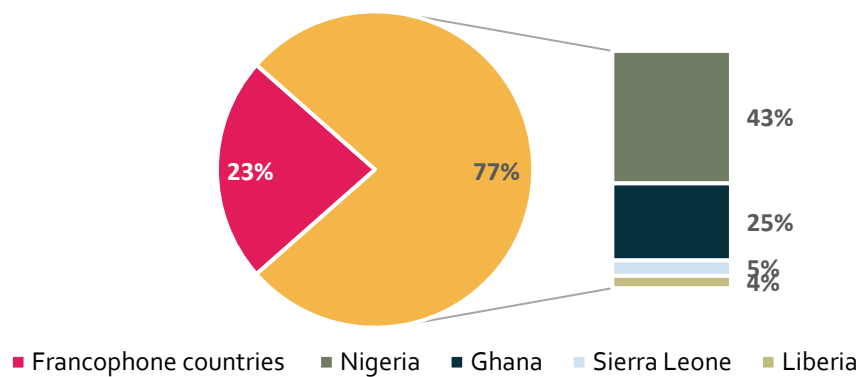
³⁷ Heritage Foundation, Index of Economic Freedom 2017.

³⁸ Author's interview with executive director of APBEF.

³⁹ www.iroko-project.com

Private equity is a nascent market in Africa⁴⁰. In 2015 there were \$ 600 billion investments in the US, \$ 125 billion in Asia-Pacific and \$ 47 billion in Europe, whereas the total for Africa was \$ 2.5 billion, mainly in the financial sector (24%), consumer goods (16%) and industry (14%). The main recipient countries are South Africa (39%), Egypt (11%), Nigeria (10%) and Kenya (10%). The total for West Africa was about \$ 600 million, of which Nigeria had the lion's share (43%), followed by Ghana (25%) and Côte d'Ivoire (8%).

Figure 8: Private equity investment in West Africa (2014/15)



Source: AfricInvest and GrantThornton, 2017

Enterprise Perspective

Very few SMEs have any experience with formal investors, and only a few understand their financial products and structures. Most SMEs are reluctant to accept other shareholders in their business. Many of them are family businesses and they want to keep full control of the firm⁴¹. Moreover, the size of the investments that private equity companies are looking for tends to be a lot bigger than what most of the SMEs need and can absorb.

Financier Perspective

Togo is a relatively new country for private investors, who find it challenging to build a pipeline of attractive investment options with decent returns and acceptable levels of risk. The country has a small market-size, which makes it difficult for SMEs to expand. Given the risk and cost involved in investing in SMEs, normally only the high growth medium to large firms would be considered. Hence, even under ideal circumstances private investors would only be able to cover a small percentage of Togolese SMEs' financing needs.

Secondly, doing business in Togo is considered to be expensive, difficult and slow. The Doing Business Indicator shows an overall rank of the country of 154 out of 190 countries. Two sub-indicators stand out in negative sense: "getting a construction permit" (#180) and "registering property" (#183). The indicator for "paying taxes" (#169) is also very low. All these factors are not encouraging for private investors.

Furthermore, due to the lack of well-structured SMEs with proper financial accounting systems, due diligence of potential investee companies takes longer and is more costly. Investors also need

⁴⁰ AfricInvest & Grant Thornton, Le capital-investissement une solution de financement des entreprises, presentation at launch of AfricInvest in Guinea Conakry, January 11, 2017.

⁴¹ Author's interview with managing director

to be more patient and spend more time in project development than elsewhere. Finding investment opportunities can take 9-12 months, and due diligence, the disbursement process and the start of building projects can take even longer. The longer-than-usual build-up time also means waiting longer for a positive cash flow. Investors need to be very patient.

Investors also need local banks to provide working capital to investees, as investors usually only provide part of the funding needs of their investees – most often long-term capital with higher return potential. Thus, banks need to provide working capital and trade finance. Such funding is available in Togo, but not always in the quantities that the SMEs need. Finally, exiting from SMEs is difficult, as there are limited sales options. Investors like to plan their exit when starting their engagement, so lack of exit options makes it less attractive to invest.

There may also be a less tangible obstacle to SME investment, namely the language barrier. Private investors are predominantly English-speaking, globally-operating US or UK-based investment funds. Impact investors may prefer an “easy country” where the ecosystem is better, and language is not an issue. Thus, French-speaking West Africa may not be on their radar. It is interesting to note that in 2014-2015, 77% of private equity investment in West Africa was in 4 Anglophone countries (Nigeria, Ghana, Sierra Leone and Liberia)⁴².

On the other hand, impact investors may see West Africa and Togo, in particular, as uncharted territory, where opportunities are still unexplored and competition less intense, compared to East Africa e.g. Both AfricInvest and I&P have a strong focus on Francophone countries, and there are also other players such as Cauris Investments or Teranga Capital.

Analysis and Possible Solutions






Funding costs are high in Togo, partly due to high interest rates that banks charge (of up to 12% p.a.), partly due to the complicated and lengthy procedures which induce SMEs to get loans from MFIs, which charge even higher rates (of up to 18% p.a.). Thus unless banks start to realize that investing in SMEs can be an attractive business proposition and SMEs improve their business practices to make it easier for banks to assess their performance, it is not likely that this situation will change significantly.

The excessive collateral requirements seem to be caused more by reluctance to provide long term loans to SMEs at all, rather than an effort to mitigate the effects of a default. In a country where contracts are hard to enforce and protecting the rights of minority investors is difficult, pledged collateral has more symbolic than real value. This may change once the BIC (credit bureau) starts operating as it will be easier for banks to assess the credit-worthiness of potential clients, thus reducing the need for high collateral.

A combination of actor-related and ecosystem issues create a mismatch between demand and supply of debt by banks. Innovation in financial product development for SMEs, e.g. leasing or factoring, is limited. There used to be a leasing company in Togo in the 1980s, but it was not successful. However, a lot has changed since then and new leasing products have been

⁴² AfricInvest & Grant Thornton, Le capital-investissement une solution de financement des entreprises, presentation at launch of AfricInvest in Conakry, January 11, 2017

developed, which may be able to breach the gap for SMEs that need to invest in equipment, but lack the collateral to get (long-term) bank finance.

	 Description	 Actions
 Strengths	<ul style="list-style-type: none"> Fairly large financial sector Interesting business opportunities in high-growth sectors, e.g. mining, agribusiness and tourism, in particular for impact investors Many development opportunities in building infrastructure, logistics and health services 	<ul style="list-style-type: none"> Create awareness among financial institutions for SME opportunities Develop pilot projects with credit facilities aimed at promoting specific sectors Ensure that SMEs are supported and encouraged to take part in government procurement
 Weaknesses	<ul style="list-style-type: none"> High cost of bank finance High transaction costs for banks due to lack of proper financial accounting of SMEs Lack of adequate and efficient courts to deal with loan defaults Limited interest private investors due to perceived and real risks 	<ul style="list-style-type: none"> Reduce government spending so as to reduce the cost of capital Encourage banks to provide accounting support to SMEs, funded by a mark-up on interest Improve the efficiency of courts Implement credit bureau (BIC)

3.6. Business Support –A lot of scope for expansion

In recent years a few entrepreneurship support initiatives have been launched in Togo, some of them created by the government and donor community, others by the private sector. Most of these initiatives are project-based and thus not set up as sustainable entities. On the whole, the landscape is still very fragmented and mostly focused on Lomé. Thus there is still a lot of scope for expansion, since there is a huge need for capacity development among MSMEs in Togo in order for them to become bankable.



Incubator/accelerator programmes help start-ups or existing enterprises reach the next level of development. So far, Innov'Up is the only incubator in Togo and it only started operating in June 2016 (see Box 5). An overview of business support options in Togo is provided in Table 3.

Enterprise Perspective

SMEs are often not aware of the importance of business skills and hence do not appreciate the importance of capacity building. For instance, when the business incubator Innov'Up was launched last year there was initially a huge interest, but this dwindled down to 15 when they found out that they had to pay €40-80 p/month for the services. Thus, in order to get their buy-in, it is important to link business development services to the possibility of getting financing, or improving business performance in some tangible way.

Box 7: Innov'Up Incubator for Women Entrepreneurs

Innov'Up is an initiative of FEFA TOGO, the Federation of Business Women and Entrepreneurs of Togo. The incubator was launched in April 2016, with funding from UNDP. Innov'Up provides strategic and technical support to women entrepreneurs in the form of coaching, business plan formulation, training, mentoring and counselling. Incubates can also rent fully equipped office space at the Innov'Up Centre. They currently have 25 incubates, 9 internal and 16 external; all except one are based in Lomé. Incubates pay FCFA 25,000 p/m and 50,000 p/m (€40-80 p/month) if they use office space. The first batch started in June 2016. The support can last up to 24 months.

The training they offer consists of 6 modules, including marketing, management, finance, leadership, communication and IT skills. So far all the training has been delivered by in-house staff. There was a lot of interest to enroll in the program, but many withdrew because of the cost. This situation has led the strategic committee review the incubation costs that are now 50% less than the original costs. Examples of incubates are: agribusiness, e.g. fruit juice, castor oil and soy feed for poultry; tourism; catering and water supply. Innov'Up is in discussion with BOA and Orabank, to facilitate access to finance for successful women entrepreneurs.

Financier Perspective

Some funders provide embedded non-financial support to SMEs, e.g. Fonds Gari which helps SMEs to develop their business skills or formulate business plans. The investor community usually helps their investees in areas such as strategy development, financial management and market understanding. This type of assistance is clearly part of the business model of investors such as AfricInvest or I&P, but these do not really target SMEs, at least not what is understood as SME in

Togo. Commercial banks do not normally provide BDS to their clients. The only bank in Togo that seemed willing to consider this option is Orabank.

There are a few banks that are cooperating with BDS providers and development projects, such as ANPE-DACE or PAEIJ-SP. For instance, BOA and Orabank have had talks with Innov'Up to see whether they can provide loans to Innov'Up incubates. The same banks, as well as UTB, will be part of the jury that assesses the business plans of the PAEIJ-SP project and may also provide loans to the best entrepreneurs, with a 50% guarantee from AfDB. UTB and FUCEC also take part in various projects in the agricultural sector, in cooperation with GiZ.

Analysis and Possible Solutions

A business support ecosystem is not yet in place, although there are several projects and one business incubator is operating, but it is still in the infancy and its actual outreach is low. The market for professional business support services is limited and not necessarily affordable for smaller companies. Thus, it needs to be nurtured further and expanded significantly. Market development of business support services is not at the top of the agenda of the Togolese government, but government support would be needed to expand services beyond Lomé and the relatively small number of firms that receive services now.






	 Description	 Actions
 Strengths	<ul style="list-style-type: none"> • There are several projects that support start-ups, on a limited scale, but nothing for SMEs • There is awareness among donors and financial institutions that SMEs need to be supported • Innov'Up is an interesting new initiative, which may lead to other similar initiatives if they prove successful • The Chamber of Commerce (CCIT) also has plans to provide business training to SMEs 	<ul style="list-style-type: none"> • Promote the development of BDS providers for SMEs by linking them to international networks, such as ILO-SIYB, IFC-BE or YBI • Set up new business incubators and accelerators, which could be done through mobilizing funds from donors and sponsors • Involve sectoral business associations, such as AFCET, in CCIT business training courses
 Weaknesses	<ul style="list-style-type: none"> • SMEs are not aware of their needs for capacity building and technical assistance, let alone the opportunities for BDS that are open to them • There are insufficient BDS providers and funds to cover BDS provision to all SMEs 	<ul style="list-style-type: none"> • Set up an information campaign to inform SMEs about the importance of formalizing their firms and developing their capacity • Set up matching grant / voucher system projects to subsidize access to BDS for SMEs

Table 3: Overview of Business Support in Togo

Type of business support	Target group	Examples	Challenges and difficulties
Incubators and Accelerators	<ul style="list-style-type: none"> High growth start-ups Moderate growth entrepreneurs Opportunity-driven SMEs 	<ul style="list-style-type: none"> Innov'Up 	<ul style="list-style-type: none"> Relatively high costs Small number of ventures reached Not much scope for sustainability due to the limited capacity of entrepreneurs to pay for the services
Subsidized BDS in donor- and government-funded development projects	<ul style="list-style-type: none"> High growth start-ups Moderate growth SMEs Opportunity-driven SMEs 	<ul style="list-style-type: none"> ProDRA (GiZ/FUCEC) PAEIJ-SP (MDB/AfDB/ETD) 	A few BDS providers active in Lomé, but fragmented and not well known. Mostly project-driven, thus not sustainable.
Commercial BDS	<ul style="list-style-type: none"> Large corporate enterprises Moderate and high growth SMEs Gazelles 	AfricSearch, Conseils Réunis, KaapiConsult and other private companies	Too expensive for most SMEs, except for specialized accounting /audit services.
Joint ventures (with foreign partners)	<ul style="list-style-type: none"> High growth SMEs Gazelles 	Not identified	This is an option which is hardly explored by SMEs in Togo.
Business networks	<ul style="list-style-type: none"> High growth start-ups Moderate growth SMEs 	CCIT, CNP, FEFA	This kind of support is underdeveloped in Togo and has scope for expansion
BDS combined with private investment or venture capital	<ul style="list-style-type: none"> High growth SMEs Gazelles 	Not identified	Investment funds are not active in Togo, neither are Angel investors

Source: Authors' research

4. Summary and Outlook

The data we reviewed suggests that the Togolese entrepreneurial ecosystem for local enterprises is **relatively tenuous compared to that of other Sub-Saharan African countries**, in all 6 ecosystem domains except for “Market”. In comparison with other Francophone countries in West Africa, the Togolese ecosystem is lagging behind Côte d’Ivoire and Senegal, but on a similar level as Benin or Mali. This is evidenced by the high level of informality of SMEs, lack of entrepreneurial culture, lack of skilled professionals, embryonic BDS market, and limited access to finance for SMEs. Data is scarce on informal enterprises, but interviews with local stakeholders show that few of the SMEs are seen as being growth-oriented, while the vast majority are informal, moderate growth enterprises, and even more are survivalist micro-enterprises.

On the other hand, the political instability that the country experienced in the 1990’s and 2000’s has subsided and **the economy has been growing at a steady annual rate of around 5% in recent years**. The government of Togo has declared its ambition to become an emerging economy by the year 2030, starting with the SCAPE (Stratégie de Croissance Accélérée et de Promotion de l’Emploi) policy for 2013-2017. Of course, it takes more than a strategy document to achieve this goal, but the first signs of improvement are already visible. In recent years, starting a business and cross-border trading have become easier, some taxes have been reduced and a credit bureau has been launched. Although the latter is not yet operating, with time it should improve access to financing for small businesses.

4.1. Key observations

The purpose of this study has been to get an in-depth understanding of **why it is difficult for SMEs to grow, and in particular to access financing for growth**. This study indicates that the main reasons for this are rooted in several interlinked ecosystem domains. We can summarize the main reasons as follows:

- **Entrepreneurship:** The government of Togo is committed to market-oriented development, but private sector development and the growth of an entrepreneurial culture are progressing slowly, and mostly through isolated efforts and short-term projects. There are a few successful entrepreneurs, but their stories need to be communicated to aspiring entrepreneurs. The only business incubator in Lomé started in 2016.
- **Informality:** The high degree of informality of most enterprises translates into lack of proper financial accounting, insufficient assets to meet collateral requirements, and lack of professional management skills. BDS providers exist, but they are not known to most or available to all SMEs, most of which are not willing or able to pay for the services.
- **SME finance:** SME finance is not seen as a profitable business line. Banks lack incentives to take risks in lending to SMEs beyond the handful of larger, well-established firms, since government debt yields high and secure returns. They also lack legal assurances for loan recovery in the event of default, even when they have taken collateral. As a result there are only limited financing options, and these are mainly short term (< 1 year).
- **Investor appetite.** Economic growth in Togo has been steady in recent years, especially in sectors like mining, agribusiness and tourism. In some respects, the country can be considered an untapped market for impact investors. However, entrepreneurs need support to

professionalize and become investor-ready, and these needs go well beyond what venture capitalists alone are able to offer.

4.2. *Looking forward*

In summary, these reasons indicate that when we consider access to finance for SMEs in Togo, the main issue is actually that only a few enterprises evolve into “bankable” SMEs. As long as the root causes for this issue are not tackled, it will be very difficult to achieve significant progress no matter how many guarantee funds or credit lines are set up. Some of these root causes are a consequence of the country’s stage of development, and thus difficult to tackle in the short or medium term, while others can be dealt with in a more pro-active way.

Thus, although access to finance is seen as the main constraint by many SMEs, the challenge ahead for the country is to support the development of professional, well-managed and investment-worthy enterprises to sustain a tailored financial ecosystem for local SMEs.

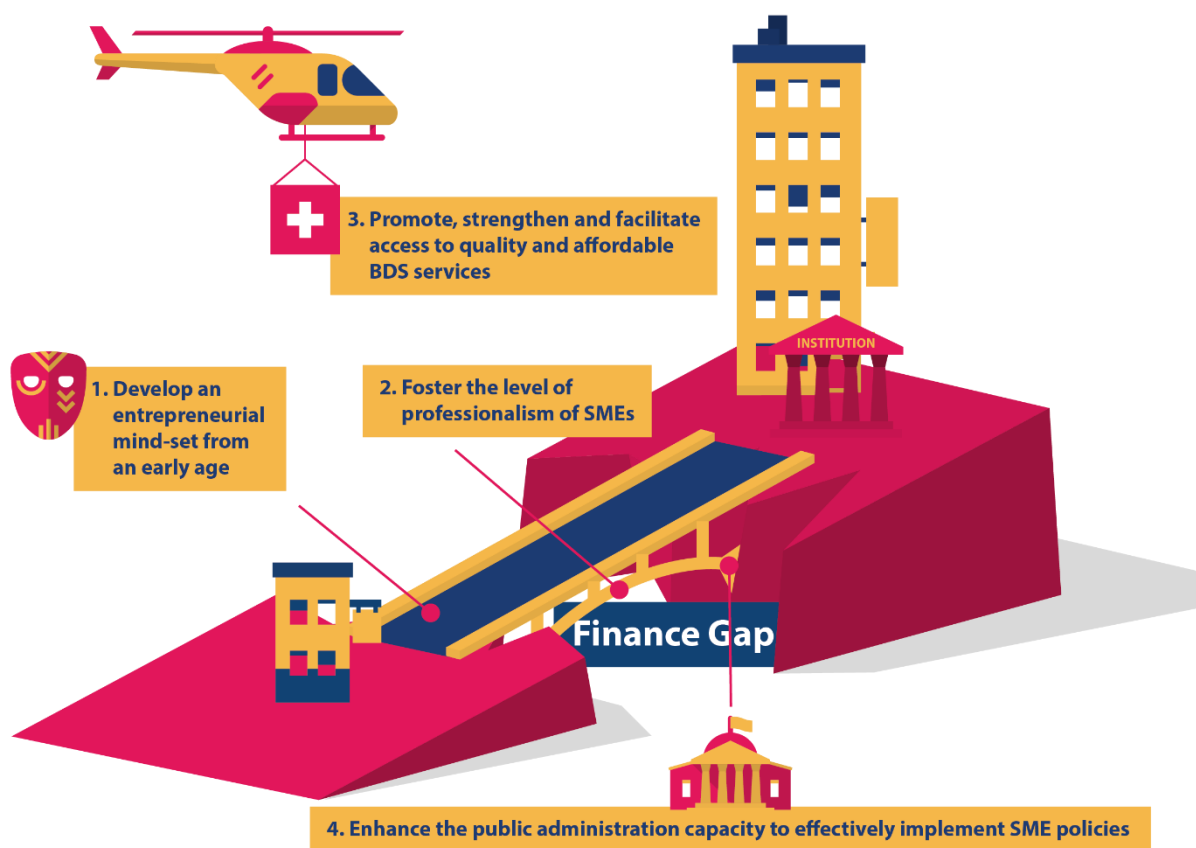
Therefore, looking forward, the two most promising pathways to close the financing gap for SMEs are on the one hand, to support entrepreneurs out of informality, helping them grow into bankable, investable businesses, and on the other to stimulate better and more advanced financial service delivery to SMEs. Each of these general approaches **requires simultaneous change in more than one ecosystem domain** at both the actor level—such as enterprises, BDS providers, and schools--and the ecosystem level. Actor-level interventions would generally be short-term efforts, while ecosystem interventions will require longer-term focus and investment.

The solutions that are being recommended here, are derived from ecosystem analysis, interviews with stakeholders, and ideas proposed during the local stakeholder workshop held in Lomé in March 2017. For a list of interview respondents and workshop participants, see Annex 4.

1. Develop an entrepreneurial mind-set from an early age

There are many ways to promote an entrepreneurial culture. In recent years, business plan competitions have become popular all over the world. They are often aimed at setting up new businesses, which may or may not materialise. However, as a means to stimulate an entrepreneurial mind-set, they can be very useful. More importantly, entrepreneurship education and training can be introduced in the curriculum as early as primary school, but mainly in technical schools. Since graduates from technical or vocational schools tend to have a hard time finding adequate jobs, it would make sense for them to acquire entrepreneurial awareness and business skills during their schooling. A pilot project targeting one or more schools is highly recommended.

Figure 9: Actionable solutions to close the finance gap in Togo



2. Foster the level of professionalism of SMEs

Lack of proper accounting and unreliable financial statements are strong deterrents for banks when considering loans to SMEs. Thus, a focused programme to build the accounting capacity of local SMEs can have far-reaching benefits in facilitating access to finance. In combination with the upcoming operationalisation of the credit bureau, professional accounting systems can make the task of loan officers a lot easier and lower the threshold for SMEs to access bank funding. Banks could also provide this kind of support themselves, covering the cost by adding a small mark-up to the interest rate. The extra cost could be partially subsidized.

3. Promote, strengthen and facilitate access to high quality, affordable BDS

The BDS market in Togo is still very underdeveloped. There are a few initiatives, but they are still quite fragmented and mainly focused on Lomé. The quality of BDS providers is also variable and the BDS is not always relevant for the SME. Moreover, SMEs are often not aware that they need BDS, let alone where to find it. Last but not least, the cost of BDS is too high for most SMEs. To create a market for BDS providers and facilitate access for SMEs, it would make sense to launch a pilot project to subsidize BDS through a matching grant or voucher system. Some other initiatives are donor-driven that remain projects which lack the long term vision for the required sustainability. Currently only one incubation initiative exists; the first entrepreneurial centre in the country. It needs further support to demonstrate the case and potentially scale-up or replicate the approach to other sectors.

4. Enhance the public administration capacity to effectively implement SME policies

There is an SME-focused policy in Togo, but it does not always produce the intended effects, and regulations still stifle SMEs and financiers alike. Although the regulatory environment is not the main source of challenges reported by SMEs, reforms can have positive effects across the ecosystem. Some positive changes might include:

- Developing a broad strategy to incentivise formalisation, encompassing both tax and regulatory reforms;
- Ensuring that the credit bureau, which has already been launched, is able to function adequately and starts operating as soon as possible;
- Reviewing educational policies to introduce training on entrepreneurship as well as business skills in primary, secondary and tertiary schools, and in particular technical education;
- Setting up a platform for the private sector and government to work together towards regulatory changes that can contribute to the development of SMEs.

Annex 1: List of Interviewees

A. Entrepreneurs

Name	Function	Company	Type of business
Kossi Dodji Jean AVIA	General Director	Hotel Izé	A hotel based in Kpalime (120 km from Lomé) with 20 rooms and a conference hall. Hotel Izé belongs to Group Izé which also deals in import of steel and construction materials and in manufacturing of kitchen utensils.
Fanta BOUTECOULET	Assistant Director	Worldwide Corporation	Import and sale of office supplies to govt. and private businesses as well as NGOs and international companies. Provide printing and copying, and binding services to client businesses. The company has 7 employees.
Chantal DONVIDE	Directrice	Aklala Batik	Chantal is a seamstress, trained in cloth dying. Aklala Batik uses raw hand-dyed cloth to make hand bags, wallets, laptop cases, dresses or pillow cases. Created 7 years ago, it was the first Togolese business to use the AGOA facility to export to the US. Original funding was obtained through prepaid orders from a US buyer. Subsequently she took a loan from a local MFI. She has 5
Omer KETOGLO	General Director	Orinthe	Orinthe imports pharmaceutical items and medical equipment. Created in 1993, they represent companies from US, Europe, and India. They have 7 full-time employees plus a wide network of sales agents.
Jean-Marie NOAGBODJI	General Director	CAFÉ Informatique	The first ITC company in Togo, set up 30 years ago, with about 100 employees and a turnover of FCFA 1.5 bln. They provide internet services; have a data centre, an MS learning centre and a research lab, but still have difficulties to access finance, because of high collateral
Ayifua Charlotte OHIN	Financial Director	Bon Maraicher	Fresh groceries delivery service, recently set up in Lomé with support from Innov'Up. They offer a wide variety of vegetables which they source directly from producers.
Kossiwa TSIPOAKA	Manager	African Rural Water Pro (ARWP)	Start-up supported by Innov'Up, aimed at providing potable water solutions to low-income families in rural areas. ARWP aims to provide clean water to 200,000 individuals and sewage infrastructure for 600,000 individuals in the next 15 years.
Bindaké YINDO	Director	Maubin SARL	Mr. Yindo is an agricultural engineer who set up the construction company with a friend in 2009. But it only started to flourish after he took over himself in 2013. In 2016, turnover was FCFA 360 million and he had 40 employees. He needs a lot of working capital to finance public works contracts, but can only get ST loans.

B. SME Support Structures

Name	Function	Organisation	Description
Essi Mawuena EGAH Essossinam BALOUKI	Head of HR Dept Communications	ANPE-DACE	The DACE is the Dept. d'Appui à la Creation d'Entreprise of the National Employment Agency ANPE. They organize ILO-SIYB training workshops for start-ups.
Charles DOGBEVI	General Director	Chambre de Commerce et d'Industrie du Togo	The Chamber of Commerce and Industry of Togo has about 3,000 members. Only the large companies pay membership fees. The Centre de Formalités des Entreprises, is located in the CCIT building. The CCIT has regular events and
Christiane MAMA	Consultant	Conseils Réunis	Consultancy company specialized in HR development. They also offer various kinds of training to private companies.
Kerstin HELL Raymond KEKE	Technical Advisor PSD Advisor	GiZ	GiZ has a project together with FUCEC, called ProDRA (Projet Devt Rural Agricole), aimed at supporting pineapple and organic soya producers. The Min. of Agriculture has a fund to support small producers through UTB with loans of up
Sidonie AITHNARD Thomas HOUNGBEDJI Mme. WILSON-KPETEMEY	General Director Finance Director Secr. Gral. FEFA	Innov'Up	Business incubator for women that was set up by FEFA, with support from ANPE and UNDP. Launched in April 2016, first batch of 15 "incubatees" started in June
Agbo KOSSIVI Vincent AKUE	Project Manager Managing Director VA Investment Solutions Ltd (external advisor)	PAEIJ-SP	Project resorting under the Min. de Devt à la Base to support young farmers to set up businesses in 5 priority sectors, using a business plan competition format. The goal is to provide A2F for 100 entrepreneurs in 2017, through BOA, Orabank and UTB.

C. Financial Players

Name	Function	Organisation	Key Characteristics
Koffi EZA	Executive Director	APBEF	Association of 13 commercial banks and 4 other financial institutions (e.g. Fonds GARI), under the authority of the Ministry of Economics & Finance. APBEF was closely involved in the creation of the Credit Bureau (BIC) which was formally launched in 2016 (HQ in Abidjan).
Octave AKAKPO Edem AGBOYON Anselme KINKPA Wilfrid ZIGANI	Director Enterprises Head of Large Ent's Head of SMEs Accounts Officer	Banque Atlantique	A subsidiary of Banque Centrale Populaire from Morocco, BA was first established in Côte d'Ivoire in the 1980s and started to operate in Togo in 2006, managed from Abidjan till 2012. They have deposits of FCFA 98 billion and a loan portfolio of about FCFA 100 billion (10%
Eyram GBEDEMAH Mme. BAOUNA	Head of SME Dept. Accounts Officer SME	Ecobank	West African bank with presence in 36 countries, including all 8 countries in francophone West-Africa HQ in Lomé, 40% of assets from Nigeria. Ecobank has 77 branches in
Franck ADJAGBA	Managing Director	Fonds GARI	Created in 1996 with HQ in Lomé, as guarantee fund for large investments. From 2016 the focus has shifted towards SMEs, after it was taken over by the African Guarantee Fund. They now focus on loans from €50,000-1,000,000.
Adrien Kokoumeh FEDY Vincent KOUSSI	General Director Finance Director	FUCEC	Largest MFI in Togo, created in 1969, with a lot of support from USAID and WOCCU. Total assets are FCFA 120 bln and loan portfolio of FCFA 54 billion (80% individual), with 37 "caisses locales". Loans up to FCFA 50 mln at
Jean-Claude BASSINA	Director	Mutuelle ASJD	MFI created in 2007 with strong focus on young entrepreneurs. They have deposits of FCFA 2.55 bln and loans of FCFA 2.28 bln. They also have funding from Orabank and Oikocredit. They offer loans up to FCFA 15 mln at 12-16% (up to 2
Rose K. MIVEDOR	Deputy Director	Orabank	Orabank arose from a merger of 3 banks in Togo, including SNI and the Financial Bank. As SNI had a strong focus on BTP, so does Orabank. It is the largest bank in Togo in terms of assets and loans. Total assets are FCFA 540 bln; total loan portfolio is FCFA 276 bln (30%

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Annex 3: Glossary

A ₂ E	Access to Electricity
A ₂ F	Access to Finance
AF CET	Association des Femmes Chefs d'Entreprise du Togo
AFD	Agence France Développement
AfDB	African Development Bank
AGO A	African Growth and opportunities Act (preferential trade tariffs with the US for SSA countries)
ANPE	Agence Nationale Pour l'Emploi
APBEF	Association Professionnelle des Banques et Etablissements Financiers
BDS	Business Development Services
BIC	Bureau d'Information sur le Crédit (credit bureau)
BOAD	West African Development Bank
BTP	Bâtiments & Travaux Publics (construction sector)
CCIT	Chambre de Commerce et Industrie du Togo
CEI	Centrale d'Echange d'Information des IMF au Togo
CFE	Centre de Formalités des Entreprises (one-stop-shop for registering business)
CNP	Conseil National du Patronat du Togo (formerly GITO)
DACE	Département d'Appui à la Création des Entreprises (part of ANPE)
DBI	Doing Business Index
DFI	Development Finance Institutions, e.g. DEG, FMO or Proparco
ECOWAS	Economic Community of West African States (CEDEAO in French)
EIB	European Investment Bank
ETD	Entreprise Territoire et Développement
FAIEJ	Fonds des Initiatives Economiques des Jeunes
FCFA	656 Franc CFA = 1 EUR
FEFA	Femmes Entrepreneurs et femmes des Affaires
FUCEC	Faitière des Unions Coops d'Epargne et de Crédit du Togo
GARI	Garantie des Investissements Privés en Afrique de l'Ouest
GNP	Gross National Product
GoT	Government of Togo
HDI	Human Development Index
I&P	Investisseurs & Partenaires
MFI	Micro-Finance Institution
MDB	Ministère de Développement à la Base
NPL	Non-Performing Loans
SCAPE	Stratégie de Croissance Accélérée et de Promotion de l'Emploi 2013-2017
SFI	Société Financière International (IFC in English)
SME	Small and Medium sized Enterprise
SSA	Sub-Saharan Africa
UEMOA	West African Economic and Monetary Union (WAEMU)
WB	World Bank
WEF	World Economic Forum

Annex 4: Main Conclusions Working Groups

During the final workshop with stakeholders that was held at the Onomo Hotel on March 17, 2017, two working groups were created to discuss what needs to be done in Togo to improve the ecosystem for SMEs and thus enhance their access to finance. One working group was asked to focus on drawing up a road-map for the supply side (i.e. financial institutions), the other for the demand side (i.e. SMEs and BDS providers).

The main conclusions from these working groups are listed below.

Policy Domain

- Agribusiness could be an important sector, with the right kind of support
- Government should make it easier for SMEs to register their business
- Initiatives like FAEJ which offers small loans to young start-ups need to be expanded

Finance Domain

- Financial institutions should visit the SMEs to get a better understanding of their business, instead of simply letting them come to the bank
- Banks should shorten the processing time for loan requests
- Credit bureau (BIC) has been formally created, but is not yet operational
- Banks should diversify the products they offer to SMEs, including factoring and leasing

Support Domain

- Entrepreneurs lack a long-term vision, this needs to be strengthened by BDS providers
- Reinforce the capacity of SMEs to present reliable financial statements and business plans
- Reinforce the technical capacity of SMEs in specific sectors, e.g. the tourism sector
- Follow-up coaching to SMEs (after they have received) bank finance is also important

Annex 5: Workshop participants

The workshop was held on March 17, 2017, at the Onomo Hotel in Lomé.

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Annex 6: Methodological note

#CTG francophone West Africa | Country studies

Overall methodology design

The methodology used for this study builds on existing entrepreneurial ecosystem tools notably the **Babson entrepreneurial ecosystem model** and the associated **ANDE⁴³ Entrepreneurial Ecosystem Diagnostic Toolkit**, published by the Aspen Network of Development Entrepreneurs (ANDE). The first study for the DGGF #ClosingTheGap series has been piloted in Kenya and has applied a contextualised version of the **ANDE Diagnostic Toolkit**. Based on the lessons learned from this pilot, and by taking into account the specific context of francophone West Africa, the methodology has been customised for the purpose of this study. The key methodological principles are as follows:

- **Intense qualitative data gathering:** The purpose of the ANDE methodology is to provide a diagnostic tool that can be applied in rapid assessment of entrepreneurial ecosystems. However, one of the biggest limitations of this research is the access to up-to-date, reliable and representative data on local enterprise performance and perception of the ecosystem. Primary research and interviews with key stakeholders or a stakeholder workshop are therefore critical to get relevant information and to complement analysis based on existing data sets such as World Bank Enterprise Survey Data⁴⁴.
- **Including financier and enterprise perspective:** The ANDE toolkit is designed to perform an overall analysis of potential bottlenecks for local entrepreneurs, and identifies key constraints which merit deeper analysis. As the focus of this research is on access to finance as one of the major bottlenecks to enterprise growth, it has been relevant to also analyse the dynamic behind the mismatch between financiers and entrepreneurs, in particular owners of SMEs. Therefore the analysis includes the perspective of both financiers and entrepreneurs on the different ecosystem domains. This enables to get an in-depth understanding on how the wider ecosystem facilitates or constrains access to finance for the different type of SMEs that operate in the ecosystem.
- **Ecosystem scoring based on multiple indicators from different indexes:** The Kenya pilot utilized the World Bank Enterprise Survey data to conduct an ecosystem analysis based on a total of 30 indicators. Given the fact that statistics for the selected West African countries are often unreliable and there is a wide difference between the various indicators used by indexes, we have used multiple indicators from different indexes (including the World Bank Enterprise Surveys) to analyse the entrepreneurial ecosystem in each target country, through a ready-made tool that uses over 200 different indicators across the ecosystem domains⁴⁵. See also box 1. The tool could be applied to 4 out of the 6 countries that are part of this series; for Guinea and Mali the availability of data was insufficient. For those countries, we have instead considered individual selected indicators such as the WB Doing Business Index and WEF GCI⁴⁶.
- **Six ecosystem domains:** For this study we have followed the Babson entrepreneurial ecosystem model, one of the leading models in the current entrepreneurial ecosystem thinking, which uses six domains). The ANDE Entrepreneurial Ecosystem Diagnostic Toolkit uses eight domains (including separate domains on infrastructure and R&D), however this was considered not to be functional for this study because of (i) Lack of detailed data for the separate domains, (ii) distinctive character of the domains (because of the regional character of this study, domains were included that can show a difference between the six countries).

⁴³ published by the Aspen Network of Development Entrepreneurs

⁴⁴ <http://www.enterprisesurveys.org/>

⁴⁵ Developed by Enclude for InfoDev

⁴⁶ World Economic Forum Global Competitiveness Index

The six ecosystem domains and key indicators are presented in the table below

Culture; is the culture enabling entrepreneurship?



- Entrepreneurial spirit
- Women and youth entrepreneurship
- Ethical behaviour of firms

Finance; can the entrepreneur gain access to debt, equity and other products?



- Availability and accessibility of debt finance for SMEs
- Availability and demand for equity for SMEs
- Availability of financial support instruments and structures (guarantee funds, credit bureau etc.)

Human capital; are the required human resources accessible for entrepreneurs?



- Enrolments at primary, secondary and tertiary levels, quality of education
- Extent to which entrepreneurship is included in education
- Availability of on-the-job training, workers offered formal training
- Availability of (informal) training and mentoring (e.g. business angels, role-model entrepreneurs)

Policy; are policies enabling and facilitating entrepreneurship?



- Political and economic stability of the country
- Regulatory framework (ease of doing business, formalisation of SMEs, bribery)
- Government interventions to support SME development

Markets; do entrepreneurs have sufficient business opportunities?



- Access to national, regional and international markets
- Infrastructure (electricity, transport, ICT)
- Real annual sales growth, annual employment growth

Support; do entrepreneurs have access to SME support services?



- Availability, accessibility and quality of incubators/ accelerator programmes
- Availability, accessibility and quality of commercial BDS providers
- Networks, platforms and associations.

Research steps

The country studies have been implemented in 3 phases:



PHASE 1: BASIC ECOSYSTEM SCORING (DESK STUDY)

In order to map these domains and identify solutions and opportunities for improvement in the entrepreneurial ecosystem, first a **desk study** was undertaken. The desk study had different components; firstly we have analysed how the country scores compared to other countries in Africa (using the tool, or by looking into specific reliable sources notably the WB doing business indicator, WEF Global Competitiveness Index and UN Human Development Index.

In addition, secondary information was collected from research reports and publications including the WB Enterprise Survey⁴⁷ and other available enterprises surveys. Finally some pre-mission interviews were held with several key stakeholders such as donor representatives, financial service providers and entrepreneurs. This provided a good first overview of the key elements of the entrepreneurial ecosystem in the country. Intermediate findings were shared

PHASE 2: IN-COUNTRY DATA COLLECTION

After the desk study, a **field visit** of one week took place where representatives from various ecosystem domains were interviewed (included in Annex 1 of the report).

These discussions enriched the information from the desk study, and uncovered the root causes explaining the existence of a 'missing middle'. In addition, it has helped to identify some of the key important stakeholders (organisations and individuals) in the ecosystem that act as frontrunners in the development towards more conducive ecosystem.

PHASE 3: WORKSHOP, CONCLUSIONS AND REPORTING

These and other relevant stakeholders were gathered at a **workshop**, to validate the findings from the study, and come up with concrete solutions that are 'owned' by local stakeholders. An interactive format was used whereby participants work in small groups to start prototyping potential interventions and to come up with concrete intervention outlines.

The results from the research and workshop are presented in a report which is highlighting the financier and SME perspective of the six ecosystem domains, in order to reveal the reasons behind the reasons. Focus of the conclusions is on deriving possible action points to overcome certain barriers that are identified by the research team and raised during the workshops.

⁴⁷ DGGF is partnering with the Enterprise Survey Unit of the World Bank to undertake enterprise surveys in the countries covered by the current assignment. The findings from this survey are being used in this report⁴⁷, acknowledging the bias of these data towards formal, and therefore larger and more professional firms

Box 1: Ecosystem scoring grid

Rationale for developing an ecosystem scoring grid

- Entrepreneurships **ecosystem scorings** differ in their results, especially when developing countries are concerned. E.g. Uganda scores as the best entrepreneurship ecosystem according to GEM, while scoring as one of the lowest according to GEDI's list.
- **GDP/capita levels** do not necessarily reflect the extent to which a country has suitable conditions for entrepreneurship. Especially under USD 20,000 (=developing countries)
- **Poor numbers** problem: data collected for entrepreneurship surveys not always reliable (small sample size, biased selection), combining different datasets can level out the unreliability.

	FINANCE	MARKETS	SUPPORT	HUMAN CAPITAL	POLICY	CULTURE	Average 6 domains
FRANCOPHONE WEST AFRICA							
Senegal	3,33	5,00	5,35	5,49	5,67	6,16	5,21
Cote d'Ivoire	2,93	4,64	5,51	5,24	4,66	4,14	4,52
Cameroon	3,50	4,62	4,90	4,77	3,61	3,92	4,22
Togo	3,21	3,81	3,94	4,59	5,04	4,60	4,20
Benin	2,62	3,99	2,82	4,19	3,04	5,33	3,66
Burkina Faso	2,61	3,33	3,35	2,50	4,28	5,46	3,59
ANGLOPHONE WEST AFRICA							
Nigeria	3,64	5,35	2,59	4,43	4,21	4,25	4,08
Ghana	4,22	5,25	4,02	5,98	5,08	5,81	5,06
EAST AFRICA							
Rwanda	5,05	5,23	5,99	6,05	7,99	7,74	6,34
Kenya	5,96	6,64	6,09	6,46	4,93	5,38	5,91
Ethiopia	2,96	3,34	4,33	4,26	5,20	6,46	4,43
Uganda	3,89	4,12	4,21	4,09	4,63	5,23	4,36
Madagascar	2,86	3,82	3,87	3,87	4,17	6,31	4,15
Tanzania	3,10	4,19	4,03	3,50	4,34	4,24	3,90
SOUTHERN AFRICA							
South Africa	6,90	7,68	7,25	6,52	7,85	6,25	7,08
Botswana	6,16	4,74	5,14	5,42	7,23	6,50	5,86
Namibia	5,36	4,94	5,59	4,81	6,91	6,50	5,68
Zambia	3,31	5,24	4,84	6,23	6,05	6,31	5,33
Mozambique	2,57	4,10	4,81	3,78	5,17	4,59	4,17
Malawi	3,43	3,09	4,06	3,97	4,71	4,83	4,02

Our approach

- Using **multiple indicators** from different indexes and combining these along the lines of the 6 domains of entrepreneurial ecosystems (Babson model).
- In order to make scores comparable, they have been **normalised** them: re-calculated the scores on a 0-10 scale.
- Also, the ecosystems were scored **relative to each other** within the sample of SSA countries
- For each of the 6 domains identify a set of indicators to determine the advancement of the specific ecosystem feature. Sources used:
 - Global Competitiveness Index (GCI), World Economic Forum
 - Global Entrepreneurship and Development Index (GEDI), George Mason University
 - Enterprise Survey (ES), World Bank
 - Doing Business (DB), World Bank
 - Global Innovation Index
 - Legatum Prosperity Index

Countries

The ecosystem scoring tool could be applied to 4 out of the 6 countries that are part of the #CTG francophone West Africa country studies. The scoring was done for Senegal, Ivory Coast, Togo and Benin. Data were insufficient to do a reliable scoring for Guinea and Mali.

Annex 7: World Bank Doing Business Indicators

Ranking of West African Countries

Doing Business Indicators / West African countries	Global DB # rank	SSA DB # rank	Start a business	Construction permit	Access to Energy	Access to Finance	Register property	Paying taxes	Cross-border trade	Enforce contr.	Resolve insolv.
<i>Total number</i>	190	48	48	48	48	48	48	48	48	48	48
1. Ghana	108	10	17	15	9	4	5	16	29	17	35
2. Cabo Verde	129	13	14	12	17	21	4	11	13	2	46
3. Mali	141	17	16	25	22	33	24	25	7	32	13
4. Côte d'Ivoire	142	18	5	45	13	25	16	38	27	13	6
5. Gambia	145	19	37	18	24	19	20	33	12	15	22
6. Burkina Faso	146	20	7	4	42	28	25	27	8	35	18
7. Senegal	147	21	12	23	29	32	27	39	19	24	15
8. Sierra Leone	148	22	10	20	37	39	35	21	35	12	33
9. Niger	150	23	11	42	31	34	21	28	20	29	16
10. Togo	154	25	21	43	20	36	47	31	14	25	9
11. Benin	155	26	6	7	35	27	39	37	21	38	20
12. Guinea	163	32	23	34	27	29	26	43	32	18	19
13. Nigeria	169	37	27	38	41	8	46	40	41	23	28
14. Guinea Bissau	172	38	39	31	43	30	29	26	28	36	42
15. Liberia	174	39	3	39	38	16	44	18	45	41	43
Top 5 in SSA											
Mauritius	49	1	4	2	4	7	10	1	4	1	1
Rwanda	56	2	8	32	7	1	1	5	6	10	7
Botswana	71	3	32	3	11	11	3	6	3	21	4
South Africa	74	4	22	11	5	10	12	2	25	16	2
Kenya	92	5	19	29	3	3	19	14	9	8	10

#ClosingTheGap
Togo
KEY CHALLENGES FOR THE 'MISSING MIDDLE'
Assessment of the entrepreneurial ecosystem in Togo



Market



Finance



Culture



Human Capital



Support



Policy