TOGO

Togo’s economic freedom score is 57.5, making its economy the 113th freest in the 2021 Index. Its overall score has increased by 3.4 points, primarily because of an improvement in fiscal health. Togo is ranked 18th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Togo’s economy is still rated mostly unfree this year despite some solid gains. The government would like to attract private investment to establish Togo as a financial and logistics hub. Success, however, would require greater economic freedom, and that would mean making deep and comprehensive reforms in Togo’s rule-of-law institutions to improve the judicial system and tackle the serious and long-standing problem of corruption.

IMPACT OF COVID-19: As of December 1, 2020, 64 deaths had been attributed to the pandemic in Togo, and the economy was forecast to experience no growth for the year.

ECONOMIC FREEDOM SCORE

57.5 ▲ UP 3.4 POINTS

REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) 55.7
WORLD AVERAGE 61.6

HISTORICAL INDEX SCORE CHANGE (SINCE 1999): +9.3

BACKGROUND: French Togoland became Togo in 1960. General Gnassingbé Eyadema was installed as military ruler in 1967 and remained in power for almost four decades. Faure Gnassingbé, appointed to the presidency by the military in 2005 following the death of his father, was elected president later that year, and his Union for the Republic dominates the political landscape. In February 2020, he won a fourth five-year term pursuant to a 2019 constitutional change that permitted him to serve two additional terms. The economy depends heavily on commercial and subsistence agriculture, which employs about 60 percent of the labor force. Togo has one of West Africa’s few natural deep-water ports, and its secure territorial waters have become a relatively safe zone for international shippers.

RECENT FREEDOM TREND

Quick Facts

POPULATION: 8.1 million
GDP (PPP): $15.0 billion
5.3% growth in 2019
5-year compound annual growth 5.2%
$1,662 per capita
UNEMPLOYMENT: 2.0%
INFLATION (CPI): 0.7%
FDI INFLOW: $133.3 million
PUBLIC DEBT: 71.0% of GDP

2019 data unless otherwise noted. Data compiled as of September 2020
Protection of real property is difficult because most land lacks a clear title. The statutes governing property are poorly defined mixtures of civil code and traditional laws, and legal fights over inheritances are frequent. Contracts are difficult to enforce. The opaque judicial system is inadequately resourced and heavily influenced by the presidency. Graft and corruption remain serious problems.

The top individual income tax rate is 45 percent, and the top corporate tax rate is 27 percent. Other taxes include value-added and property taxes. The overall tax burden equals 21.0 percent of total domestic income. Government spending has amounted to 22.5 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.4 percent of GDP. Public debt is equivalent to 71.0 percent of GDP.

The time required to register a company has been reduced, and the requirement for notarization of company documents has been abolished. Fees when dealing with construction permits have been reduced, and the process has been simplified. The labor market is not dynamic, and labor informality is substantial. According to the IMF, subsidies and transfers consumed 3.9 percent of GDP in 2020.

Togo has two preferential trade agreements in force. The trade-weighted average tariff rate is 12.3 percent, and one formal nontariff measure is in effect. Other nontariff barriers remain in effect, although the time required for border compliance for exporting and importing has been reduced. Foreign and domestic investors are generally treated equally under the law, but the overall investment regime lacks efficiency. Banking services are not widely used.