



Discours prononcé par le Premier ministre togolais,  
Gilbert Houngbo,  
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Inde-Afrique sur les projets de partenariat (New Delhi)

Your Excellencies Heads of Government,

Honourable Ministers,

Distinguished Guests,

Ladies and Gentlemen,

This is an honour and indeed a great privilege for me to take the floor at this majestic gathering.

Let me first express my deepest gratitude and my sincere appreciation to the promoters of this 7<sup>th</sup> EXIM BANK Conclave on India Africa Project Partnership 2011 on “***Creating Possibilities: Delivering Values***” and our thanks to the whole team involved in its organization.

The theme we are here to consider has to do with “***Opportunities and challenges of the India-Africa partnership in matters of infrastructures***” and is topical indeed.

As a matter of fact, Africa suffers from an important deficit in matters of infrastructures. This failure to keep abreast is particularly remarkable in the sectors of sanitation, where the coverage in sub-sahelian countries is about 65% (as against 82% in the developing countries as a whole), of electricity with a 24% coverage and in the area of rural people's access to roads the coverage of which is 34%.

It is generally admitted today that it takes Africa a 7% annual-growth to reach the millennium development objectives in matters of poverty reduction. This will call for an annual investment of 22bn US dollars to be spent on infrastructures in Africa, 40% of which will be on transports, 25% on energy, 20% on water resources and 15% on telecommunications.

Africa therefore is certainly lagging behind when it comes to infrastructures. How come ?

A month ago, I was in a brainstorming session by AfDB at Paris. And it came out clearly that one can identify 3 major reasons:

**1- First of all the weak public sector capacity to identify, design and supervise comprehensive country infrastructure investments.**

Governments in Africa continue to face skills shortages in critical areas such as: procurement and contracting, design of investment proposals and capability to broker private-public partnerships. Current capacity building approaches appear short term and do not institutionalize required skills within the public sector. The public sector has to formulate a vision that creates the necessary space for private sector operators to bring forward proposals without the risk of losing proprietorship. Perceptions of lack of transparency by Governments result in the loss of valuable investment opportunities.

**2- The inappropriate procurement rules continue to constrain private sector participation and crowd out innovative proposals.** We suggest the need for more sophisticated, but equally transparent procurement models that for example, use referees to provide assurance on regulatory compliance and reasonableness of pricing. The World Bank is known to have supported such an approach in certain instances.

- **The third and last point is the systemic disconnect between “design” “build” and “operation/maintenance” in infrastructure investment contracts.** Disjointed agreements continue to dominate complex infrastructure projects across Africa in the absence of a coherent framework for coordinating parties executing different segments of the same project. Other parts of the world have begun to use multi-disciplinary Design, Build and Operate (DBO) agreements that bring together the three components under one umbrella to ensure coherence. DBO agreements in Africa could involve the partnering of contractors from emerging economies such as India and China with traditional old world designers. Such a multi-disciplinary approach could save time and simplify contract administration whilst tapping into a combination of new and traditional sources of financing. Transaction costs incurred in managing disparate individual contracts could be lowered significantly through such arrangements.
- **Regarding possible solutions,** we can say with assurance that money is not the first or more important bottleneck in the delivery of infrastructure for Africa. The strengthening public sector capacity is at the heart of the solution to the problem. However, the financing solution has to include both private and public sector capital.

**In view of the foregoing, we propose:**

- **There is a need to create risk mitigating financial products that give comfort to private sector investors:** A combination of traditional finance, sourced mainly from bilateral agencies, multilateral development banks and private capital can be the most feasible way to raise sufficient capital for developing infrastructure in Africa. Public sector capital would, in this combination, be used to create risk mitigation and return enhancement structures.
  
- **An aggressively tap into Private Equity markets and Sovereign Wealth Funds:** There is a need for a brokering role between private equity markets, sovereign wealth funds and sponsoring governments. Sponsoring governments would have to deliver robust macro-economic frameworks as a prerequisite to accessing capital from these investor groups. The timing of this initiative was appropriate given Sovereign Wealth Funds' excess liquidity and their need to diversify their exposure in the wake of the global financial and economic crises.
  
- **On the cost of financing African infrastructure:** The investors' expectations of return on equity of 25% to 30% from African assets represented a 10% to 20% premium over developed markets. Part of this premium was linked to the process, i.e. lack of transparency, making it impossible for detailed feasibility studies to be undertaken.

- **Support investors to understand and manage Risk:** The private sector investors' understanding and perception of risk influenced in what asset classes they would put their money. The shareholder base of DFI's and MDB's gives them a unique platform for an interlocutor role between private sector investors and sponsoring governments. This privileged position of MDBs can be used to de-risk transactions as is the case with B loans.

It is my humble opinion that, in all these proposals, India could consider working with AfDB and other multilaterals in show casing potential returns.

As far as Togo is concerned, the country's poverty reduction strategy also aims at the construction and the restoration of our infrastructures as a lever for growth and development.

In this respect, an ambitious road infrastructure construction and modernization has been elaborated and is being implemented. When it comes to **roads** 11 projects estimated at about 350m US dollars are under execution. The money to be earmarked for their funding and which we are looking for amounts to almost 330m dollars. In the area of air transports, Togo is planning to construct a new modern airport of international status. The activity programming also includes the expansion of the current Lomé airport in order to transform it into a hub for West Africa as a whole.

**In the area of railroads** the government is considering constructing a railroad line from Lomé to the border of Burkina-Faso up North. Should this project materialize, it would make it possible to avoid, to a large extent, the degradation of the road infrastructures and to facilitate the utilization of the Togolese corridor for public

transports and transit operations to the hinterland countries, notably Burkina-Faso, Niger and Mali.

**When it comes to Sea transports**, every effort is being made in order to transform the Lomé Port Authority, the only deep sea port in the West African region, into a transfer harbour in the sub-region.

In this respect, besides the privatization of all handling activities, a 3<sup>rd</sup> quay construction estimated to cost 600m dollars has just begun.

**In the area of energy**, the government's objective is to guarantee the stability in matters of energy both for households and industries. In this respect, and in order to reduce Togo's external dependency, while consolidating the regional approaches, a new 100MW electric generator has been running since 2010.

**In the domain of telecommunications**, the government aims at increasing the telephonic service offer in order to improve upon the quality of the services offered, to construct a trustworthy national and international network connected to the information highways.

We would like to invite the Indian partners participating in this meeting to attach a particular importance to six (06) major public sector projects as well as to the fifteen (15) projects being proposed by private operators in the context of this Conclave.

My anticipated wish is to see this 3-day deliberations result in fruitful partnerships for the happiness of our respective countries.

Thank you.

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