

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Deputy Secretary Neal Wolin before the Togolese National Assembly

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As prepared for delivery

LOME, TOGO - Thank you and good afternoon. It's a pleasure to be here in Lomé, and a real honor to speak before the Togolese National Assembly.

First let me congratulate Togo on its seat on the UN Security Council. The U.S. looks forward to continuing to work together to address international challenges of mutual concern.

I also want to recognize Robert Whitehead, our new Ambassador to Togo, whose very distinguished career has been dedicated to furthering U.S.-Africa relations. He will be a strong and effective force for strengthening the relationship between the U.S. and Togo.

I have been to sub-Saharan Africa many times. This week, I am visiting Togo, along with Cote D'Ivoire and Liberia, to see first-hand the progress that Togo and two of your neighbors are making, and to deepen America's partnerships here in West Africa.

On my last trip to Africa, I visited Rwanda, Tanzania, and South Africa, near the end of 2009. At that time, the continent, along with the rest of the world, was just beginning to emerge from the effects of global recession.

At the height of the downturn, overall growth in sub-Saharan Africa fell from over 7 percent in 2007 to less than three percent in 2008. Middle-income countries with financial systems more integrated with the rest of the world, like South Africa, went into recession. In many lower-income countries with less exposure to the global financial system, sudden declines in commodity prices, remittances, and capital inflows threatened to undo years of steady economic progress.

Swift actions, however, blunted the effect of the financial crisis here on the African continent. A number of sub-Saharan countries implemented responsive fiscal and monetary policies to counter the sudden headwinds their economies were facing. And the U.S. and others, standing together with international financial institutions, offered vigorous support to help blunt the crisis' impact and keep growth on the continent from derailing. Together, the World Bank and the African Development Bank boosted support to sub-Saharan Africa during the crisis from \$17.5B in 2006-2007 to \$29B in 2008-2009 and shareholders have since approved increases in funding to help sustain higher levels of support going forward.

Today, many sub-Saharan nations are poised for sustained economic growth. Not all, of course—the economic circumstances among countries in sub-Saharan Africa vary widely. On average, low-income countries in Africa are posting stronger growth rates, with average growth among these countries expected to top 6 percent this year. Importantly, recent gains have been broad-based, with poverty rates declining in several of the fastest-growing countries on the continent. According to new World Bank data, the total number of people living in extreme poverty in sub-Saharan Africa fell in recent years for the first time ever.

Here in Togo, the economy has strengthened substantially over the last seven years. Annual growth has risen from 1.2 percent in 2005, to 4.5 percent in 2011. Total public debt as a share of GDP surpassed 100 percent in 2005, but has now fallen to around 30 percent, and Togo's fiscal deficits are within a manageable range. Credit to the private sector is expanding, increasing 10 percent in 2010, with those gains nearly doubling, to 18 percent growth, in 2011. And since 2009, inflation has been stable, and is projected to stay low, under 2 and a half percent, through 2013.

Yet Togo's growth still lags behind many of its counterparts. The IMF forecasts Togo's growth will stay at 4.5 percent this year – more than 2 percentage points below the average growth rate of other low-income nations in the region. Exports remain flat and relatively low as a share of GDP. And nearly six in ten Togolese live in poverty.

A number of key challenges are preventing Togo's economy from reaching its full potential – especially relating to infrastructure, agricultural productivity, and the business climate. Many of Togo's sub-Saharan neighbors share these same obstacles to growth.

Today, I want to talk about the important roles that infrastructure, agriculture, and the business climate play in economic development. I also reaffirm our commitment to work with you and other sub-Saharan African countries, bilaterally and through multilateral channels, to achieve sustainable economic growth.

Insufficient infrastructure is one of Togo's biggest obstacles to stronger growth. This also holds true for sub-Saharan Africa more broadly.

In Togo, better infrastructure would unleash growth and increase productivity here within your borders. Improved roads to help people and goods move more quickly from place to place, irrigation systems to help ensure strong harvests, more affordable electricity to power homes and businesses, broader access to information technology – investments in all of these areas are a critical part of the foundation for Togo's growth.

And better infrastructure linking Togo to its neighbors would have a multiplier effect on that growth. Regionally-coordinated transportation infrastructure projects would help local businesses reach new markets in other West African countries. And cross-border improvements to West Africa's energy infrastructure, like pipelines and transmission lines between countries, would broaden access to electricity and improve the efficiency and reliability of energy markets.

Here in Togo, the new 100-megawatt Contour Global power plant is an excellent example of the domestic and regional benefits of a major investment in critical infrastructure.

Tomorrow, I'll visit the Contour Global plant, which is the largest electricity investment ever made in Togo. Built through a public-private partnership, with assistance from U.S. and World Bank financing, the plant has doubled Togo's capacity to produce its own power and dramatically improved Togo's citizens' access to electricity.

Unquestionably, this is good for Togo's economy. Affordable, reliable access to electricity is a critical foundation for steady economic growth, and the new power plant represents a major step forward.

Since the plant also has the capacity to provide electricity to Togo's neighbors, improving cross-border energy infrastructure and expanding transmission networks between Togo and others in the region would give Togo an even greater return on its investment.

Tomorrow, I'll also visit the Port of Lomé. The Port is one of Togo's key economic assets: it accounts for 90 percent of all Togo's external trade, and at least 50 percent of the government's revenues. Soon, the Port's new \$450 million container terminal, financed with help from the African Development Bank and the International Finance Corporation, will quadruple its current capacity and make it the only port in West Africa capable of berthing and unloading large container vessels.

Yet Togo and its neighbors won't be able to reap the full benefits of this state-of-the-art facility if major investments aren't made in reliable ways to move goods to and from the coast. Poor roads linking Togo with its landlocked neighbors—like Mali, Niger, and Burkina Faso—limit Lomé's potential to become a regional trading hub.

More broadly, inadequate transport infrastructure is one of the biggest obstacles preventing West Africa from taking full advantage of regional trading opportunities. The result is that, today, West African nations trade more with the rest of the world than they do with their own neighbors.

Focusing Togo's infrastructure investments on new roads will help Togo make the most of opportunities to expand regional trade.

Togo's agriculture sector can also benefit greatly from improved roads.

Two-thirds of Togo's families make their living in agriculture, but poor roads often make transporting crops extremely difficult. And as long as Togo's farmers can't easily get their products to market, the agricultural sector can't expand.

Small farmers in Togo and throughout West Africa face other problems, too: like limited access to quality seeds and fertilizer, little or no access to credit or insurance, and poor irrigation infrastructure.

Addressing this set of challenges will improve productivity in the agriculture sector – and it will also help Togo and its neighbors achieve durable food security and poverty reduction.

In 2009, the U.S. took the lead in establishing the Global Agriculture and Food Security Program, known as GAFSP – a new multi-donor trust fund managed by the World Bank that assists countries in Africa and elsewhere in the world make wide-ranging investments to boost farmers' productivity.

The GAFSP trust fund's investments focus on areas ranging from seed supply to horticultural education to farm equipment—things that help countries create their own capacity for building a sustainable agriculture sector. The trust fund prioritizes country ownership by supporting the implementation of countries' own agricultural development strategies.

Here in Togo, the GAFSP trust fund is supporting Togo's first-ever five-year agricultural development plan. Through a competitive process, Togo has won almost \$40 million dollars from the trust fund to help implement its plan.

With support from the GAFSP trust fund, Togo's plan tackles the primary obstacles to growth in the agricultural sector. It aims to enhance farmers' market access, provide producer training and higher-quality inputs, and help reduce post-harvest losses.

Last year, as one of its first investments, the GAFSP trust fund provided over 19,000 farmers in Togo with start-up kits with basic agricultural inputs like seed and fertilizer. This morning, in Maritime province, I spoke with some of the farmers who had increased their yields with help from these kits.

In Liberia, where I'll be tomorrow, the government intends to use investments from the trust fund to address land tenure issues, improve the country's rural road network, and increase access to credit for small farmers and agribusinesses.

And in Sierra Leone, the trust fund is investing in irrigation infrastructure and skills-training so small farmers can better market their products.

Public institutions, on both a bilateral and multilateral basis, are playing an important role in helping address infrastructure and agriculture challenges here in Togo and elsewhere in sub-Saharan Africa.

But in order to fully harness the potential for growth and development, the private sector will need to play a critical role as well.

Strengthening the business climate here in Togo is a key ingredient for sustained, inclusive economic growth. Making Togo an attractive place for foreign investors will create more opportunities for your people, resulting in more jobs, more incomes, and less poverty. Doing so requires creating the conditions for Togo's own entrepreneurs and businesses to succeed and grow—as well as making Togo an attractive place for foreign investors.

Where countries have strengthened their business climate, domestic and international private investors have and will respond. For example, Ghana has taken strong steps over the last two decades to strengthen its investment climate and reduce the role of the state. As a result, investment has soared and incomes have grown to over US \$1,200 per person, per year.

Right now, Togo and many of its neighbors have work to do on this front. Throughout sub-Saharan Africa, poor business conditions remain a major obstacle to economic vibrancy. Of the 30 lowest performing countries on the World Bank's Doing Business rankings, 22 are in sub-Saharan Africa.

But these rankings don't fully capture the challenges that both Togolese businesspeople and foreign investors often face. Whether evaluating the enforceability of contracts, the requirements for licensing, or the barriers to cross-border trade, what really matters is if the government is playing a facilitative role in the economy – or if it's throwing up unnecessary roadblocks.

I know you're making an effort to improve the climate for foreign investment here in Togo, and I congratulate the Togolese government—both the National Assembly and President Faure—on putting in place a new investment code earlier this year.

The new code addresses a number of factors that are important to investors when they evaluate the business opportunities offered in a country like Togo: like equal treatment between Togolese and foreign investors, the free transfer of capital, respect for property, protection against expropriation, and regulation for the resolution of investment disputes. Many of these reforms will have a positive effect on the domestic business climate, as well.

The key will be putting the code into practice. The World Bank is providing technical assistance to help build capacity as Togo works to implement the investment code.

For investors to commit their capital to Togo's economy, they'll be looking for transparency and consistency in how the Togolese government and bureaucracy apply the new rules. If Togo implements reforms such as the new investment code evenly and robustly, you can prove to investors that there are good business opportunities here waiting for them.

Another important way that Togo can catalyze the private sector is to step back from state control of key sectors of the economy. Togo has the potential to be a regional banking hub; following through on your commitment to privatizing the four state-owned banks can help Togo realize that potential. And opening up the phosphate, cotton and telecommunications sectors to private investors will help draw new capital, new skills, and new ideas to these critical areas of the Togolese economy.

Now, infrastructure, agriculture, private investment—all of these issues I have mentioned today are critical to Togo's future, and to the future of countries across sub-Saharan Africa.

But, in Accra, President Obama laid out the most important ingredient for lasting economic growth.

"Development," he said, "depends upon good governance."

Good governance means strong democratic institutions in which citizens can trust and participate. A fair, independent legal system. Parliaments that represent the will of the people. Elections that express the will of the people.

Here in Togo, which has seen its share of strife in recent decades, you are moving towards greater political openness. We hope Togo continues down that path. It has been the foundation for much of the country's economic gains in recent years.

Free and fair parliamentary elections later this year will make that foundation even stronger.

A number of your neighbors are also focused on strengthening political openness and democratic institutions. In Liberia, where civil war ended nearly a decade ago, Liberians continue to rebuild the institutions that were lost – along with so many human lives – to violence and conflict.

Guinea and Sierra Leone are also moving past periods of violence, and Senegal recently began a peaceful transition to a new political era. Nigeria also held successful elections after a spirited political campaign.

And, thanks to the end of conflict, Cote d'Ivoire's economy is booming—growing at 8 and a half percent, more than 14 points higher than last year. On my visit there earlier this week, I saw first-hand the optimism of that country's leaders and people as they continue the process of rebuilding their economy and political institutions.

We also know, however, that other countries in the region are taking a step backwards. Two decades of democracy in Mali were recently upended when the military seized power. Guinea-Bissau has fallen victim to a military takeover. And elsewhere, even otherwise stable governments face challenges from within, as sectarian groups use violence to sow division.

But where we see African leaders committed to strengthening governance and embracing civic participation, where we see leaders making it easier for their citizens to do business, and investing their own resources in their country's future – the U.S. is will continue to invest in being a strong partner and friend.

Ultimately, of course, as President Obama has said, "Africa's future is up to Africans."

Visiting Togo causes me to believe there is great potential for that future to be bright indeed.

Here in Togo and across the continent, we understand that you will lead your own path forward. And, as you do, we will look forward to continuing and strengthening our partnership and our friendship along the way.

Thank you for the honor of addressing you here this afternoon.

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