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# De-risking Digitalization via Joint Ventures: The Case of Togo

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## Key Points

- The benefits of public-private partnerships in the delivery of non-digital infrastructure and services have been well documented. However, for the digital sector, the joint-venture model of public-private partnerships could offer African governments a way to accelerate digital transformation with both the advantages provided by public ownership and the efficiency offered by the private sector.
- Well-structured joint ventures enable African governments to de-risk digital projects, attract qualified talent, build trust among stakeholders to accelerate uptake of the joint venture's output and promote local ownership and participation.
- For this model to be successful, governments need to work on strengthening rule of law, take on the burden of first loss from the private sector, negotiate for the private partner to contribute to building local talent and create opportunities for local ownership by enabling local investment in the joint venture.

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## Introduction

For decades, governments have worked with the private sector on the delivery of public-facing services. In the United States, this trend began in the 1950s when the private sector was seen as an important investor to boost the development of inner-city infrastructure (Bult-Spiering and Dewulf 2012). Government policy at that time was spurred by the increasing popularity of new public management theories that favoured the inclusion of the private sector to enhance the public sector's capacity to deliver certain services.

This approach eventually found its way to Sub-Saharan Africa, most visibly in the late 1970s to the 1990s. In this period, post-colonial African states shifted from state-led development policies to privatization, triggered in part by the requirements of implementing structural adjustment programs under the Bretton Woods institutions, with mixed results. In the twenty-first century, public-private partnerships have been increasingly valued as tools for the delivery of infrastructure and services that would otherwise have been the sole responsibilities of the state (Loxley 2013; Bult-Spiering and Dewulf 2012). With the increasing importance of the digital sector, governments are now faced with the digital transformation of public service delivery, the provision of telecommunication, the governance of electronic payment systems, digital public infrastructure, interoperability frameworks, digital identity, cybersecurity and e-health, to name a few.

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## About the Author

**Leslie Nii Lantey Mills** is a research associate on the Negotiating Africa's Digital Partnerships policy research project, led by Folashadé Soulé, hosted at the University of Oxford and supported by CIGI. Previously, he worked in the cabinet of the Togolese minister of digital economy and transformation, where he contributed to major public digital projects, including a pioneering digital cash transfer system that leveraged artificial intelligence and mobile payments to deliver shock-responsive social protection to vulnerable segments of the population. He earned an M.P.P. from the Hertie School in Berlin, where he served on the student advisory board of the Centre for Digital Governance and co-founded the Africa Policy Club. His research focuses on digital transformation and economic growth in developing countries. Currently, he works on policy communications at the Global Solutions Initiative, a global collaborative enterprise that proposes policy responses to major global issues addressed by the G20, G7 and other global governance fora.

However, due to limited funding, internal state capacity and local experts, many African governments may struggle to deliver sustainable large-scale digital projects without private involvement. This policy brief looks at the value and importance of joint ventures as a specific flavour of public-private partnerships that will help governments achieve their digital economy goals. It will cite two case studies from Togo where the government has favoured joint ventures in developing its cybersecurity infrastructure and expanding connectivity. These case studies are drawn from interviews conducted with senior policy makers and executives in Togo as part of the Negotiating Africa's Digital Partnerships policy research project hosted at the Blavatnik School of Government, University of Oxford, and supported by CIGI.<sup>1</sup> It will then offer some recommendations for African governments to unlock similar outcomes.

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## What Do We Mean by Joint Ventures?

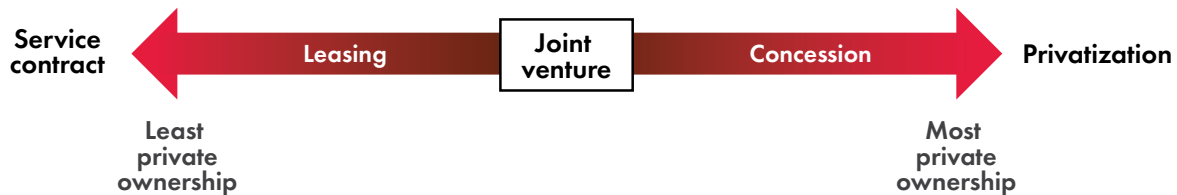
Joint ventures can be distinguished by thinking about the various forms of public-private partnerships as existing along a spectrum, as outlined in Figure 1. On the lower end of the spectrum, the state can transfer its responsibility over specific tasks to a private operator under a service contract. On the higher end of the spectrum, the state would fully transfer the tasks, responsibilities, costs and revenues to the private sector for the delivery of a service or piece of infrastructure. Joint ventures exist somewhere in the middle of this spectrum, in which each party holds a nearly equal share of the entity (Bult-Spiering and Dewulf 2012).

Joint ventures combine the risk-mitigation capabilities of the public sector with the expertise and efficiency of the private sector, with the public partner often retaining the majority share. This synergy ensures both profit and public value creation. Countries such as Togo have begun to see the potential of such ventures in bolstering their digital infrastructure. This brief considers two cases in which Togo used joint ventures to build and deliver cybersecurity

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<sup>1</sup> See [www.geg.ox.ac.uk/negotiating-africas-digital-partnerships-interview-series](http://www.geg.ox.ac.uk/negotiating-africas-digital-partnerships-interview-series).

Figure 1: Public-Private Partnerships Spectrum



Source: Adapted from Li and Akintoye (2003, 9–12)

infrastructure and to improve the capacity and costs of national internet connectivity.

## How Togo Adopted a Joint Venture to Build Its National Cybersecurity Infrastructure

In 2018, Togo began to build its national cybersecurity regulatory and institutional framework, which led to the establishment of its National Cybersecurity Agency. This was one of the pillars of the country's digital economy strategy to ensure its national digital sovereignty as well as protect its critical infrastructure. Two major pieces of infrastructure needed to be built: a Computer Emergency Response Team (CERT) and a Security Operations Centre (SOC). However, the country faced three challenges: a lack of locally available cybersecurity experts to meet human resource needs, limited funding and limited internal government capacity to singlehandedly build and maintain such a facility. The Government of Togo therefore decided to enter into a joint-venture partnership with Asseco Data Systems, a Nasdaq-listed Polish software giant with 25 years of cybersecurity expertise and a strong track record of serving major international firms. The partnership led to the creation of the joint-venture enterprise Cyber Defense Africa, with the Government of Togo holding a 68 percent share and Asseco Data Systems holding the remaining 32 percent share (Assih 2023). Some €10 million was required to operationalize the infrastructure. The Togolese government contributed €2 million

against €1 million in capital expense provided by Asseco Data Systems in initial funding to set up the venture. The rest of the required capital expense, amounting to some €7 million, was provided to the joint venture through a commercial loan from a local private bank, for which the public-private partnership managed to negotiate favourable terms with no sovereign or corporate guarantees (Global Conference on Cyber Capacity Building 2023).

Under this model, the National Cybersecurity Agency delegates a service contract for Cyber Defense Africa to carry out work in support of the government's cybersecurity objectives, which principally includes round-the-clock protection of essential service operators of critical infrastructure from cyberattacks (through the SOC), as well as prompt alerts to citizens and businesses to mitigate cyberthreats (through the national CERT). Cyber Defense Africa also serves clients in the private sector through separate service contracts on a commercial basis, while simultaneously serving the national CERT on a non-profit basis; revenues from the former subsidize the latter. This partnership ensures the efficient and profitable operation of the cybersecurity infrastructure, while also lending credibility to Togo's cybersecurity initiatives by their association with a renowned international partner. The Togolese government negotiated this partnership to emphasize capacity building by ensuring that Asseco has a vested interest in training an entirely Togolese technical team, including top management, over a 10-year mandate. All the required equipment to run the SOC and CERT were installed and are managed by Togolese cybersecurity technicians under close instruction and support provided by Asseco. Between 2020, when Cyber Defense Africa was operationalized, and 2023, the joint venture has grown its local cybersecurity team

from 10 to 40 people and has managed to repay nearly half of its commercial loan (ibid.).

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## How Togo Partnered with the Private Sector to Expand National Connectivity

In a bid to accelerate broadband connectivity and digitalization, the Government of Togo, along with private entity CSquared, established a joint venture named CSquared Woezon. This venture was set up to facilitate the landing and operation of Google's Equiano submarine cable in Togo. In March 2022, Togo became the first landing point in Africa for the Equiano cable, which stretches from Portugal to South Africa. CSquared Woezon, with a 56 percent stake held by CSquared and a 44 percent stake held by the the public telecommunications asset company Société d'Infrastructure Numérique, took charge of the maintenance and operation of the country's Equiano submarine cable branch, alongside existing terrestrial fibre-optic networks (Africa Practice 2022).

This venture aims to provide open access to all national and regional operators on an objective, transparent and non-discriminatory commercial basis, in line with international best practices. The partnership is expected to enhance Togo's high-speed internet capacity significantly, with the Equiano cable offering 20 times more bandwidth compared to any other cable serving West Africa (Soulé 2023). The project is also expected to reduce the cost of fibre-to-the-home internet access by approximately 70 percent, making high-speed internet more accessible to Togolese households. This infrastructure development is also seen as a strategic tool to attract more investments and stimulate Togo's burgeoning start-up culture, aligning with the country's broader digitalization ambitions.

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## Advantages of Joint Ventures to Address Public Digital Transformation Challenges

The optimal model for the use of joint ventures to deliver national digital transformation projects will be up to national governments and their partners to determine. But as the Togolese experience demonstrates, joint ventures are certainly potent mechanisms for propelling digital transformation projects forward, with synergy between the public oversight of government and the improved efficiency of private sector entities. Joint ventures provide the public sector with four major advantages, as outlined below.

### De-risking Large-Scale Digital Projects

Togo's joint ventures with Asseco Data Systems and CSquared demonstrate how adopting the joint-venture public-private partnership model can significantly mitigate risks associated with large-scale digital projects. Investing in digital infrastructure and services in Africa is risky and expensive for private sector partners due to substantial upfront capital requirements, gaps in traditional infrastructure such as electricity, precarious market conditions and unfavourable regulatory environments. By combining resources and expertise, government and private sector actors can delineate and share risks effectively and unlock economies of scale for initiatives that would otherwise be unprofitable under sole private participation. This shared-risk model, in addition to safeguarding the profitability needs of the private sector, also ensures that the cost of services rendered are affordable for the end users. This is especially useful in the case of digital transformation projects in which concrete demand, uptake and expected revenues are not yet fully understood, thereby requiring historical data collection and adaptation of the service, asset or product over time. The inherent financial and operational costs in digital projects are thus dispersed, resulting in a conducive environment for digital infrastructure development.

## Attracting Top-Tier Talent to Improve Public Service Delivery

For digital transformation projects that require highly specialized talent not immediately available locally, including software engineers, systems designers and so on, joint ventures could offer the remuneration and incentives to attract this talent, particularly from within the diaspora. The joint ventures in Togo, for instance, were able to offer competitive remuneration and dynamic working environments, which are pivotal in attracting the calibre of talent required to deliver on complex digital projects. Digital projects also require more agile working environments and management styles that are not yet possible in the African public sector's current bureaucratic regimes. Joint ventures can help sidestep the constraints of the public sector and even accelerate the adoption of agile ways of working in this sector through feedback loops.

## Building Trust with End Users and Private Sector Partners

The involvement of reputable private sector entities in joint ventures fosters a sense of trust among targeted service groups. For example, Togo's partnership with Asseco instilled confidence in members of the local financial sector, who saw themselves as potential clients and investors. The presence of a reputable private partner reassures stakeholders of the joint venture's credibility and capability to deliver on its mandate. This trust is crucial to promoting investment and enhancing the sustainability of the venture.

## Promoting Ownership and Local Participation

Joint ventures also offer a viable pathway for enhancing local ownership and participation in digital infrastructure projects. Through the sale of stocks and dividends, a broader portion of the population can benefit from the profits and equity of the venture. A key point to note from the case study of Togo is that the country's joint-venture partners can be international or local. More partnerships with local or sub-regional African private sector companies could be a major boost to local economies by fostering local participation in the government's digital transformation agenda. Citizens and local investors can also seize the opportunity to invest

in these joint ventures, share the profits and influence the trajectory of service delivery.

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## Risks of Joint Ventures Policy Makers Should Consider

African policy makers considering joint ventures for digital infrastructure and services must be prudent and tactful in entering into joint ventures with large foreign tech corporations. In particular, they must carefully assess the risk of the potential partner taking undue advantage of the relative nascency of digital rights regulatory frameworks in the host country. Negotiations with these companies should include clauses to help strengthen local regulatory frameworks in a way that encourages business relationships that benefit both partners, as well as local businesses and society.

If the private sector partner pulls out of the joint venture for any reason, governments might have to deal with the challenge of splitting intellectual property in the case of digital services and products developed under the joint venture and physical assets managed with the partner firm; key services may also be disrupted, defeating the efficiency gains from the partnership. Governments may face several challenges as a result, including the financial burden of absorbing firms, a potential loss in managerial capacity if local staff are not yet sufficiently experienced and the expense of finding a new partner to take over.

The importance of preliminary work in partner selection is critical to the success of joint ventures with international and domestic private entities. Establishing trust between the partners is necessary to ensure smooth cooperation, knowledge transfer and managerial efficiency. This is especially necessary in the case of international joint ventures with private partners from backgrounds with significant cultural differences (Oguji, Degbey and Owusu 2018).

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## Recommendations for Success with Joint Ventures in Digital Transformation

- To attract private sector partners, it is important to err on the side of transparency and to have conducive business laws. A predictable and trustworthy framework guaranteed by adequate regulations and a respect for the rule of law is important to attract private sector partners to enter joint ventures with a given government on digital infrastructure projects.
- The selection of private partners is also critical. States must assess the capacity of the private partner to deliver on its side of the deal as good performance will also mean revenue for the public sector and local investors. Close attention and emphasis should go into making sure that the partnerships sufficiently serve local interests and assessing risks to the local market, ecosystem and innovation. Civil society and academia could offer some insights to fill knowledge gaps here and could be beneficial if engaged early in the process.
- Governments should consider taking on first-loss risk and must create supportive regulatory frameworks to enable the private sector partner to gather information about the local environment and its target group quickly so that it can anticipate revenue or scale rapidly. Grants from international development assistance could be leveraged wherever possible for this purpose. Adapting the partnership framework to allow for adjustments based on performance metrics and key indicators could also prove beneficial.
- Joint ventures should offer training to encourage the building of local capacity as well as a road map that provides for the progressive inclusion of local staff into their management teams. In the case of international joint ventures, the public partner should also anticipate the local capacity to address cultural differences (for example, in language and management culture) needed to ensure efficient cooperation under the joint structure.
- Opportunities should be created for citizens and local investors to acquire stakes in the joint venture and hold equity in the enterprise. This will foster local ownership of the entity and participation in national digital transformation objectives. It also adds a layer of accountability that could be beneficial to help further align the venture's profitability with the fulfilment of public needs.
- The case of Togo underscores the instrumental value of the joint-venture model in catalyzing digital transformation. This model could be similarly adopted by other African nations striving to achieve a myriad of targets under their digital agendas while fostering a mutually beneficial alliance between the public and private sectors. Through well-structured joint ventures, African governments can de-risk digital projects and make it easier for private actors to enter sectors traditionally dominated by the public sector. These ventures can also attract qualified talent to work on the development, maintenance and expansion of digital infrastructure and services. Additionally, they can help build trust among stakeholders, accelerating the uptake of the goods and services that the joint venture provides while promoting local ownership and participation. All of these benefits would contribute to fostering a holistic approach for digital transformation in Africa.

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