



SPEECH DELIVERED AS GUEST SPEAKER AT AFRICAN CAPITAL ALLIANCE DINNER BY REMI BABALOLA, HON. MINISTER OF STATE FOR FINANCE

PROTOCOL

It was indeed a great pleasure to receive an invitation letter to be the Guest Speaker at this Dinner hosted by perhaps, the most profound indigenous private equity firm in Nigeria, the African Capital Alliance. Receiving a letter signed by Capital Alliance's Chairman, Mr Richard (Dick) Kramer classifies the event as a must attend! I have had to juggle my appointments to ensure I am present at this important occasion. I owe each and every director of Capital Alliance Nigeria Limited in such high regard.

2. It is important to intimate this audience with the fact that Dick gave me one of my early jobs, fresh out of University as a young man seeking a great deal of challenge. As my employer about two decades ago, my continuous interactions with him ensured that my appreciation of him and his impact on my life have not diminished. Permit me to say that Dick has helped tremendously, in his own way, to produce a corps of highly dedicated professionals who are making their mark in today's corporate world.

3. I have been invited to come and speak at this dinner and also and help co-launch three additional



funds as part of the African Capital Alliance family: USD\$200 – 300 million Capital Alliance Property Investment Company, USD\$50 million Capital Alliance Venture Fund and USD\$250 – 500 million Capital Alliance Energy Fund. In addition, I believe this occasion presents an auspicious opportunity for me to share my thoughts on some contemporary issues concerning the investment climate in Nigeria. When you have bluechip investors such as IFC, FMO, CDC, Nigerian megabanks, pension funds etc. You wonder where to start, what not to say and when to stop because they are in the know.

The Nigerian Investment Climate

4. The Nigerian growth story can simply be related to a blue sky story. Despite years of prolonged economic stagnation, rising poverty levels and degradation of public institutions, Nigeria is bouncing back strongly as the third largest GDP growth economy in Africa, after South Africa and Algeria. The country is now set to break out of the 6% GDP growth club, to an economy with at least 9% GDP growth rate. In 2007 alone, the non-oil sector rose by 9.8%, reflecting the impact of reforms already embedded.

5. The International Monetary Fund (IMF) recently concluded its Article IV Mission to Nigeria. The report acknowledged that Nigeria achieved strong macroeconomic performance, supported by prudent fiscal policies, with the introduction of broad based economic reforms and a positive outlook for 2008. In



addition to this, a successor programme to the recently concluded 4th and final review of the Policy Support Instrument (PSI) in October 2007 will soon be made public. This will further reinforce our self regulation to benchmark our economic performance and pursue policies that will apply positively to the growth of the economy.

6. With a fast growing economy of this nature, the private equity sector of the financial system has a prominent role to play. As new businesses or existing businesses strive to grow or expand, private equity companies with the appropriate financial know-how and deal-sourcing will become absolutely and increasingly relevant. In a growth environment such as we are currently witnessing, the three funds that hope to address three fundamental growth areas - property, energy and infrastructure are hereby being launched. It is your chance to position yourselves right at the heart of development in Africa.

Infrastructural Development

7. Under the 7-Point agenda of the current administration, the Federal Government of Nigeria has been able to carefully outline economic and other related activities that would provide additional boost to economic growth in Nigeria, through private sector-led activities under the NV2020. As you may be aware, top on the Agenda is infrastructure development. For any meaningful economic development, infrastructural facilities must not only be in sufficient quantity, they



must also be of competitive quality. We specifically highlighted the issue of power supply by articulating specific initiatives to attract private investors.

8. The new focus of private sector involvement in this sector is all encompassing, incorporating power generation, transmission and distribution. To galvanise this sector is the proposed introduction and implementation of a Multi Year Tariff Order, the power purchasing agreement regime which should be in place very shortly and will aid the drive for the private sector to become actively involved in the generation and distribution of power. Equally, an essential component of infrastructure development and rehabilitation is the transport system, including inland waterways and rail transport.

9. Another critical issue that has been included in the infrastructure development plan is the installation of a National Gas Distribution Grid under the National Gas Infrastructure Optimisation Project. As we are aware, the energy requirement to sustain an aggressive GDP growth drive is enormous. All of these initiatives are borne out of our desire to improve the economic and social overheads in order to reduce the cost of doing business in Nigeria.

Budget 2008 and the Medium Term Fiscal Strategy

10. As you may be aware, the 2008 Budget was recently signed to law by Mr. President. Prior to 2003, fluctuations in public expenditure reflected both the



over-reliance on oil earnings and weak fiscal discipline by government. Fiscal expansions financed by oil revenues often resulted in domestic currency appreciation and reduced competitiveness of the non-oil economy. Incomplete capital projects were rampant, salary and contractor payment accruals were the order of the day. With the 2008 Budget, the Federal Government intends to ensure that uncompleted/existing projects are completed before new projects are commenced. In this Budget, government has put processes in place to ensure that infrastructural projects that are attractive to Public Private Partnership financing are availed of the opportunity.

11. The medium term fiscal strategy of government is based on the need to achieve the shift from excessive public spending to de-linking public spending from oil revenue, encourage government savings, development of other key sectors such as agriculture and implementing an oil price based fiscal rule currently benchmarked at a justifiable USD\$59 per barrel.

12. As part of the strategy to enforce the medium term strategy framework in line with the Fiscal Responsibility Act and Public Procurement Act, the Federal Ministry of Finance has put in place structures and procedures to up-scale the entire budgetary processes at all levels. State Governments across the country have also committed to implementing similar bills.



Bolstering the Activities of the Private Sector

13. As mentioned earlier, the Federal Government expects that the views of the private sector will become pivotal as the engine for sustainable growth and development. A workable and practical cooperation between government and the private sector is a critical factor for development. A climate of trust between these two actors will continue to be encouraged. This is important, given that political and economic stability are prerequisites to commitments for long-term investments. As a government, we will pursue policies which foster greater role for the private sector, encourage entrepreneurship and nurture the productive capacity of all.

Economic & Structural Reforms

14. Progress with economic and structural reforms is in top gear. As we deepen and institutionalise the reforms, emphasis is placed on rule of law, due process and improvement in the business environment. The pace of reform is NOT slowing down and the economic growth momentum is unstoppable.

15. We focus on sustaining the reform program over the medium term to achieve high growth rates in a low inflationary environment, with employment generation and citizen centric bias. Domestic consumption is supported by rising incomes, higher employment and improvement in poverty reduction. Accelerating credit



growth from the megabanks underpins, non-oil growth and domestic consumption.

Other Key Policy Initiatives

16. My presence here amongst investors of your calibre provides a veritable opportunity for me to continue pushing the envelope for Public Private Partnership (PPP) projects with government across all tiers. The Federal Government is keen on supporting and promoting such initiatives as the ultra-modern Murtala Mohammad Airport 2 and the ongoing development on Lekki Expressway, amongst others.

17. In the next few months, the PPP legal/regulatory framework will be published. This will state clearly the project areas of interest, the bidding and approval processes, amongst others. We are all eagerly awaiting this, most especially when we have started receiving a record number of proposals for PPP projects, even without any framework in place.

African Capital Alliance

18. I recently visited the website of African Capital Alliance where I found the following quotes:

- “Building bridges, creating wealth across Africa”
- “African Capital Alliance seeks superior returns for investors based on management excellence through professionalism”



19. From my personal experience and discussions with investors, these quotes remain statements of fact. African Capital Alliance is deeply rooted in learning, value creation, excellence, professionalism and integrity. More importantly is the act of creative deal making which African Capital Alliance has continued to demonstrate in the Nigerian financial marketplace.

20. This is ably demonstrated by the long list of successful investments made by the firm over the years. As you commute through the streets of Lagos, you can identify some of these thriving businesses including Dorman Long, S & B, Accat, Accion, FalconGaz, Johnnic Communications, Resourcery, Securicor and the more famous ones, Business Day, MTN, Virgin Nigeria and ABC Transport. I can go on and on. Without doubt, this is a disciplined private equity manager that you need to relate with, develop relationships with and buy into their strategic goals and visions.

21. I thank the executives of the African Capital Alliance for inviting me as guest speaker to this dinner and I ask that you all endeavour to patronise the firm and its products – the venture funds, the energy fund and the property fund. The investment climate in our country is conducive and bullish and African Capital Alliance has demonstrated its ability to source and identify profitable investment opportunities in Nigeria.



22. I thank you for listening.

REMI BABALOLA

Honourable Minister of State for Finance