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# THIS DAY

Monday August 19, 2019

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## MISSILE

### Buhari to Atiku

*"It is submitted with every force that in the annals of election petition proceedings in Nigeria, this particular petition has been the most starved in terms of evidence, whether oral or documentary. The petitioners also woefully failed to appreciate that this court does not wrought miracles, but decides cases according to law, and not based on sentiments" - President Muhammadu Buhari describing the petition filed against him by the presidential candidate of the PDP in the February general election, Alhaji Atiku Abubakar as the most worthless in election litigation history.*



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# BARBARA JAMES

GUEST COLUMNIST



## Arise O Ministerial Compatriots... to the Fierce Urgency of NOW!

In a recent CNN Presidential Primary Debate, a US Presidential candidate warned US Congress men and women that when the sun sets on their tenure, of all the good things and bad things they would have done in this life, they will be judged by whether at this point and time in US history, they had the courage to stand up to a racist White House.

In the same vein, I say to our 43 soon to be inaugurated Ministerial designates, when the sun sets on your tenure, you will be judged on whether at this point in time in our history, you pivoted, and raised the trajectory of Nigeria's growth from mediocre to exponential, laying the necessary foundations for each sector of the economy to meet the needs of over 400 million Nigerians by 2050.

The UN World Population Prospects 2019 report forecast Nigeria's population to exceed 400 million by 2050. If they are correct, our deficiencies in food security, education, health and housing today will be exacerbated unthinkably unless we, unless you Ministerial nominees understand the opportunities, priorities and most importantly the pivots necessary to change the course of our current economic and social trajectory.

As you prepare to go into the Ministerial Retreat, the novelty of your appointments and reappointments should have worn off by now, and thoughts of the serious business of State should begin to fill your minds every crevice. What are you going to achieve as Honourable Minister of the Federal Republic of Nigeria, individually and collectively? And more importantly - how? A clear Vision statement to succeed the Economic Recovery and Growth Plan 2017-2020 and a 30 year plan would be a bold, innovative and attention grabbing start. But whatever you decide to achieve and however you decide to achieve it, be guided by an eye on 2050, the fierce urgency of NOW, the three pivots herein... and of course the Holy Spirit!

### The fierce urgency of NOW!

The fierce urgency of NOW, to borrow a phrase from Martin Luther King Jr, is such that soon it will be too late. Too late to put the foundations necessary to build a sustainable economy that can expand to meet the needs of its growing population.

Growing from 200 million to 400 million people means housing 200 million more Nigerians feeding 200 million more mouths, educating 200 million more youth and providing healthcare and energy for 200 million more Nigerians.

On average that translates to 6-7 million more homes and 6-7 million more school places a year etc. More realistically, it translates to building 3 million more homes in year one and doubling new house building every 5 years - exponential growth.

The decisions you make in the next 100 days, as you set your Ministerial priorities, will inform Nigerians if this country is going to implode or not.

Implode is pretty strong language but there is no other language to call a situation where we not only double in population but we also double in housing deficiency from 17 million to 34 million. Because even the forests, where apparently some Nigerians have resorted to to boss themselves, and not too surprisingly, launch mayhem on the rest of society, will not be big enough to contain the unhoused!

Let me spare us further graphic expressions of how our country can implode if we don't pivot, I leave it to each and every one of us



Adesina

to use our imagination. Let me instead focus on spelling out the 3 pivots, I believe, our Ministerial nominees need to reflect on and fire up like rockets.

### The First Pivot...

The first pivot is a real consensus on who will provide the food, housing, healthcare, energy and education for 200 million more people? Is it governments, civil society organisations (i.e. charities) or the private sector?

With the best will in the world, even today, governments from 1st to 3rd world do not and cannot have the resources to provide all or even most of the food, shelter, healthcare and energy their populations require.

As such, limited and dwindling government resources must be channelled into providing for the poorest and creating an enabling environment for the private sector to provide for the rest. Governments should intervene only to temporarily address evidence based 'market failures' and create a level playing field for private sector players to provide these key services and more.

Two examples an insightful - telecoms and pensions. We all witnessed the exponential explosion in the telecoms sector where Nigeria grew from 500,000 telephone lines to over 170 million lines in under 20 years. Similarly, Nigeria's pensions industry grew from near zero to over nine trillion naira industry in under 15 years.

Both the telecoms and pensions industry unleashed exponential growth when they were taken out of government to private sector provision, regulated and enabled by government.

In the same vein, our school, hospital, housing and energy provision can also grow exponentially provided by private sector operators.

This model needs to be embraced enthusiastically by all other sectors of the economy and all the new Ministers, as well as other branches and levels of government - the Legislature, Judiciary, State and Local Governments.

### The Second Pivot...

The second pivot derives from the first. It concentrates and hones in on a special class of private sector providers - exponential growth businesses.

Not all private sector businesses are destined

for growth. Many fail, some stagnate, most 'lifestyle' businesses make just enough money to afford the owners chosen lifestyle - no more, others grow modestly.

But there is a special group of businesses that have the desire, ability, resources, enabling environment and guts to grow exponentially. These businesses are called 'Growth Businesses' and there is a unique type of finance that especially seeks out these exponential growth businesses to finance - it is private equity and venture capital finance.

These Exponential Growth companies give me hope and can be Nigeria's saviour. They can if nurtured and financed properly with private equity (not debt) grow our key sectors exponentially, like telecoms and pensions.

Healthcare private equity financing in the US, for example, is so large it has its own industry association separate from the broader private equity industry association, NVCA. US healthcare private equity financiers have over US\$ 2 trillion in assets under management and have started 1,500 plus businesses in the healthcare sector.

A look at the healthcare tourism dollars Nigerians, from the President down, spend is instructive. Every year over 5,000 Nigerians travel abroad for medical treatment, spending over US\$ 1.2 billion every year!

Nigeria's healthcare tourism and other sub sectors of healthcare provision can be served by private healthcare providers that can grow exponentially, financed by private equity. Similar opportunities abound for housing, education, energy, tourism, infrastructure and beyond.

So the first pivot, is a real consensus on private sector led growth, the second pivot is a focus on exponential growth companies.

### The Third Pivot ...

I have already alluded to the 3rd pivot - it is equity financing of these exponential growth businesses that will provide the food security, health, education, energy and housing Nigerians today and in 30 years time will need.

This is not rocket science, it also is not bank debt. It is private equity. Private equity, unlike bank debt, is typically interest free, collateral free, monthly repayment free equity financing where the financier provides capital AND business management support to the business in exchange for shares in the business.

The financier makes money if and when the business achieves exponential growth because the value of their shares would also grow exponentially. If successful, after some years the financier sells their shares and realises their profit, having helped the business to achieve exponential growth.

Private equity financing is provided by specialist private equity firms. In the tenure of this administration, Ministerial nominees should establish private sector managed private equity funds in their sector.

Each geo political zone should also establish private equity funds for their zones. The Federal Government should establish an incubator to accelerate the entry of new private equity funds in Nigeria - where new private equity funds are structured, nurtured, seeded and sponsored to find and invest in exponential growth opportunities in the country. These accelerators are called Private Equity Fund of Funds.

### South Africa and other examples ...

In South Africa, Africa's second largest economy, there are over 150 private equity firms. Together they manage over US\$11 Billion

(Eleven billion dollars). Whereas in Nigeria, Africa's supposed largest economy, we have less than 20 active private equity firms who manage under US\$2 billion (two billion dollars).

At the very least Nigeria's private equity industry should equal that of South Africa. But if you consider that by 2050 South Africa's population is forecast to reach 65 million people, while Nigeria is forecast to reach 400 million people. Then you will understand why in actual fact, Nigeria's private equity industry should be at least 4 times the size of South Africa's. In preparation for our 2050 population of 400 million people, Nigeria should have a US\$40-50 billion private equity industry today.

This is quite achievable if for example, Ministers in 10 key sectors launched US\$1 billion private equity Fund(s) of funds. Big ticket sectors like energy, infrastructure, solid minerals launched US\$5 billion funds and each geo-political zone launched a US\$5 Billion Fund (of Funds). Totalling US\$55 Billion (fifty five billion dollars) within a 5 year time frame, starting NOW!

The former Agriculture Minister who went on to become president of the African Development Bank, Dr. Akinwunmi Adesina, understood this pivot and set up the Fund for Agricultural Finance in Nigeria 'FAFIN'. But a tree does not make a forest and like South Africa, Nigeria needs over 100 private equity funds seeking out these exponential growth companies.

A US\$10 billion Niger Delta Investment Fund was proposed by the Federal Ministry of Petroleum and Federal Ministry of Niger Delta led Presidential Task Force on Niger Delta in 2018. But 2019 election preparations distracted and derailed work on this fund. The new Ministers would do well to conclude this work and implement the fund.

The European Union has a development finance institution that finances and sets up privately managed private equity Fund(s) of funds as well as private equity funds - the 'European Investment Fund' (EIF). EIF is a European Government development finance agency. One of its programmes is a Pan-European Venture Capital Fund of Funds programme (VC FoF), where EIF targets investments in qualifying Fund(s)-of-Funds. The Central Bank of Nigeria (CBN) development finance function, in partnership with the Securities and Exchange Commission (SEC) are well poised to emulate the EIF and enable the establishment of these funds.

### When the sun sets...

In conclusion, let me end where I began. Arise O Ministerial compatriots and awaken to the fierce urgency of now, for when the sun sets on your tenure, you will be judged on whether at this point in time in our history, you pivoted, and raised the trajectory of Nigeria's growth from mediocre to exponential, laying the necessary foundations for each sector of the economy to meet the needs of over 400 million Nigerians by 2050.

Soon our case will be hopeless, soon it will be too late, Arise O Ministerial compatriots to The Fierce Urgency of Now!

Barbara James is former Managing Director of the African Venture Capital and Private Equity Association, CEO of Henshaw Capital Partners and a former Consultant to the World Bank on Private Equity.