



NIGERIA/SOUTH AFRICA

TIME FOR ECONOMIC PARTNERSHIP?

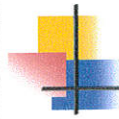
Dick Kramer
October 3, 2000



Unconventional Investment Views

- The Future Isn't What It Used to Be:
 - Global forces
 - Internal forces
- Market Forces Work in the End
 - Commanding heights vs. market economies
 - Needs create opportunities
 - The Investment "window" is opening in Nigeria
- First Mover Advantage is Critical
 - Small can be beautiful
 - Timing is (almost) everything

2



Rationale

- (1) Forces at Work
- (2) Synergy and Critical Success Factors
- (3) First Mover Advantage
- (4) Making Synergy Work in Nigeria

3



(1) Global Forces At Work

- TINA Effect
 - Globalization
 - Liberalization
 - Technology
- Politics No Longer "Off Limits"
- Regional Blocs Strengthening
- "Anti-Capitalist Protests"

4



(1) Africa Forces At Work

- Bottom Up
 - Democracy Taking Root
 - Openness of Information Age
- Peer Pressure
 - Less Blind to our neighbours "faults"
- Economies Are Increasingly Open and Market Driven

5



(2) Synergy and Critical Success Factors

- **We Have More Similarities Than Differences**
 - Both Are Emerging From "Cocoons"
 - Both Lack International Competitiveness (Except Key Industry(ies))
 - Both Must Invest Heavily in Human Capital
 - Both must not Backslide on Market Driven Reforms
 - Both Need to Attract Capital As well As Invest Wisely Abroad

6



(2) Synergy and Critical Success Factors (contd)

- **Our Needs Are Compatible**
 - **Nigeria**
 - Build/repair infrastructure
 - Privatization and building a strong private sector
 - Industrial development
 - Attract long term capital

7



(2) Synergy and Critical Success Factors (contd)

- **Our Needs Are Compatible**
 - **South Africa**
 - Import crude oil and basic raw materials
 - Diversify investments by going multinational
 - Job creation through exports

8



(2) Synergy and Critical Success Factors (contd)

- **Investment Already Being Attracted to Nigeria**

- Telecomm – MTN, Vodacom, Telekom
- Power – Eskom
- Petroleum – Engen, Sasol
- Retailing – Woolworth
- Brewing – SAB
- Transport – SAA

9



(2) Synergy and Critical Success Factors (contd)

- **Investment Already Being Attracted to Nigeria (contd)**

- Hospitality – Protea
- Finance – ABSA, Insurance
- Outsourcing – Gray
- Media - Multichoice

10



(2) Synergy and Critical Success Factors (contd)

■ **Capital Alliance Approach**

- Looking for High Potential Niche Businesses
 - Relatively independent from government
 - Deal flow is very encouraging
- Deregulation Driven
 - ICT
 - Suppliers to parastatals
 - Information/intelligence
- Cost Driven
 - Outsourcing

11



(2) Synergy and Critical Success Factors (contd)

■ **Capital Alliance Approach (contd)**

- Spending pattern driven
 - Healthcare, Education, etc.
- Incentive driven
 - SME's
 - Export (not yet)
- Technology driven
 - E-Business

12



■ **Nigeria Can Be A Minefield**

- Multiple Reasons
 - Inconsistent Policies
 - "Status quo" interests
 - Economic Rent
 - Lack of local expertise
- More Than Normal Need For Good Partners, Alliances, Advisors and Managers.
- Risk Management Is Imperative

13



■ **Extraordinary Results If**

- Positioned Right
- Built for the Long Term on Solid Fundamentals
- Relatively Independent of Government/ Special Interests
- Based on Best Global Practices Tailored to Nigeria
- Well Managed by Professional Standards

14



(3) First Mover Advantage

- Great Wealth is Built From Small Bases – But Timing Must be Right
- Today in Nigeria – There are Very Few Sectors Where There Are Dominant Players Who Can Compete At Global Standards
- Hence – there Are Multiple Opportunities to Become the Dominant Player Through Being the “First Mover”
- Each Industry is Unique and the Major Question is “Which Way for Nigeria?”
 - When, not whether, to invest.


15



(3) First Mover Advantage (contd)

- **“What Do the “Vital Signs” Say?”**
 - Global Forces Are Moving Nigeria Inevitably to be Market Driven
 - But there are two temporarily opposing forces
 - High oil prices
 - “1970’s” mindset
 - Economic Recovery is Not yet in Sight
 - Just now getting act together
 - Words not yet being lived
 - Reforms/pace likely to pick up only after oil prices fall
 - “Big OECD players” not yet interested

16



(3) First Mover Advantage (contd)

- My View –There is a Window of Opportunity
 - Timing uncertain – but opening now
 - Unique by industry or niche
 - Favourable to South African Business
- The Challenge is Timing and Managing the Risks

17



(4) Making Synergy Work in Nigeria

- Several Key Decisions/Steps
 - Understanding the market (macro and in depth)
 - Finding the right partner vs. building from scratch
 - Management and key advisors
 - Building for the long term
 - Staying power
 - Laying solid foundation

18



(4) Making Synergy Work in Nigeria (contd)

- Leapfrogging the competition
- Influencing the environment
 - Government
 - Industry
 - Private sector

19



(4) Making Synergy Work in Nigeria (contd)

■ **Challenges for the Chamber**

- Relationships/Networking
- Intelligence
 - Investment
 - Trade
 - Doing business
 - Macro trends
- Nigerian/S.African Linkages
- Lobbying/Private Sector Initiatives
- Being an "Enabler"

20



(4) Making Synergy Work in Nigeria (contd)

- **Investing in Nigeria**
 - Timing
 - Risk Management
 - Partnering
 - Long term approach
- **The Time is Now Providing You Know How to Dance (or Willing to Learn) and Can Find the Right Partner**

21