Opinion: Libya can use ENI promises to kick-start private sector economic growth?

By PK Semler.

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Almost a year ago today, chief executive Paolo Scaroni of **ENI**, the oil and gas giant, traveled to Libya with Italian Prime Minister Mario Monti and Foreign Minister Giulio Terzi di Sant'Agata and promised $400m in much-needed funds to help rebuild critical infrastructure such as hospitals, transport and schools.

The announcement was made on the sidelines of Monti and Terzi San Agata's visit to Tripoli during a meeting with Libyan Prime Minister Abdurrahim Al Kib.

Unfortunately, the funds never arrived and when asked shortly-after by *Capitol Intelligence* during a briefing with foreign journalists in Milan why the money was never allocated, Scaroni simply replied: "The Libyan government never asked for it."

Fast forward to last month: Scaroni returned to Tripoli on December 17 to meet with new Libyan Prime Minister Ali Zeidan and once again announced that ENI would hand-over the promised $400m as part of the company's plan to invest $ 8bn in Libyan oil and gas production over the next decade.

No-one in Libya should read this as an act of charity on the part of ENI, but more of a very shrewd investment decision by no-nonsense manager Scaroni, who as the largest operator in Libya, understands that ENI must demonstrate that the oil giant is a good corporate citizen and committed to Libya's future.

Prime Minister Zeidan and his government must now show themselves to be equally shrewd by having ENI earmark the $400m into a public-private economic development agency with the sole purpose of promoting private sector growth in Libya.

As a general rule of the thumb, every dollar spent on economic development and business promotion should bring a minimum return of 10 or more dollars. Economic promotion agencies such as the Jordan Investment Board (JIB) or that of the economic development agency of Pennsylvania bring a return of 20 or so dollars and some times more.

In our small part, we started to promote Libya with a Tunisia-Libya Infrastructure Investment Forum held in Djerba last February and I was able to convince Fleming Gulf CEO Martin Valvosky to join forces and not cancel the Libyan Summit held on November 22nd in Tripoli. Following the murder of US Ambassador Chris Stevens, Fleming Gulf had been advised by NATO and other non-business organizations to cancel or move the investment conference out of Libya due to perceived "security" risks.

The Fleming Gulf conference, the first held with the new government, was a huge success with companies such as America's Cisco, Germany's SAP, UK's Barclays and Europe's largest private equity investment fund Terra Firma all coming to Tripoli for three days to look at investment opportunities.

Having traveled back and forth across Libya since January, it is clear that the real bottlenecks to economic success are mundane but extremely critical. No country in history has ever come out of a transformational revolution to almost near normalcy in such a short-time as Libya. Iraq, the fall of the Soviet Union and even South Africa and even the United States, all took longer and endured more distress than Libya.

Small- to medium-sized enterprises in both Zliten and Misurata are working and growing. In fact, a new hotel called Ishibilia recently opened in Benghazi and a further indication of renewed confidence in the region are new developments coming to Tripoli, such as the business mall and office building currently under construction being funded by Malta-based Corinthia Group.

In Misurata, the Alnaseem Dairy group is now in talks with Italy's Martini group to establish a poultry and livestock production venture in the country while many of the best international construction groups are currently vying to build the new Tripoli airport in a contract valued between $1.2bn to $1.5bn.

Telecom Italia Chairrman Franco Bernabe has given instructions to look at creating a 4G wireless network in Libya that would give every Libyan wi-fi access wherever they find themselves.

Italy's major highway group, Atlantia/Autostrade, and its controlling shareholder, the Benetton family, is interested in a private concession to build a new 300-kilometer highway connecting Benghazi to the Egyptian border.

There is also a myriad public-private opportunities in the Libyan health care sector, such as the privatization of hospitals in the Benghazi region and private health care laboratories.

But Libya's greatest natural resource is not oil and gas, but a generation of very ambitious and aggressive young entrepreneurs. Libya could look at Jordan's Oasis, a venture capital fund sponsored by the Kingdom which not only teaches budding entrepreneurs the best practices of launching a start-up but is able to provide seed capital of up to $1m to the most promising new businesses.

I witnessed this in Amman where a classroom of 50 developing young entrepreneurs received lectures ranging from preparing a business plan to accounting. And unlike Harvard Business School or Wharton, the entrepreneurs all knew that if they were successful they could find funding for their potential businesses.

Senior ENI executives in Rome and Milan all say that ENI CEO Scaroni is focused on oil exploration and is not interested in involving himself or his company in building roads, launching start-ups or building a seaport in Zliten.

However, ENI chairman Giuseppe Recchi who is the Italian government representative in the listed state-controlled oil company, would be the perfect candidate to oversee the disbursement of the ENI funds. Recchi not only was the top manager for General Electric in southern Europe but had also been the senior advisor to the United States' largest investment fund, Blackstone.

Recchi is a highly respected figure not only in Rome but in the boardrooms of Wall Street and can soon become Libya's best ambassador.

A Libya Growth Agency, which can disburse the promised $400m on a return on investment basis chaired by ENI Chairman Recchi and managed by successful Libyan entrepreneurs, can be a dynamic catalyst to transform Libya into the new economic powerhouse of the Mediterranean.

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