

First Draft

**Nigeria and Agenda 2063: Perspective on Entrepreneurship
and Inclusive Growth in Nigeria**

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Nigeria and Agenda 2063: Perspective on Entrepreneurship and Inclusive Growth in Nigeria

Anwar Sadat *It's not the strongest of species that survive, nor the most Intelligent, but the one most responsive to change* – Charles Darwin

He who cannot change the very fabric of his thoughts will never be able to change reality, and will never, therefore, make any progress- Anwar Sadat

Background

Prior to Independence, the Nigerian economy was dependent largely on food crops and cash crops for food security and foreign exchange earnings. In the 1960s and 70s, the country witnessed significant growth in Small and Medium Enterprises (SMEs) spread in key sectors- agriculture, industries and services making it one the most diversified economies in Africa. Up to 1980, poverty in Nigeria was less than 30% and unemployment was just about 10%. The advent of oil as the dominant sector created a major economic dislocation for the country. The oil sector which contributed only 1% of the Nigeria's export revenue in 1958 rose to 97% in 1984. Since then, the non-oil sector performance decline consistently resulting in the present increase in poverty incidence of around 70% and massive unemployment of over 30% making the Nigerian economy nonexclusive.

Over the years, Nigeria had experimented with varied and often conflicting models of development to spur development and prosperity. The Journey towards inclusive wealth creation started with the Colonial Development Plan (1958-68). From 1970s-1990s, Nigeria implemented Medium-Term Development Plans, National Rolling Plan and the Structural Adjustment Programme (SAP). Afterwards, the National Economic Empowerment and Development Strategy (NEEDS)- 2005-2015; the 7-Point Agenda, and VISION 20:2020; Economic Recovery and Growth Plan (ERGP) and COVID-19: Sustainability Plan - 2020-2021 were formulated and implemented. In evaluating the

successes or otherwise of the policies implemented, the 2020 Common Wealth Governance Report indicated that some of the Nigeria's plans and strategies achieved mixed results while many others have not been effectively implemented. The study by Heritage, (2021) concluded that due to the policy failures, the Nigerian economy is mostly unfree characterized by severe political instability, insecurity and disregard for the rule of law.

Interestingly, the Africa Agenda 2063, which is seen as the most ambitious plans for Africa's development is aimed at achieving inclusive and sustainable development and strengthening Pan-African drive for unity and progress. The role of Nigeria as the largest economy and the most populous country in Africa in attaining this laudable dream is critical. This, however, requires attaining the goals set by the National Development Plan -2021-2024, especially its growth and employments components. Indeed, fostering entrepreneurship and employability to stimulate local economic growth is not only essential but necessary. Therefore, this paper uses insights from desk research, the Triple Helix Model and Korea's SME development approach to appraise the conditions of Nigeria's SMEs and proffer uncommon but globally accepted means of unlocking sector opportunities essential for inclusive growth and ensuring Nigeria's international competitiveness.

An overview of Africa Agenda 2063

The wave of globalization became stronger in the late 1980s and the 1990s with many countries opening up their economies to trade and capital flows. During that time, the deregulation and economic re-structuring policies implemented enabled many developing countries, in Asia and Latin America to benefit massively from global trade. World Bank estimated that Global trade has increased more than fivefold over the last 30 years with the export volumes growing from \$4.3 trillion in 1990 to \$24.8 trillion in 2019. Recent UNCTAD's Global Trade Update (2021) shows that the overall value of global trade reached a record level of \$28.5 trillion in 2021 and this represent an increase of 25% on 2020 and 13% higher compared to 2019, before the COVID-19 pandemic. As prosperity spreads across nations due to enlarging trade, most of Africa is unable to effectively integrate with the global supply chain. Africa suffers from economic isolation and remains largely resource

dependent because of decades of poor governance, weak economic integration policies, inadequate infrastructure and human development.

In order to reverse the negative impact of globalization and make Africa to be a formidable force in global supply chain and international polity, Africa Agenda 2063 was conceived to fast track the realization of the goals of a number of continental frameworks, such as the Lagos Plan of Action, Abuja Treaty, NEPAD, the Comprehensive African Agriculture Development Programme (CAADP), the Minimum Integration Programme (MIP), the Accelerated Industrial Development of Africa (AIDA), the AU/NEPAD Science and Technology Consolidated Plan and Africa's Afro-Industry and Agribusiness Development Initiative, among others (AUC,2015). The Agenda is based on the Eight priorities of the 50th Anniversary Solemn Declaration that include: African identity and renaissance, continued struggle against colonization and the right to self-determination, the integration agenda, agenda for social and economic development, peace and security agenda, democratic governance, determining Africa's destiny and Africa's place in the world.

The 50-year development agenda starting from 2013, envisioned to be implemented through successive 10-year implementation plans. The First Ten-Year Implementation Plan for Agenda 2063 (FTYIP) seeks to accelerate Africa's political, social, economic and technological transformation while continuing Pan-African drive for self-determination, freedom, progress and collective prosperity. It is important to note that the success of the Agenda revolves around the goal of achieving 'high standard of living, quality of life and well-being for the citizens. Essentially, wealth and job creation are the prerequisite to realizing Africa's commitment to development. However, Ndizera & Muze (2018) lamented that at the current rates of performance which was described as "business as usual", the Continent would hardly catch up with the rest of the world or even meet the rising expectations of its citizens. Hence, the need to critically examine the state of the SMES and how entrepreneurial opportunities can be unlocked to help spur the growth needed for improved living standards.

Prospects and Challenges of SMEs

Globally, the standard of living of people and the general economic outlook are associated with jobs and wealth generated by SMEs. This explains the long-run relationship between

SMEs and economic growth (Eze and Okpala, 2015; Otugo, Edoko and Ezeanolue, 2017). A recent study found that SMEs represent over 90% of businesses, provide more than 50% of employment worldwide and contribute up to 40% of national income (GDP) in the emerging economies.

Table 1: Size & Contribution of SMEs to GDP and Employment for Selected Countries

Country	% of businesses	GDP	Employment
South Africa	99%	52%	29%
USA >	99%	44%	48%
UK	99.7%	51%	54%
Germany	99.5%	54%	63%
Nigeria	99.8%	49%	84%

Source: European Commission, U.S. SBA, FMITI, & PwC research, 2020

In Nigeria, SMES are important segment of the Nigerian economy accounting for over 80% of the national workforce and about 50% of the country's Gross Domestic Product (PWC 2020). SMEDAN estimates show that there were over 17.4 million enterprises accounting for about 50% of industrial jobs and nearly 90% of activities in the Nigerian manufacturing sector. Hence, SMEs are the real drivers of economic growth; the veritable means of reducing poverty and unemployment as well as improving standard of living of people in Nigeria (Opafunso and Adepoju, 2014; Bello, Jibir and Ahmed, 2018). However, the SME sector's growth has been constrained by myriad of challenges which ultimately impact negatively on the nation's growth.

Table 2: Major Challenges of SMEs as Perceived by the Operators

a. Obtaining finance	22
b. Finding customers	16
c. Infrastructure deficit	15
d. Insufficient cash-flows	14
e. Multiple taxation	7
f. Competition	7
g. Unskilled workforce	7
h. Technological challenges	5
i. Regulatory challenges	4

PwC research, 2020

Access to finance is considered the main binding constraints to enterprise development in Nigeria in spite of the numerous policy pronouncements and interventions. The high cost of capital mainly driven high inflation (associated with resource based economies) further compound the financial stress of SMEs.

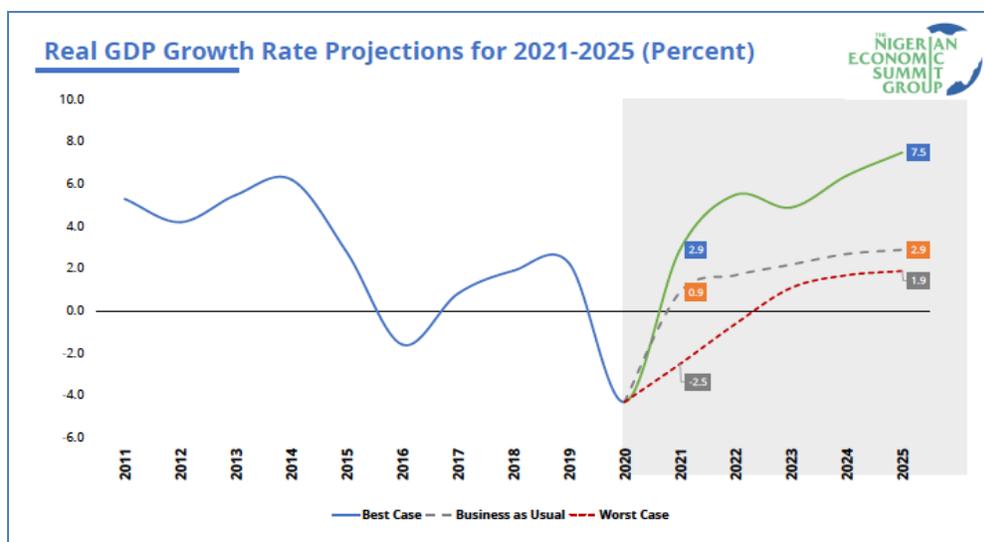
TABLE 3: MAJOR MACRO ECONOMIC INDICATORS IN NIGERIA

	2018	2019	2020	2021
GDP growth (%)	1.9	2.2	-3.5	1.5
Inflation (yearly average, %)	12.1	11.4	13.0	15.0
Budget balance (% GDP)	-4.3	-4.8	-7.0	-5.0
Current account balance (% GDP)	1.0	-3.8	-3.0	-2.0
Public debt (% GDP)*	27.7	29.1	35.0	36.0

Source: Coface, (2021)

Ironically, the country placed limited emphasis on SME development and concentrated mainly on the oil sector as the main source of foreign exchange earnings and critical aspect of total government revenues. Frequently, oil production and oil prices are the main determinants of the government revenue and expenditure framework.

Table 4: Limited Economic Outlook for Nigeria



Since the economy has not been properly structured and managed to create wealth through proactive enterprise development, Nigeria is experiencing massive debt build up which is fast becoming unsustainable.

NIGERIA’S TOTAL PUBLIC DEBT PORTFOLIO 2014-2022 as at:

	Billion	Trillion
March 31, 2022	\$100,069.89	N41, 604,057.45
Sept., 30, 2021	\$ 92,626.41	N38, 004,616.32
June 30, 2021	\$ 86,571.80	N35, 465,005.39
Dec., 31, 2020	\$ 86,392.54	N32, 915,514.85
Dec. 31, 2019	\$84,053.32	N27, 401,381.29
Dec. 31, 2018	\$79,436.72	N24, 387,071.74
Dec.31, 2017	\$70,999.26	N21, 725,773.03
Dec. 31, 2016	\$57,391.53	N17, 360,009.58
Dec. 31, 2015	\$65,428.53	N12, 603,705.28
Dec. 31, 2014	\$67,726.28	N11, 243,120.22

NB: External Reserve as at June, 2022= \$39 Billion

Source: Debt Management Office, Nigeria

For decades, the policies initiated by the government to diversify the economy and create wealth and jobs have not been effective. The result has been catastrophic as the nation continue to grapple with a weak economy associated with high level of unemployment, and poverty. Reversing this trend is dependent on unlocking sectoral opportunities by SMEs.

Unlocking Entrepreneurial Opportunities

Nigeria is potentially the engine of growth for the West African region and beyond. It is both a centre of production and a consumer of neighboring countries' exports based on its size and its location between Central and West Africa (Hoffmann and Melly, 2015). Today, poor economic diversification mainly due insufficient production and revenue diversification casts significant doubt on the attainment of development priorities both national and continental. More worrisome is that the Covid-19 pandemic, continuing food-price inflation, insecurity, and Russia-Ukraine war continue to excerpt significant pressure on SMEs. The critical question is how do we transform SMEs to turn the present predicaments into opportunities?

Promoting Innovation

The disparity in income gap between countries is largely explained by the differences in technological generation, application and diffusion (Ajibo, 2019). Unfortunately, African nations have a unique challenge of knowledge creation and they face difficulty in absorbing transferred technology (Danquah 2018). Lack of innovation emanating from knowledge and creativity greatly explained the limited opportunities for growth, jobs and wealth creation in Nigeria. As a result, the chunk of SMEs in Nigeria are necessity driven not opportunity driven. To promote entrepreneurial (opportunity driven) SMEs, Nigeria is expected to deliberately promote Triple Helix model of enterprise development by creating an enabling environment and focused policy for re-orienting research and training institution towards entrepreneurial roles.

Innovation Capability Index

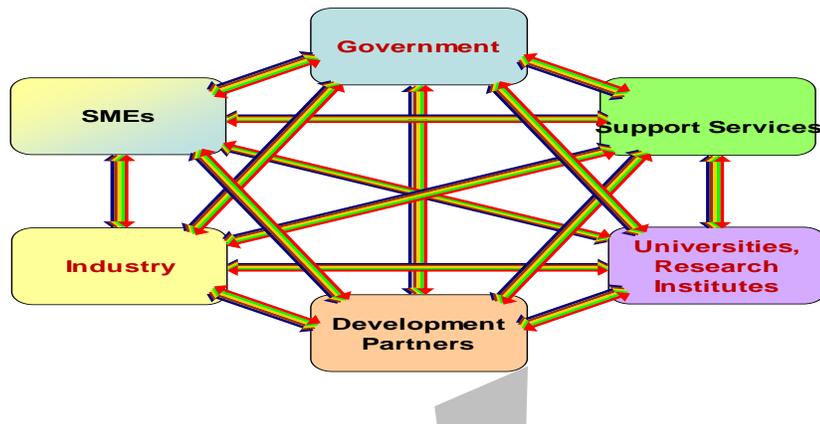
Countries	Per Capital Income	Overall Score in Innovation Capability			Research and Development	Commercialization
		2017	2018	2019		
		2017	2018	2019	2019	2019
Nigeria	2,097	112	93	94	78	110
Mauritius	8,622	63	62	70	105	41

South Africa	5,090	39	46	46	44	64
Ghana	2,328	57	83	89	92	114
Egypt	3,547	109	64	61	60	99
Kenya	1,838	37	69	78	62	111
Ethiopia	936	86	127	118	77	126
Brazil	6,796	85	40	40	29	63
UAE	43,103	25	35	33	50	22
Malaysia	10,401	22	30	30	39	40
Singapore	57,797	9	14	13	21	10
USA	63,543	2	2	2	3	9
Hong Kong	46,323	26	26	26	32	2
Netherland	52,304	6	9	10	13	23
Japan	40,113	8	6	7	1	20
Germany	45,723	5	1	1	2	5

Source: WEF (2017-2019)

Through deliberate knowledge creation and transfer mechanisms/policy, SMEs would be exposed to new innovations, inventions and processes that can be commercially deployed to create wealth and employments. The role of synergy among relevant MDAs working closely with the private sectors and research institutions is a key success factor.

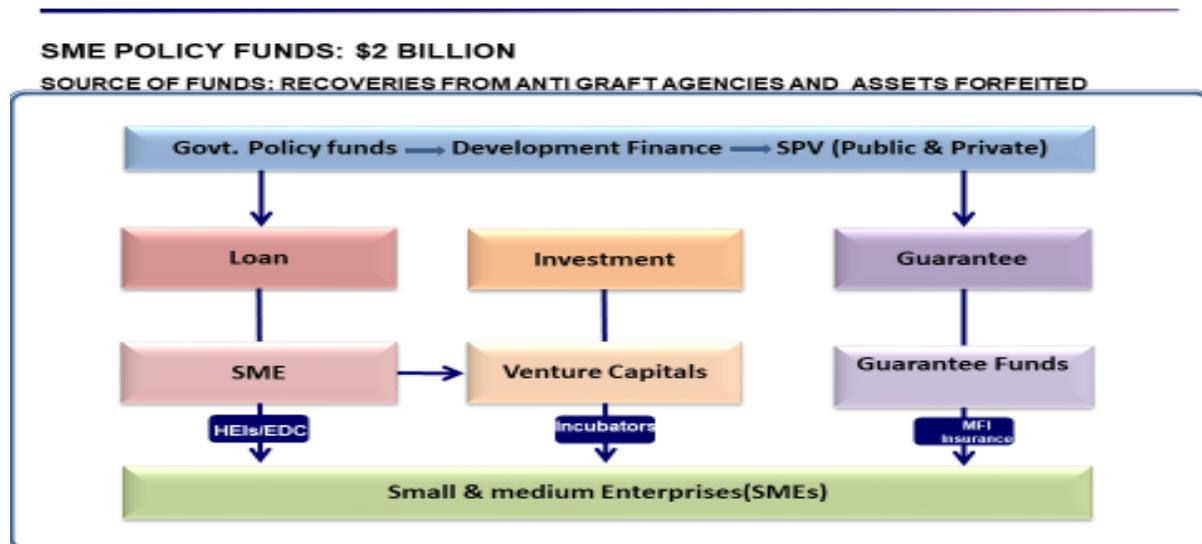
Interaction of the participants within SME Eco-system



Improve Access to Finance

In 2021, the Credit Bureau Association of Nigeria (CBAN) lamented that in spite of the government policy on lending, only four per cent of SMES access credit from the financial institutions. SMEs find it difficult to access funding to finance innovation and business growth opportunities (Gumel & Barde (2021). This is clear demonstration of ineffective financial inclusion and growth policy. Accordingly, we advocate the establishment of a dedicated SME Policy Fund to be backed by a renewed enterprise development policy.

Change of SME Policy



The Fund should be legislated and funded from recoveries remitted by the anticorruption agencies and forfeited funds and assets emanating from corrupt practices. At least the equivalent of \$2 billion should form the initial revolving policy funds to be managed by a Special Purpose Vehicle (SPV) governed by credible technocrats and professionals from public and private sectors. The Policy Fund will deliver credits, investments and guarantees using existing micro finance banks, non interest financial institutions, insurance companies, venture capital funds; private equity and impact investors, among others. The role of training institutions/Entrepreneurship Development Centres, business incubators and enterprise service providers is essential for mentoring and handholding.

Way forward

To realize the complete transformation of SMEs in Nigeria, the following should be consciously planned and implemented.

1. Create an inter-MDA structure to design or redesign Enterprise Development policy to incorporate SME policy fund in collaboration with the private sector;
2. Deliver finance and technical support to improve products quality standards (sorting, grading and packaging and processes) for national and international markets;
3. Facilitate the use of information and telecommunication technologies in enterprise development;
4. Reduce informal sector dominance by providing incentives for business formalization;
5. Encourage functional researches in tertiary institutions and promote the use of local knowledge, technology and innovation, especially by the government and development support by international organizations, and
6. Redesign government procurement policy to create windows for goods and services produced by SMES.

Conclusions

With the ever-changing regional and global dynamics, Nigeria is expected to overcome its growth challenges in order to deliberately assert itself as critical partner in driving change in Africa and beyond. The Africa Agenda 63, is a wakeup call for Nigeria to achieve paradigm shift from a rentier resource-based economy to a private sector oriented society capable of generating wealth and jobs through renewed policy for enterprise development. Through active engagements with the private sector, research and training institutions, Nigerian government could generate the required thrust towards building an inclusive society capable of contributing positively to the realization of African Dream.

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