



DRIVERS OF ENTERPRISE IN NIGERIA

A Policy Document

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GO Media
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 Cyber Era Online
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Executive Summary

Nigeria remains an oil story...

- Education needs to remain a key sector of focus for the Nigerian government for the nation to reclaim its lost traction in the developmental space.
- Implementation of the National Minimum Wage will have major impact on consumer spending – and attendant inflation.
- Governance will play a significant role in the direction of the country in 2019. This will be aided by the continuity of the President Muhammadu Buhari administration in office.
- Technology will continue to significantly affect social existence and business models in Nigeria over and beyond 2019.
- Power sectors will continue to be major drivers of growth of Nigeria's Gross Domestic Product (GDP), if well managed. Security - Sectarian violence continues to be a particular problem in this culturally diverse nation.

In a survey by Academy Halogen, key drivers of change include;

86%

**DIGITAL
TECHNOLOGIES**

40%

**EFFICIENT
INFRASTRUCTURE**

15%

**GROWING
WORKFORCE**

27%

**RISE IN
CONSUMER
SPENDING**

**25%
BOTH**

**RAPID
URBANIZATION
AND INCREASING
USE OF RENEWABLE
ENERGY**

Projections for the future: what to expect

The general elections took over the greater part of the first quarter of 2019 in Nigeria – with its anticipated and embedded risks to enterprise and the social economic space.

Experts in the enterprise security risk management field argue that some of the consequences of the elections are still imminent, especially in the areas of: safety and national security, the new configuration of the membership of the national assembly, changes in leadership at some key states, ongoing challenges of some elections results and the economic re-awakening to all these in ensuring the revival of market activities.

Through reflections on the major drivers of the nation's socio-political space, economy and business environment, the following strike out:

A. Nigeria remains an oil story

thus international crude oil price and production capacity will continue to dictate the pace of the economy. The 2019 budget is based on oil production of 2.3 million barrels per day, with an oil benchmark price of \$60 per barrel and exchange rate of N305 to a dollar.

In total, crude oil and oil products made up 87.7% of Nigeria's foreign exchange earnings in the first quarter of 2018, although the sector made up just 8.55% of GDP for the same period. In other words, Nigeria continues to rely on crude oil, despite the sector not being the biggest contributor to the nation in terms of real economic values.

It is safe to say that the story will remain largely the same in the foreseeable future.

There is no doubt that revenue from oil will dictate how Nigeria is run in 2019



B. Education

needs to remain a key sector of focus for the Nigerian government for the nation to reclaim its lost traction in the developmental space. With the current N620.5bn allocation, representing 7.02% of Nigeria's 2019 budget, this is still a far cry from the UNESCO recommendation of 26% and what Nigeria needs to ensure it attains the skills and competencies required that will inform its development and nationhood.



There is a renewed call for government focus on Education as a strategy to improve human capital. Stakeholders also believe that there is a mismatch between the skills and competencies that the institutions produce and what the industry require.

In all, the optics does not look good for the education sector in Nigeria in 2019 unless there is greater commitment from government and other stakeholders to up-skill young people, re-focus on areas that will support national development and provide adequate educational infrastructure with strong emphasis on technology.

The demography of young people is seen as a resource that should be properly harnessed to move the country forward. Our youth may be the next oil if well refined.

C. Implementation of the National Minimum Wage

will have major impact on consumer spending – and attendant inflation.

President Buhari has assented to the Senate's passing of the bill approving N30,000 as the new national minimum wage. However, contention continues between the Nigeria Labour Congress (NLC) and some State Governments over its implementation.

The greater danger will be at the private sector, especially small and medium-scale enterprises (SMEs) that may not be able to increase their wages at the same scale. For many, the outcome would be shedding off weight or actual closure.

This is the danger looming, as part of the unintended consequence for Nigerians in 2019 once the policy takes its full effect.



D. Governance

will play a significant role in the direction of the country in 2019. This will be aided by the continuity of the President Muhammadu Buhari administration in office.

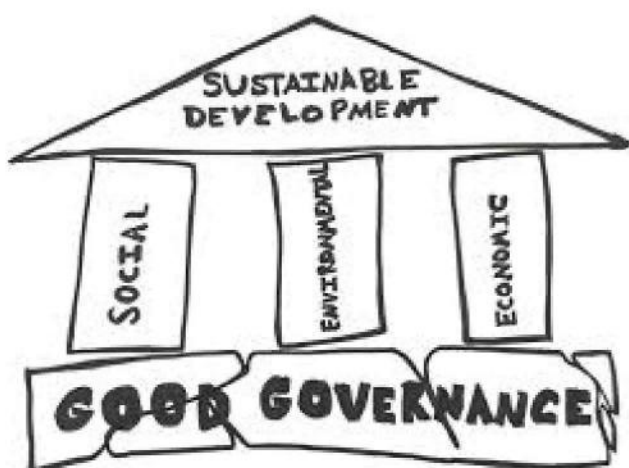
However, analysts anticipate that the new administration will hit the ground running after the swearing in on May 29, 2019 rather than waste any time in reshuffling and announcing new appointments.

The posture and direction of this government will set the tone for what to expect for the second half of the year. Going by antecedents, one should expect a slow (or measured) pace, rather than a significant developmental thrust.

Nigeria is a great country full of interesting people. Despite the way many agonize and criticize the nation and the leadership, there are still a lot of potentials embedded in the national construct. However, one of the major challenges is Nigerians not holding its citizens and leadership accountable to its governance responsibilities and the values that all its people cherish. Change in individuals are therefore required not just change in the polity. The solution is: restructure the mind, restructure society and restructure the nation.

With its large population, Nigeria is yet to experience a robust and dynamic citizen's involvement in crucial areas of its social life.

Citizens' voices do not need to stop after elections. It appears that Nigerians need change but don't want change.



E. Technology

will continue to significantly affect social existence and business models in Nigeria over and beyond 2019.

Nigeria is gradually emerging a hotbed of technological innovations cutting across the financial services, agriculture, hospitality, entertainment and medical industries.

Presently, Nigeria hosts the second largest number of active innovation hubs in Africa with over 55 hubs, while Lagos holds the ace in the top five ecosystems in Africa with over 30 active hubs - the highest number for any state on the continent.

This puts the nation in a good stead in terms of attracting direct foreign investment while developing local talents. We anticipate more collaboration in that space which positive outcome for the country with regards to creating technological solutions to the many problems in Nigeria.



F. Power Sector

will continue to be major drivers of growth of Nigeria's Gross Domestic Product (GDP), if well managed. This has proven to be Nigeria's main albatross over the years – having defied most 'solutions' proffered by previous administrations.

Thus, government needs to free the power sector more in order to get the right kind of private sector investments that the nation need, and the power supply that the people and businesses desire. Nigerians should start to reap the benefits of their entrepreneurial spirits with the supply of adequate and constant electricity.



G. Security

Sectarian violence continues to be a particular problem in this culturally diverse nation, especially at the North East – both religious and ethnic, and they stem from competition over resources such as land, education, government jobs, etc.

Violent conflicts between largely herders and ethnically diverse farmers - across the nation: South east, south west, north central etc - has taken on tribal, religious and regional dimensions. This is now complicated with spates of kidnapping across many states of the federation.

Nigeria's importance to global security hinges on the fact she is not only the most populous country in Africa, but also strategically located in global scheme of things. The current situation in the country needs to change to inspire confidence in local economy and foreign investors.



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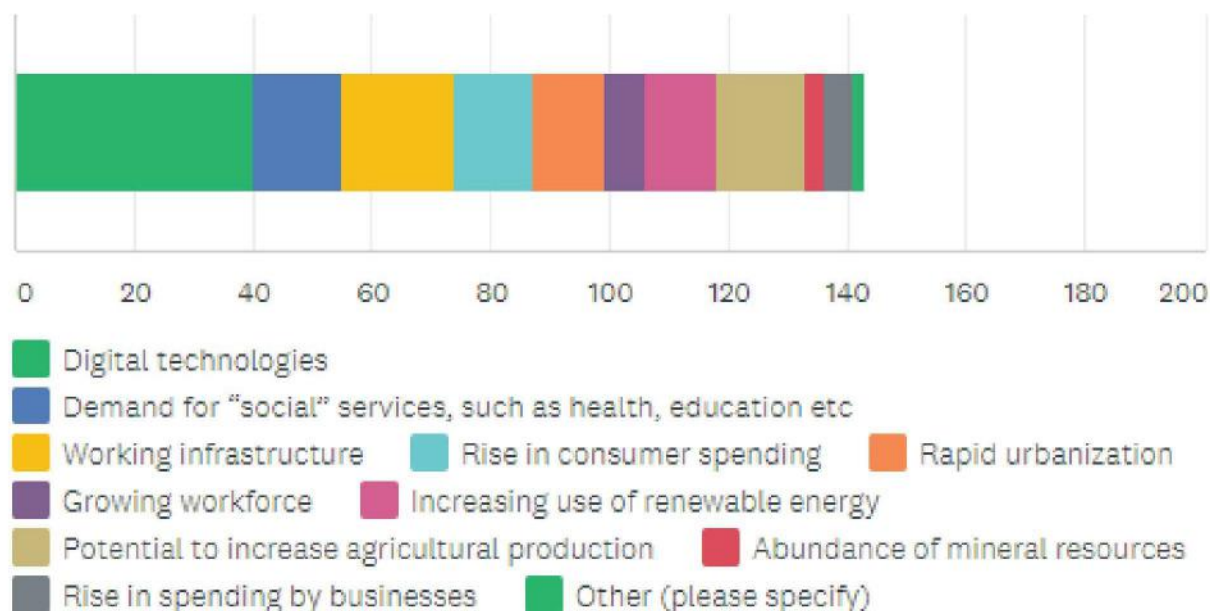


Drivers of change

Academy Halogen affirms that Government still has enormous task of ensuring sound and result oriented business regulations and innovative implementation in 2019.

From discussions with experts and engagement of citizens, the areas that call for urgent attention include the power sector, regulatory environment, exorbitant and arbitrary bank charges (in comparison to international best practice), economic activities, GDP growth, oil price, foreign exchange market, interest rate, foreign reserve, inflation, debt profile and the capital market.

In a survey by Academy Halogen, most respondents (86%) claim that digital technologies – the breakdown of messages, signals or forms of communication between the creating device and the receiving device through the use of a string of information known as the binary code – will drive enterprise growth over the next few years in Nigeria. Coming second was efficient infrastructure (40%), which refers to fundamental facilities and systems that can meaningfully improve peoples' lives in the country, such as power, energy and durable roads etc.

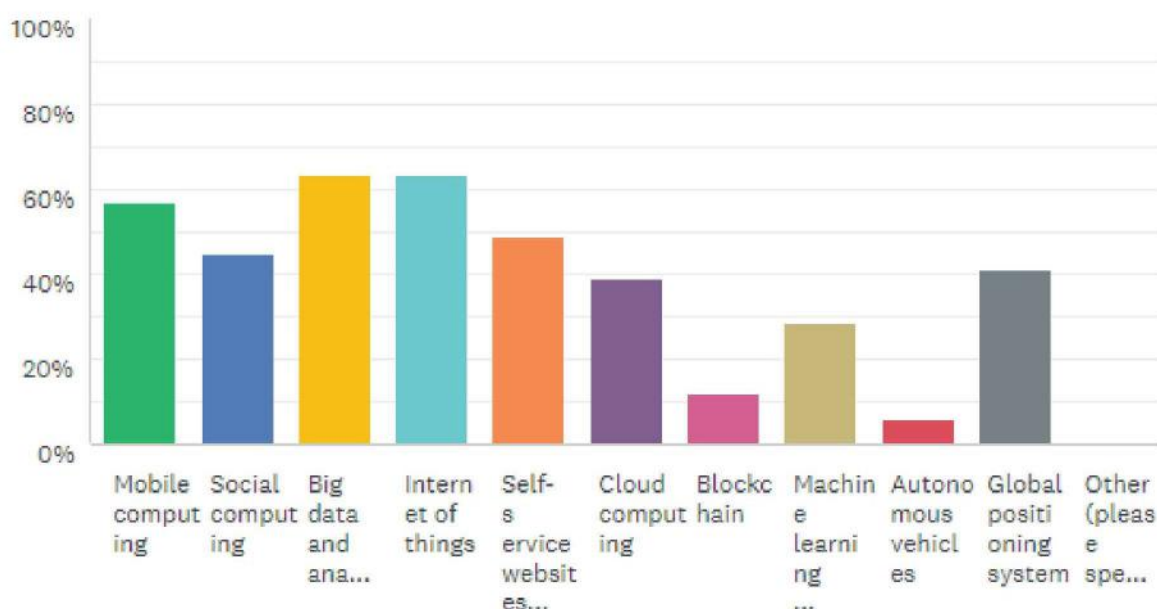


Potential to increase agricultural production and demand for "social" services, such as health, etc. (32%) are other key economic drivers that the recipients identified. As already established with the labour movement in Nigeria, there may be more agitations regarding provisions of essential amenities in the country. Recipients also believe that the rise in consumer spending (27%), rapid urbanization and increasing use of renewable energy (both 25%) are key factors.

Nigeria's rate of urbanization is one of the fastest in the world, with almost half of the population living in urban areas in 2011 and an ongoing urbanization rate of 4% a year. More than one half of the world population now lives in urban areas, and virtually all countries of the world are becoming increasingly urbanized. Nigeria (especially Lagos) is a prime example of this reality.

The other areas highlighted in the survey are growing workforce (15%), rise in spending by businesses (10%) and abundance of mineral resources (6 %). It is anticipated that Nigerian households with incomes of more than \$5,000 a year will increase from a current 20% of the population to 27% by 2020, putting them within the target customer base of formal retail chains. With a burgeoning population, the question that arises: "are there jobs for Nigerian youths?" noting that this rising workforce faces new challenges in this new future of work.

Despite its vast potential in renewable sources such as solar, wind, and biomass, indicators show that Nigeria depends on non-renewable energy. Expert opinions also suggest that the exploration of these potentials and the production of renewable energy on a large scale would significantly increase Nigeria's electricity grid and ease power shortages in the country.



Government has identified at least 37 mineral deposits all across the land. About 2.8 billion metric tonnes of coal are ready to be mined and flipped into abundant wealth in Nigeria's coal axis. And, in spite of this high potential, domestic fish production still falls far below the total demand, which was estimated at 2.2 million metric tons per year in 2008. Livestock development is also an important component of Nigeria agriculture with abundant social and economic potentials.

With the indicators above, in a question relating to growth in business activities, majority of Nigerians who responded to our survey (62%) claimed that they experience an increase in 2018. About 22% of the respondents claim that there was no change, while only 6% experienced decrease. Likewise, an overwhelming majority (92%) expect to do better in 2019 irrespective of the prevailing situations in the country.

Confirming technology as a key driver for business growth in 2019 and beyond, there were split opinions regarding what respondents anticipate will have the greater influence. With 63%, Internet of Things (IoT), big data and analytics are seen as major forces, followed by mobile computing (57%). Self-service websites and/or portals (48%) represented another major consideration – and this confirms the progress currently achieved in the Nigerian tech space. This was partly what brought the likes of Mark Zuckerberg to Lagos in 2016.

Social computing (45%), an area of computer science that is concerned with the intersection of social behaviour and computational systems, also scored high as a driver of growth, as did global positioning system (41%), cloud computing (38%), machine learning and cognitive computing (28%). Lastly, Nigerians seem to be gradually warming up to the idea of blockchain (12%) and autonomous vehicles (6%).

Conclusion

The story of Nigeria is akin to the saying: “the more things change, the more they remain the same.” This is evident in some situations across the country where there appears to be a meaningful “change” even though the underlying fundamentals remain the same. We need change in individuals and not just change in the polity.

For instance, despite the posturing by successive governments over the years, crude oil remains the mainstay of the nation’s economy, accounting to over 90% of foreign earning. Nigeria’s security situation remains a major concern – as is the power sector – while stakeholders hope technology will foster better learning and generally improve education in the country. Nigeria still remains a country where we export what we have (human skills and capacity) and export what we make (oil).

Overall, many Nigerians remain optimistic of the possibilities that may reduce its enterprise security risks’ exposures in 2019. Government will continue to play an important role in enabling the drivers of the nation’s economy.

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About Us:

Academy Halogen is Nigeria's premier security and enterprise security risk management institution established to serve as a policy think-tank across the industry's value chain. The institution was founded on the need to create knowledge in pursuit of safety in an open world. We do this via thought leadership, creating and disseminating new knowledge via capacity building across key competencies, creating a space for research, reflections and policy dialogues and establishing the standard in the practice of security.

Some of our training programmes include:

- Cadet Certification
- Certificate in Security Management
- Diploma in Security Management
- Advanced Diploma in Security Management
- Professional MBA in Security Management
- Cyber Security Certifications
- Corporate & Specialised Training



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