THE NIGERIA STARTUP ACT:

Encouraging a Participatory Policy
Implementation Framework at all Levels

german
cooperation
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NiTDA
National Information Technology
Development Agency

**DIGITAL
TRANSFORMATION
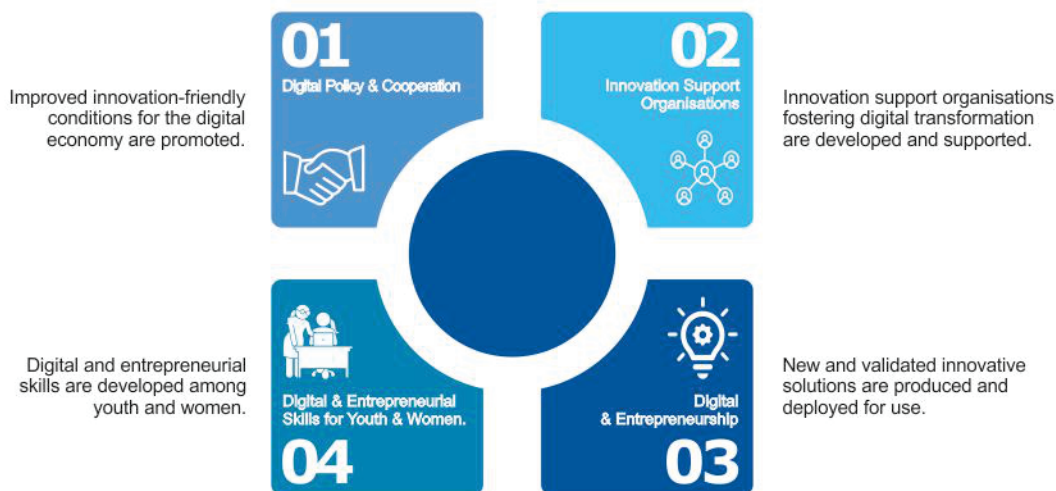CENTER NIGERIA**

About Us

GIZ/Digital Transformation Center (DTC) Nigeria

The Digital Transformation Center Nigeria (GIZ/DTC-Nigeria) is jointly funded by the European Union (EU) and the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by *Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH.* The project focuses primarily on digitalisation, innovation and entrepreneurship. It aims to improve the Nigerian Digital Innovation Ecosystem and the capacity of the economy to adopt digital innovations for growth and improve the innovation ecosystem, through the transformation of the economy and the society.

The project follows a holistic approach to digitalising the economy. It works with all stakeholders, with a focus on the digital ecosystem to promote the supply of and demand for digital innovation. Innovation centers, public and private service providers and consultants are empowered to support MSMEs, women and youth with their digitalisation efforts. The project supports the government in implementing its policies and strategies for digitalising the Nigerian economy. In doing so, it promotes the long-term provision of digitalisation services for MSMEs, and at the same time, positively contributes to the country's economic growth.

DTC Nigeria cooperates with key stakeholders in the Nigerian and International Digital Innovation Ecosystem, such as: National Information and Technology Development Agency (NITDA), Research and Academic Institutions, Innovation Hubs, Networks, Start-ups, Micro Small and Medium Enterprises (MSMEs), women and youth, in the following thematic areas:

Improved innovation-friendly conditions for the digital economy are promoted.

01 Digital Policy & Cooperation

02 Innovation Support Organisations

Innovation support organisations fostering digital transformation are developed and supported.

Digital and entrepreneurial skills are developed among youth and women.

Digital & Entrepreneurial Skills for Youth & Women. **04**

Digital & Entrepreneurship **03**

New and validated innovative solutions are produced and deployed for use.

Summary

In the past few years, Nigeria has experienced unprecedented growth in the startup and technology sector, coupled with the Government's dedication to promoting digital innovation through policies like the National Digital Innovation and Entrepreneurship Policy. This has firmly positioned the country as a leading digital and entrepreneurship hub in Africa.

Tech startups play a pivotal role in driving economic growth, fostering innovation, and promoting Nigeria's position in the global tech ecosystem. Despite their significance, startups face challenges such as access to financing, inadequate infrastructure due to growing business needs, visibility, and marketing.

The Nigeria Startup Act (NSA) was introduced to create an enabling environment for startups and entrepreneurs in Nigeria, by providing the legal and institutional framework for them to thrive and actively contribute to national growth and development, elevating Nigeria to a prominent position in growth and local talent. Developed through an inclusive stakeholder engagement process, the Act was designed to provide clear and effective policies for the digital ecosystem. However, implementation has been lagging.

In line with this, the Policy Dialogue on the NSA offered practical approaches to achieve participatory policy implementation, using the NSA as a case study, enhance the skills of stakeholders in the ecosystem for policy formulation and implementation as well as improve stakeholder strategies. This policy brief captures the recommendations of the ecosystem stakeholders, that includes both the policy implementers and users that serves as a reference. Thereby, contributing to ensuring that the NSA is understood by stakeholders and is effectively put into action with their participation.

Overview of the Nigerian Digital Innovation Ecosystem

According to the Nigerian Startup Ecosystem Report 2022 from Disrupt Africa, Nigeria has approximately 481 tech startups that employ 19,000 people. Over the period from 2017 to 2022, the startup industry attracted an impressive sum of approximately USD 2,068,709,465 in funding and investments.

In line with Nigeria's status as a prominent hub for digital innovation and entrepreneurship in Africa, the Nigerian government's commitment to enhancing the digital innovation ecosystem is evident through strategic initiatives such as the *National Digital Economy Policy and Strategy* (2020-2030) which drives the growth of the ICT sector, the *National Digital Literacy Framework* that outlines the plans for ensuring equitable access to digital literacy education for all population segments, the Nigeria Startup Act which aims to promote the Nigeria digital innovation and entrepreneurship landscape as well as initiatives like the *National Broadband Plan*

which seeks to enhance broadband accessibility, a crucial factor in Nigeria's status as a leading entrepreneurship hub in Africa.

During the COVID-19 pandemic, Nigerian technology startups raised over $202 million from foreign investors alone in 2020. With increased access to technology, an increase in foreign investments, and a thriving network of startup support organisations, the Nigerian digital ecosystem has witnessed significant growth and has birthed five (5) unicorns, in the past 5 years. However, amidst this vibrancy lies a challenge: *The effective implementation of existing policies*. For example, the lagging implementation of policies, means that technology startups still face unease and increasing costs of doing business, due to lack of an enabling environment, unaligned policies and unclear regulations. For instance, in 2019, the Lagos State Government banned the use of motorcycles, affecting significant investments of $12.5m raised by services that allow people to book motorcycle rides using a mobile app like Gokada and Max.ng. In 2021, The Central Bank of Nigeria (CBN) also banned crypto currency transactions despite its general adoption in other countries. Additionally, weak digital infrastructure also contributes to hindering the success of the tech ecosystem.

To harness the full potential of these policies, Nigeria must devise a comprehensive implementation framework. This framework will serve as the backbone for ensuring that these policies are not only established but also effectively put into practice, creating a conducive environment for sustainable growth and innovation within the digital ecosystem.

The Nigeria Startup Act

The Nigeria Startup Act (NSA) is a joint initiative by the Nigerian Presidency and the startup ecosystem to co-create laws that enables tech startups to thrive and actively contribute to national growth and development. It was meticulously developed through inclusive engagement with various stakeholders, adopting a "Big Tent" approach that encompasses provisions such as tax incentives, funding access, and support for research and development, ushering a strong commitment to developing entrepreneurship and innovation in Nigeria. The approach hinged on a participatory and collaborative model of bringing various stakeholders within the ecosystem to make contributions into the development of the legislation involving all relevant stakeholders in the digital innovation ecosystem including

the government both at the state and federal levels. This also entailed understanding of the unique political, economic, and socio-cultural environment in Nigeria and understanding how these stakeholders influence each aspect of the NSA. The enactment of the Nigeria Startup Act on October 19, 2022, signaled the government's dedication to fostering the development and expansion of Nigeria's startup sector.

In line with developing an inclusive and participatory implementation framework that is integral towards creating cohesiveness within the ecosystem, the policy dialogue on the NSA served as a platform for stakeholders and policy actors to understand the Act as well as providing them with an opportunity to participate in creating the framework for its implementation.

Why a participatory implementation framework of the Nigeria Startup Act is important.

The Nigeria Startup Act underscores the essentials for policy development and is an important step in making sure startups have the right support to grow, become more competitive globally and to succeed. The implementation of the Act must respect the spirit of participation that led to its development. So, it is crucial to create a way for all stakeholders involved to work together in making sure the Act is working effectively.

In the case of the NSA, the participation of entrepreneurs and other ecosystem players offers three clear advantages. **First**, it enables policy makers to better understand the needs and incorporate the knowledge and references of beneficiaries into their decision-making. **Second**, it strengthens social capital by building local capacity for self-reliance and collective action, by

strengthening intra-ecosystem networks, cooperation, coordination, and the flow of information. **Third**, it ensures ownership and implementation supervision by enabling citizens to hold states accountable.

Problem Statement and Approach

The Nigeria Startup Act has been formulated to ensure that Nigeria's laws and regulations are clear, planned and work for the tech ecosystem. However, this act needs to be implemented across all levels of the digital ecosystem to ensure impact.

To this effect, this policy dialogue on the NSA offered practical ways to achieve participatory policy implementation using the Nigeria Startup Act as a case study. Key goal for this policy dialogue was to understand the objectives of the framework as well as enable it work for them. The approach of the policy implementation framework was done in relation to the NSA. The diagram below indicates the approach adopted for the development of the Participatory Policy Implementation Framework, for the NSA.
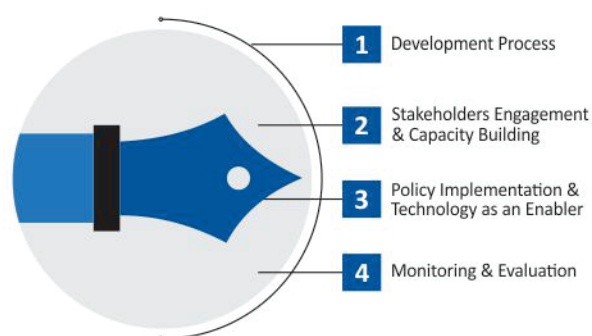

1. Development Process
2. Stakeholders Engagement & Capacity Building
3. Policy Implementation & Technology as an Enabler
4. Monitoring & Evaluation

Figure 1: Group Classifications for Participatory Policy Implementation Framework

Recommendations

To ensure a participatory approach in the implementation of the NSA, the following actions are recommended:

1. Inclusivity and diversity must be encouraged in the policy development and implementation process.

The policy development process employed the *leave no one behind* principle. As described during the process of passing the Nigeria Startup Act into law, a notable initiative was the ability to continuously release communication materials, hold town halls, learning series, and other relevant communication techniques to reach a wide range of stakeholders. This was also followed by ensuring every part of the Act was broken into illustrations to ensure the content in the legislation was clear for stakeholders to assimilate. This must also extend to the implementation of the Nigeria Startup Act as lack of inclusion during implementation, planning and execution could create a huge disparity between policy makers and users, therefore widening the gap between ecosystem stakeholders. This policy dialogue enabled diverse stakeholders from the public and private sector, as well as civil society to contribute their expertise and views, in the development of the participatory implementation framework of the NSA.

2. Clarity, consistency and coherence should be the hallmark for a participatory policy implementation framework.

To ensure ownership, effectiveness, and efficiency in the utilisation of a participatory policy implementation framework, the development of the framework needs to be inclusive, ensuring shared clarity among diverse policy development and user groups. This shared understanding will foster alignment and seamless continuity in the adoption of the framework, aligned to

aspirations of the provisions within the framework and is contextually relevant to the policy users. As described during the process of passing the Nigeria Startup Act into law, an impactful initiative was the continuous communication and engagement of diverse stakeholders through various participatory formats ensuring every part of the Act was articulated for easy assimilation by all stakeholders.

Making the stakeholder engagement process transparent during the policy development process builds trust in the policy process and encourages a participatory approach to policy implementation.

3. Encourage capacity building measures for stakeholders.

By increasing the capabilities of stakeholders, it helps to synthesise the challenges and opportunities that lie within such policies especially during the implementation of a policy framework. This would require having a robust stakeholder engagement approach in ensuring that no one is left behind and they can take ownership of such policies. NITDA is encouraged to develop initiatives with the private sector to continuously train stakeholders on the Nigeria Startup Act. Initiatives and tools such as training of trainers, workshops, Interactive Voice Response (IVR), billboards, sensitisation programmes, etc. should be encouraged to help disseminate more information about key policies, programmes, and projects under the Nigeria Startup Act.

4. Leverage technology to promote transparency and streamline policy implementation processes.

Technology serves as an enabler in policy development and must be continuously leveraged to reach a wider audience and promote transparency. The Nigeria Startup Act already provides for an 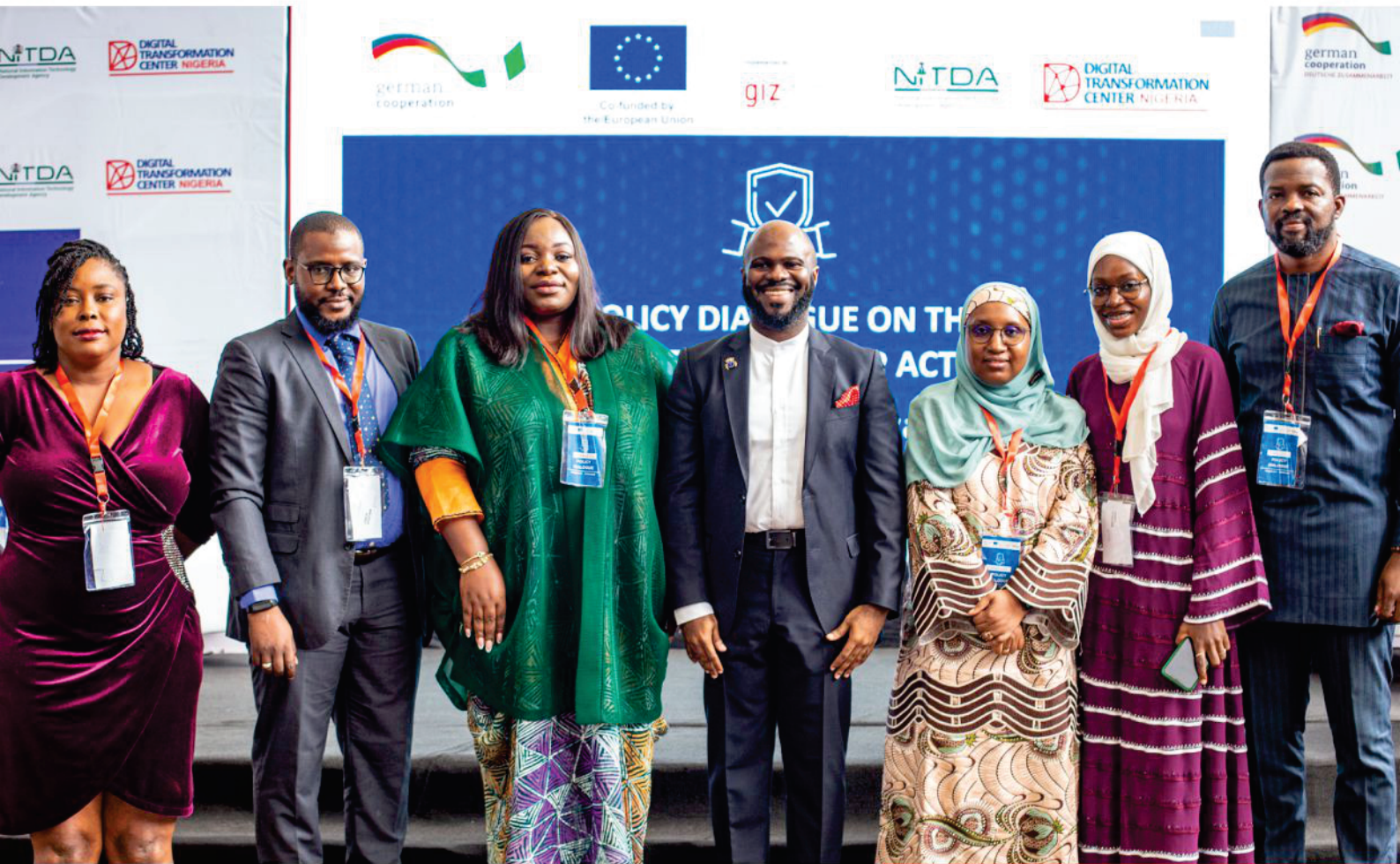Engagement Portal which is a good approach, but the implementation process of the Act must continuously maintain the integrity of the Portal to ensure it can continue to deliver on the expected outcomes. Manual processes that are associated with the Portal development could be seamlessly automated whilst creating dashboards to track performance. With the aspiration of improving Nigeria's capacity to adopt digital innovation for growth, GIZ/DTC Nigeria will support NITDA's Policy Portal upgrade, to enable ecosystem participation in policy initiation and development.

5. Encourage the use of data collection tools and methods to promote evidence based policy implementation

The process of policymaking must be supported with reliable data and information to make useful decisions. Hence, the implementation of the Nigeria Startup Act can also lean on digital tools for data collection to help with monitoring and evaluation of the legislation. This is the right approach and would improve on the process of delivering and monitoring various implementation elements of the Act. The proposed Digital Transformation Dashboard by NITDA, would enable the tracking of performance on the implementation of key aspects of the National Digital Economy Policy and Strategy (NDEPS) and provide policy makers with data-based evidence, required to develop evidence based policies.

1. Understanding the provisions of the Nigerian Startup Act and its impact on businesses-https://www.alp.company/resources/business-advisory/understanding provisions-nigerian-startup-act-and-its-impact-businesses 2. Eleanya (2021): Nigerian startups raised more money in a single month than whole of 2020. https://businessday.ng/interview/enterpreneur/article/nigerian-startups-raise-more-money-in-a-single-month-than-whole-of-2020/ 3. Adepetu 2022: Nigeria produces five of seven unicorns in Africa. https://guardian.ng/technology/nigeria-produces-five-of-seven-unicorns-in-africa/ 4. Olowogboyega (2020): ORide, MAX.ng, Gokada and others banned from major areas in Lagos. https://techcabal.com/2020/01/27/oride-maxng-gokada-banned-in-lagos/ 5. Central Bank of Nigeria (2021): Cryptocurrency Trading; CBN Orders Banks to Close Operating Accounts. https://www.cbn.gov.ng/out/2021/ccd/volume%203%20number%202%20cbn%20update%20february%202021.pdf