

TEMPLARS

From Boom to Crunch

Nigeria Tech Ecosystem Report

2023 REFLECTIONS



Introduction

2023 was an eventful year for the tech ecosystem signaling the commencement of the global reset in Africa after the tremendous growth experienced in previous years. 2023 was marked by a substantial funding crunch, massive layoffs, and shutdowns and market exits, aggravated and coordinated cyberattacks on fintech companies and banks, and a general downward trend in the tech eco-system.

African startups raised \$2.9 billion in 2023, according to [Africa: The Big Deal](#), a curated funding database, marking the lowest funding for African startups since 2020's \$2.1 billion. This is a 36% decline from 2022's \$5 billion total. In the first nine months of 2023, African startups raised only about \$1.4 billion, compared to \$3.3 billion and \$2.9 billion during the same period in 2022 and 2021, respectively (according to a Disrupt Africa [report](#)).

The 2023 funding crunch was influenced by a combination of global and continent-specific factors. On the global front, the overall slowdown in the tech industry, characterized by rising interest rates, inflation, layoffs and geopolitical uncertainties, had a significant impact. Investors, seeking security, became more cautious and risk-averse, directing their resources toward established companies rather than riskier startups. Despite Africa's promising growth potential, it could not escape the repercussions of the global tech downturn.

Moreover, the continent experienced a further decline in investor confidence, partially attributed to high-profile exits and failures in the startup landscape during the year. 2023 saw the [shutdown](#) of tech startups like Zazuu, Vibra, Okadabooks, 54gene, Pillow, Lazerpay, Hytch, Bundle Africa in Nigeria, Redbird and Dash in Ghana, Sendy and Zumi in Kenya, WhereIsMy Transport in South Africa to name a few. These events, coupled with concerns about certain business models' profitability and long-term sustainability, led investors to adopt a more conservative approach, diverting attention away from early-stage ventures.

To further exacerbate the funding challenges, on March 10, 2023, Silicon Valley Bank (SVB), the 16th largest bank in the United States and a preferred financial institution for technology companies and venture capitalists, experienced a collapse triggered by a bank run. The United States' Federal Deposit Insurance Corporation (FDIC) intervened in response to the crisis. The bank run was instigated by various factors, including the revelation that SVB incurred a substantial \$1.8 billion loss in the sale of its bond holdings to Goldman Sachs.

Key Contacts



Ijeoma Uju

Partner

ijeoma.uju@templars-law.com



Zelda Akindede

Partner

zelda.akindele@templars-law.com

In addition to continental and global challenges, the Nigerian tech ecosystem encountered specific obstacles. Macroeconomic factors like FX fluctuations, fuel subsidy removal, limited pool of local venture capitalists and angel investors, made the ecosystem more vulnerable to global economic fluctuations. Investor interest was further discouraged due to the absence of governance and regulatory structures/frameworks tailored to the ecosystem, contributing significantly to a lack of confidence among investors.

Startups also grappled with additional setbacks, including cyberattacks affecting companies such as Flutterwave, Patricia, Interswitch, Fawry, and Glade. Additionally, allegations of fraud, misconduct and financial misappropriation surfaced with Tingo, 54gene, Dash, Kloud Commerce, and Float.

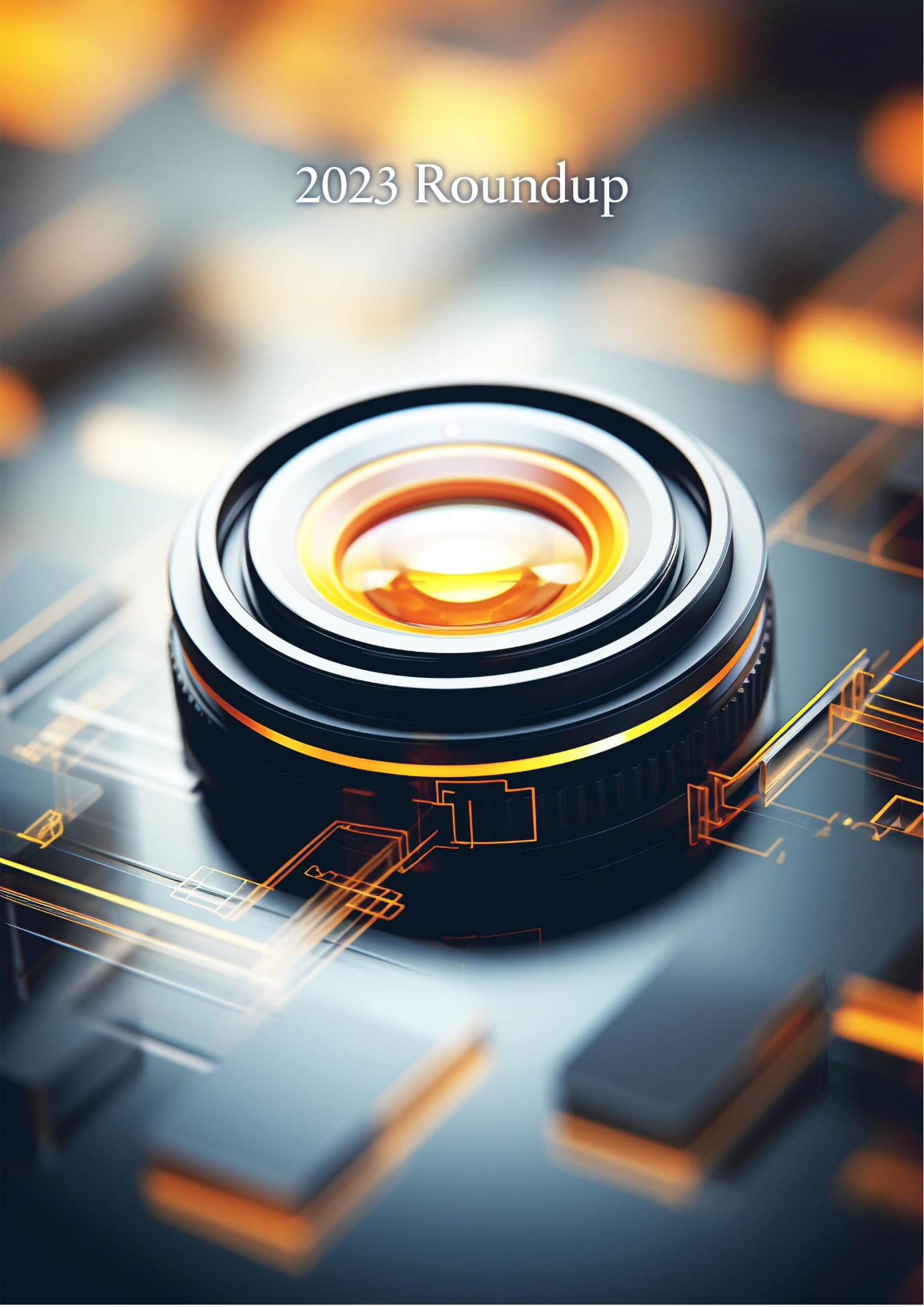
In 2023, the trend of layoffs observed in 2022 also persisted. According to the [Tech Cabal State of Tech in Africa Q3 report](#), between Q1 and Q2 of 2023, the African tech ecosystem experienced a significant increase in layoffs, impacting over 638 workers across the continent. In Q3, this trend escalated, with 5 African startups collectively letting go of 738 employees, reflecting the challenges faced by the industry during this period.

As a consequence of the tumultuous events in 2023, mergers, acquisitions, and corporate restructuring emerged as prominent outcomes. According to certain [sources](#), as of November, there were about 26 acquisitions in the African tech ecosystem, with Fairmoney acquiring Payforce, Risevest acquiring competitor Chaka and Bitmama acquiring Payday after an earlier unsuccessful acquisition by Moniepoint. These acquisitions signify an evolution in the landscape, showcasing strategic moves by companies to consolidate their positions, enhance market share, and navigate the challenging business environment.

In summary, 2023 proved to be a pivotal year for the Nigerian tech ecosystem as predicted in our [2023 Outlook](#). This report will provide an overview of the key regulatory events that influenced the tech landscape during this period and our predictions for 2024, drawing insights from our analysis of trends observed in previous years.



2023 Roundup



Tech Regulation and Policy

In 2023, Nigeria witnessed a change to its political, and consequently regulatory and policy landscape as a result of the 2023 general election. Under the new leadership of Dr. Bosun Tijani, the Federal Ministry of Communications, Innovation and Digital Economy (the “**Ministry**” or “**FMCIDE**”) has been playing an active role in shaping the future of the Nigerian tech ecosystem. In October 2023, the Ministry released the [Strategic Plan for the FMCIDE](#) (the “**Plan**”) which unveiled the policy direction and plan for the Ministry for 2023–2027. The strategic agenda for the Ministry encompasses five key pillars: Knowledge, Policy, Infrastructure, Innovation, Entrepreneurship and Capital (IEC) and Trade. Each pillar is expected to be integral to the Ministry’s mission and form the core of the Ministry’s strategy in the coming years. The Plan also identifies the key agencies of the Ministry as: Galaxy Backbone, the Nigerian Communications Commission (“**NCC**”), the Nigerian Communications Satellite Limited, Nigeria Data Protection Commission (“**NDPC**”), the Nigerian Postal Service, the National Information technology Development Agency (“**NITDA**”) and the Universal Service Provision Fund.

The priority policies, regulatory and strategic initiatives as enunciated in the Plan include

the implementation of the Nigeria Startup Act, the National Broadband Plan as well as the

National Blockchain Policy and Strategy, the issuance and implementation of the National Policy on Digital Public Infrastructure, the National Data Strategy and the National Policy of Artificial Intelligence, a review of the National Policy on Telecommunications, and the enactment of the National Digital Economy Bill and the implementation of the National Digital Literacy Framework.

Holistically, the Plan provides a glimpse into the policy direction of the Ministry under the new administration. Thus, players in the Nigerian tech ecosystem, including entities under the supervision of any of the Ministry’s agencies, can rely on the Plan to start aligning or shaping their internal policies, especially as it relates to engagements with the Ministry.

The Ministry has also initiated programs to realize its vision of cultivating a digitally driven and robust economy. Notable initiatives include the [3 Million Technical Talent](#) (3MTT) programme and the [Nigeria Artificial Intelligence Research Scheme](#). Looking ahead, we anticipate continued efforts and developments aligned with these initiatives, contributing to the advancement of Nigeria’s tech landscape under the Ministry’s strategic direction.



Data Protection



2023 was a critical year in Nigeria's data protection history with enactment of the Nigeria Data Protection Act, 2023 (the "**NDPA**") and the establishment of NDPC as the primary regulator for data protection in Nigeria. In [this article](#), we explored the pivotal provisions and notable changes brought about by the introduction of the NDPA. We also highlight below, some of the relevant developments shaping Nigerian's data protection regime.

Enforcement and implementation of the NDPA

While the implementation of the NDPA initially seemed to progress at a slow pace, it picked up momentum with the constitution of the NDPA General Application and Implementation Directive ("**NDPA GAID**") Drafting Committee in the latter part of Q3. The Committee is saddled with the responsibility of developing the implementation Framework for the NDPA. In Q4, the NDPC issued a guidance notice outlining the filing process for compliance audit returns by data controllers and processors (the "**Guidance Notice**"). You can access Templars summary of the Guidance Notice [here](#). Additionally, the NDPC [fined](#) several banks and institutions over N200 million and initiated [investigations](#) into the activities of Meta, DHL, Moniepoint, and OPay, Bet9ja and 1xBet for alleged data protection infractions and data breaches. Most recently, in December 2023, the NDPC issued the [Nigeria Data Protection Strategic Roadmap and Action Plan \(NDP-SRAP\) 2023-2027](#) (the "**Roadmap**") which highlights the policy direction of the NDPC for the said period. According to the Roadmap, the NDPC plans to develop enforcement and compliance instruments in 2024, develop a data privacy syllabus for academic institutions by 2025 among others.

These actions by the NDPC signify an acceleration in its enforcement efforts and strategic initiatives going into 2024.

DPCO Code of Conduct

The NDPC in December 2023 issued the [Code of Conduct for Data Protection Compliance Organizations \("DPCOs"\) 2023 \(the "DPCO Code"\)](#). The DPCO Code prescribes the guiding principles for DPCOs as well as responsibilities of DPCOs to data subjects, the NDPC as well as clients of the DPCO. It also highlights the specific services DPCOs can provide which includes registration of data controllers/processors with the NDPC, development and implementation of compliance mechanisms, filing of data protection compliance audit returns, data privacy impact assessments, data protection advisory, data protection officer services etc. Templars, being a licensed DPCO, is well-equipped to deliver these services in accordance with the stipulations of the DPCO Code.

NCC Draft Data Protection Regulation

In 2023, the NCC published for public review and comments, a [draft Data Protection Regulation](#) specifically tailored for the telecommunications sector. Although public and stakeholder concerns generally bordered on potential conflicts between the draft regulation and the NDPA, the NCC assured stakeholders that the draft would be revised to align seamlessly with the NDPA, thereby demonstrating a commitment to addressing concerns and ensuring regulatory synergy and cohesion.

The Malabo Convention

On the continental front, the AU Convention on Cyber Security and Personal Data Protection (the "**Malabo Convention**") came into force in June 2023, nine (9) years after its adoption, following Mauritania's ratification on May 9, 2023. Despite the convention coming into force, Nigeria has not ratified it, rendering it without legal force in the country. However, it is

noteworthy that the NDPA substantially aligns with the spirit of the Malabo Convention and this alignment underscores Nigeria's commitment to fostering a robust data protection framework consistent with continental standards.

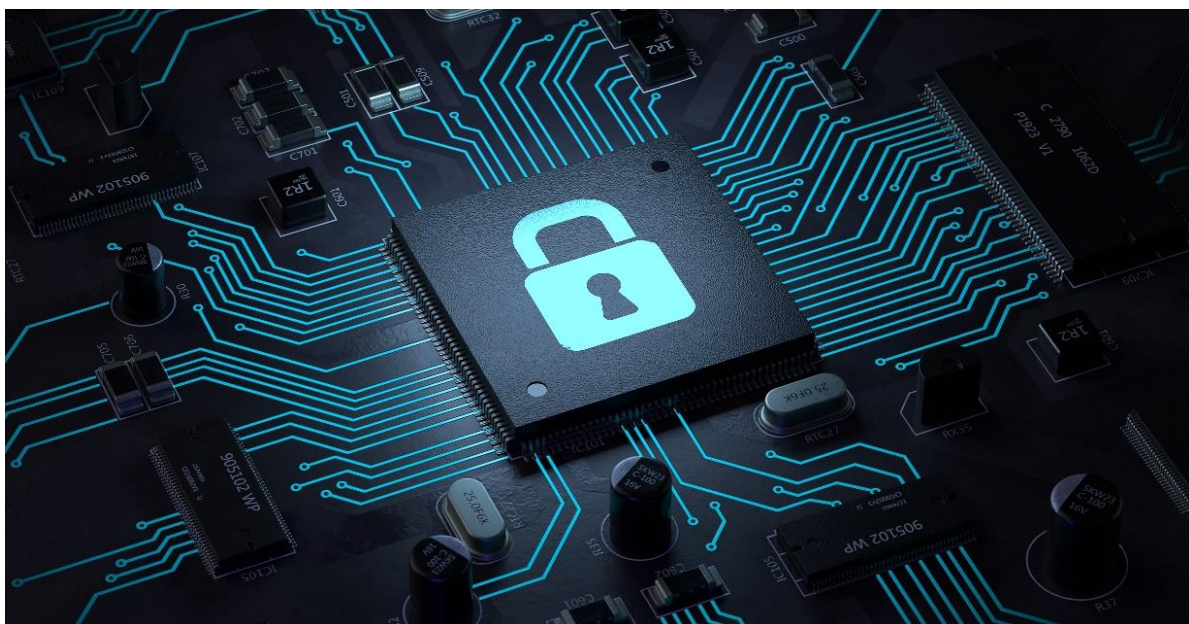
Ikigai v NITDA

Another significant development for data protection in Nigeria in 2023 was the decision of the Federal High Court of Nigeria in the case of The Incorporated Trustees of Ikigai Innovation Institute (“**Ikigai**”) v. NITDA. The decision addressed two primary matters: the adequacy of the “Whitelist” issued by the then data protection regulator, NITDA, pursuant to the NDPR, and the validity of the standard contractual clauses (“**SCCs**”) and binding corporate rules (“**BCRs**”) as cross-border transfer mechanisms under the NDPR Implementation Framework. The court unequivocally declared the introduction of SCCs and BCRs under the NDPR Implementation Framework without a basis under the NDPR to be null and void. This aspect of the decision is however now rendered moot with the enactment of the NDPA, which expressly recognizes SCCs and BCRs.

Regarding the Whitelist, the decision seems unclear as Ikigai sought two (2) alternative reliefs: the removal of countries lacking adequate data protection laws from the whitelist and the nullification of the Whitelist in its entirety. The court did not specifically rule on each individual relief but granted ALL reliefs sought by Ikigai. It is therefore unclear if the implication of the decision is the invalidation of the entire whitelist or just the striking off the specific countries that do not have adequate data protection laws. Regardless of the interpretation, there is an urgent need for the NDPC to revisit the Whitelist (which is over 3 years old) to bring it up to date with current realities and ensure regulatory certainty for cross border transfer of personal data from Nigeria.

The National Data Strategy

In 2022, NITDA unveiled the [Draft National Data Strategy](#) (the “**NDS**”). The primary aim of the NDS is to establish a comprehensive strategy that fosters an environment conducive to both data protection and the effective utilization of data in Nigeria. While the NDS was opened up for stakeholder engagement in 2022, there was no traction for the NDS in 2023.



Relatedly, we note from the Strategic Plans of the FMCIDE that the Ministry is considering the introduction of an Open Data Policy separate from the NDS. This Open Data Policy will focus on granting free public access to non-sensitive public-sector data. The objective is to drive innovation, enhance citizen engagement, improve access to public services, facilitate value creation, and unlock economic potential. This approach is reminiscent of the strategy used for blockchain, where NITDA issued both a Policy and a Strategy document. We await the Ministry's next steps on the NDS and Open Data Policy, which will further position Nigeria in its ongoing digital transformation journey.

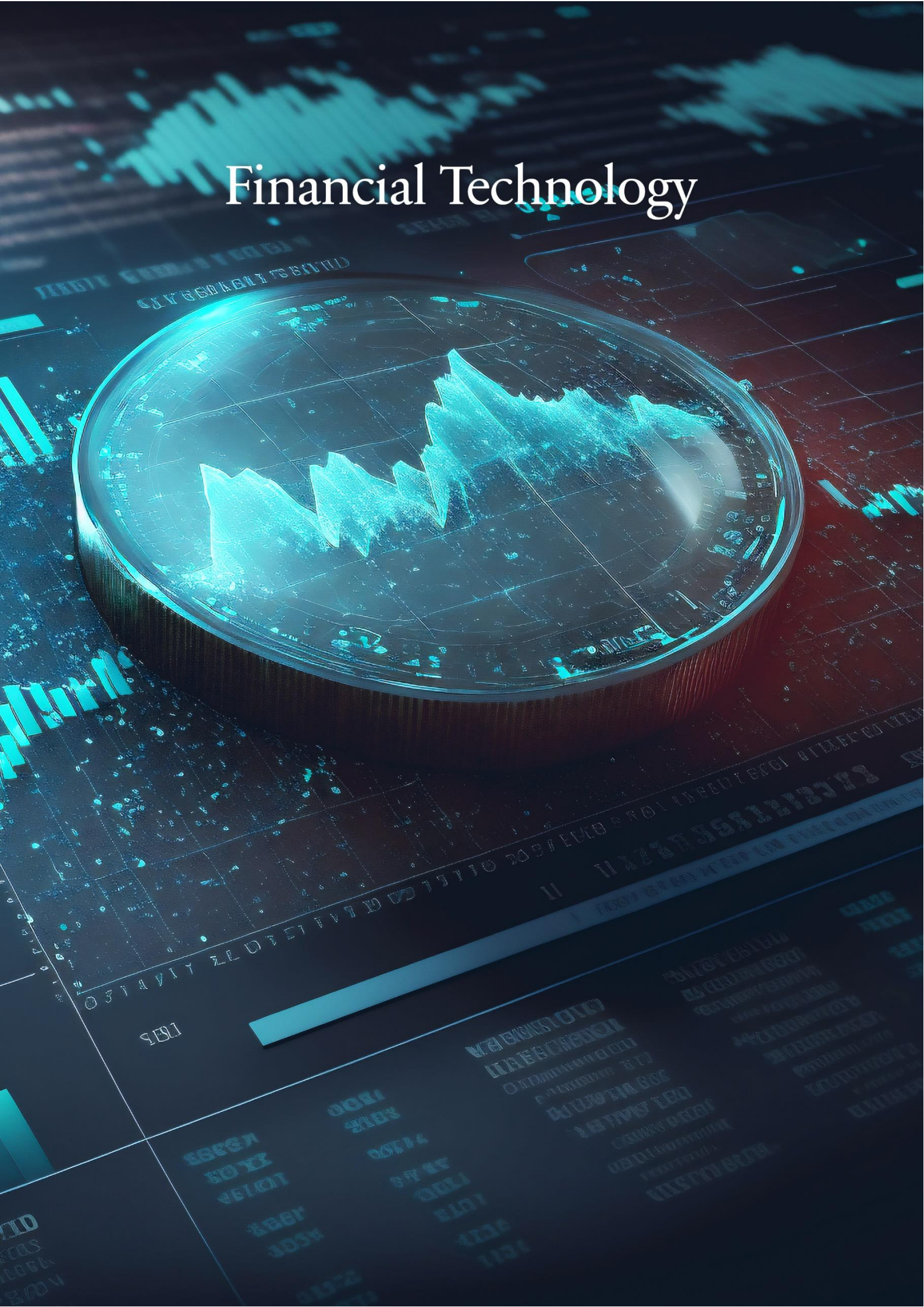
Based on the Guidance Notice, the new cycle for filing the annual data protection compliance audit returns (“**CARs**”) commenced on January 1, 2024 and the filing process is required to be facilitated by licensed DPCOs. Relatedly, as stated in the Guidance Note, the NDPC is also expected to organize an induction training for all designated data protection officers (“**DPOs**”) on data subjects' rights and compliance obligations of data controllers and data processors under the NDPA.

As outlined in the Roadmap, we anticipate the issuance of compliance frameworks by the NDPC, starting with the NDPA GAID. This is expected to mark a pivotal moment, rendering the NDPA fully operative and empowering the NDPC to take a more active role in enforcing compliance with the NDPA. Moreover, we anticipate enhanced collaborations between the NDPC and its international counterparts. Such collaborations can foster knowledge-sharing, best practices, and the establishment of harmonized standards, contributing to a more cohesive and globally aligned approach to data protection.

We also look forward to the issuance of the NCC Data Protection Regulation in 2024, which is not only expected to bring further clarity and regulatory guidance to the telecommunications sector, but also play a crucial role in shaping data protection practices within the telecommunications industry and ensuring the privacy and security of user data.



Financial Technology



Financial Technology (“**Fintech**”) continues to be the focal point of the tech ecosystem in Nigeria, and 2023 stands as no exception, with the sector experiencing the highest level of activity. According to the [Fintech Global Research's findings](#), by Q2 2023, Nigeria accounted for a 42% share of fintech deals in Africa, establishing itself as the most active destination on the continent. Regulatory advancements, policy changes, and the dynamic landscape of financial technology in Nigeria have propelled the nation to the forefront of fintech innovation on the African continent.

Currency Control

With respect to regulation and policy, the year 2023 commenced with the implementation of the currency redesign policy by the Central Bank of Nigeria (“**CBN**”), leading to a severe cash crunch in the country. Consequently, there was a notable surge in the use of online and e-payment platforms, resulting in increased customer acquisition and transaction values for several payments Fintechs in Nigeria.

Still on currency related matters, in June 2023, the CBN reversed the segmentation of the Nigerian FX market and reverted to the Investors & Exporters (I & E) window which operates on a “willing buyer, willing seller” basis. Additionally, the withdrawal limit previously placed on domiciliary accounts was reduced and the \$10,000 daily limit on domiciliary was reinstated. The implications of these policy changes on fintech companies, particularly those whose business models were structured around the previous FX policies, remain unclear. The shift in the regulatory landscape has, however, prompted a reassessment of strategies and operations within the fintech sector to adapt to the evolving currency and regulatory dynamics.

Sandboxes and Innovation

2023 was a significant year for regulatory innovation and sandboxes in the fintech ecosystem marked by active involvement from

the CBN, the Securities and Exchange Commission (the “**SEC**”) and the National Insurance Commission (“**NAICOM**”). The CBN set the ball rolling in January with its Regulatory Sandbox going live, almost 2 years after its issuance of the [CBN Framework for Regulatory Sandbox Operations](#). Following suit, in April 2023, SEC began accepting applications for its Regulatory Incubation (RI) Program in line with the [SEC Regulatory Incubation Guidelines](#). Eligible applicants for the first cohort included registered capital operators, unregistered fintech innovators in need of regulation, firms of all sizes, and those seeking to enhance investor participation in the Nigerian capital market. In the same month, NAICOM introduced its [Insurance Regulatory Sandbox Operational Guidelines](#) to foster innovation in the insurance sector. Although the CBN and SEC initiated and closed applications for the first cohort for their sandbox and RI programs and NAICOM has adopted an open ended approach rather than a cohorts system to receiving applications to its sandbox, there is currently no update from these regulators. We eagerly anticipate further developments in this regard.

Still on the subject of innovation, the CBN also took pioneering steps by issuing the Operational Guidelines for Open Banking in Nigeria and Guidelines on Contactless Payments, positioning Nigeria as the first country in the African region to do so. These laudable steps taken by the CBN stand to improve efficiency and customer experience with fintech services, financial inclusion, and increased competition and innovation within the fintech ecosystem.

FCCPC Registration of DML's

Another noteworthy development in the fintech ecosystem was the introduction of the requirement for registration of all digital money lenders (“**DMLs**”) operating in Nigeria, by the Federal Competition & Consumer Protection Commission (the “**FCCPC**”). Following the issuance of the

[Limited Interim Regulatory/ Registration Framework and Guidelines for Digital Lending](#) by the FCCPC, the FCCPC has [granted](#) full approval to 203 DMLs, conditional approvals to 38 DMLs and put 85 DMLs on the FCCPC Watchlist. This move by the FCCPC signifies a regulatory effort to bring digital lending services under supervision and ensure consumer protection in this evolving segment of the financial services industry.

Cryptocurrency

To conclude the year, in December, the CBN reversed its position on cryptocurrency, lifting the restriction on banks from facilitating crypto transactions. This reversal was marked by the issuance of the [Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers](#). As you may recall, the CBN had previously issued circulars prohibiting banks from holding, trading, facilitating, or transacting in any way in virtual currencies. While the CBN did not outrightly ban trading in virtual currencies, its position implied that individuals or entities in Nigeria could not facilitate the trade or transmission of virtual currencies through the Nigerian banking system, thereby impacting virtual currency-based businesses in Nigeria. This issuance of the guideline reflects a shift in the CBN's regulatory approach to the digital/virtual assets landscape, seeking to balance innovation with regulatory oversight and consumer protection.

It is important to note that the CBN's new policy is not open-ended, and financial institutions are only permitted to open and operate accounts for digital assets entities that are registered with the SEC. In light of the above, we anticipate that the [SEC Digital/ Virtual Asset Rules](#) will become operational, and the SEC will commence the registration of digital asset entities under the rules. However, a significant concern revolves around the stringent requirements for obtaining the applicable SEC licenses as outlined in the Digital Asset's Rules.

Requiring these virtual asset entities to be licensed by the SEC before being allowed to operate bank accounts could pose operational challenges and potentially create undue hardship that can be viewed as stifling innovation. For instance, the registration fee under the SEC Digital/Virtual Asset Rules is N30,000,000, and the minimum paid-up share capital required is N500,000,000. Requiring a license with such onerous conditions as a prerequisite for operating a bank account may be perceived as unreasonable.

Challenges

In May 2023, the CBN revoked [132](#) and [47](#) microfinance bank licenses for various infractions including ceasing to carry on the type of business for which their licenses were issued for a continuous period of 6 months, or failure to comply with the conditions of their license or their obligations under the Banks and Other Financial Institutions Act (BOFIA) 2020. Later in the year, the Nigeria Inter-Bank Settlement System (NIBSS) issued a [directive](#) instructing banks to delist non-deposit payment service providers from the instant payment outward transfer channels.

2024 Outlook

2024 is poised to be an exciting year for the fintech ecosystem, marked by the potential overhaul of regulatory frameworks, stringent enforcement, and increased collaboration among stakeholders.

One of the primary regulatory concerns for Fintechs in Nigeria is the non-suitability of the current regulatory framework in the financial services sector for the unique operations of the fintech ecosystem. In recent years, Fintechs have been compelled to seek regulatory cover and obtain licenses that don't align well with their business models, leading to various compliance challenges. The issuance of open banking and contactless payment guidelines

marks a potential turning point, signaling an expectation for change in 2024. It is anticipated that the CBN will take proactive steps to develop regulatory and compliance frameworks tailored specifically for the fintech ecosystem. This anticipation was reiterated in the [Keynote Address](#) delivered in November 2023 by the CBN Governor, Mr. Olayemi Cardoso, at the Chartered Institute of Bankers of Nigeria (CIBN) 58th Annual Bankers' Dinner.

Therefore, in 2024 we anticipate the issuance of draft guidelines and regulations for Fintechs. The introduction of new regulations will likely be accompanied by a more robust sanctions

regime. As more Fintechs are captured under the regulatory and licensing purview of the CBN, we expect a heightened enforcement drive by the CBN especially against Fintechs operating without proper licenses or outside the permissible activities of their licenses. We also expect this to result in greater collaboration between the regulators and other stakeholders within the fintech ecosystem.

Additionally, we look forward to receiving feedback from the SEC and the CBN on the progress and outcomes of the first cohorts for their respective sandboxes.



Emerging Technologies



The year 2023 witnessed significant developments in emerging technologies, particularly artificial intelligence ("AI"). Generative AI, notably driven by the rising prominence of ChatGPT, and the launch of Google Bard and Bing AI, took center stage, creating a buzz within the tech landscape. Despite the growing attention on AI, the global community, including regulators, is currently navigating the complexities of understanding these emerging technologies, assessing their impact, potential risks, and determining the most effective way to regulate. As a result, there is still a noticeable dearth of substantive laws specifically addressing emerging technologies.

Blockchain

In the area of blockchain, NITDA issued the [National Blockchain Adoption Strategy](#) and the [National Blockchain Policy](#) (the "**Blockchain Policy**"). An implementation & steering committee has also been inaugurated to oversee the implementation of the Blockchain Policy. Further to the launch of the Blockchain Policy, regulatory bodies have been directed to develop regulatory frameworks to guide the use of blockchain technology across various sectors in Nigeria. The approval of the Blockchain Policy marked a significant step towards the institutionalization of blockchain and the establishment of regulatory oversight on blockchain technology in Nigeria. For a better understanding of the blockchain regulatory landscape in Nigeria, you can read our article [A Blockchain Strategy for Nigeria – Navigating the Evolving Regulatory Landscape](#).

Artificial Intelligence

As predicted in our [2023 Outlook](#), NITDA made some advancements in the realm of artificial intelligence, completing the first draft of the National Policy on Artificial Intelligence (the "**Draft AI Policy**"). The collaborative effort involving industry experts and stakeholders sets the stage for comprehensive policies across key sectors such as education, health, media and telecommunications, labor and

productivity, finance, security, and general and special issues. While the Draft AI Policy is yet to be made public, its transmission to the Federal Executive Council for approval may signal a turning point for regulatory oversight in the AI space. In [this episode](#) of the Templars Talking Legal Podcast, Templars' Partner, Ijeoma Uju and Associate, Victoria Oloni, delved into the Legal Considerations, Challenges, and Opportunities for AI deployment in Nigeria.

Furthermore, in October 2023, the Federal Government through the FMICDE launched the [Nigeria Artificial Intelligence Research Scheme](#) to foster a vibrant and sustainable AI ecosystem in Nigeria by providing financial support, facilitating knowledge sharing and collaboration among individuals and organisations in the AI industry.

Amidst the global surge in AI adoption, concerns about its safety have taken center stage. In March 2023, more than 1,000 (now over 33,000) tech leaders, researchers, and other stakeholders united in signing an [open letter](#), urging a moratorium on AI development. This collective call for caution highlighted the growing apprehension surrounding the unchecked progression of artificial intelligence. In recognition of the potential risks posed by AI, in November 2023, Nigeria joined 27 other countries of the world to sign the [Bletchley Declaration](#). This historic agreement marked the world's first initiative to establish a shared understanding of both the opportunities and risks presented by frontier AI. Similarly, in November 2023, Nigeria and [18 other countries](#) signed the Global AI Safety Agreement, a non-binding agreement on how to keep AI systems safe from rogue actors and push companies to develop AI systems that are "secure by design". Nigeria's participation in the Bletchley Declaration and the Global AI Safety Agreement highlights the country's commitment to addressing challenges posed by frontier AI and ensuring the safety and security of AI systems.

2024 Outlook

In summary, the developments in 2023 signal a growing momentum towards regulatory frameworks and international collaboration in the emerging technology space in Nigeria. As we look ahead to 2024, we anticipate a continued focus on shaping comprehensive and adaptive regulations for blockchain and AI technologies,

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Telecommunications



Issuance of Regulations and Guidelines

The NCC demonstrated its commitment to regulatory development and transparency in the law-making process by issuing a series of draft regulations and guidelines for public consultation and comment. These included: (a) Draft [Data Protection Regulations](#); (b) Draft [Guidelines on Corporate Governance](#); (c) Draft [Quality of Service Regulations](#) and the Draft [Business Rules](#); (d) Draft [Commercial Satellite Guidelines](#); (e) Draft [Competition Practices Regulations](#); and (f) Draft [Numbering Regulations](#) (collectively referred to as the "**Draft Regulations**"). A stakeholder consultative forum on the Draft Regulations was also hosted by the NCC. For a more in-depth analysis of the Regulations, refer to our detailed examination [here](#).

Of the Draft Regulations, the NCC officially issued the [Guidelines on Corporate Governance for the Communications Sector 2023 in December 2023](#). Additionally, the NCC released a [Reporting Template](#) for the Guidelines. Earlier in the year, the NCC had also issued guidelines on Promotional Advertisements and Short Code Operations in Nigeria, further illustrating the regulator's commitment to maintaining industry standards and ensuring a conducive environment for licensed communications operators in Nigeria.

Telephone Numbers

In March 2023, the NCC directed the harmonization of short codes used by Mobile Network Operators (MNOs). This directive not only ensures consistency in the use of short codes but also streamlines the process for consumers accessing telecommunication services.

The standardized short codes are expected to enhance efficiency and accessibility, laying the groundwork for the future of telecommunications in the country. The NCC also announced the modification of the numbering format for fixed phone lines. Effective from January 1, 2024, the numbering format was extended from 8 to 10 digits, incorporating a '02' prefix. This adjustment is aimed at accommodating the growing needs of the telecommunications landscape in Nigeria.

Suspension of Excise Duties

Another exciting development was the suspension of the excise duty on telecommunications services, a measure initially introduced by the Finance Act 2020. This decision is expected to have a positive impact on the industry, fostering growth and innovation.



International Collaborations

In furtherance of its global connectivity agenda, the Federal Government in December 2023 signed the Updated Radio Regulations.

The Agreement was signed at the conclusion of the World Radiocommunications Conference (WRC) 2023- a global inter-governmental treaty conference which is held every 3-4 years by the International Telecommunication Union (“ITU”), the United Nations-affiliated international organization for telecommunications. According to a statement by the ITU, the agreement identifies new spectrum resources to support technological innovation, deepen global connectivity, increase access to and equitable use of space-based radio resources, and enhance safety at sea, in the air, and on land.

2024 Outlook

In 2024, we anticipate the issuance of final versions of the Draft Regulations. Additionally, as outlined in the Strategic Plan for the FMCIDE for the period 2023-2027, expect some traction on the review of the National Broadband Plan and the revision of the National Policy on Telecommunications.

In 2020, the FMCIDE introduced the National Broadband Plan (the “NBP” or “Broadband Plan”), building upon the foundation laid by the 2013 to 2018 plan. The Broadband Plan serves as a strategic roadmap, outlining national broadband targets, governance structures, infrastructure recommendations, policy directions, funding strategies, and incentive recommendations to facilitate the implementation of the Broadband Plan.

The central focus of the NBP is the widespread deployment of broadband connectivity, including the expansion of 4G coverage throughout the country.

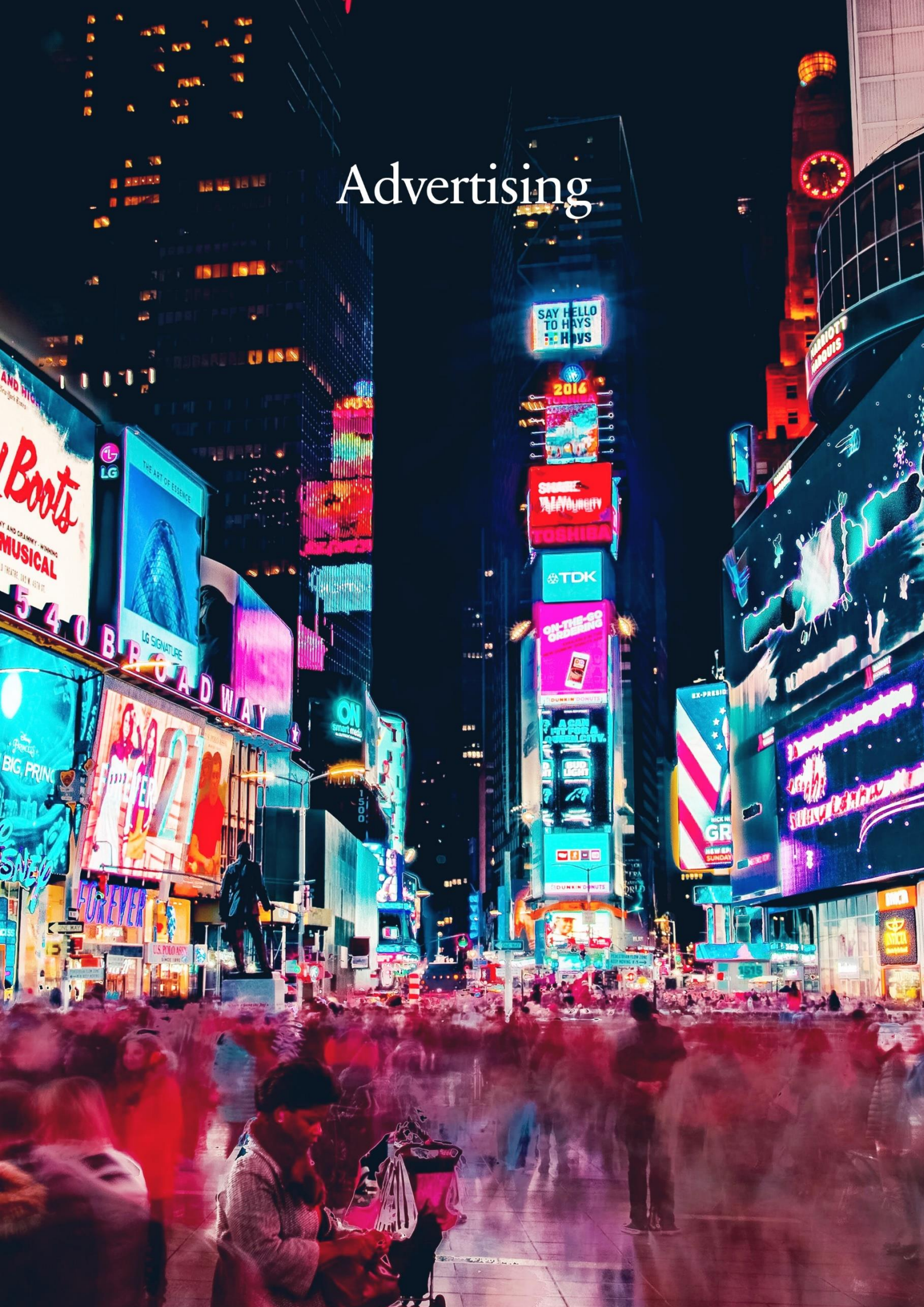
Through the implementation of the NBP, the FMCIDE is looking to boost Nigeria’s broadband penetration rate to 70% by the end of 2025 and secure between 300-500% increase in broadband investment by the end of 2027. The Broadband Plan is accessible [here](#).

The National Policy on Telecommunications 2000 (the “NPT”) on the other hand was introduced with the aim of shaping the future direction of the telecommunications sector.

However, since the issuance of the NPT in 2000, significant changes have occurred in the telecommunications landscape and key issues such as convergence, universal access, broadband penetration, net neutrality, and Quality of Service (QoS) have evolved substantially. Thus, necessitating a review of the NPT by the Ministry to align the policy with contemporary realities, the. This review will take into consideration the latest developments and emerging industry trends both at the local and international levels. You can access the current policy [here](#).

Considering the timeframe of the FMCIDE Strategic Plan (spanning from 2023 to 2027), we expect the FMCIDE and the NCC to take concrete steps in 2024 to actualize the policy goals of the Ministry for the telecommunications sector.

Advertising

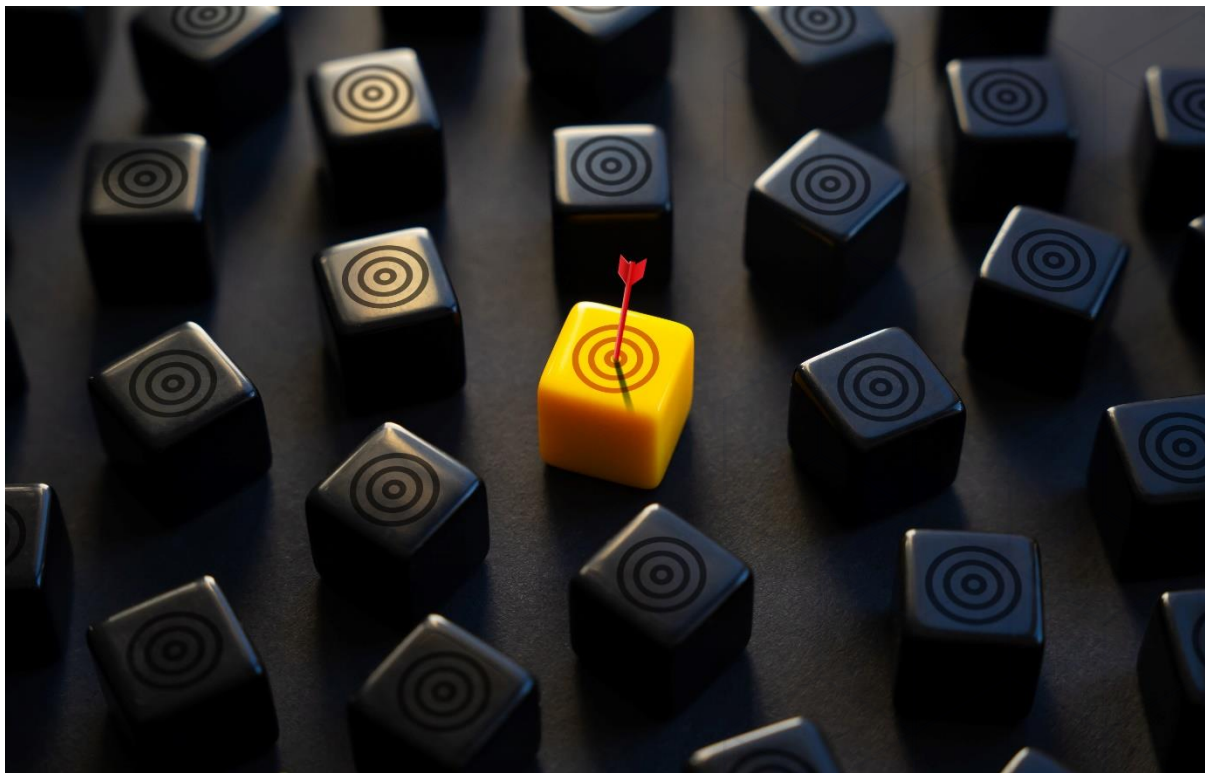


As predicted last year, 2023 saw Advertising Regulatory Council of Nigeria (ARCON) continue to expand its regulatory reach and enforcement activities. The agency tightened its grip on local content in advertising with the [prohibition on the filming ads for Nigerian products outside the Country](#). This follows its 2022 restriction on foreign actors and voices. According to the agency, the goal is to stem the outflow of funds and nurture domestic capabilities in order to improve the Nigerian economy through a thriving advertising sector.

In addition to issuing directives, ARCON demonstrated its commitment to enforcing the ARCON Act by announcing fines and penalties for non-compliant advertising practitioners in March 2023. A tribunal for the adjudication of offences under the ARCON Act – the [Advertising Offences Tribunal was also created](#) in line with section 38 of the ARCON Act 2022.

As previously noted in our 2023 tech outlook, ARCON initiated legal action against Meta in October 2022. The lawsuit, filed at a Federal High Court in Abuja, sought a declaration that publishing advertisements targeting Nigerians on Meta's social media platforms without prior approval violated advertising laws. In March 2023, ARCON [obtained leave of the Court](#) to serve Meta Inc with a writ of summons related to the suit. We note that the outcome of the suit will go a long way in shaping the advertising landscape, especially for social media companies in 2024.

In any case, we expect to see continuous regulatory interventions by ARCON as the regulator has exhibited both a willingness and the penchant to pay attention to developments in the sector, to ensure compliance and adherence.



Intellectual Property



Generative AI

2023 also witnessed a meteoric rise of generative AI, with models like Bard, GPT-4, and others pushing the boundaries of creativity in storytelling, art, music composition, and code generation. OpenAI's DALL-E 2 and Google's Imagen redefined the possibilities of photorealism, sparking debates on deepfakes and copyright concerns.

Beyond the big names, a wave of local startups like Kibo, PointsBud, uLesson, and Healthtracka explored the transformative potential of AI in tackling challenges in education, hospitality, healthcare, and agriculture.

The rise of generative AI in 2023 undoubtedly brings substantial intellectual property (IP) law considerations to the forefront. Questions have arisen regarding whether AI-generated works may be eligible for copyright protection, who the rightful owner of such creations may be (is it the owner of the AI model, the person who prompts the model, or a combination of both?), and how existing IP laws should be revised to address these emerging issues.

As a result of the foregoing, policymakers in Africa and around the world are actively considering modifications to IP rules to accommodate the specificities of AI. In Nigeria, the legal landscape IP for generative AI is still evolving, with no specific legislation directly addressing it. However, existing laws and regulations, such as the Copyright Act 2022 and the Data Protection Act 2023 provide some framework and guidance, though with some complexities and uncertainties.

Copyright Act 2022

After years of grappling with a 1988 law and a protracted legislative process, our hopes for a modernized copyright regime finally materialized on March 17, 2023, with the signing into law of the Copyright Act 2022 (the "**Copyright Act**"). This landmark legislation overhauls the regulatory landscape and aims to bring Nigeria's copyright protection regime

into line with global trends driven by technology and socio-economic changes.

As we have explained extensively in this thought leadership piece published earlier in the year, the Copyright Act creates [A New Dawn for Copyright Protection in Nigeria](#). Some of these changes include an expansion of the definition of "copy" to include digital copy of works, in order to ensure that creators have broader protection for their intellectual property in the digital realm. Additionally, the Copyright Act establishes economic and moral rights for performers in accordance with the rules of the *Beijing Treaty on Audiovisuals and Performances*, which Nigeria [ratified in 2017](#). The Act, among other things, guarantees adequate protection for fixed and unfixed performances, as well as adequate remuneration for the performers.

The Copyright Act also imposes an obligation on service providers to remove infringing materials once notified in accordance with the procedure laid out in the Act. Furthermore, the Copyright Act expands the fair dealing exception to copyright infringement, with special consideration given to making works accessible to people with disabilities.

Summarily, the Copyright Act grants additional rights and expands the scope of existing rights to account for technological advancements. If implemented properly, these amendments and new provisions are a significant improvement in the Nigerian copyright regime and will positively impact the growth of the creative industry.

Amendment of the Patent and Designs Act, Trademarks Act & NOTAP under the Business Facilitation Act, 2022

Signed into law in February 2023, the Business Facilitation Act (Miscellaneous Provisions) Act 2023 (the "**BFA**") aims to tackle red tape bureaucratic hurdles long plaguing the Nigerian business landscape. It also touches upon IP regulation, bringing welcome changes for patents, designs, and trademarks.

First, the BFA amended the Patents and Designs Act 1971 by granting the Minister of Trade the power to prescribe the procedure for the application, grant, use and withdrawal of compulsory licenses. This potentially enhances flexibility and clarity in managing patent rights.

Second, the BFA extends the protection for trademarks by expanding the definition of “goods” under the Trademark Act 2004 to include services as well as allowing the registration of shapes, colors and packaging attached to a business’ branding. Now, business can shield not just their physical products but also their service offerings. In addition, the BFA extends the timeline for registration of trademarks, patented inventions, supply of technical expertise contracts and agreements from 60 (sixty) days under the National Office for Technology Acquisition and Promotion (“**NOTAP**”) Act 2004 to the end of the second year of operations for businesses. This eases compliance burdens and mitigates potential penalties for these fledgling businesses as noted in our thought leadership piece following passage of the Act in 2023. You can access the article [here](#).

Essentially, the BFA’s IP provisions streamline procedures, broaden legal protection, and offer breathing room for new players. These are positive steps towards a more supportive and dynamic IP landscape in Nigeria.

Franchising (Establishment) Bill 2022

On 24 January 2023, the Franchising Bill 2022 (the “**Franchising Bill**”) was passed by the Nigerian Senate to establish a framework for the regulation of franchising in Nigeria. The Bill has not yet been assented to by the President and is therefore not yet law.

As we have captured in our piece on [Navigating Cross-Border Franchise Regulation in Nigeria](#), the most critical feature of the Franchising Bill is the obligation for franchise

agreement parties to issue a disclosure document, which must include all material facts, the required documents, any franchise agreements that the franchisee must sign, and other prescribed information and documents. The disclosure document must be sent to the franchisee at least 14 days before the agreement is signed or the franchise fees are paid as well as registered with NOTAP.

The Franchise Bill, in our opinion, represents a golden opportunity to move Nigeria’s franchising industry forward. We are aware of some stakeholder concerns about specific provisions and ambiguities in the Bill (e.g., local content requirements). If these challenges are resolved, and the Bill is signed into law and effectively implemented, it will pave the way for a level playing field, allowing both franchisees and franchisors to confidently and securely negotiate the complexity of this business model.

African Continental Free Trade Area (AfCFTA) Protocol on Intellectual Property Rights

The AfCFTA Protocol on Intellectual Property Rights (IPRs) (the “**IPR Protocol**”) was adopted by the African Union (AU) Assembly during its 36th Ordinary Session in February 2023. The Protocol will become effective 30 days after the deposit of the 22nd instrument of ratification.

As background, the AfCFTA Agreement aims to establish the world’s largest free trade area, by creating a single market for the continent. Nigeria, the 34th state party to ratify, deposited its instrument on December 15, 2020.

In furtherance of the foregoing, the IPR Protocol underscores the role of IP in enhancing intra-African trade, establishing a harmonized framework for IP protection among AfCFTA state parties. It covers various IP categories, including copyright, patents, trademarks, and pharmaceutical IP provisions.

The IPR Protocol encourages national treatment of the state parties and its nationals with respect to the protection of IP Rights. State parties are required to ensure that the benefits granted by a state party to the IP rights of another state party are promptly extended to all state parties, subject to international treaty exceptions.

In our view, while the IPR Protocol is a significant stride toward a unified IP system in Africa, further clarification is needed for smooth implementation. This includes defining the role and mandate of the AfCFTA Intellectual Property Office in relation to existing regional IP organizations like the African Intellectual Property Organization (OAPI) and the African Regional Intellectual Property Organization (ARIPO).

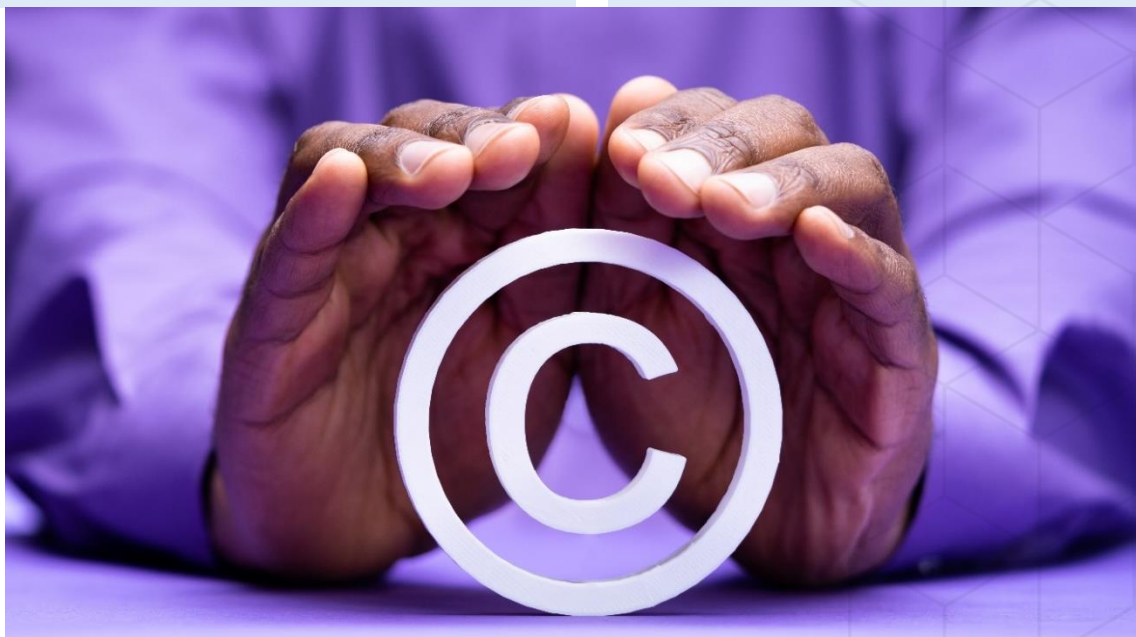
2024 Outlook

In 2024, we expect to see IP owners and stakeholders fully capitalize on the advancements made possible by the new Copyright Act and the BFA by taking the requisite precautions to protect their copyright while also leveraging on the innovative IP provisions of the BFA to safely explore IP rights with the aim of maximizing business potentials. In the same vein, given its enhanced capacity,

We expect to see increased enforcement and regulatory action from the Nigerian Copyright Commission and the Ministry of Trade and Tourism.

While 2023 showcased AI's remarkable potential, it also highlighted the urgent need for responsible development and robust legal frameworks. As 2024 unfolds, we anticipate a surge in human-AI collaborations and generative AI advancements, inevitably sparking more legal challenges surrounding profit sharing, intellectual property (IP) contributions, and authorship. Therefore, we expect the Nigerian Copyright Commission to adopt a proactive approach and ensure that Nigeria's IP legal landscape evolves to provide clarity and fairness.

On franchising, given that the NOTAP Act and guidelines that currently govern franchising in Nigeria impose constraints that may dissuade potential investors, it is our hope that the Franchising Bill becomes law in 2024.



Media and Entertainment



In 2023, Nigeria's media and entertainment scene experienced remarkable growth. A [PwC report](#) indicates that the industry is thriving and growing exponentially and is set to reach a revenue exceeding \$14.8 billion by 2025.

In the music scene, Afrobeats dominated the global music charts, breaking barriers and achieving unprecedented success, while generating substantial revenues for artists and the industry as a whole.

As we predicted last year, the Nigerian film industry, Nollywood, continued its impressive evolution. International streaming platforms such as Amazon Prime, Netflix and Showmax ramped up their Nigerian content acquisitions and productions, showcasing local stories to a global audience. In December 2023, the Nigerian Box Office surpassed ₦1.65 billion in earnings, selling over 461,000 tickets, and witnessed the release of the highest-grossing film in the nation's cinematic history.

Nigerian Creative Industry Development Bill

Despite the notable accomplishments above, challenges such as piracy, infringements on intellectual property rights, deficient infrastructure, and insufficient funding persistently afflict the industry.

A noteworthy initiative to address these is the formulation of the Nigerian Creative Industry Development Bill (the “CIBD”) at the twilight of the last administration. The proposed legislation aims to comprehensively and specifically govern the creative sector, providing a unified framework to tackle the existing challenges.

Notably, the CIBD aims to elevate the industry by implementing a well-designed action plan centered [on funding, incentives, research, skills and training](#). If passed, the legislation will establish targeted funding initiatives, grants, and loans customized to address the unique requirements of the creative sector. The Bill endeavors to [foster partnerships among financial institutions, venture capitalists, and creative entrepreneurs](#), with the objective of closing the funding disparity, thereby facilitating increased innovation, market exploration, and product development.

We anticipate that the bill will undergo a comprehensive consultation with industry stakeholders before being resubmitted to the current national assembly for further consideration.

2024 Outlook

We project a positive outlook for Nigeria's creative and entertainment industry in 2024, as the sector shows no signs of slowing down. Afrobeats continues its global conquest, and Nollywood's international appeal is fast becoming undeniable.

As noted earlier, with the recent enactment of the Copyright Act and strengthened regulatory capabilities, we expect heightened enforcement of existing regulations and enactment of new regulations as policy directives may require. We also anticipate actions geared towards addressing the industry's slow but gradual adoption of generative AI, especially in music compositions and songwriting.



Startups



The Startup Act

Following the enthusiasm that greeted the Nigeria Startup Act's enactment in October 2022 (the "**Startup Act**"), there were optimistic expectations that its implementation would foster a conducive environment for startups in the country. Indeed, our 2023 Outlook analysis affirms that the Startup Act, with its outlined plans and policies, holds significant potential for sectoral growth if effectively implemented.

Regrettably, throughout the year, tangible implementation steps were lacking save for the inauguration of the 14-member National Council for Digital Innovation and Entrepreneurship (NCDIE) in April 2023 by the former President to oversee the implementation of the Startup Act and the launch of the engagement portal for registering startups in the country (the "**Portal**") in November 2023. The Portal aims to facilitate the registration of startups, angel investors, venture capitalists, accelerators, incubators, and innovation hubs. The Portal's launch is anticipated to kickstart the establishment of startup consultative forums, playing a crucial role in selecting representatives for the National Council on Digital Innovation and Entrepreneurship, as required by the Startup Act.

iDICE – the \$618m Tech Fund for Young Investors

On March 14, 2023, the Nigerian government, in the closing days of the previous administration, launched a \$618 million tech fund for young investors through the Digital and Creative Enterprises (i-DICE) program. i-DICE aims to boost investments in information and communications technology and creative industries, fostering inclusive and sustainable job opportunities.

The program, endorsed by [the new administration](#), includes measures like enhancing regulatory policies, establishing a DICE Fund with an independently managed venture capital fund, and mobilizing over \$217 million in investment capital.

The African Development Bank Group is the largest [funder of iDICE](#), providing \$170 million followed by €100 million (\$116 million) from the French government through the Agence Française de Développement, and a pending \$70 million from the Islamic Development Bank. The Nigerian government, through the Bank of Industry, will contribute \$45 million in counterpart funding. Additional support from institutional and private sector investors is expected.

We expect to see updates on the implementation details of the fund, including disbursement modalities in 2024.



Corporate Governance & Due Dilligence



Never before in the history of Africa's tech ecosystem has the need for a discussion on effective corporate governance been more critical than the present moment. The year 2023 saw a surge in fraud and the closure of startups, attributed to various factors like extravagant spending, inflated valuations, autocratic founders, and a myriad of other issues.

To cite a few instances, Dash's dramatic implosion, despite raising \$86 million in funding, the closure of Sendy, a Kenyan fintech that secured over \$20 million but succumbed to a monthly burn rate of \$1 million, and the shutdown of 54gene, which raised \$45 million in three funding rounds, all unfolded amidst controversy.

It is indisputable that a glaring lack of corporate governance lies at the heart of the challenges these companies face. It cannot be denied that as long as tech companies continue to overlook proper corporate governance, incidents of fraud and shutdowns will persist.

In our view, the foregoing indicates that corporate governance will gain heightened importance in 2024, with regulators and stakeholders alike recognizing the critical role of governance frameworks in fostering a resilient and sustainable tech ecosystem. The incidents of 2023 serve as stark warnings, emphasizing the urgency of implementing and adhering to sound corporate governance principles to safeguard the integrity and longevity of Africa's burgeoning tech enterprises.

Summarily, effective governance ensures that robust internal controls, risk management practices, and compliance measures are in place. This can help detect and deter fraudulent activities as well as serve as checks for overzealous founders within a startup.

The Due Diligence Imperative

According to a report by Nairametrics, [nine Nigerian startups that collectively raised over \\$70 million in the last two years shut down in 2023](#). While the companies shut down under different circumstances, it has been contended in several forums that a large number of the unsuccessful startups were funded without conducting adequate due diligence.

This lamentable trend underscores the imperative nature of due diligence in the realm of startup investments. The regrettable demise of these Nigerian startups (and other startups across the continent) serves as a poignant reminder that overlooking or inadequately conducting due diligence can lead to dire consequences, impacting not only the investors but also the broader entrepreneurial ecosystem.

In essence, the due diligence on startups should encompass a meticulous examination of a startup's financial health, legal standing, operational strategies, market positioning, and overall viability. By delving into these multifaceted aspects, investors can gain a nuanced understanding of a startup's resilience, adaptability, and long-term prospects.



Conclusion

The challenges and shifts witnessed in Nigeria's tech ecosystem in 2023 set the stage for a dynamic and adaptive industry in the coming years. While the funding crunch and global economic uncertainties have posed substantial obstacles, it has also prompted a reevaluation of investment strategies and a focus on sustainability. The tech landscape's resilience is evident in the strategic moves seen through product pivots, business re-organisations, mergers, acquisitions, and corporate restructuring, indicating a commitment to navigating challenges and optimizing market positions. As we anticipate 2024, the industry is likely to witness a further recalibration of investor priorities, increased scrutiny on business models, and a renewed emphasis on regulatory frameworks.

As the ecosystem matures, innovation and adaptability will be key drivers for companies seeking to thrive in the evolving landscape. The 2023 experience emphasizes the importance of building resilient business models, fostering regulatory clarity, and fortifying cybersecurity measures.

We look forward to helping players in the tech ecosystem navigate the intricacies of this dynamic industry. Our commitment extends to providing strategic insights, facilitating collaboration, and offering solutions tailored to the challenges of the entire digital ecosystem.