



CONNECT LAB

START-UP POLICY COMMUNIQUE v1

August 14, 2020

Abuja, Nigeria

Connect Lab is an innovation lab focused on developing the next generation of youth-led ventures and impact-driven social enterprises, supporting the development of the African innovation and entrepreneurship ecosystem through entrepreneurship development, policy advocacy and start-up investment.

The recommendations in this document were consolidated from the ongoing Policy Dialogue Ecosystem Project; the Start-up Investment Breakfast and the Start-up Taxation Breakfast Sessions.

As an innovation lab and a stakeholder in the Nigerian ecosystem, we are ready and willing to strategically engage with policymakers and other ecosystem players to further this agenda.



1. Education and Knowledge-based Economy

Education and knowledge-based economy supported by robust Research and Development (R&D) are some of the primary growth drivers of any economy attracting foreign direct investment (FDI). Therefore, the development of the Nigerian economy relies greatly on the capacity of her people, the skill set of her workforce and a highly functional knowledge-based economy.

Accordingly, we recommend the following approaches for the development of Education and stimulation of R&D in Nigeria:

- i. Increase budgetary allocation for education; according to *BudgIT* analysis, the 2020 budget allocates only 6.48% of the entire budget to the educational sector, as against the recommended 15-20 per cent by UNESCO.
- ii. Strengthen existing Intellectual Property Transfer Offices across the six geopolitical zones.
- iii. Develop strategic partnerships with multi-stakeholders to co-create an inclusive curriculum that is reflective of the market needs.



- iv. Establish impact-driven partnerships between Ministries, Departments and Agencies (MDAs), private sector, enterprise support organizations, universities, developmental organizations and design thinking labs for knowledge exchange.
- v. Encourage diversity and inclusion in Science, Technology, Engineering, Arts and Mathematics (STEAM) education, particularly supporting minority communities, marginalized groups such as women and girls and people living with disabilities.
- vi. Enhance further support for research at tertiary levels of education.

2. Political Stability

A stable political climate determines the level of trade and investment activity in any nation.

We recommend the following approaches:

- i. Justice Sector Reform - A holistic justice sector reform will strengthen the rule of law, guarantee investment security and lead to effective coordination and



cooperation among justice sector institutions. Thus, enhance legal and policy frameworks, as well as strengthen operational structures and capabilities of officials.

- ii. Review of Nigeria's Security Architecture - With over a decade of constant conflict in the Northeast and Northwest Nigeria, the impact on the country's economy has been enormous as it has put a strain on trade and the influx of investment resulting in a myriad of problems including, socio-economic destabilization, environmental degradation, poverty, inequality, underdevelopment, illiteracy, unemployment and hunger.
- iii. Centralized Database- The creation of a harmonized citizens database will strengthen security efforts and state capacity.

3. An International Outlook

Given Nigeria's trade status and mission to diversify its economy, it is pertinent that the West African Nation has an international outlook and operate using global best practice. Nonetheless, we commend the work of the Presidential Enabling Business Environment Council (PEBEC) on the rating of the



Ease of doing business. We encourage the government to do the following;

- i. Increase our Double taxation treaties and ratify existing treaties to suit the current global market needs. Currently, Nigeria has 13 double taxation treaties, an increase in double taxation treaties and bilateral trade instruments would lead to increased foreign direct investment and international trade.
- ii. The African Continental Free Trade Area Agreement (AfCFTA). According to the United Nations Economic Commission for Africa, AfCFTA is predicted to boost the combined consumer and business spending, and increase intra-African trade by at least 52.3%. Thus, Nigeria should reconsider the policy on border closure which contradicts the agreement, and adhere to the treaty to drive intra-African trade.

4. Clarity In Certain Government Regulations

The lack of clarity in government regulations and policy harms the perception of the country's economic strategy and outlook. The 2019 okada ban by the Lagos State government disrupted the entire transport system with its major victim, the bike hailing startups who had raised millions from foreign investors who



believed that Lagos is a promising market. Techcabal insights report states that the following Start-ups were affected by the ban, Oride by Opay who raised \$170M, Gokada \$5.3M and Max.ng \$8.1M.

We recommend the following;

- i. The arms of government work with stakeholders to create policies, run awareness campaigns using digital and print media on these regulations and policies ensuring that start-ups and SMEs are well Informed.
- ii. The creation of a transition plan for ecosystem players impacted by new policies, allowing investors and startups adequate time to recoup investment fund.

5. International and Domestically Oriented Infrastructure

Nigeria is the largest economy in Sub-Saharan Africa, but limitations in its infrastructural development constrain the sustainable growth of the country. As infrastructures such as Roads, Transportation, Water Supply, Electricity Generation and Transmission, and Telecommunications are all determining factors of economic growth. The 2019 World Economic Forum's Global Competitiveness Index ranked Nigeria 130th on infrastructure while India, a similar market is ranked 70th. Improving infrastructure, particularly access to electricity, is



critical to eliminating barriers to business growth in Nigeria and the key to unlocking Nigeria's manufacturing and innovation sector, and mitigating poverty in the country. Thus, we applaud the Presidency and the Office of the Minister of Power on the Presidential Power Initiative (PPI), Nigeria + Germany Siemens Deal as it is set to increase the capacity of the Nigerian electric grid from 7.5MW to 25 MW.

We encourage the government to;

- i. Further increase its investment in capital projects as the 2020 budget shows that only 3.24% of the entire budget total of N10.59trillion was targeted at Work and Housing. The World Economic Forum in its 2012 report “Strategic Infrastructure: Steps to Prioritize and Deliver Infrastructure Effectively and Efficient” report estimates that with every dollar spent on public economic infrastructure generates an economic return between 5%-25%.
- ii. Holistic adoption of the Right of Way policy and implementation of the RoW charges for digital infrastructure development (internet, hardware and digital facilities for social development) across the country.



6. Banking & Financial Intermediation

Financial intermediation is the foundation of the savings-investment process, and it makes up a larger part of the ecosystem, channeling money from investors and savers to borrowers. However, the benefits produced by financial intermediation are not being spread widely enough through the population and across the different sectors hence supporting the rising levels of poverty in the country.

While, the Central Bank of Nigeria through its Development Finance initiatives and policies has created programs such as the Youth Entrepreneurship Development Programme, Small and Medium Enterprises Equity Investment Scheme, and the CBN loan policy targeted at MSMEs, a large number of youth-led startups and SMEs in the country do not have access to finance which promotes and accelerates growth.

We encourage banks and financial organizations to partner with enterprise support organizations to implement programs that provide access to finance and leads to financial inclusion and poverty alleviation.



7. Taxation

Taxation is a fundamental social contract between the government and the people. The tax system of any economy determines its growth and the influx of investment into the country. While we laud the Federal Inland Revenue Service (FIRS) on the creation of the 2020 Finance Act and palliatives created for micro and small businesses, we recommend the following;

- i. The creation of a centralized database and the integration of the informal sector into the nation's centralized database.
- ii. The adoption and integration of technology and innovation in Nigeria's tax system.
- iii. The simplification and clarification of Nigeria's tax payment system and taxes/ levies.
- iv. The promotion of tax incentives.
- v. The implementation of approved taxes and levies list passed in 2015, and the harmonization of tax directives by the state governments.



- vi. The increase of Double taxation treaties and ratifying existing treaties to suit the current global market needs.
- vii. Upskilling of tax officials.
- viii. The creation of awareness campaigns on tax policies and orders.

Written and Signed by;

Mercy Olorunfemi, Program Manager, Connect Lab

Mohammed B. Hussaini, Ph.D, Managing Partner, Connect Lab.

Key Contributors;

- Belema R. Obuoforibo, Director, IBFD Knowledge Centre
- Chukwuemeka Chime, Senior Manager, PWC
- Elizabeth Olaghere, Senior Manager, Consumer and Industrial Markets Tax, Regulatory and People Services, KPMG
- Kyari Bukar, Co-founder, Trans Sahara Investment Corporation. Former Chairman, Nigerian Economic Summit Group



CONNECT LAB

- Lanre Phillips, Chief Executive Officer, Elpee Consults
- Muyiwa Matuluko, Co-founder & Editor in Chief, Techpoint Africa.
- Nkechi Oguchi, Chief Executive Officer, Ventures Park
- Oluwatoyin Olufon, Principal Consultant, Lefort Consulting