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How the Nigeria Startup Act 2022 is Being Viewed: Opportunities and Regulatory Gaps for Tech Hubs and Seed Funds

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Introduction

When the Nigeria Startup Act was signed into law in October 2022, there was a wave of excitement across the country's technology community. Founders, investors, and ecosystem enablers celebrated it as a long-awaited legal framework that could finally align government policy with innovation. It was, at the time, seen as Nigeria's own version of startup-friendly laws in countries such as Kenya, Tunisia, and Singapore.

Two years later, the conversation has matured. The law still represents an important milestone, but its implementation has exposed deep gaps in coordination, accessibility, and inclusion. Tech hubs and seed funds, which are the backbone of early-stage innovation, find themselves at the intersection of opportunity and uncertainty. To truly assess the impact of the Nigeria Startup Act, we must look at what it has promised, what it has delivered, and what remains a challenge for those trying to build and finance the next generation of startups.

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Opportunities That Continue to Inspire Confidence

The Nigeria Startup Act offers an impressive fiscal incentive structure that places Nigeria among the most forward-looking startup regimes in Africa. Labelled startups, that is, those formally recognized under the Act, are eligible for several benefits. These include tax holidays under the Pioneer Status Incentive, full deductions for in-country research and development expenses, and exemptions from certain training levies.

For investors, the Act provides capital gains tax exemptions on equity investments held for at least two years, along with an investment tax credit of up to thirty percent. These are not minor provisions. They are designed to de-risk early investment and attract both domestic and international venture capital.

A Lagos-based venture capitalist, for example, noted that the Act gives investors more clarity. "For once, we can model our returns knowing the government is not trying to take an unexpected bite from our exits," he said. While the reality of implementation may still lag, the intention of these fiscal measures is widely appreciated.

Another promising feature of the Act is the creation of the Startup Investment Seed Fund, which is meant to inject ten billion naira every year into early-stage ventures. This fund, if properly managed, can help bridge the notorious financing gap that prevents most Nigerian startups from moving beyond proof-of-concept. Consider a small edtech startup in Ibadan that has an innovative platform but cannot attract venture backing due to limited visibility. Access to a transparent seed fund could provide not only capital but also validation that strengthens its credibility with other investors.

The Act also envisions a Startup Portal that simplifies registration, licensing, and access to incentives. Founders often complain about navigating multiple agencies with overlapping mandates. By consolidating processes, the portal aims to reduce administrative burden and improve transparency. Though still evolving, the concept reflects a genuine understanding of what entrepreneurs face daily.

For tech hubs, innovation centres, and co-working spaces, the Act's provision that recognises innovation infrastructure as part of public funding is a step forward. Hubs such as Co-Creation Hub in Lagos, nHub in Jos, and Wennovation Hub in Ibadan play a crucial role in nurturing startups. Their recognition in the legal framework provides a pathway for them to benefit from government support programs, grants, and partnerships.

Regulatory Gaps That Threaten Impact

While the structure of the Act looks solid on paper, several weaknesses in execution threaten its credibility. The most visible challenge is the Startup Label requirement. Every startup must obtain this label from the National Information Technology Development Agency (NITDA) to access any of the Act's benefits. In theory, the label is a quality-control measure. In practice, it has become a bureaucratic bottleneck.

Founders complain about unclear timelines, inconsistent requirements, and poor communication. A fintech founder in Abuja shared how her application had been pending for months without feedback. For her, the process felt less like a right and more like a Favour that depended on who one knew. Such uncertainty discourages participation and reduces trust in the system.

The Startup Investment Seed Fund is another area of concern. Despite being mandated by law, there is little evidence that it has been fully operationalized. Instead, a donor-backed alternative involving the Nigeria Sovereign Investment Authority (NSIA) and the Japan International Cooperation Agency (JICA) is being developed. While partnerships are not inherently bad, the shift raises questions about sustainability and accountability. A fund that depends on external donors cannot be the long-term backbone of a national innovation ecosystem.

Regulatory overlap remains another challenge. Many startups continue to juggle requirements from the Corporate Affairs Commission, NITDA, the National Office for Technology Acquisition and Promotion (NOTAP), and other agencies. Each one has its own procedures, fees, and compliance obligations. This defeats the purpose of the Startup Portal, which was supposed to centralize interactions. Until agencies learn to collaborate rather than compete for authority, the burden will remain on founders and investors.

The regional imbalance in Nigeria's innovation landscape also deserves attention. Lagos and Abuja continue to dominate while other cities remain under-represented. Many entrepreneurs in states such as Enugu, Kano, or Akwa Ibom are not even aware of the existence of the Startup Act, let alone how to benefit from it. If deliberate efforts are not made to raise awareness and build capacity outside major urban centres, the Act could deepen existing disparities instead of reducing them.

Another limitation is the narrow definition of a "startup" under the Act. It restricts eligibility to businesses with a digital technology core. While this makes sense for software and fintech ventures, it excludes other forms of innovation. For instance, a clean-energy company developing solar dryers for smallholder farmers may not qualify because its model is more hardware-based than digital. Similarly, a biotech startup experimenting with plant-based protein may fall outside the definition even though it is clearly innovative. By focusing too narrowly on digital technology, the law risks stifling creativity in other high-impact sectors.

The View from Tech Hubs and Seed Funds

Tech hubs and seed investors sit at the heart of this conversation because they are both beneficiaries and facilitators of the Startup Act. Hubs provide the environment where ideas become prototypes, and seed funds provide the capital that turns prototypes into scalable businesses. Their experiences offer practical insight into how the Act works on the ground.

In Lagos, some hub managers acknowledge that the Act has created more engagement between the public and private sectors. Government officials are now more willing to attend demo days and ecosystem events. Yet, they also point out that actual funding or partnership opportunities remain limited. In their view, the policy conversation is strong, but the execution is weak.

Seed funds share similar sentiments. Local investors appreciate the tax incentives but lament that accessing these benefits is still cumbersome. Many rely on informal consultations with tax officials because formal guidelines are either unavailable or unclear. This uncertainty affects financial modelling and delays investment decisions.

Despite these issues, the Act has had a positive psychological effect. It signals that the Nigerian government recognizes startups as legitimate economic players. This signal alone has helped some founders negotiate better terms with investors abroad. For example, a healthtech startup in Yaba was able to secure a pre-seed round from a European impact fund partly because the investors viewed the existence of the Startup Act as evidence of policy stability. Even if the Act's mechanisms are not yet perfect, its presence improves Nigeria's credibility in the eyes of the international investment community.

What Tech Hubs and Seed Funds Should Do Now

The future of the Nigeria Startup Act will not be determined by the text of the law alone but by how the ecosystem responds to its gaps. Tech hubs and seed funds must take a more proactive role, not only as beneficiaries but also as advocates and collaborators.

The Startup Consultative Forum, which is part of the Act's structure, is an underused platform that can serve as a bridge between the ecosystem and government. Through this forum, hubs can collectively push for reforms such as faster label processing, clearer communication, transparent management of the Seed Fund, and broader eligibility criteria.

Seed funds should also continue to underwrite deals on commercial terms rather than depend entirely on government support. The existence of the Act should be used as a signalling tool when engaging international limited partners or co-investors. It shows that Nigeria has taken steps to formalise its innovation economy, even if the process is still evolving.

At the same time, hubs must intensify regional outreach. The knowledge of the Act should not remain confined to Lagos and Abuja. Translating summaries into local languages, hosting training sessions in universities, and partnering with state governments can expand awareness. For example, if hubs in Port Harcourt or Jos hold Startup Act clinics for young founders, the ripple effect could produce hundreds of new applications for labelling and inclusion.

There is also a need for stronger collaboration among hubs themselves. By sharing best practices on regulatory navigation and investment readiness, they can collectively raise the quality of Nigerian startups. In doing so, they also strengthen their position to demand accountability from policymakers.

Conclusion

The Nigeria Startup Act of 2022 remains a landmark achievement in legislative innovation. It provides a solid framework for supporting startups and investors, with incentives that rival those in more mature ecosystems. Yet, the real test lies in execution. Bureaucratic delays, weak coordination, and limited awareness have slowed its impact.

For tech hubs and seed funds, this is both a challenge and an opportunity. The law gives them a formal seat at the table, but it also requires them to speak up, collaborate, and hold institutions accountable. By building partnerships, promoting inclusion, and maintaining investor confidence, they can help turn the Act's lofty promises into measurable results.

If Nigeria succeeds in this effort, the Startup Act could become more than just a policy experiment. It could become a living framework that drives innovation, creates jobs, and positions the country as a continental leader in technology and entrepreneurship. The ingredients are already on the table. What remains is the political will, institutional discipline, and collective action needed to make it work.

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