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BLOCKCHAIN POLICY:

A Positive Development
for Nigeria's Ecosystem

BLOCKCHAIN POLICY: A POSITIVE DEVELOPMENT FOR NIGERIA'S ECOSYSTEM.

Introduction

Blockchain technology, known as BT, has gained widespread attention for its potential to revolutionize various sectors such as finance, education, healthcare, supply chain, and transportation worldwide. Nigeria, being the largest economy in Africa, has quickly recognized the advantages of this innovative technology. Nigeria has recently introduced a National Blockchain Policy aimed at promoting economic growth and fostering innovation within the country. The introduction of this policy aligns with the country's National Digital Economy Policy and Strategy 2020-2030, which emphasizes the importance of creating a digital society and embracing emerging technologies.¹ The Federal Ministry of Communications and Digital Economy (FMC&DE) and the Nigerian Technology Development Agency (NITDA) have played key roles in introducing the National Blockchain Policy, in 2023.² This article aims to delve into the significance of this policy and its potential impact on the Nigerian ecosystem.

What is Blockchain Technology?

Before examining the National Blockchain Policy, it is vital to understand what BT is. In simple terms, 'Blockchain' is a digital ledger that records transactions on a decentralized network. 'BT' is a technology that allows for secure, transparent, and tamper-proof transactions that cannot be altered once recorded. It does this by using a consensus mechanism, which ensures that all participants on the network agree on the validity of transactions.³ The most popular application of BT is in cryptocurrencies such as Bitcoin, Ethereum, and other Alt-coins. The technology has the potential to be used in various sectors, including healthcare, supply chain management, education, transportation and even voting systems.



¹National Digital Economy Policy and Strategy 2020-2030 at p. 18

²National Blockchain Policy, 2023 at p. 11

³Id. at p. 8

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Blockchain Policy in Nigeria

Similar to Estonia, Georgia, the United Arab Emirates (specifically Dubai), Switzerland, and Singapore, the Nigerian government unveiled the National Blockchain Policy in May 2023. The policy's primary objective is to leverage and nurture local talent to bolster the expansion of blockchain technology, encourage innovation, and facilitate the advancement and integration of blockchain technology across the nation.⁴ To achieve these objectives, the Government plans to collaborate with relevant stakeholders, industry experts, and international organisations. This will be achieved through the establishment of a regulatory sandbox, where innovations can be freely and securely tested. Additionally, the Government plans to introduce funding schemes to provide support for these innovations, invest in blockchain education, awareness, research, and development programmes,⁵ and promote the adoption of BT across various sectors of the nation. Furthermore, the Government seeks to implement regulations that facilitate the integration of BT in various sectors and to nurture the growth of BT start-ups, the Government will establish incubation centers, incentive hubs, and mentorship programmes.⁶ These initiatives will provide a conducive environment for BT start-ups to thrive.

An important aspect of the Policy is its acceptance of BT in the financial services sector, including the encouragement of digital currency. The policy emphasizes the inclusion of "Financial Services" as a primary focus and outlines the Nigerian Government's intention to establish guidelines for the utilization of cryptocurrencies, among other measures. These guidelines aim to

⁴Id. at p. 7

⁵In line with its Policy Adoption plan, the government had already laid the foundation by creating the National Center for Artificial Intelligence and Robotics (NCAIR) in 2021, the first of its kind in Africa, created to promote research and development on emerging technologies which includes Artificial Intelligence (AI), Robotics and Drones, Internet of Things (IoT) etc and their practical application in areas of Nigerian national interest.

⁶Id. at pp. 19-21

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address concerns such as money laundering and fraud by providing a framework for their use. The government will collaborate with industry stakeholders to develop standards for the listing and trading of cryptocurrencies on regulated exchanges within Nigeria. Additionally, the policy aims to create a regulatory framework that promotes the secure, responsible, and efficient use of cryptocurrencies in Nigeria. This framework will prioritize consumer protection, market stability, and financial inclusion.⁷

Impact of BT Adoption on the Nigerian Ecosystem

The introduction of this Policy in Nigeria is a welcome development for the country's startup ecosystem. The Policy has the potential to attract foreign investments into the country. Nigeria's large population and growing tech ecosystem make it an attractive destination for blockchain companies looking to expand into Africa. The Policy will also help to foster partnerships between Nigeria and foreign blockchain companies, which would lead to knowledge transfer and further innovation. It will also ensure an improvement in the nation's GDP by providing a decentralized and transparent plat-

form for conducting transactions thereby facilitating both domestic and international trade. It will simplify supply chain management by eliminating intermediaries, reducing delays, mitigating counterfeiting, and ensuring product authenticity. Additionally, this innovative blockchain technology generates new revenue streams through asset tokenization, decentralized finance (DeFi), and other groundbreaking applications. Consequently, it significantly contributes to increased trade volumes, export revenues, and a wide array of economic opportunities.⁸

The Policy also presents an opportunity for Nigerian startups to develop more innovative solutions using BT, thereby encouraging entrepreneurship and creating more job opportunities. It also provides an avenue for the development of talents in technology to ensure that Nigeria has sufficient and efficient human capital to drive the innovation required in BT and finally ensure the adoption of BT in Nigeria.

The adoption of Blockchain Technology (BT) in Nigeria can bring significant improvements to various sectors of the economy. In particular, implementing BT in the education sector would create a decentralized and

⁷Id. at p. 21

⁸PWC, *Examining the Economic Impact and Practical Use Cases for Emerging Technologies* (March 2023), (the adoption of BT would have a global impact of US\$1.76 trillion boost of its global GDP by 2030 which the development and implementation of the National Blockchain Policy for Nigeria will prepare Nigeria to be an active player and to benefit from this emerging global source of revenue).

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transparent system for recording and verifying educational credentials, certificates, and achievements. This would reduce the risk of fraud, ensure secure storage of student information, promote collaborative learning, and enable fair distribution of rewards and intellectual property rights.

In the Health sector, BT can establish a standardized and interoperable framework for data exchange by enabling secure and transparent sharing of patient records, test results, and other medical data among healthcare providers, improving better continuity of care, and patient outcomes. By recording each transaction and movement of drugs on the blockchain, stakeholders can verify the authenticity, quality, and provenance of medications. This would help combat counterfeit drugs, reduce the risk of supply chain errors, and improve patient safety. Additionally, patient records stored on blockchain are encrypted and distributed across a network of computers, making them resistant to unauthorized access or tampering. The decentralized nature of blockchain mitigates the likelihood of data breaches, empowering patients with enhanced control over their personal health information.



In the finance sector, BT offers robust security for financial transactions through the use of blockchain technology. This ensures that each transaction is securely connected to the previous one, forming an unalterable chain of blocks, which in turn reduces the occurrence of fraud. Additionally, BT brings transparency to financial transactions by creating a shared and distributed ledger that is visible to all participants. This transparency eliminates the need for intermediaries as all parties can independently verify and validate transactions. Furthermore, BT provides a secure and decentralized system for managing identities, thereby reducing the risks associated with identity theft and fraud. By leveraging blockchain technology, personal financial information can be stored and verified in a highly secure manner. Moreover, BT has the potential to expand access to

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financial services for individuals who are unbanked or underbanked. Through the use of blockchain-based digital wallets for fiat and cryptocurrencies, people who lack access to traditional banking systems can store, send, and receive money. This empowers them with financial inclusion and opens up economic opportunities. Overall, BT in the finance sector enhances security, brings transparency, enables decentralized identity management, and fosters financial inclusion for underserved populations.

The advantages of blockchain technology (BT) extend beyond various sectors, including the improved regulation of government parastatals such as the Corporate Affairs Commission (CAC), Independent National Electoral Commission (INEC), and Central

Bank of Nigeria (CBN). Additionally, BT has applicability in the private sector and all aspects of life. Given the immutability of records encrypted on a blockchain, it is safe to infer that adopting BT in Nigeria would promote transparency, enhance security, ensure accountability, and improve efficiency in relevant domains. These benefits would aid in reducing fraud and other illicit activities that often disrupt our economy.⁹

Implementation of the Policy

In order to effectively implement this Policy, it is crucial to establish a strong partnership between the private and public sectors. As stated in the policy, the Federal Ministry of Communications and Digital Economy (FMC&DE) will take the lead, working in

⁹Id. at p. 12

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conjunction with other pertinent Federal Ministries, educational institutions, and startups. Together, they will create a National Blockchain Implementation and Steering Committee that will be responsible for devising a comprehensive strategy to propel the Policy's execution.¹⁰ The strategy will outline all relevant stakeholders along with their various roles and responsibilities towards the implementation of the Policy.

Conclusion

The introduction of this Policy in Nigeria marks a significant milestone that will bring about positive changes to the country's ecosystem. It presents a valuable opportunity for Nigerian startups to unleash their potential in developing innovative solutions using blockchain technology, while also establishing a regulatory framework for blockchain-based businesses. The Policy holds the potential to attract foreign investments and foster partnerships between Nigerian and international blockchain companies. By implementing this Policy, Nigeria is positioning itself as a frontrunner in blockchain development within Africa and worldwide.

Nevertheless, it is strongly recommended that a robust regulatory framework be put in place, one that provides a clear and comprehensive outline to strike a balance between fostering innovation and ensuring the safety and integrity of the ecosystem. Additionally, it is advisable to relax the Central Bank of Nigeria's ban on the use and trade of cryptocurrency to fully maximize the adoption of this policy in the finance sector.

¹⁰Id. at p.29

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