



Intellectual Property, SMEs, and Economic Recovery in Nigeria

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When Small and Medium Businesses exploit Intellectual Rights, plain ideas are turned into full-on business opportunities; these ideas generate business value and ultimately the choice of products available to customers is massively enriched.¹

1.1 Introduction

The year 2020 is one which needs no introduction in the minds of many people. It was the year in which the COVID-19 pandemic snowballed into a global emergency with numerous unfavorable effects on national economies around the globe. The economic tragedy occasioned by the virus

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¹ National Intellectual Management Office, South Africa (NIPMO), "IP and SMEs: Taking your ideas to Market – World IP Day" (NIPMO 2021) <<https://nipmo.dst.gov.za/events/world-ip-day-26-april-2021-ip-smes-taking-your-ideas-to-market>> accessed 26 April 2021

is one that many countries, Nigeria inclusive, are still grappling with. Our nation's economy, which is largely dependent on oil exports, took a big hit. The extreme drop in oil prices, caused by the pandemic, led to a shortfall in governmental revenue so much so that the nation's budget had to be moved from its initial benchmark of \$57 to \$20 per barrel.²

On that note, this essay considers the role of Small and Medium Enterprises (SMEs) in placing Nigeria back on the pathway to economic recovery. Already, it is open knowledge that SMEs constitute an overwhelming majority of the world's businesses and provide jobs to around 50% of the global working population.³ In the Nigerian space, SMEs have been described as "engineers of growth" and "wheels of progress" to drive development.⁴ Thus, a proper positioning of these small and medium businesses could serve as a catalyst to launch Nigeria back to economic wellness. Therefore, we would now address how exactly SMEs can drive this economic recovery in Nigeria and what roles Intellectual Property can play to support them.

1.2 How SMEs can Boost Economic Recovery with the Assistance of Intellectual Property

Intellectual Property, which connotes creations of the human intellect, benefits society as a whole. Whether it be works of art, technological inventions or distinctive symbols or designs, they are all products of the human mind and portend benefits for their creators. Copyrights, patents, trademarks and industrial designs are the major Intellectual Property rights that exist in Nigeria. The business model of a particular SME determines which IP right would be central to it. For

² <https://energy.economictimes.indiatimes.com/news/oil-and-gas/nigeria-amending-2020-budget-assuming-oil-at-20-per-barrel-finance-minister/75555821>

³ <https://www.worldbank.org/en/topic/sme/finance>

⁴ Analytical Reviews of Small And Medium Enterprises In Nigeria, European Center for Research Training and Development, Vol 6, pp.32-46, March 2018

instance, patents and industrial designs may be relevant to a manufacturing firm, trademarks may be more suited to a company in the consumer brand sector while copyright might be more applicable to businesses that write software programs and lines of code.

Regardless of which Intellectual Property right is applicable, similar benefits are produced namely the gaining of a competitive edge and the protection of products and services. Addressed below are some of the ways SMEs can boost economic recovery, assisted by Intellectual Property.

1.2.1 Foreign Direct Investment:

Intellectual Property Rights can aid SMEs obtain venture capital, grants and other forms of investment. This is because Intellectual Property Rights are to innovation what a Certificate of Occupancy is to real estate. It provides a sense of security which foreign investors are attracted to. Also, IP assets which have acquired legal protection can be valued (through a means known as Intellectual Property Valuation) and then can be leveraged upon to obtain capital for expansion and improvement. When SMEs receive this funding, their operational capacity and commercial value would increase. This would in turn lead to physical expansion, job creation/poverty alleviation in the economy. Furthermore, this increase in foreign direct investments would be tantamount to an increase in foreign exchange which the country is in dire need of, thus driving economic recovery.

1.2.2 Increase in Taxes:

Secondly, Intellectual Property rights can help SMEs gain revenue through licensing, franchising, assignment and other IP transactions. The payment of royalties and other remuneration for their IP rights are means through which SMEs can generate extra revenue. The extra revenue so generated would also inform an increase in taxes due to the government, which the government

can apply to economically stimulating and beneficial projects to help alleviate her economic condition.

1.2.3 Favourable Balance of Trade:

Intellectual Property Rights can help SMEs gain access to new markets and further their businesses. As the African Continental Free Trade Agreement (AfCFTA) gears to full realization, SMEs poised to benefit from this continent-wide window are those who are equipped with requisite Intellectual Property protection. This would distinguish their products from those of competitors and increase its attractiveness in new nations. Likewise, it would prevent local competitors from copying the idea and producing cheaper knock-offs. Consequently, the successful expansion of SMEs into newer markets and newer supply chains would spell increased diaspora remittances and a favourable balance of trade for the nation, aiding economic development.

1.2.4 Export Opportunities:

The protection of Intellectual Property Rights can enhance export opportunities for a business by promoting brand visibility and recognition. Increased exports would then translate into increased productivity for the nation. Also, it grants SMEs a competitive edge in business. This is because, the IP system provides a temporary lead to the particular author of a new innovation, for a specified period of time.

1.3 POLICY RECOMMENDATIONS AND PROPOSALS

1.3.1 Repositioning of SMEDAN

The SME Development Agency of Nigeria (SMEDAN) came into being by the SMEDA Act of 2003. The mandate of the agency includes promoting the sustainable growth of SMEs in Nigeria. Since Intellectual Property management is essential to such growth, it is proposed that SMEDAN

be engaged in advocating policy for IP in the SME sub-sector. We could model the Dubai Chamber of Commerce⁵ which allows open channels of communication for its members to provide input on the laws affecting their small businesses including IP related policies. Repositioning SMEDAN in this way – to serve as a conduit pipe between small businesses and the government – would make for continuous interaction between both parties with a view to resolving issues that affect SMEs so they can thrive to the fullest capacity.

1.3.2 Education

Despite the increasing importance of Intellectual Property, many small businesses in Nigeria do not make use of the Intellectual Property system either through lack of knowledge or concerns about costs. However, in this computer-driven age, the intangible asset portfolio of a business (including its IP rights) is often regarded as having greater value than the tangible assets like factories and offices. For instance, as at 2001, Coca-Cola's total market capitalization consisted of 95% intangible assets and only 5% tangible assets.⁶

On that note, education on the management and commercialization of Intellectual Property assets is hereby proposed. This education can be passed on to SMEs through their local chambers of commerce, trade associations and mainstream media. It should focus on the benefits that accrue to small businesses when they take the initiative to protect their IP rights. For instance, the **IPR Division** of the **Federation of Indian Chambers of Commerce and Industry** is intensively involved in raising awareness on IP Rights amongst Indian citizens, alongside various capacity

⁵ www.dubaichamber.com

⁶ https://www.wipo.int/edocs/mdocs/sme/en/wipo_kipo_myipo_smes_kul_08/wipo_kipo_myipo_smes_kul_08_www_109138.ppt

building programmes organized for enforcement agencies.⁷ We could replicate this strategy in the Nigerian space.

1.3.3 Partnerships

The role of partnerships in furthering the quest of SMEs cannot be overemphasized. Bilateral and multilateral cooperation between relevant stakeholders in the industry is absolutely necessary. Stakeholders all across the SME ecosystem (Local/National Chambers of Commerce, SMEDAN, Ministry of Trade and Industry) and stakeholders in the IP system (Trademarks and Patents Registries, Nigerian Copyright Commission, National Office for Technology Acquisition and Promotion (NOTAP) and the World Intellectual Property Organization (WIPO) can together shape a strong and resilient IP Regime blended to the peculiar needs of small and medium businesses. Round-table meetings aimed at exchanging perspectives and implementing ideas uniformly amongst these various agencies are also encouraged.

1.3.4 Technology Incubation Centers (TICs):

The first TIC was established in Lagos in 1993 and has spread to about 27 states of the Federation.⁸ However, the spread is not commensurate to its impact as these centers have not lived up to their expectations of nurturing businesses. Therefore, a restructuring of the working modalities of these Centers is proposed. Young people who have groundbreaking innovations ought to find solace in the TIC nearest to them and be and be assured that the guidance would cover the protection of their Intellectual Property rights and the requisite commercialization of their work. The TICs would be funded by the Federal Government through the Ministry of Trade, Industry and Investment, in conjunction with technical partners in the private sector. If these

⁷ www.iprindia.net

⁸ <https://techpoint.africa/2018/09/19/technology-incubation-centre-nigeria/>

incubation centers can be reorganized, Nigerians would find it easier to benefit from creations of their intellect and by extension, benefit the country as a whole.

1.4 Conclusion

It is a fact that Nigeria's greatest resource is not its oil, but rather its youth, with their creativity and intelligence. All around us, we see business ventures that have formulated an idea, combined it with innovation and produced novel products or ways of service that customers want. Proof of this ingenuity is evident in the fact that SMEs amount to about 96% of registered businesses and employ about 84% of the nation's labour force.⁹ This vast IP prowess has the capacity to liberate our nation from its economic condition. However, it cannot do so unless it has been adequately protected. Thus, the protection of IP rights and the benefits which it portends for SMEs in the country is strategic in our current drive to recover from COVID19's negative effects. By prioritizing these small businesses and encouraging them with access to the IP Protection system, we can drive accelerated economic recovery for our nation, Nigeria.

⁹ <https://www.nigerianstat.gov.ng/download/967>