



REGULATORY UPDATE

Federal Executive Council Approves Creative Economy Development Fund and IP Monetization Pilot



Introduction

On 24th October, 2024, the Federal Executive Council approved the Creative Economy Development Fund (CEDF) and the implementation of the Intellectual Property (IP) Monetization Pilot, to promote the financial expansion and use of IP assets by the creative sector. The CEDF objective is to offer funding through various financial instruments such as debt, quasi-equity, equity instruments etc., enabling creators to use IP as collateral.

The Federal Ministry of Art, Culture, and the Creative Economy (FMACCE) in collaboration with

Ministries of Justice, Finance, Industry, Trade and Investment (JFITI), the Federal Inland Revenue Service, the Nigerian Copyright Commission (NCC), and the African Development Bank through its Investment in Digital and Creative Enterprise (iDICE) ensured the success of establishing the Creative Economy Development Fund and implementation of the Intellectual Property Monetisation Pilot.¹

¹ <https://punchng.com/fg-approves-creative-economy-development-fund/?amp>/accessed 5th November 2024.

Key Highlights of the Approval

1. CEDF Implementation

The CEDF will function as a Special Purpose Vehicle (SPV) to give creatives access to capital. The major goals of CEDF are to lower financial barriers, democratize access, and use IP assets to promote economic empowerment.

2. IP Monetization Pilot

This pilot, which was created in partnership with the African Development Bank, evaluates IP monetization strategies in order to create national frameworks for IP financing, which will eventually be incorporated into the IP policy of Nigeria.

Objectives and Expected Outcomes

The objectives of the CEDF and the Implementation of the IP Monetization Pilot include:

1. Enhanced Financial Access:

Increasing funding options available for creators, especially those who can leverage their IP assets as collateral.

2. IP Valuation Standards:

Establishing national mechanisms to improve asset credibility through IP

valuation and securitization.

3. Sector Growth and Employment:

Promoting economic resilience by facilitating job creation and sustainable growth in Nigeria's creative economy.

4. Introduction of New Revenue Streams:

Introducing new avenues for creatives to earn from their works, from music royalties to licensing films or fashion designs.

Implications of the CEDF and IP Monetization Pilot to the Creative Industry

A. Potential Benefits

1. Investment Attraction and Confidence:

The structured IP monetization and financing options would increase investor interest in Nigeria's creative industry. By creating clear IP valuation and securitization guidelines, investors may better assess risk and possible returns, increasing confidence and encouraging more funding.

2. Enhanced Market Competitiveness:

With increased access to capital, Nigerian innovators may improve the quality and scale of their ventures, making the local market more competitive both regionally and internationally. This will likely raise Nigeria's status as a creative hotspot, inviting partnerships and collaborations from global markets.

3. Broader Economic Contributions: This program has the potential to boost the creative sector's economic impact. The possibility of IP-backed funding broadens prospects for creators, which can lead to increased income, employment, and significant contributions to the Gross Domestic Product (GDP) of Nigeria.

4. Support for Innovation and Diversity: The CEDF and IP monetization frameworks promote a broader range of initiatives and new participants in the creative industry. Lowering financial barriers allows for a greater spectrum of perspectives and ideas to be represented, thereby enriching the cultural landscape and fuelling innovation across industries.

B. Potential Drawbacks

1. IP Collateral Risks: Allowing IP as collateral may pose risks if valuation methods are unclear and not precise, resulting in inaccurate assessments and financial instability for creators.

2. Market Saturation: With improved access to financing, there may be a significant increase in the number of creative ventures entering the market. This surge could increase competition, making it difficult for individual creators to stand out.

3. High Implementation Costs: Establishing IP valuation and securitization processes will certainly incur significant administrative, legal, and regulatory costs. Unsustainable management of these expenditures may limit the program's scope and impact, putting a burden on government budgets.

4. Dependency on External Funding: Reliance on debt, quasi-equity, and other funding models may put a financial strain on creators, particularly if their projects fail to yield predicted revenue.

Conclusion

The FEC's approval of the CEDF and Implementation of the IP Monetization Pilot is a significant step forward for Nigeria's creative economy. This regulatory development underscores the government's commitment to building a strong environment for creatives and IP monetization,

potentially enhancing Nigeria's position in the global creative economy. Content creators and IP stakeholders are encouraged to stay updated about the initiative's rollout and to be prepared for any new regulations or opportunities that may be developed by the FMACCE.

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