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POLICY BRIEF

HARNESSING ECONOMIC FLYWHEELS IN NIGERIA: THE EVOLUTION OF YABA'S TECH ECOSYSTEM

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ECONOMIES AS ECOSYSTEMS

THE YABA TECH CLUSTER CASE STUDY

By Richard Ough and Favour Ogbadu

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INTRODUCTION

This policy brief examines the development of the Yaba Tech Cluster in Lagos, Nigeria, as a case study of Flywheel Economics. Yaba has become a vibrant technology hub through community collaboration, strategic investments, and organic growth. This brief outlines the cluster's evolution, challenges, and key lessons learned.

THE CURRENT LANDSCAPE

Community, technology, and growth. These are the three words Oluseun Onigbinde, the Global Director of BudgIT, used to describe the Yaba Tech Cluster. BudgIT, a Nigerian civic organisation that applies technology for citizen engagement and institutional improvement, is deeply interwoven with the origins of the Yaba tech cluster.

Today, Yaba stands as a vibrant hub, home to over a hundred registered tech companies, innovation hubs, and co-working spaces. The presence of tertiary institutions provides a talent pool for these companies, fostering an environment where young, innovative minds thrive. The Lagos Angel Network and other investors provide crucial support and funding, anchoring Yaba at the heart of Lagos's tech ecosystem.

ORIGINS AND EARLY DEVELOPMENT

The transformation of Yaba into Africa's leading tech cluster is a story of humble beginnings. Co-creation Hub (CcHub), founded by Bosun Tijani, Femi Longe, and Tunji Elesho, was pivotal. Initially envisioned as a space for social innovation, CcHub's early hackathons, held in partnership with the Enterprise Development Centre, attracted attention and support, galvanising the disparate tech community.

These hackathons led to the creation of a physical space in Yaba where technological solutions to Nigerian-centric problems could be developed. In the early 2010s, as global tech innovations surged, Nigerian would-be tech founders were inspired to create solutions tailored to local needs rather than mimicking Western success stories. CcHub became a meeting point for developers and major telecommunication companies, catalysing the tech ecosystem in Yaba.

CcHub's efforts shifted the focus from replicating Western tech giants to addressing local issues, fostering an environment of innovation tailored to Nigeria's specific needs. This approach helped build a solid foundation for the tech cluster.

STRATEGIC LOCATION AND HISTORICAL CONTEXT

Yaba is a region steeped in rich history and located in a unique geographical spot, a transit hub between the Island and Mainland of Lagos State. In its colonial days, Yaba was the home of native high-level officials who worked with the British colonial administration. The first railway system began in Yaba, which was also a hub of activism for many older generations of Nigerians.

However, Yaba was not the first option for CcHub and was only considered after their initial choice in Marina fell through. Yaba was eventually chosen for its proximity to the Island (the key business centre), the presence of tertiary institutions, and the young population.

CATALYSTS FOR GROWTH

With the presence of CcHub, the tech cluster began to take off. They created a space where the challenges innovators faced, such as access to affordable working space, electricity, and internet connectivity, were solved. In addition to providing working space, CcHub pursued empirical research to understand the tech ecosystem and aid in decision-making. In 2012-2013, they commissioned a research project to identify organic innovation clusters in Lagos. The result of their research showed that a tech cluster had indeed begun to form in Yaba. Their next step was to investigate the challenges that these tech companies faced. The biggest challenge they found was access to high-speed and reliable internet.

The leadership of CcHub were credible and capable individuals and inspired confidence from partners, which led to a diverse range of support. Beyond the financial backing from partners such as the Indigo Trust, Omidyar Network, Google, and The Schmidt Family Foundation, it also included private companies like MainOne, a major cable company in Nigeria. The Lagos State Innovation Council, an advisory body to the Lagos State Government, had also taken notice of CcHub.

MainOne, who had built a solid partnership with CcHub – backing one of their early hackathons and providing the hub with its initial internet connection – was in principle on board to bring a fibre optic internet cable into Yaba. However, a $2 million right of way levy from the State Government, which was required to lay the cable into Yaba, made the infrastructure investment non-viable. The CcHub leadership made a strong, evidence-informed pitch to the Lagos Innovation Council and made a key ally in Tomi Davies, a distinguished Nigerian tech entrepreneur on the Innovation Council. The Council backed CcHub and saw it as a project they could champion, taking it to the Lagos State Government. The Lagos State Government agreed and waived the right of way levies, becoming supportive of the installation.

From that point on, the cluster began to flourish. Yaba became the place for the tech ecosystem to converge. The location was right, the working spaces were more affordable than other popular spots, the tech talent was present with a pipeline of talented young people coming through from the universities, and by this point, there was access to superfast internet. The Yaba tech cluster may have had CcHub as its main catalyst, but it also benefited from a highly supportive ecosystem.

CHALLENGES AND LIMITATIONS

Yaba's growth has not been without challenges. Yet, its challenges have mostly been those associated with a booming industry starting to become a 'victim of its own success'. Rising rents, limited plot sizes for offices, a lack of supporting infrastructure like hotels, cafes, and restaurants, increased interest from the government in taxing the sector, and a lack of major venture capital funding have restricted the cluster's growth.

The departure of Nigeria's first unicorn, Andela, from Yaba in 2017 was seen by some as a setback and a moment representing Yaba in decline. Yet, this is better viewed as a natural progression. As incubated start-ups expanded and outgrew the historical district, they moved out, dispersing the economic benefits to other parts of Lagos. This is the tech hub acting as intended. Yaba was a catalyst, not a container.

One suggested missed opportunity was the lack of initiative and integration from some of the educational establishments with high proximity to this tech cluster. A more adaptable and entrepreneurial education system would have better integrated the tech sector into its offerings and curricula. Instead, they operated with a business-as-usual approach, seemingly un-noticing the radical developments and rapid business evolution on their doorstep. The early partnership from the Enterprise Development Centre, a spin-off from the Lagos Business School, is an admirable exception. If other institutions had taken a similar approach to engaging with the tech sector, there could have been an even greater symbiotic relationship between the tech cluster and the educational institutions.

KEY LESSONS LEARNED

01 **ORGANIC GROWTH AND STRATEGIC INTERVENTION**

Yaba was not a planned tech cluster; it grew organically. This is not to say there was no intervention. A key principle from flywheel economics is that policymakers should not plan economies like architects; they should tend to them like gardeners. A series of good sequential interventions led to the cluster's development, rooted in a deep understanding of what the sector needed, rather than an overarching master plan from day one. Start-ups were nurtured and were able to grow. Yaba became a magnet for other tech companies and tech talent.

02 **COMMUNITY GALVANISATION AND PHYSICAL SPACE**

CcHub helped identify and galvanise a disparate tech community. There was a disparate tech community in Lagos before CcHub commenced, but one of the key roles they played was bringing this disparate community together. The early hackathons served as an important method of identifying who was working in tech in Lagos and bringing them together to solve specific problems. The establishment of the CcHub in Yaba provided a physical space that addressed many of the needs this fledgling community faced and helped incubate and nurture their development. It became an efficient focal point for developers to meet with other industry players.

03 **LEADERSHIP AND CREDIBILITY**

Leadership and credibility from key individuals helped to solve sector-wide constraints. Bosun Tijani, Femi Longe, and Tunji Elesho all showed important leadership. They had a compelling vision, credible backgrounds, and commanded trust and respect from partners. There was also leadership shown by allies such as Tomi Davies, who went on to create the Lagos Angel Investors Network and played key roles in the cluster's development.

KEY LESSONS LEARNED

04 ● SOCIAL INNOVATION AND DIVERSE SUPPORT

Yaba was not exclusively private sector driven. The social innovation focus enabled a wide range of supportive partners. Whilst Yaba grew organically, one of its strengths for attracting initial backing was that CcHub promoted the use of technology to solve societal problems, rather than focusing purely on profit motives. This enabled a range of partners and donors to get on board and support the project. It made the Lagos State Government more amenable to waiving the right of way fee. It enabled private companies that backed CcHub early on to tap into their corporate social responsibility funds, as well as making it viable for a range of international partners and bilateral donors to back the project.

05 ● NAVIGATING GOVERNMENT AND POLITICAL LANDSCAPE

Yaba grew mostly under the radar of politicians and government. Nigeria's business environment is tough. Whilst the Lagos State Government proved supportive in enabling the internet cable to be installed, they were slow to realise just what an economic success Yaba was growing to be. This may have initially helped the Yaba cluster, shielding it from the more predatory behaviours of local authorities, tax, and regulatory agencies, allowing the cluster to grow in the crucial early stages. The politicians did not trumpet its success to the extent they might otherwise have done.

06 ● IMPERFECT BUT EFFECTIVE ECOSYSTEM

Economic ecosystems do not need to be perfect for transformation to take place – good enough can be good enough. There were many good things about the economic ecosystem supporting the tech cluster in Yaba. In some dimensions, such as the community it attracted, it was incredibly strong. But the ecosystem was by no means perfect and lacked in a number of dimensions (e.g. access to finance, limited plot sizes, and supporting infrastructure). Yet, the ecosystem was good enough to enable a transformation to take place.

KEY LESSONS LEARNED

07

THE POWER OF COMMUNITY

Community was a powerful engine of growth. Yaba became an agglomeration of energetic, passionate, and supportive tech talent. There was a strong community spirit with coders and developers helping each other out, an attraction for new talent from the universities, and a recycling of existing talent among the tech companies within Yaba. This led to powerful economic flywheels.

CONCLUSION

The Yaba tech cluster is a strong example of an economic ecosystem that was able to achieve powerful economic flywheels – promoting growth and transformation. The lessons in how it was able to do this in a country with a challenging business environment are relevant beyond the tech sector and beyond Nigeria. By fostering organic growth, leveraging community support, and making strategic interventions, Yaba has demonstrated how a tech cluster can thrive and spur economic development. This case study provides valuable insights for policymakers and stakeholders looking to replicate similar success stories in other regions and sectors.

REFERENCES

The information in this policy brief was primarily gathered through interviews with key stakeholders involved in the development of the Yaba Tech Cluster:

01

Femi Longe

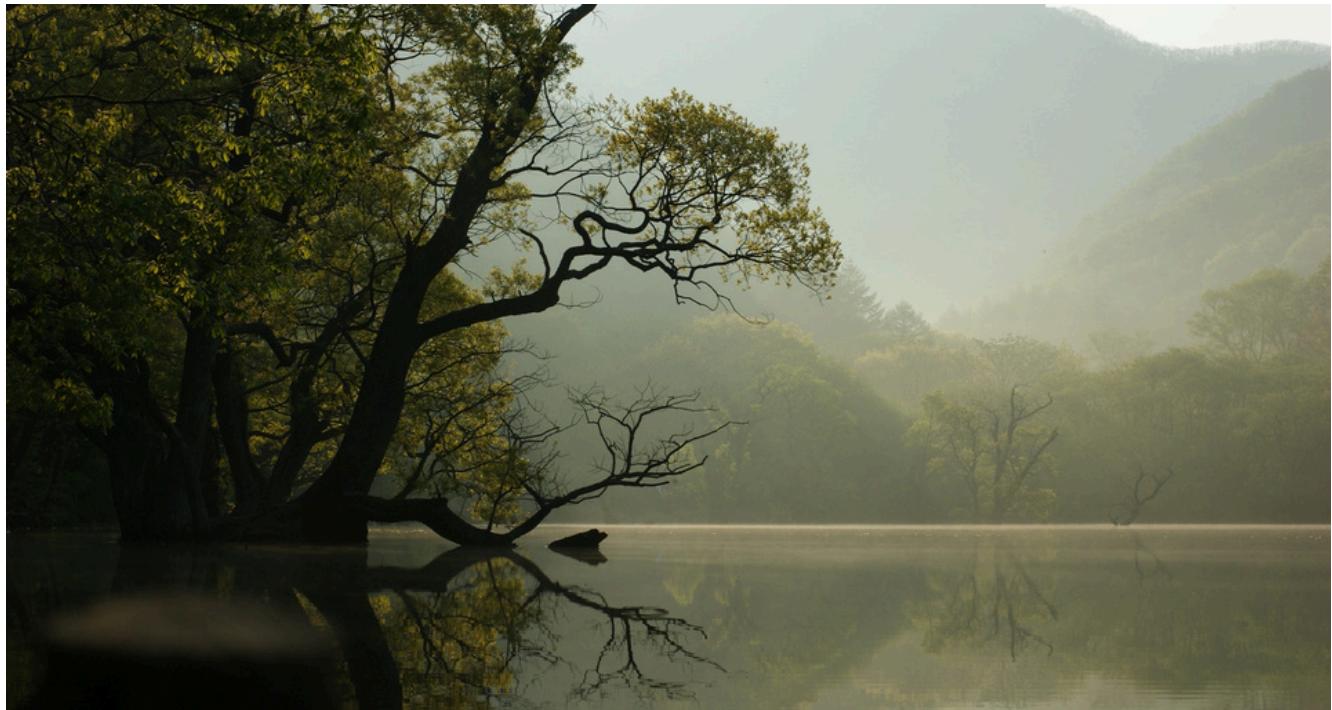Co-founder, Co-Creation Hub (CcHub)

02

Oluseun Onigbinde

Global Director, BudgIT

03

Wilfred Ekpo

CEO, Findworka

These interviews are available as part of the Flywheel Economics Podcast

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