



NATIONAL OFFICE FOR TECHNOLOGY ACQUISITION AND PROMOTION (NOTAP)

**REVISED GUIDELINES ON
LOCAL VENDOR POLICY IN THE
REGISTRATION OF SOFTWARE
LICENCE AGREEMENTS IN NIGERIA**

AUGUST, 2024



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**A PUBLICATION OF THE NATIONAL
OFFICE FOR TECHNOLOGY
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CONTENTS

FOREWORD.....	iv
DEFINITION OF TERMS.....	vi
INTRODUCTION.....	1

CHAPTER ONE 3

1.0	CONCEPT OF SOFTWARE LOCAL VENDOR.....	3
1.1	NOTAP'S EXPERIENCE OF LOCAL VENDOR POLICY IMPLEMENTATION.....	5
1.2	REVIEW OF THE LOCAL VENDOR POLICY.....	5
1.3	IMPLICATIONS OF THE REVIEWED SOFTWARE LOCAL VENDOR POLICY.....	5

CHAPTER TWO 6

2.1	LOCAL VENDOR.....	6
2.1.1	CLASSIFICATION OF LOCAL VENDORS.....	7
2.1.2	SERVICES RENDERED BY LOCAL VENDORS.....	7
2.1.3	ELIGIBILITY CRITERIA OF A LOCAL VENDOR....	7
2.1.4	OBLIGATIONS OF LOCAL VENDOR.....	9
2.2	LICENSOR.....	10
2.2.1	PROFILING OF THE LICENSOR.....	10
2.2.2	OBLIGATIONS OF LICENSOR.....	10
2.3	END-USER.....	12
2.3.1	PROFILING OF THE END-USER.....	12
2.3.2	OBLIGATIONS OF END-USER.....	12

2.4	FEES.....	13
2.5	IMPLEMENTATION STRATEGY OF THE LOCAL VENDOR POLICY	14
2.6	TYPES OF LOCAL VENDOR SUPPORT.....	16
2.7	ENFORCEMENT OF THE PROVISION OF THE NOTAP ACT AND LOCAL VENDOR POLICY	16
2.8	CONSEQUENCES OF NON-COMPLIANCE.....	17
	CHAPTER THREE	18
3.0	GENERAL CONDITIONS OF THE GUIDELINES	18
3.1	CONCLUSION.....	19
	ANNEXURE	20
	SOFTWARE SUPPORT LEVEL	

FOREWORD

The Guidelines on Local Vendor Policy in the Registration of Software Licenses in Nigeria set out the procedure for the acquisition of foreign software and the development of indigenous ones to strengthen industrial growth in Nigeria.

The National Office for Technology Acquisition and Promotion (NOTAP) in implementing its mandate observed that most service delivery has shifted from manual process to machine process. Also majority of the business transactions in Nigeria are powered by imported software without a concerted effort to develop and use indigenous software.

This led to the development of Local Vendor Policy. The policy which entails investment in human capital and product development is aimed at transforming the economy. The Local Vendor Policy states that Nigerian ICT companies must be involved in the implementation and maintenance of any foreign software deployed in any sector of the Nigerian economy.

It also maintains that the Nigerian ICT company should be involved in the first level Annual Technical Support (ATS) of the software deployed. Local ICT companies would earn at least 40% of the Annual Technical Support fee while the technical partner that provides advance support would earn at most 60% of the ATS fee.

Consequently, the implementation of the policy creates an enablement for skills acquisition and provides financial support for the local vendor. It also facilitates the development of indigenous products and provision of support services which can

complement the functionalities of the imported software.

It is envisaged that with deliberate efforts in the implementation of the policy by all the stakeholders (end-users, local vendors and regulators), the Nigerian Software Ecosystem would be enabled to support businesses in Nigeria thereby facilitating the industrial and economic development of the nation.

Dr. Barr. Lady Oby Amadiobi

Director General/Chief Executive Officer

National Office for Technology Acquisition and Promotion

DEFINITION OF TERMS

- ATS** – Annual Technical Support Services
- ATS fee** – Charges for Services of Assistance and Maintenance on software being paid on annual basis
- CAC** – Corporate Affairs Commission (CAC)
- Customization Services** – is the modification of packaged software to meet individual requirements
- End-user** – The beneficiary of the software deployed by the local vendor from the licensor
- IT** – Information Technology
- ICT** – Information and Communication Technology
- Implementation fee** – An extra fee for setup, or actual technical implementation/customization that is being paid in addition to what was paid for the purchase of software product
- IT Professional Body** – A non-profit organization established to advance the understanding of ICT matters within a given community, corporate and government sectors
- Licence fee** – A fee charged for the right to use, access, or maintain software programs.

Licensee – indigenous IT company that uses or has licence to resell, implement or maintain software products

Licensors – foreign owner or reseller of the licensed software who grants user license to the end-user at a license fee

NOTAP – National Office for Technology Acquisition and Promotion

Software Escrow Agreement – A three party agreement between a software developer, end user and the Escrow Agent which outlines the responsibilities of all the parties and includes the pre-defined release conditions.

Software local vendor – a registered IT company in Nigeria that serves as the intermediary between foreign Licensors and Nigerian end-users in the software ecosystem

INTRODUCTION

The advent and related challenges of emerging technologies demand that nations must review and devise commensurate policy and strategic framework responsive to national interest. Therefore the local vendor policy, an initiative of the National Office for Technology Acquisition and Promotion (NOTAP) was designed to empower the software ecosystem in Nigeria to develop skills and products that can possibly substitute the ever increasing demand of foreign software into the Nigerian economy. It became operational in 2006 as part of NOTAP's efforts to reduce the high rate of consumption of foreign software through stimulation and development of indigenous software and also create job opportunities for Nigerians, pursuant to Sections 4 (a and c) of NOTAP Act.

The introduction of the policy was prompted by the stakeholders' forum organised in 2006 by NOTAP to discuss ways to mitigate the high rate of consumption of foreign software by Nigerian users. The policy therefore makes the involvement of local Information Technology (IT) companies otherwise known as Software Local Vendors mandatory in the implementation and provision of support, maintenance and upgrade services to facilitate the registration of software-based technology transfer agreements by NOTAP.

The primary aim of the policy is to enhance the development of indigenous software solutions and capacity in local IT companies through knowledge transfer with a view to reduce dependence on foreign software solutions thereby saving the

country enormous sums in foreign exchange expended on payments of the foreign software solutions.

The involvement of the Local Vendors in the provision of the services enables the vendors build their capacity through understudy and trainings received from Original Equipment Manufacturers (OEM) and other software licensors. It also stimulates their financial strength from the minimum 40% Annual Technical Support (ATS) fee they receive for their involvement in the implementation of the software license agreements.

CHAPTER ONE

1.0 CONCEPT OF SOFTWARE LOCAL VENDOR

A Software local vendor is a registered IT company in Nigeria that serves as the intermediary between foreign licensors and Nigerian end-users in the software ecosystem. The local vendor partakes in either sale and/or provision of software related services to a certain degree ranging from support, maintenance, upgrade and implementation services directly to end-users on behalf of a licensor. Under this arrangement, the local vendor adds value in the software implementation through customization of the product to the business environment of the end-user.

A software local vendor is usually appointed by a licensor or an end-user to serve as distributor/reseller of the licensors software products. The vendor extends the reach of the licensor to the end users by providing necessary support services.

1.1 NOTAP's EXPERIENCE OF LOCAL VENDOR POLICY IMPLEMENTATION

The findings of the Office of the policy implementation in the last fifteen(15) years show that the policy is characterized by modest achievements but fraught with challenges. The policy has enabled some IT companies in the country to engage in the provision of support services on behalf of licensors in software license agreements. Notable ICT companies in Nigeria have leveraged the policy to step from being hardware distributors to giant solution developers, support services providers and distributors of core applications. Robust products have also been

developed locally and deployed into the Nigerian software ecosystem with good performances.

On the other hand, imperfections of the policy were attributed to the actions of some stakeholders – licensors, local vendors and end-users. In the case of the licensors, some constantly and flagrantly defy paying in full the minimum 40% ATS fee or do not pay at all to the local vendor, while others don't appoint a local company nor pay at all.

Also, the lack of expertise arising from absence of skills/ training and capacity to render the services by some of the local vendors has been identified as another challenge in the implementation of the policy. Some of the vendors do not invest in their staffs' capacity and infrastructural development. Consequently, the demand and consumption of the foreign software in the Nigerian economy is still on the increase.

Another hindrance to the adoption or success of the local vendor policy is the lack of incentives such as financing, tax rebates, etc to the local vendors to take on the challenge of developing local equivalent of foreign software.

This development has therefore necessitated a review of the local vendor policy. The first step taken was the conduct of Survey on Software Local Vendors and End-users implementation which was followed by Stakeholders Roundtable Workshop.

The recommendations of the reports of both events and the experiences of the Office pursuant to Section 4(a) of NOTAP Act formed part of the input to this NOTAP Local Vendor Policy.

1.2 REVIEW OF THE LOCAL VENDOR POLICY

The review of the software local vendor policy is carried out to attain the desired objective of enhancing the competency of Nigerians in the area of software development and provision of support services. It is also aimed at bridging the gap in human capital and infrastructural development in the Nigerian software ecosystem as well as expanding the spectrum of opportunities available to Nigerians in the sector.

1.3 IMPLICATIONS OF THE SOFTWARE LOCAL VENDOR POLICY

The review will no doubt lead to greater capacity building and better service delivery translating to viable Information and Communication Technology (ICT) ecosystem. It will also reposition the policy to provide the impetus for local content development in the ICT sector.

CHAPTER TWO

2.1 LOCAL VENDOR

A local vendor is a registered Nigerian ICT company that is appointed by a software licensor or end user to take part in the implementation of software related services in Nigeria. They support businesses for growth and continuity. Support and Business continuity are key factors that ensure that businesses thrive and provide services which they were designed for. While the intended plans of the policy have yielded proportional positive results, poor service delivery on the other hand by some of the local vendors has been identified to have impeded far reaching effects of the local vendor policy.

2.1.1 CLASSIFICATION OF LOCAL VENDORS

Local Vendors can be classified according to their level of support and involvement in the implementation of the agreement.

- i. Full implementation – Where the level of involvement in the implementation and support of the agreement is completely carried out by the local vendor.
- ii. Partial implementation – Where the level of involvement in the implementation and Support is in part (level Support)
- iii. Non involvement – End-user or the OEM provides implementation and support

2.1.2 SERVICES RENDERED BY LOCAL VENDORS

The responsibility of local vendors engaged in the execution of software based technology transfer agreements is to render services to the end-users on behalf of licensors. The services are mostly rendered on the site where the software solutions are being deployed. The local vendors are the first point of call by the end-users to address technical issues that may arise. Suffice to say that the nitty-gritty of the services are being rendered by the local vendors while the licensors intervene only when an issue is escalated by a local vendor. The local vendors provide spectrum of software services that include the following:

- i. Implementation services
- ii. Support (first level, second level and third level) services
- iii. Annual Maintenance services
- iv. Customization services
- v. Upgrade and training services

See Annexure 1 for IT Support level

2.1.3 ELIGIBILITY CRITERIA OF A LOCAL VENDOR

Nigerian companies desiring to become local vendors for the support of software license agreements between a licensor and licensee must meet the following minimum criteria:

- i. Maintain good corporate governance
- ii. Duly registered with Corporate Affairs Commission (CAC)
- iii. Have physical presence for its operations in Nigeria

- iv. Settlement Bank Accounts must be a Naira Account
- v. Should have not less than 60% local equity ownership by Nigerians resident in Nigeria
- vi. Certified by related IT professional body in Nigeria
- vii. Possess qualified technical, experienced, knowledgeable and trained staff in the field
- viii. Have clear sustainability and continuity plans
- ix. Membership of Institute of Directors (IOD)
- x. Must show commitment to train its staff on a regular basis (Show existing or planned training programmes schedule)
- xi. Provide evidence of efficient, quality and timely services rendered to software end-users
- xii. Must have evidence of appointment as support service provider from the licensor or the end-user
- xiii. Must provide Service Level Agreement (SLA) between the end user and local vendor or between licensor and local vendor
- xiv. Provide actual level of partnership between local vendor in partnership with OEMs or reseller
- xv. Must exhibit capacity to render services professionally
- xvi. Value-Adding resellers are regarded as local vendor

- xvii. For resellers to be classified as local vendor, they should provide capacity to render maintenance and support services
- xviii. Local vendors must submit their corporate profile

Due diligence may be carried out on companies that present themselves as developers or vendors in order to validate whatever products put forward to avoid intellectual property issues arising from the use of open source codes

2.1.4 OBLIGATIONS OF LOCAL VENDOR

The local vendor shall:

- i. Provide timely and professional services to the end-users based on the provisions of the SLA
- ii. Always keep log of responses to end-user requests for support
- iii. Endeavour at all times to advance the capacity and capability of its staff through training and certification
- iv. Supply upon NOTAP request expenditure on staff training, product and infrastructural development
- v. Prepare and participate at software exhibition organized by NOTAP to showcase locally developed software
- vi. Demonstrate capability to assimilate the technology being supported
- vii. Demonstrate capacity to develop similar products

Nigerian company which is a subsidiary of the licensor and is more than 60% owned by the licensor or its affiliate or related party cannot be a local vendor

2.2 LICENSOR

A licensor is the OEM or reseller of the licensed software who grants user license to the end-user at a license fee usually in foreign currency.

2.2.1 PROFILING OF THE LICENSOR

For the purpose of implementation of this policy, detailed information about the licensor shall always be provided to NOTAP by the licensee at the point of application. Such information should include the identity and profile of their distributors (if any)

2.2.2 OBLIGATIONS OF LICENSOR

Licensor shall:

- i. Enter into license agreement with the licensee or end-user as the case may be
- ii. Such license agreements should not be unduly restrictive to hamper skills acquisition and development of the licensee and end-user.
- iii. Encourage and support the training and certification of licensee, local vendor and end-user staff.
- iv. Issue authorization letter to all of their distributors; such authorization letters shall indicate the level of

involvement of the distributors in the implementation of the agreement

- v. Strictly adhere to and comply with the provisions of the local vendor policy as a national development strategy of the Nigerian government.
- vi. Be committed to R&D programmes with the local vendor
- vii. In the case of cloud services, the component of the services in the cloud services should be broken down by the licensor for NOTAP to avoid payment for services on infrastructure and other locally available services
- viii. In recurring licenses, OEMs are entitled to 100% of License fee for the first year. However, where the license is recurring yearly, OEM is entitled to only 60% of the License fee.
- ix. A subsidiary of the licensor which is more than 60% owned by the licensor or its affiliate or related party cannot be a local vendor;
- x. In cases of solution with cloud and shared services, licensees should provide breakdown of the scope of the services to include only services that are not available locally.

2.3 END-USER

The End-user is the beneficiary of the software deployed by the local vendor from the licensor. The end-user may be any entity that procures and uses foreign software for its operation for which offshore payment is to be made.

2.3.1 PROFILING OF THE END-USER

End-users that are licensed foreign software and seeking payment to be made in foreign currency should submit the application to NOTAP for registration by virtue of Section 2(a) of NOTAP Act.

2.3.2 OBLIGATIONS OF END-USER

The End-user shall:

- i. Sign Service Level Agreement (SLA) with the local vendor
- ii. Keep log of support services provided by the local vendor
- iii. Always provide letter of satisfactory services rendered by the local vendor
- iv. All software license applications must be supported by a local vendor. Where the first level support (see definition in annexure 1) is offered by end-user, the end-user should comply with the local vendor policy
- (v) In cases of solution with cloud and shared services, end-user should provide breakdown of the scope of the services to include only services that are not available locally.

2.4 FEES

The following fees are charged and payable in Software Licences in the Nigerian economy. Such fees include:

- a) Licence fee
- b) Implementation fee
- c) Annual Technical Support (ATS) fee
- d) Local Vendor Support fee (40% of ATS fee)
- e) Recurring Licenses
- f) Cloud Subscription Licence
- (g) Registration fee on excess remittance (10% of Excess Remittance)
- (h) Penalty fee for late submission of application (N100,000)

2.4.1 Pursuant to the fees payable in a Software Annual Maintenance, end-users/licensor should pay at least 40% of ATS fee to local vendor

2.4.2 Locally developed software should attract between 15-23% of cost of licence fee as annual technical support fee just like foreign software

2.4.3 Where the maintenance of the locally developed and deployed software is carried out by another local vendor, that other vendor maintaining it should be paid at least 40% of the ATS fee

2.5 IMPLEMENTATION STRATEGY OF THE LOCAL VENDOR POLICY

The implementation of the policy involves the registration of technology transfer agreements entered by the licensee and the licensor and also to monitor strict adherence of the local vendor policy by all parties.

The implementation of the policy would be undertaken with complementary regulatory functions for the full realization of the objectives of the policy. Sanctions would be imposed on erring stakeholders – local vendors, end users and licensors – of the policy. It may lead to blacklisting of defaulters of the policy. Licensors cannot pick sections of the policy but should implement the policy as a whole.

NOTAP in the implementation of the Local Vendor Policy would adopt the following strategies:

- i. Registration and classification of local vendor companies
- ii. Profiling of Local Vendors
- iii. Ensure that only local vendors that met the eligibility criteria would be allowed to be engaged in the implementation of software based agreements
- iv. Create reporting channel to enable software end-users and local vendors lodge complains
- v. Ensure that approval of Software License Agreements would be granted only when there is full compliance of the policy by the relevant stakeholders

- vi. Supervise and monitor the transfer of skills from the licensor to the local vendor
- vii. Register and deregister local vendors as the case may arise based on their degree of compliance or otherwise
- viii. Monitor the performance of the Local Vendors in relation to services provided to end-users
- ix. Carry out sensitization campaigns and organize software exhibitions
- x. Monitor the operations of the local vendor and OEM to ensure strict compliance of the Policy
- xi. Develop a database of the Licensor, End-Users and Local Vendors products and services
- xii. Notify Licensor of the infringement of the Local Vendor Policy
- xiii. Create awareness on the local vendor policy to the end-users of the software and the licensors
- xiv. Report erring licensor to parent body or to country trade organization of the Licensor of such infringement;
- xv. Take necessary action on defaulting Local Vendors
- xvi. Collaboration with relevant government agencies in other countries towards the implementation of the Policy
- xvii. Ensure that award Letter to Local Vendors are denominated in Naira
- xviii. Ensure that Local Laws (Jurisdiction and Tax laws) are complied with by Licensors

2.6 TYPES OF LOCAL VENDOR SUPPORT

In order to qualify for a category, Companies should show verifiable evidence of training via certification or other means of knowledge in the particular product which is being supported and must be able to provide support beyond tier 0 (See Annexure I)

2.7 ENFORCEMENT OF THE PROVISION OF THE NOTAP ACT AND LOCAL VENDOR POLICY

NOTAP has been empowered by Executive order (Approval) to enforce the provisions of section 4(d) of NOTAP ACT CAP N62 LFN 2004 and the provisions of this local vendor policy.

NOTAP shall deploy all available regulatory instruments to enforce compliance of this policy.

There should be proper evaluation and monitoring of engaged local vendors to render support services. Under the policy, non compliance includes

- i. Non-adherence to good corporate governance
- ii. Licensor's not training the Local Vendor to provide the requisite support
- iii. Licensor or End-user paying less than 40% of ATS fee to Local Vendor
- iv. Local vendor non training of staff
- v. Local vendor not providing agreed support as contained in the SLA to End-users
- vi. End-users not providing measurable feedback to NOTAP

- vii. End-user or Licensor is free to replace the Local vendor company with another which meets with the minimum registration requirements and proves to have expertise in handling the scope of services
- viii. OEM refusal to abide by the provisions of this policy in terms of payment of required percentage of ATS fee, avoidance of tax deduction on remittable fee and non compliance with local jurisdiction
- ix. A local vendor accepting to receive ATS lower than stipulated percentage

2.8 CONSEQUENCES OF NON-COMPLIANCE

Local vendors are encouraged to report to the Office in writing any vendor, end user or OEM sabotaging the policy by refusing to abide by any provision of this policy. Consequently, any vendor, OEM or end user found defaulting in any provision of the policy shall:

- i. Face disciplinary measures as may be deem fit by the office
- ii The government of the country of origin of the OEM(s) shall be contacted in cases of perpetual non-compliance with details of the illegal practices of their company in Nigeria.
- iii. Any other measures as the Office may deem fit.

CHAPTER THREE

3.0 GENERAL CONDITIONS OF THE GUIDELINE

Priorities shall be given to locally developed software that are certified in the event of similar functionality with imported products

- i. All OEMs doing business or whose products are distributed in the Nigerian economy should be aware of and abide by the provisions of this guideline. Such knowledge should be assumed to have been made known to them through their vendors
- ii. All products (locally developed or imported) deployed in the Nigerian economy should be registered in the Depository of Software Available in Nigerian economy domiciled in NOTAP
- iii. The Office shall make recourse to the depository of locally available software in its evaluation of foreign software in the event that alternative ones are readily available
- iv. All local vendors distributing and supporting imported software should be made to show a proof of awareness of the provision of this policy to their foreign partners
- v. Local vendors should regularly and upon request from NOTAP provide certification evidence from End-users on effective support services and competencies in service delivery

- vi. SLAs between local vendors and End-users should be submitted to NOTAP upon request for payment of ATS fee
- vii. OEM certification of staff of local vendors should be submitted to NOTAP alongside submissions for approval of ATS fee
- viii. Local vendors should periodically inform the Office and update their records on the database of locally developed software domiciled in NOTAP
- ix. Any support services associated with cloud based licence and subscription must be carried out in collaboration with Nigerians. In situations where Nigerians are not involved, the OEM will forfeit the ATS fee
- x. The scope of services for cloud based software should be broken down henceforth to avoid fees being tied to the use of infrastructure or products that should be locally available
- xi. There shall be periodic software exhibition organized by NOTAP which local software developers should exhibit their locally developed products to upgrade their status as local vendors

3.1 CONCLUSION

This reviewed local vendor policy is a working document of the Office developed pursuant to Section 4(a) of NOTAP Act. It is subject to periodic review in line with evolving trends in NOTAP technology acquisition process in the ICT sector.

ANNEXURE I

SOFTWARE SUPPORT LEVEL

IT Support Level	Function	Support methodology	Staffing needs
Tier 0	Self-help and user-retrieved information	Users retrieve support information from web and mobile pages or apps, including FAQs, detailed product and technical information, blog posts, manuals, and search functions. Users also use apps to access service catalogs where they can request and receive services without involving the IT staff. Email, web forms, and social contact methods such as Twitter, LinkedIn, etc., are used to send questions and requests to upper support tiers or company personnel. Customer forums allow users to crowd source solutions, usually without input from company personnel.	Tier 0 requires technical and marketing resources to create, maintain, and update product information. A development team handles web site and app creation. Moderators are used to monitor customer forums. Tier 1 personnel respond to requests received through email, web sites, or social media.
Tier 1	Basic help desk resolution and service desk delivery	Support for basic customer issues such as solving usage problems and fulfilling service desk requests that need IT involvement. If no solution is available, tier 1 personnel escalate incidents to a higher tier.	Lower-level technical personnel, trained to solve known problems and to fulfill service requests by following scripts.

Tier 2	In-depth technical support	Experienced and knowledgeable technicians assess issues and provide solutions for problems that cannot be handled by tier 1. If no solution is available, tier 2 support escalates the incident to tier 3.	Support personnel with deep knowledge of the product or service, but not necessarily the engineers or programmers who designed and created the product.
Tier 3	Expert product and service support	Access to the highest technical resources available for problem resolution or new feature creation. Tier 3 technicians attempt to duplicate problems and define root causes, using product designs, code, or specifications. Once a cause is identified, the company decides whether to create a new fix, depending on the cause of the problem. New fixes are documented for use by Tier 1 and Tier 2 personnel.	Tier 3 specialists are generally the most highly skilled product specialists, and may include the creators, chief architects, or engineers who created the product or service.
Tier 4	Outside support for problems not supported by the organization	Contracted support for items provided by but not directly serviced by the organization, including printer support, vendor software support, machine maintenance, depot support, and other outsourced services. Problems or requests are forwarded to tier 4 support and monitored by the organization for implementation.	Preferred vendors and business partners providing support and services for items provided by your company.