

INSIGHTS FOR THE QUINTESSENTIAL INVESTOR

momento

**SECURITIZATION:
A RAY OF LIGHT**

**IS AFRICA READY
FOR THE DATA
REVOLUTION?**

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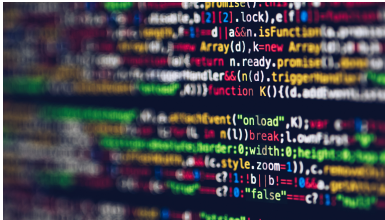
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As humans, we have various needs. Maslow's hierarchy of needs identifies them as basic, psychological and self-fulfilment needs.



EDITOR'S NOTE



Three months of Memento!!!! I must say the reception has been surreal and I have you - my avid readers - to thank for that. The work that goes into each issue is not a walk in the park, but you make it worth it in the end. I am also especially grateful to my contributors who have made this issue a reality.

The persistence of the COVID-19 pandemic - especially with recent de-openings in Europe and possibly in some parts of Africa over the next few weeks - has intensified the pre-existing global food crisis. Food prices are accelerating at a record pace, while income levels are yet to recover to pre-pandemic levels. Considering this, I examined the role China is playing in worsening the food crisis for about 10% of the world's population in **Fishing for trouble** (Page 05).

Gospel Obele - an Economist, a Market Intelligence expert, and the CEO of Streetnomics - weighed in on the paucity of data in Africa and how data can drive the continent's development in **Is Africa ready for the data revolution?** (Page 07).

Another critical factor required to achieve rapid economic development is the quality of human capital. Therefore, in **Synergizing human needs and human resources**, **Adedamola Ojo** - a human resource consultant and the founder of People Sphere Management - emphasizes the importance of paying attention to employees' needs for businesses to achieve their overall objectives (Page 15).

In **Securitization: A ray of light**, **Yusuf Ogunbiyi** - an alternative investment expert - alludes to the fact that securitization could improve access to finance in the agriculture sector while **Oladeji Bodunwa**, a tax professional, in **The nexus**

between corporate tax avoidance and tax transparency confirms that although taxes are unavoidable, transparency needs to be deepened.

As you flip through the pages of this issue, remember that the world feeds on itself and to be is to eat and be eaten. While you may be privileged and have a great choice of what to eat, in commemoration of World Aquatic Animals Day (April 3rd, 2020), lend your voice to initiatives that promote the health of the blue economy. Remember that it serves as a source of protein for about 10% of the world's population.

As always, I would like to hear from you. Reach out to me at info@mosopearubayi.com with your contributions, questions, and suggestions. As you may have also noticed, I dedicate a few pages to promoting small businesses. So, if you have a business that you would like me to promote in subsequent issues, feel free to hit me up as well. It is free.

Until the next issue, please continue to abide by the prevailing COVID-19 safety measures in your countries. I know it is Holi in India and the pandemic could be dulling the colours, but hang in there my Indian readers, it will be over soon. And I hope your lives always remain dipped in hues and blues. To my Christian brethren, Easter is in a few days and I am wishing you an "eggs"-straordinary Easter celebration.

Mosope Arubayi



FISHING FOR TROUBLE

BY MOSOPE ARUBAYI

The blue economy is at risk and China is a major culprit. China is the kingpin of illegal, unreported, and unregulated fishing (IUUF) globally. Although, fish do not necessarily observe national maritime boundaries, migratory fish are some of the most economically valuable and are thus extensively targeted. Increasing unlawful fish catches means fewer fish will reproduce yearly and the often-destructive practices employed by illegal fishing organizations destroys the biota of the ocean. Thus,

widespread illegal fishing creates a cycle of destruction that results in fewer fish growing to maturity and shrinking numbers of fish available for harvest by legitimate fishermen.

China is not only the world's biggest seafood exporter, but its population also accounts for more than a third of global fish consumption. Having depleted its own domestic fisheries long ago, Chinese vessels are seen across

coastlines of other countries, exploitatively fishing to satisfy both Chinese and international demand for fisheries.

Chinese fishermen target the coastlines of other countries, including those in West Africa and Latin America whose waters are poorly monitored due to a lack of the requisite policing infrastructure. The capacity

of most Chinese fishing fleet outsizes local boats from Senegal or Mexico as they can capture in one week as many as these local boats might catch in a year.

Chinese distant-water ships are infamous for belligerence and are often guarded, even on foreign waters, by armed Chinese Coast Guard vessels. Chinese commercial fishermen can be considered as paramilitary personnel in disguise whose atrocities the Chinese government can classify as private actions. Disguised as mere fishermen, these private combatants help assert territorial dominance, especially pushing back fishermen or governments that challenge China's sovereignty claims on other countries' territorial waters. The exploitative operations of Chinese vessels in developing countries' coastlines make the latter particularly vulnerable to food insecurity. While economic losses from illegal fishing may be difficult to quantify, it includes lost tax revenue, lost fishing industry jobs earnings, and the depletion of food supplies.

Chinese IUUF activities have continued unperturbed, despite provisional regulations. The European Union (EU), for instance, implemented an indirect enforcement system in 2010 that has proven effective in prompting sweeping changes in many states guilty of illegal fishing practices. Unfortunately, that system has only been used against less powerful countries that could not challenge the Europeans. Countries with less clout such as Philippines, Cambodia, Taiwan, Vietnam, and Thailand have all received stern warnings or been penalized by the EU while China continues to escape reprimand, with its far-reaching, and properly documented illegal maritime activities.

To avert the looming danger from this global maritime security threat, China must be held to account for its blatant abuse of the world's common food supply. The EU must exercise its own mechanism of enforcement by issuing a yellow card notice to China. With China as the largest exporter of fish and its related products to the EU, and ranking first in global fish and aquaculture trade, the EU cannot afford to continue ignoring China's illegal maritime practices.

Also, the corporations and individuals involved with China's massive distant water fishing fleet are prime candidates for targeted sanctions. Identifying fleet owners may pose a challenge, but it is not impossible. Satellite technology can be deployed to gather evidence to support such cases. The flag state regime offers another opportunity, and both flag

states and/or flags of convenience can be liable for the misconduct of ships operating under their flag.

While fishing may not strike many as an issue worthy of immediate concern, the prospect of collapse for a primary source of protein for more than 10% of the world's population is worthy of attention. In addition, evading regulation leads to the degradation of the global food supply as well as environmental damage in many cases. In my opinion, the reach and repercussions of China's at-sea ambitions highlight anew that the real price of fish is rarely what appears on the menu.

To avert the looming danger from this global maritime security threat, China must be held to account for its blatant abuse of the world's common food supply.





IS AFRICA READY FOR THE DATA REVOLUTION?

BY GOSPEL OBELE

Part of the age of globalization and the fourth industrial revolution is the rise and relevance of data and information for transformation. With over twenty (20) years of steady growth – maintaining an average overall rate of 5% GDP growth rate, Africa is noted to have reached a turning point in its history as a continent. As such, it has become necessary for the continent to leverage growth dynamics and unlock value chains on the premise of industrialization to expand markets reach, local gains, and local competitiveness.

These changing interesting times are characterized by favorable demographics, growing internal markets, rapidly growing service industry profiting from improved digitization, market resilience, and support regulatory policy programs, all geared towards accelerating the pace of industrialization and continental growth and development.

For the growing number of surviving and thriving businesses in the region, there is a growing need for cultural and consumer intelligence, owing to behavioral complexities; the rising struggle for personal attention and empathy; the war between rationality and irrationality; and the stories that further shape buying decisions and narratives. The innovation community has come to understand that despite so many “solutions” around, problems still exist in growing wild patterns, leading to the need to carefully understand problems and their varying causation mechanisms in order to provide bespoke solutions.

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In trying to remedy these challenges, data has been introduced and engaged at a surface level, with a growing emphasis on technological platforms and career prospects, than on the core human capital and analytical mindset and soft skills required to drive systems development through data and intelligence. Basic data collection skills are still very much rare, both in the private and public, as there have been low application and strategic use of data across the value chain for institutions.

Particularly, organizations need to embrace action learning to solving their day-to-day business problems as it evolves and realizes that at the heart of this (action) learning for organizational change and development is a strong culture of using and building intelligent systems. To unlock the potentials of the African economy and development for its people there is a need to solve the data-to-transformation puzzle, which would require a collection of complementary efforts to enable them for impact. Some of these strategic requirements include:

- **Human Capital:** It is important to empower the human and the mind to think analytically, guide and tell the technology what to do to achieve the desired goals. The opposite has been the reality in the world today - we focus so much on technology and the software, that there is a growing dearth in analytical thinking (especially in Africa), in problem analysis, designing for intelligence, exploring information use, and proffering the right solutions. There must be a paradigm shift to the former because it is the quality of analytical-thinking behind the desk that determines the quality of design-to-solution.

- **Context:** This involves asking ourselves what the nature of the problem in the environment is, that we are trying to understand and proffer solutions for. What are the cultural and environmental nuances we must consider for effective application and data use? It is important to note that the higher the understanding of context, the better the design and application of science, the better the execution that increases the chances of getting the right and smart information required, and the more accurate and smarter the findings will be.
- **Technology:** This is critical for the execution, storage, and effective understanding of information, scenario planning, testing, and strategic use. There is a growing conversation on technology at the heart of the data transformation thus the emergence of concepts like data science, data mining, etc., but this also has been overemphasized at the expense of improving science and understanding contexts.

These three perspectives when put together with the right mix and synergy would go a long way to unlock and deploy Africa's data potential for more inclusive growth and development. Africa needs to be better prepared for the data revolution through core systematic investments that can penetrate institutions to foster transformational growth and development.

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SECURITIZATION: A RAY OF LIGHT

BY YUSUF OGUNBIYI

“Invest in a paddy farm and earn 13% in 4 months”. Investopedia describes securitization as the procedure where an issuer designs a marketable financial instrument by merging or pooling various financial assets into one group, which is then sold to investors. In layman's terms, this means an issuer can package several loans (or other assets) that pay interest and principal over a period, for onward sale to investors. The direct implication of this is that investors now have an added investment opportunity, helping to broaden the array of products already available to them. In addition to broadening and deepening the financial market, securitization affords the issuers the liquidity to extend the pool of loans they issue and help the overall market growth. In a nutshell, securitization provides two key-value addition to the financial market: market depth and growth.

The last five years have witnessed an astronomic rise in the number of platforms brandishing such statements. The most astonishing fact is that these platforms focus solely/largely on agriculture, heralding a wave of awareness in the return profile of agricultural enterprises. Put simply, these platforms have converted the loans extended to the original borrowers into a financial instrument that can be sold to investors i.e., they have successfully executed the process of **securitization** on the loans extended to the crop/livestock farmers. While I am not validating the numerous options that are rife on the internet, there is no doubt that these schemes have jaw-breaking benefits they bring to the overall capital market.



Bringing the conversation back to the agriculture sector, the rally we have witnessed in the products issued to the public has fulfilled the two value additions mentioned in the previous paragraph: market depth and growth. For the verified and authentic platforms, they have successfully provided investors with an alternative investment option, more so in an era of ultra-low yields, and they have also stimulated a boom in the market for agriculture-backed instruments.

Over the last five years, we have seen the yield offered by these instruments beat almost every other instrument in Nigeria's financial market and as a result, platforms offering these instruments have raised nothing less than ₦50bn. Like many other securitization processes, the innovation in the options provided by these platforms is tied closely with the creative structuring and design of the primary obligors. In addition, the structure has sought to close the market risks leveraging off-take contracts from key agro-processors in the country.

....securitization, if leveraged properly, can help solve some of the most daunting problems regarding access to finance that we face in the agriculture sector.

In all the instruments issued so far, two key themes are fast emerging, they are exchange-based products and non-exchange-based products. The exchange-based instruments are more robust, requesting that the issuers reveal more information about the elements of the underlying contracts, the key parameters, guarantee structure, and the overall product architecture. Although these products are not tradable as we speak, they lay the foundation for the future where these instruments will be tradable on the exchange and further expand the market for agriculture-backed instruments.

The most interesting question that keeps coming up is “will we be able to expand the market to a multi-trillion Naira market?”. This question is yet to be answered, but we all are waiting earnestly to see this day. The gains we have witnessed in the last five years have taught us two key lessons; that the agriculture market can be leveraged to design sophisticated financial instruments. And secondly, that the returns can be as competitive as other markets, if not more. It, therefore, seems like securitization, if leveraged properly, can help solve some of the most daunting problems regarding access to finance that we face in the agriculture sector.





THE NEXUS BETWEEN CORPORATE TAX AVOIDANCE AND TAX TRANSPARENCY

BY OLADEJI BODUNWA

“...but in this world, nothing can be said to be certain, except death and taxes.” – Benjamin Franklin

The quote by Benjamin Franklin about taxes is one of my favourites because the idea that taxes are so inevitable that they can be thought of in the same breath as death is very intriguing. More than intriguing is the fact that it is a truism. Looking at advanced countries, where government revenues are largely from tax, proves this. For instance, in 2019, the tax-to-GDP ratio in the US was 24.5%, 33% in the UK, and 38.8% in Germany. The entire OECD average for the

same time period was 32.9%. Tax is therefore serious business for everyone involved; taxpayers, tax administrators, and government at national and sub-national levels.

Nobody likes to pay tax. Therefore, taxpayers (especially corporate taxpayers) strive to ensure that they only pay their fair share of taxes by employing tax avoidance schemes. In its broadest sense, tax avoidance refers to an option within the ambits of the

legal framework which leads to a lower tax liability than would be applicable, had another option been chosen. Tax evasion on the other hand, although sometimes used interchangeably with tax avoidance, is conceptually different in that it involves a breach of the tax legislation through intentional non-disclosure or misrepresentation of facts to avoid paying taxes. So in a general sense, tax avoidance is seen to be acceptable while tax evasion is illegal and unethical. However, in the last 15 years, multinational entities (MNEs) have come under a lot of scrutiny for engaging in “aggressive” tax avoidance schemes which some have argued border on “unethical” or “immoral”.

For example, in 2013, a tech giant - Apple - was accused of using aggressive tax avoidance measures involving a “complex web of offshore entities” including its subsidiaries in Ireland, to avoid paying billions of dollars in US taxes while paying an effective tax rate of just 2% in Ireland in the preceding decade. In 2013 as well, Starbucks came under fire after it was disclosed that the company paid zero taxes in the UK after making sales of £400m in the prior year. The companies argued that everything they were doing amounted to tax avoidance and was therefore legal.

However, other stakeholders argued that such activities were unacceptable tax avoidance schemes. There were also major concerns around the penchant of MNEs to engage in profit-shifting activities which tax administrations globally frown at. MNEs are often able to optimize their tax burden by shifting profits from high-tax jurisdictions to low-tax jurisdictions. This profit-shifting behaviour can have an impact negatively on an individual country's tax revenues. The likely negative impacts of profit-shifting activities and aggressive tax avoidance led to calls for more transparency and accountability from MNEs.

In response to the challenges around profit shifting posed by aggressive tax avoidance, the OECD and G20 countries in 2013 launched the Base Erosion and Profit Shifting (BEPS) project to address behaviour by MNEs and ultimately ensure alignment of taxation of profits with the underlying economic activity and value creation. The OECD worked on 15 separate action plans to address BEPS and published a report in 2015. The action plans also include recommendations on transparency to address some of the challenges raised by tax avoidance.

Action 12 Mandatory Disclosure Rules provides recommendations for the design of rules requiring taxpayers and tax advisors to disclose aggressive tax planning arrangements. These recommendations seek to find a balance between the need for early information on aggressive tax avoidance schemes, with a requirement that disclosure is appropriately targeted, enforceable and avoids placing undue compliance

burden on taxpayers.

Several countries, including, the U.K., Canada, and Saudi Arabia, have implemented legislation on mandatory tax disclosure requirements which it is hoped will deter aggressive tax avoidance schemes and drive behavioural change in MNEs. In the U.K. for instance, large companies (with a turnover of £200m or more or assets more than £2b) are required to publish a tax strategy statement consistent with the overall strategy of the business. The general expectation is that such rules will also enable tax authorities to identify arrangements early on that could become aggressive, from a tax perspective, and provides them with the possibility to better target their audits or propose changes to their tax legislation.

There are however some concerns about the possible impact of such disclosures on the company's relationship with stakeholders and whether increased tax disclosures by themselves are likely to influence decision making or change the company's appetite for risk from a tax standpoint. Also, there is the request that transparency must be a two-way street. While MNEs are continually expected to be more proactive in their provision of information to the relevant tax authorities, these tax authorities must also be willing to make their contribution to a good and professional working relationship with the MNEs.

Action 13 Country-by-Country Reporting requires all MNEs to prepare a country-by-country report (CbCR) with aggregate data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which it operates. This CbCR is shared with tax authorities in these jurisdictions, for use in high-level transfer pricing and BEPS risk assessments. The CbCR process will allow for more accountability by MNEs to both tax authorities and the public, while also placing an obligation on MNEs to ensure alignment of taxation of profits with the underlying economic activity and value creation. In instances of misalignment, tax authorities would have the necessary information to determine the financial impact and identify and evaluate the major tax risks.

Overall, the existing measures around tax avoidance and transparency are only scratching the surface. The conversations around global tax transparency are still ongoing and stakeholders are striving to present and understand new ideas to increase the frontier of knowledge. This is clearly going to be a long walk.

...the existing measures around tax avoidance and transparency are only scratching the surface.

PEOPLE SPHERE MANAGEMENT

01

Business
Consulting;
statutory actions,
organisational
mapping/processes

02

Human Resource
Consulting;
Performance Mgt.,
Payroll, Statutory
Compliance

03

Recruitment;
Analyzing people's
need, creating job
roles&description

04

Career coaching
for graduates

05

- Branding
- Legal Aid

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SYNERGIZING HUMAN NEEDS AND HUMAN RESOURCES

BY ADEDAMOLA OJO

As humans, we have various needs. Maslow's hierarchy of needs identifies them as **basic, psychological and self-fulfilment needs**. We start looking for a job to be independent, we want to afford basic things for ourselves; clothing, airtime, internet, food, if possible, get a place to live. Some people might argue otherwise and say they want to fulfil their dreams in a particular field that is why they are getting a job, so it means their basic needs are already available. You can also fulfil your dreams while providing for your basic needs.

So, what does human resource have to do with our basic needs in our workplace? Besides from the general view of what a human resource department does, which is literally centred around the employee life cycle, how does your human resource department make you feel? As a human resource manager, how do you make people feel at the workplace?

Years of exposure to organisations and individuals has made me realize that often the human resource department is not considered a 'friendly' department. Some refer to them as 'a necessary evil'. Employees tend to believe the department 'only has the employers' back'. No wonder policies created are just centred around the comfort of employers, which leads to high employee turnovers and a drop in productivity.

Until we start taking employees' needs into consideration, organizations are not likely to get the best from them. They might succeed in reaching their targets, but what does it take to get them to exceed their targets? While creating policies, the human resource



should find a balance between the employers' goals and employees' expectations and ensure transparency in the process.

Often, human resource managers do not get to know their employees on a personal note. Employees' basic needs may be a new apartment that is close to the office, a desire to live in a safe environment or move away from relatives that abuse them mentally. The scenarios of employee needs are endless and can pose strains on productivity. Maintaining an open-door policy can help bridge the ever-widening gap between employees and management. Empathy is also crucial in human resource management. It is particularly important to strike a balance between empathy and productivity.

Human resource managers need to know their employees' 'work-love language'

Paying attention to employees' basic needs can help address their psychological needs in tandem. Employees feel appreciated in environments that allow them to express themselves, and understand their needs and/or motivating factors. Human resource managers need to know their employees' 'work-love language', bearing in mind that individuals vary and so does what motivates them individually. Successfully fulfilling the basic and psychological needs allows employees to thrive. It gives them a sense of self-fulfillment/self-actualization, allowing them to reach their full potential.

Job seekers should cultivate a habit of asking questions about the people's culture and policies available in an organization that they may wish to take up employment.

I am an advocate for the new human resource era, and I believe it is important to treat people as an essential factor in achieving business' overall objectives.



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CAREER IS THE
ENGINE OF YOUR
WEALTH*

PAUL CLITHEROE