

INSIGHTS FOR THE QUINTESSENTIAL INVESTOR

momento

**BLACK TAX - PAYING IT
FORWARD OR FINANCIAL
BURDEN?**

**THE HYDRA-HEADED
ATTACK ON GLOBAL
FOOD SECURITY**



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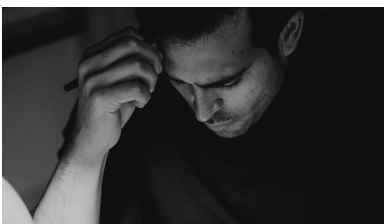


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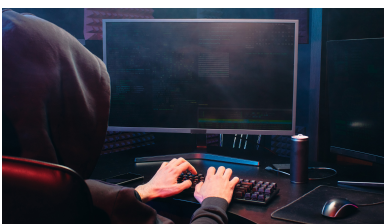


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EDITOR'S NOTE



I had hoped for a tension-free March, but that was not to be. March was quite sobering for Nigerians, to say the least, with incessant attacks on citizens in the Northern region of the country. The impact of the transportation siege by armed bandits in Kaduna, Nigeria which saw operations at the airport disrupted, and road and rail travel rendered unsafe is still not being magnified as it should, raising more questions than answers. The unceremonial loss of Nigeria's national football team to the Black Stars of Ghana also cemented Nigeria's fate of not participating in the world cup championship in Qatar, later in the year.

But on a personal note, I recorded a few wins in my professional and academic life regardless of the wider-dark cloud. New learning certificates, new reports published, new friends, new foes, etc. Unfortunately, not many black persons are as fortunate as I am, many still rely on support from friends and family to pull through. In **Black tax - Paying it forward or financial burden?** (Page 09) **Olukayode Olayemi** sheds light on the tacit black system of providing support and how black benefactors can optimize their financial goals in the process.

Not just black people, but countries are equally going through a rough patch - especially with the protraction of the Ukrainian crisis. In **The Hydra-Headed Attack on Global Food Security** (Page 05), **Yusuf Ogunbiyi** explores how the multiple crises are affecting global food security - particularly in the poorest countries who are considered to be the most vulnerable - and the role coordinated support has to play in averting a food crisis. Narrowing it down, **Gloria Waritimi** in **Should Ghana be worried about Russia's invasion of Ukraine?** (Page 07) highlighted Ghana's Achilles heel as far as the ongoing European conflict is concerned and how it can **better maximize its**

areas of comparative advantage.

Lastly, **Jeremiah Adesina** takes us through the world of cybersecurity as both poverty and digitization continue to proliferate. In **Cyber risk: The prevalent threat to business continuity** (Page 11), he emphasizes the importance of cybersecurity, preferring measures to better protect businesses' digital prints.

I hope you find this edition an interesting read, and if you have any questions in the course of reading, please feel free to reach out to me at info@mosopearubayi.com. Also, queries, comments, and suggestions are welcome.

It is already April!!!! The month of Ramadan and Easter. To my Muslim brothers and sisters, Ramadan Kareem. And my fellow Christians, I hope you have a wonderful Easter celebration later in the month.

On a final note, please always remember that you can change the world by being yourself.

Cheers to breaking new grounds in April!!!!

Mosope Arubayi



THE HYDRA-HEADED ATTACK ON GLOBAL FOOD SECURITY

BY YUSUF OGUNBIYI

The events of the past two years have been anything but soothing. Wave after wave of COVID-19 outbreaks resulted in large-scale disruptions in food production as well as the distortion of supply chain dynamics necessary to deliver food to dining tables across the world. As a result of these supply chain shortfalls, commodities such as soya beans, maize, and wheat hit multi-year highs in 2020 and 2021 as households and businesses ramped up demand for them.

Notwithstanding the rally we have witnessed in the past two years, it appears we are in for a long ride. In the past 3 - 9 months a number of factors have come to the fore as a combination of natural and man-made crises triggered what might be regarded as the most devastating food crisis in decades. These factors include; deteriorating climate conditions, rising energy and fertilizer costs, and the massive reduction in acreage planted.

- **Deteriorating climatic conditions:** As witnessed in 2021, the La Nina weather system continues to dominate the global weather conditions and we continue to witness drier than normal weather conditions in South America, South East Asia, and some parts of Europe. Estimates provided by the World Meteorological Organization indicate that the La Nina cycle will continue to hold over the next 3 - 6 months. This continued climatic condition is expected to affect the production of oil seeds such as soya beans and palm oil as well as the extracts that are produced from these oil seeds. Due to the interrelated nature of commodities, the shortfalls experienced in these commodities are likely to spread into the other commodities as households and industries switch raw materials needed into some other commodities.

- **Rising energy and fertilizer cost:** I am tempted to name this the “Russia-Ukraine war factor” as this war is primarily responsible for driving the current trend in energy and fertilizer costs. Since the invasion of Ukraine, the prices of energy commodities and fertilizer have risen significantly. This rally in prices is stimulating massive dislocations in crop production across the globe and is expected to remain so into 2023, or 2024 in some very extreme cases. Global farmers use fertilizers in large quantities to boost crop production and ensure that production is sustained. In addition, these farmers also consume mechanization through fossil-fuel-powered machinery like tractors, ploughs, and combine harvesters. These machinery are powered exclusively by energy commodities such as premium motor spirit and diesel in huge quantities. The compound effects of these increases in the prices of production inputs are poised to drive further the prices of basic food items consumed by households across the world.

- **Massive Reduction in Acreage Cultivated:** Of all the factors discussed in this article, the reduction in the acreage cultivated due to the Russia-Ukraine war might be the most impactful as it means that millions of hectares will be left uncultivated across Ukraine. This means that the already strained production environment will be constrained further by zero planting in key producing regions. To put into context, Ukraine (combined with Russia) contributes about 29% of the total wheat exported globally. In addition, the country is the largest exporter of sunflower oil, which is an alternative to palm oil. The direct implication of this is that countries across the middle east and Africa that depend on the wheat exported from that region will be forced to seek alternatives. No doubt, that will be a hard task to fulfill.

The compound effect of these factors is immense and based on estimates, could result in a loss of 15% in global food production. Already, a significant number of households are dealing with starvation and with these crop production constraints in play, the number of people facing food insecurity globally is poised to continue rising. This could lead to widespread unrest, triggering food riots in some of the affected countries.

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SHOULD GHANA BE WORRIED ABOUT RUSSIA'S INVASION OF UKRAINE?

BY GLORIA WARITIMI

In a bid to dislodge Russian armies from Ukraine in the ongoing war, at least 30 companies and organizations have taken stringent actions and 14 countries have imposed crippling sanctions on Russia. These sanctions however bear unintended consequences, even for Ghana. Russia as we would know is the third-largest oil-exporting country in the world, the leading exporter of gas, and the leading exporter of wheat. A resultant effect of the sanctions imposed on Russia is a spike in commodity prices - including oil. One would expect that a spike in

oil price would prove favorable for Ghana, being a net exporter of crude oil, this is however not the case.

Ghana imports a substantial share of finished petroleum products - like petrol and diesel - due to its defective local refinery. In a report by the Bank of Ghana (BoG), the country's oil import bill at the end of 2021 amounted to US\$2.7bn, about 3.8% of GDP, and about 80% of finished petroleum products. It is noteworthy that fuel pricing in Ghana is deregulated, making it directly affected by the international market. As

of 27 February 2022, the average price for petrol and diesel was GHC7.50/liter. By 14 March, it was trading at GHC8.62/liter, an increase of 14.93%. On 16 March, the fuel price had increased to GHC11.0/liter, causing citizens to protest online among fearful speculations that it would get even higher.

As a result, the spike in global oil prices is likely to escalate inflation in Ghana. Ghana's inflation is already a matter of concern given that it printed at 15.7% y/y as of February, against the 6% - 10% target range of the BoG. A report by Ghana Statistical Service showed that transportation and housing, electricity, and gas, were the biggest drivers of inflation, as of January 2022. Therefore, higher energy inflation will threaten the functioning of many businesses, as they may be unable to keep up with the cost and dent consumers' purchasing power, as it would nosedive.

Ghana's agriculture sector is also vulnerable to the ongoing conflict in Europe. On one hand, its farmers depend on inorganic fertilizers from Russia for farming. Data gotten from Africa Fertilizer Organization shows that in 2019, Russia supplied 11% of Ghana's total fertilizer. On the other hand, the surge in wheat prices is another soft spot for Ghana as it consumes about 85% of it in the form of bread, a staple food in the country. Not a wheat producer itself, Ghana imports from Canada (58.1%), Russia (23.1%), France (11.6%), and the US (7.18%).

While the long-term impact of the Russia-Ukraine conflict on the Ghanaian economy is still largely uncertain, price pressures are imminent in the near term and consumers will bear the brunt. In addition, a protracted conflict will add notably to the already existing issue of food insecurity in Ghana, particularly in the northern region. However, Ghana's policymakers can learn a thing or two from the crisis by seeking to be self-sufficient in products that are benefiting substantially from the crisis - case in point wheat and petroleum. Emerging economies need to seek self-sufficient measures and resilient strategies to achieve sustainable economic development because, in the event of a global economic crisis, they tend to feel the full brunt of it.

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BLACK TAX – PAYING IT FORWARD OR FINANCIAL BURDEN?

BY OLUKAYODE OLAYEMI

Many young Africans from middle and lower-class families often face the inescapable financial burden of supporting their extended families. This is especially so for firstborn children, who may be required to support their younger siblings as well as

their parents. If you are lucky, it ends there. Some also must deal with financial demands from uncles, aunts, cousins, and other relatives. To be clear, this burden is not only limited to older children. If you are the first to reach a certain level of success – graduate from university, get a job, etc., irrespective of your position in the family line, the financial burden of supporting the rest of the family falls to you.

The term ‘Black Tax’ refers to “the financial support that black professionals are expected to give their extended families.” It is often said that the Black tax has its origins in South Africa. However, it is a phenomenon that exists in many black and African communities on the continent and abroad. In his book ‘Born A Crime’, Trevor Noah writes - “My mother calls it

Black Tax because the generations who came before you have been pillaged, rather than being free to use your skills and education to move forward, you lose everything just trying to bring everyone behind you back up from zero.”

In a way, ‘black tax’ is a positive thing that serves to propel the whole family out of poverty. There are many people in black and African communities that have ridden on the black tax to pay their college tuition and have gone on to be very successful individuals. However, where the sponsoring individual is barely making enough, it can be a massive burden that makes it hard to move up social classes. If you are using all your income to support your family, you may not have anything left to invest in financial assets or in yourself to improve your earning potential.

In some ways, ‘black tax’ is a cultural obligation. As there are family setups that have been specifically designed with the intention that the children will support the parents financially. This is evidenced by large family sizes, which is not just a way to increase the number of hands that can work on the family land but a way to ‘diversify and hedge’ potential sources of resources to support the family. As such, I do not think it can be completely avoided, but it can be managed such that it does not become detrimental to your personal finances.

So how do you avoid being trapped by the Black tax?

- **Define Your Financial Priorities** - Always remember that you come first. As it is only if you are in a good position that you can help others. You also want to determine which needs are a priority.
- **Offer Solutions Instead of Cash** - Getting health insurance for vulnerable members of your family could be a way to keep medical bills moderate.
- **Set Clear Expectations** - Be clear on the conditions for which financial aid would be given

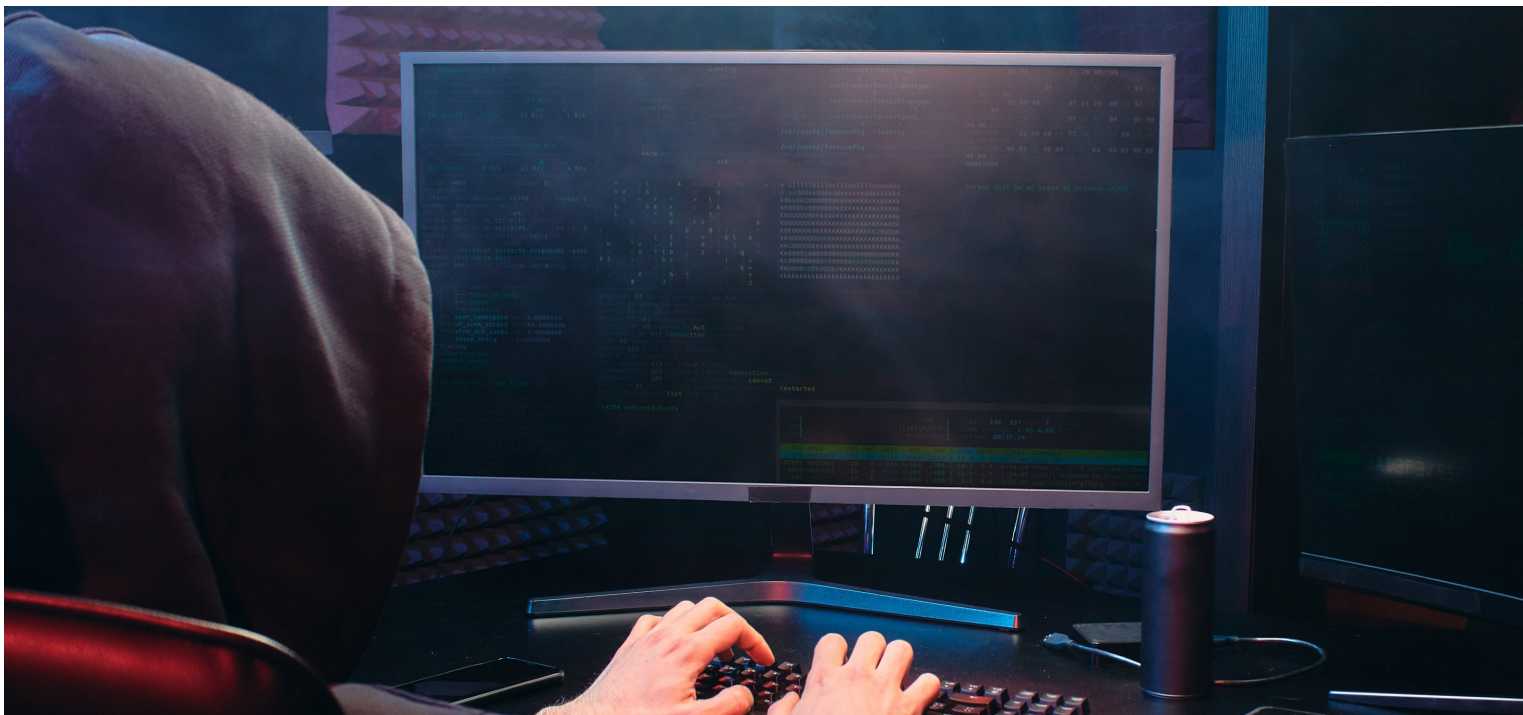
or withdrawn.

- **Empower Family Members**- Provide them with access to the platforms where they can access the knowledge and information to make better financial and career choices
- **Budget for black tax** - Make provision for ‘black tax’ in your budget. Determine the proportion of your income that is available to support family members
- **Do not take up a burden that belongs to another** - It is good to help. But do not accept a financial obligation that belongs to another. Help within the limits of your financial wellbeing.
- **Manage other people’s expectations by setting boundaries** - Clearly, communicate what is okay and what is not okay.
- **Do not be an enabler of bad money habits** - Encourage family members to take responsibility for their finances. Do not let anyone assume you will support them forever, set clear timelines and terms of support
- **Collaborate with family members** - Do not try to do it all alone. Find other members of your family that can contribute towards supporting family members in need.

10. Keep your financial information private - You do not want to make yourself a target by revealing how much you earn.

Tying it all together, you may want to look at ‘Black Tax’ as some form of community development initiative like the Corporate Social Responsibility (CSR) activities carried out by companies. Akin to how companies handle their CSR, it is budgeted for, and made from their gross profits. Be careful not to fritter all your money away through ‘Black Tax’. After all, you can only help others if you are in a thriving financial situation yourself. As such, you should prioritise your financial needs first before you give back to your community.

In a way, ‘black tax’ is a positive thing that serves to propel the whole family out of poverty.



CYBER RISK – THE PREVALENT THREAT TO BUSINESS CONTINUITY

BY JEREMIAH ADESINA

Sometime during the 2020 lockdown, Techcabal an online tech publication, reported that Twitter suffered an embarrassing cyberattack in which hackers broke into a number of verified accounts of popular individuals like Bill Gates, Jeff Bezos, and Elon Musk, sending out tweets offering to transfer US\$2,000 worth for every US\$1,000 sent to an anonymous bitcoin wallet. During the short period, the wallet link was shared, and over US\$100,000 donations were made.

Also, following the result of the annual research, “Top Ten Operational Risks” conducted by Risk.net, cyber risk ranked as the topmost operational risk for five consecutive years, from 2017 to 2021. This is no surprise as the threat from cyber-attacks is not only growing but also mutating into new and insidious forms and impacting a variety of industries worldwide. Increasing

interconnectivity, globalization, "commercialization" of cybercrime as well as the recent shift to remote working occasioned by the COVID-19 pandemic is driving greater frequency and severity of cyber incidents, including data security breaches.

The Institute of Risk Management refers to cyber risk as any risk of financial loss, disruption, or damage to the reputation of an organization from some sort of failure of its information technology systems. This risk can manifest in different forms including hacker attacks, data breaches, virus transmission, cyber extortion, employee sabotage, network downtime, multimedia liability, and human error. Any organization that stores personally identifiable information and relies on digital information, web pages, and the internet/networks/computers automatically face cyber risks. Cybercriminals do not

discriminate between organizations based on their size and location, and unfortunately, the financial sector, followed by the health sector is the most targeted industry.

The impact of a cyber risk event cannot be over-emphasized. This may include all or some of the following: loss of data, negative publicity, increased customer complaints & litigation, wasted man-hours, increased claims for damages/compensation, PR costs/crisis management costs, extortion by cybercriminals, data recovery & consultant costs (Legal/IT/Forensic), reputational damage. It may also involve direct financial losses.

Given the prevalence of cyber-attacks on organizations, the only question for most is when a cyber-attack will occur, not if it will occur. We should know that organizations cannot prevent an attack or failure, but they can mitigate the impacts by putting effective measures in place to make their businesses more resilient, agile, and fault-tolerant. The following measures can be taken to reduce successful events and/or manage them when they do occur:

- Regularly assess and evaluate the weak spots in your Information and Operational Technology systems by proactively running penetration testing to evaluate the effectiveness of the IT systems. Organizations should also be adequately prepared and plan for various scenarios as well as develop relevant risk response and continuity plans that will trigger immediate action when a breach occurs.

- Management should work closely with their Chief Information Officers (CIOs), Chief Information Security Officers (CISOs), and other relevant officers across their leadership team as well as their Board of Directors, to make proactive decisions about investments in suitable resources and infrastructures to achieve iron-clad security status.
- Organizations should consider buying a suitable insurance policy. This should also be clearly stated in their risk appetite.
- Organizations should establish clear lines of communication between chief risk officers (CROs) and those who have the responsibility for cyber security such as the CIOs and CISOs. There should also be an established process for delivering cyber security information reports (numbers of breaches, specific vulnerabilities) up to the board level.
- Among the drivers of risk, the human factor is pivotal as they constitute the strongest or weakest link. Hence, regular security awareness for all staff and specific training for staff responsible for cyber risk management will help to promote the right behaviour and consequently strengthen the organization's resilience to cyber-attacks.

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