

4th October, 2016

A LAYMANS GUIDE OUT OF THE RECESSION

This is a guide or road map by a man, whose knowledge of such “esoteric” science like Economics was learnt on the streets of the world; so calling me streetwise could be quite descriptive; lets go at how I think Nigeria can get out of the present economic quagmire and degraded Naira.

First; lets rescue the Naira;

CHANGE THE CURRENCY

No, not all the denominations but the ₦500 and ₦1000. We read the gory tales of how one of our former Military Chiefs would order his military accountant/pay master to exchange more than ₦800 million for dollars and other currencies every month end; we have heard about the soakaways and water tanks filled with Naira; we have heard about how the security details of one high ranking politician carted away more than ₦300 Million cash in one fell swoop; all our money that is stolen at the Local Governments Level, embezzled at the State Governments, parastatals and all the MDA's; All the pillaging and purloining, diverting and misappropriating at various Government houses; State Houses, Legislative Houses, Business Houses and Kickbacks and Kickfronts all of them are stocked and warehoused in cash in private safes; underground bunkers, store rooms etc. They are mostly not in the banks.

At every opportunity the owners invade the black market to exchange the Naira for Dollars, Pounds and other foreign currencies. These “owners” are prepared to buy the foreign currency at any price. Any price; because they have excess naira. These are the ones whose demand for forex devastates our naira.

Traders; real; business people and manufacturers who need forex to sustain their productivity are wary of replacement value and are fearful of the capacity of their customers and off takers to afford the new prices which the high cost of forex will impose; they are not going to buy forex at any price because their businesses and

customers will not be able to afford the increases; so they close shop, retrench, or change their line of business. They are victims; they keep hoping their banks will help them secure forex at bank rates.

So, if the Government announces tomorrow that the currency will be changed in two months; we will experience a complete battery of the Naira; it could exchange for as much as ₦2000 to the \$1 as most of these crookedly acquired Naira is outside the banking system and the owners of the Naira might not be able to return the money into the banking system because of the restriction on how much cash can be deposited in one transaction and the requirement of the Law that any deposit above a particular amount must be recorded and reported to the authorities. If you have ₦5 Billion cash; even if you employ your whole village; you will leave a trail, so to the black market to chase dollars all the “illegal” Naira will go.

The Government must change our ₦500 and ₦1000 currency before the end of 1st quarter 2017, if we want to attract all the huge money into the banking system. This will help the economy as all the banks will be aflush with cash and the liquidity crunch will vamoose; the banks will become liquid and awash with cash. They will immediately survive the Treasury Single Account (TSA) cash crunch and the banking economy will begin to look brighter with less pressure on the staff to go get deposits, because the only way those with all these moneys can exchange it for the new currency is to get it into the banking system.

REVIVE THE CAPITAL MARKET

I must confess that this idea unlike the first is not originally mine, I will give credit to our former President General Obasanjo; who while in support of the sale of some National Assets, prescribed that it be done through the Stock Exchange.

If you want a riot which no police force; JTF or any force can stop attempt to sell our stake in NLNG to any corporate or cabal or person or institution of whatever colour; But if like Obasanjo suggested, the government brings 5% of its stake in NLNG into the Stock

Market through an Initial Public Offering with clear instruction that no entity can buy more than a particular allotment; we would have used one stone to kill so many birds as our Capital Market will get some badly needed oxygen; the government will get needed liquidity to fund the budget or whatever and the people of Nigeria will also have a personal stake in the goose that lays the golden eggs. The revival of the Capital Market will add fillip to economic activity.

In addition; NCC can “persuade” the big telcos, viz: MTN; Glo; Airtel and Etisalat to sell maybe 10% of their shares in the capital market.

UNBAN ANYTHING THAT IS NOT NARCOTICS OR GLOBALLY PROHIBITED

The irony of the Nigerian experience is the hypocrisy which all our governments practice when they prohibit or ban goods which all the authors of the ban use; take imported fabrics and furniture for example.

The only people who benefit from these bans and prohibitions are smugglers and corrupt customs Officials; the Government loses revenue and income.

It is not true that Nigerians prefer foreign goods to Nigerian goods; what I know to be true is that Nigerians prefer quality goods; that is why Nigeria is the only place where you have even grades of inferior or fake goods; yes there are grades of “Taiwan” products and “Tokunboh” products and even grades of “fairly used” products; in the fairly used category the highest grade is called “follow come” while the new products are simply called “tear rubber”, I love this country. Nigerians prefer Nigerian made cables and wires because they are the best quality; when cars used to use tubes, Nigerian made tubes were the best.

GIVE MONTHLY ALLOCATIONS TO THE STATES AND LOCAL GOVERNMENTS IN DOLLARS

My recommendation that the Monthly allocation to the three (3) tiers of government by FAAC where all the States Commissioners of Finance and their Accountants General go for the monthly ritual of our “Feeding Bottle Federalism” apologies Senator Ike

Ekweremadu be made in Dollars. My reason; most of the money shared is revenue from our Oil and Gas Exports and this is in forex; the Naira components must be distributed in Naira (These are largely VAT; Custom Duties and FIR Sources). Since all the moneys are paid through the Banks; the forex should be paid into the State and Local Governments Accounts in their nominated banks; the Legal tender in Nigeria is Naira, when the Governments want to draw their money, the Banks will pay them the Naira equivalent as the Dollars would have been exchanged for the Naira payments of Business People and other genuine consumers of forex like students school fees approved by the Central Bank of Nigeria (CBN), on no account would the Banks pay dollar/forex cash under this very well monitored regime to the states and their Governors.

It is a notorious fact that once the monthly allocation is received the corrupt government officials head straight to the black market to buy dollars on behalf of their principals; but with our proposal, if they want to go to the black market after collecting Naira from the banks no problem; as the legitimate genuine users with letters of credit and CBN approved invoices can purchase dollars from the banks;

In addition to this, the Federal Government must abolish the dual exchange rate practice where some favoured interests are allocated forex at “an official rate”, different from what others can get from the banking system. The Emir of Kano and former Governor of Central Bank of Nigeria Alhaji Sanusi Lamido Sanisi, sometime ago informed the whole world that a new generation of millionaires have emerged from those who receive such favourable allocations. These rent takers who clearly have considerable influence in very high places will fight to ensure the current policy continues as they are gratuitous beneficiaries of a policy that will keep us in recession and keep them awash with cash via arbitrage.

If all these measures which are not difficult to execute are implemented we shall witness a recovery of the Naira; a recovery of our Capital Market; a recovery of our Manufacturing and Real Sectors, a rejuvenation of our Banks with liquidity; a leash on

corrupt Government Officials access to unlimited cash as even the Governors must return ALL the Security Votes they have stashed in Government Houses and sundry Safes into the banking system to exchange for the new currency. The recovery of the Naira will happen before our eyes by the second Quarter of 2017; if our recommendations are religiously implemented.

Finally; the government must get rid of senior government officials whose conducts are inimical to getting the Nation out of recession; a Minister who is hostile to investors by failing to do what needs to be done to improve the ease of doing business in Nigeria or clearly undermining due process like refusing to table before the Federal Executive Council a transaction that has passed all the regulatory approvals by Ministries of Justice, Finance, ICRC and even the mother ministries management; Thus if a jaundiced minister fails to pass a project or transaction that is viable to the FEC such a minister is an economic saboteur. A government that wants to get out of recession must insure that its ease of doing business regime meets international best practices from the airport to the boardrooms. A scandalous story in the newspapers about a minister's obstruction of a ₦68 Billion cash investment to turn the National Theatre and fallow grounds around it into a mini Disney World will not help us get out of recession. Such misfits must leave the decision and policy implementation process

Nigeria go survive.

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