



The Concept of Unlocking Liquidity

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Abstract

Show me a continent, country, region, state or city that is liquid, stable, and growing, with socio-political harmony, and I will show you it is optimizing its public assets. Show me one that is illiquid, unstable, and declining, with socio-political disharmony, and I will show you it is not optimizing its public assets. Assets can always be optimized to fix or rejuvenate other balance sheet and income statement items.

The Concept of Unlocking Liquidity

1. What are the KPIs?

- a. Deal Counts*
- b. Hatchery*
- c. Deal Room*

2. How can we Achieve them?

- a. Asset Registers*
- b. Financialization*
- c. Value Gaps*

3. Why must we achieve them?

- a. Fiscal Sustainability*
- b. Stronger Balance Sheet*
- c. Liquidity*

4. What are the Execution Milestones?

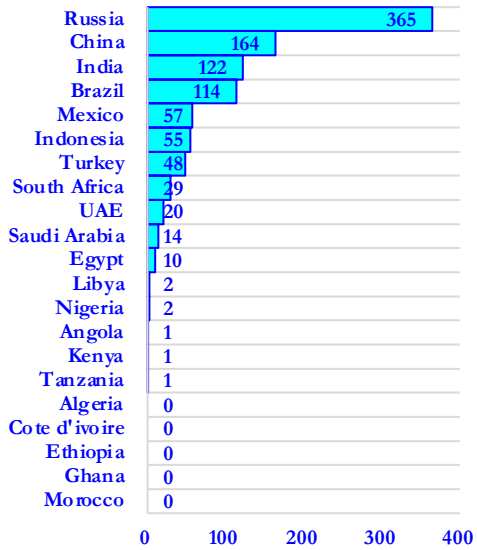
- a. Value Propositions- What, and When?*
- b. Value Creation- Processes, and Partners.*
- c. Value Capture- Prospects, and Procedures.*
- d. Value Distribution- What is in it for who and who, at what point, on what criteria?*

What are the Key Performance Indicators (KPIs) in Unlocking Liquidity?

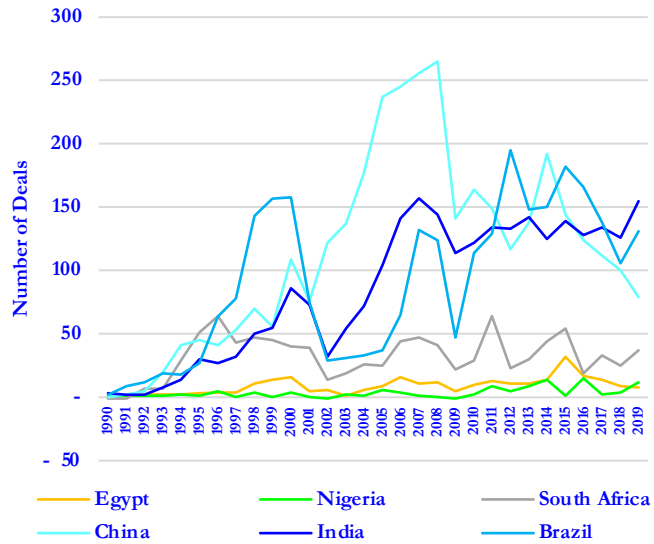
- a. **Increase Deal Counts Exponentially:** Greenfield, Concession, Licensing, Lease/Rental, Brownfield
 - i. Nigeria needs to target heavy inflows of FDI by **wholesale listing of its corporate assets**, and **wholesale liberalization of infrastructure sectors** and **wholesale commercialization of government's real estate portfolio**.
 - ii. Nigeria needs to aggressively increase its average Cross-Border M&A deal count from **six deals a year** in the fifteen years from 2006 to 2019, towards the Brazilian annual average of **131 deals a year**, or Indian average of **135 deals a year**, or China's average of **159 deals a year**, over the same periods.
 - iii. Nigeria needs to increase its annual average Greenfield investment deal count from **49 a year a year** in the fifteen years from 2006 to 2019 towards the Brazilian average of **319 deals a year**, or Indian average of **795 deals a year**, or China's average of **1,155 deals a year**.
- b. **Create a National *Hatchery*:** of *Our Investible Universe or Fundable Universe*
 - i. 'India Investment Grid (IIG), serving as the gateway to investments in India showcases a plethora of investment opportunities across India on a single dynamic platform. An initiative to enhance the ease of doing business in India, IIG connects potential investors to projects and promoters', Quoted from <https://www.investindia.gov.in/india-investment-grid>
 - ii. Brazil's *projects*: <https://www.ppi.gov.br/projects#/s/In%20progress/u//e//m//r/>
 - iii. Brazil's *schedule of projects*: <https://www.ppi.gov.br/schedule-of-projects>
- c. **Create a National *Deal Room*:** *One-Stop Automated 24-Hour Online Deal-Origination/Consummation Platform*
 - i. *Platform Owners/Managers*: NCP, FMBNP, FMITI, NIPC, CBN, SEC
 - ii. *Sell-Side Promoters*: All Sectors, All States, Government, Private Sector
 - iii. *Buy-Side Investors*: Domestic Direct Investors, Diaspora Direct Investors, Foreign Direct Investors

Nigeria Must Raise Deal Counts Exponentially

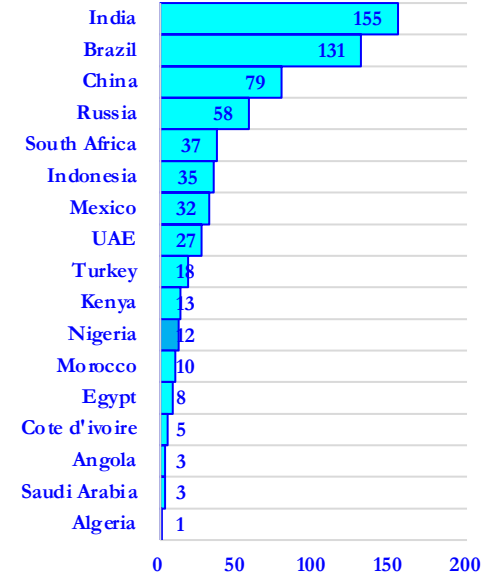
No. of Inward M&As, 2010



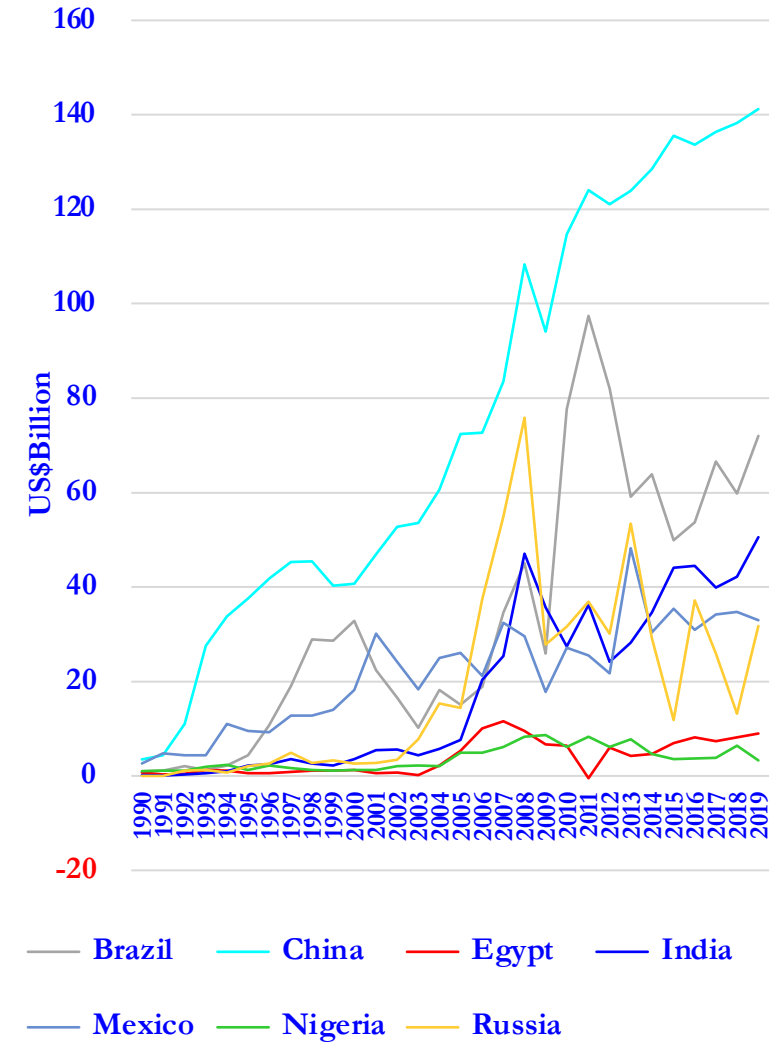
Number of Inward Cross Border M & A Deals



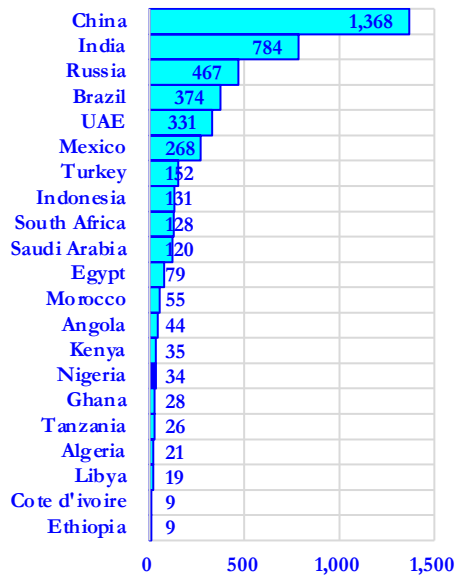
No. of Inward M&As, 2019



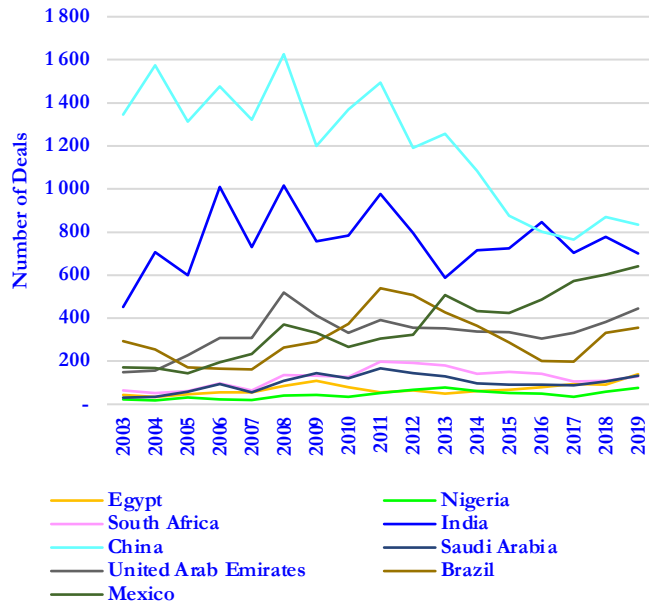
FDI Inflows



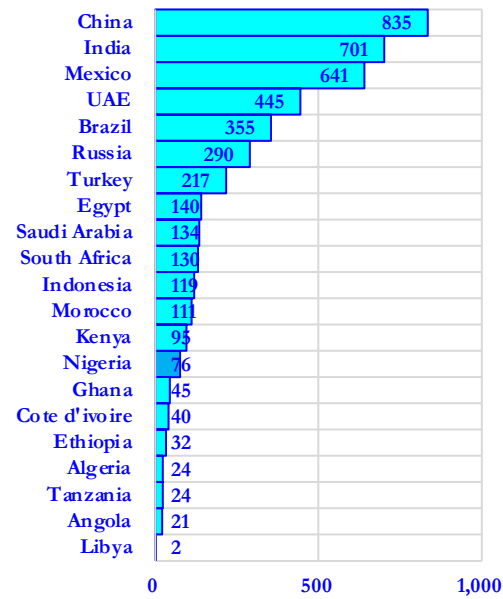
No of Inward Greenfield FDI, 2010



Number of Inward Greenfield FDI Projects



No of Inward Greenfield FDI, 2019



Modalities for Achieving the KPIs?

a. Compile National *Asset Registers*

- i. *Financial Assets*: Cash, Present Value of Expected Cash Flows, and Listed Equity Stakes. These are Financial Assets because have known market values
- ii. *Corporate Assets*: Wholly Owned Enterprises and Unlisted Equity Stakes. These are Non-Financial Assets in the absence of *third-party claims* that establishes their *market values*.
- iii. *Physical Assets*: Lands, Wealth Beneath the Land, and Built Structures. These are also Non-Financial Assets in the absence of *third-party claims* that establishes their *market values*.
- iv. *Intangible Assets*: prospecting and production rights, flight routes, waterways, spectrums, licenses, real estate development rights, concessions, etc. These are also Non-Financial Assets in the absence of *third-party claims* that establishes their *market values*.

b. Financialize the Assets

- i. *Establish Market Values- IPOs, Auctions*
- ii. *Securitize*
- iii. *Liberalize*
- iv. *Commercialize*
- v. *Privatize*

c. Close Value Gaps

- i. *Use-Value*
- ii. *Market-Value*
- iii. *Value Gap*

a. To Achieve Fiscal/Macro-Soundness

- i. All Revenue Flows Spring from Assets; Revenue Must Not Be Decoupled from Assets

b. To Recouple the Budget with the Balance Sheet

- i. *Revenue, Debt, and Equity* must be *Recoupled* with our *Assets*

- 1) Create New Revenue Streams from Assets

- 2) *Issue Asset-Linked Securities*

- a) *Issue Asset-Linked Debt* to replace *Unsecuritized Debt Stocks* to *Minimize/Eliminate Debt Costs* from the Budget

- b) List Corporate Assets on Local and Foreign Markets to Issue Nigeria's first Equity Securities

c. To Connect Global Liquidity with Local Assets

- i. By Targeting FDI that offer biggest payoffs

- ii. By Targeting Remittances that rivals FDI in terms of payoffs

- iii. By Liberalizing Government's Real Estate Portfolio, like the US did: *valuers/lease managers, redevelopers, facility managers*

- 1) <https://www.gsa.gov/policy-regulations/policy/real-property-policy/asset-management/federal-real-property-council-frpc>.

- 2) <https://www.epa.gov/fedfac/base-realignment-and-closure-brac-sites-state>.

- 3) In the last decade, the UK has relocated about a dozen inner-city prisons to more economic locations and freed old prison sites for repurposing and redevelopment into luxury homes, hotels, offices, shopping, and other income generating commercial purposes.

d. To Strengthen *National Balance Sheet (The Macroeconomy)*

- i. What we Owe vs. What we Own- Net worth

- ii. Liquidity vs. Solvency- Credit Risk

e. To always ensure Adequate Liquidity

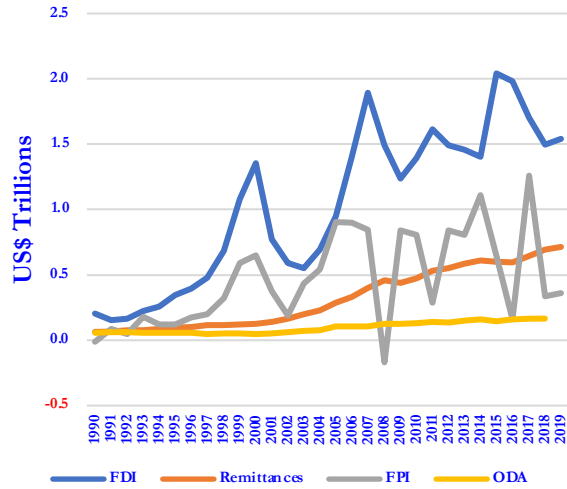
- i. Adequacy Foreign Exchange Liquidity

- ii. Adequacy Fiscal Liquidity

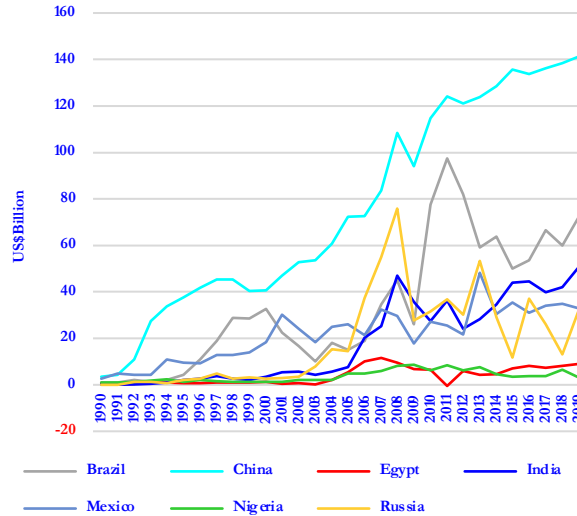
- iii. Adequate Systemic (Banks, Non-Bank Financial Institutions, Bond and Equity Markets) Liquidity

Main Takeaways from Global Trends: EMDEs are in a Race for Global Liquidity

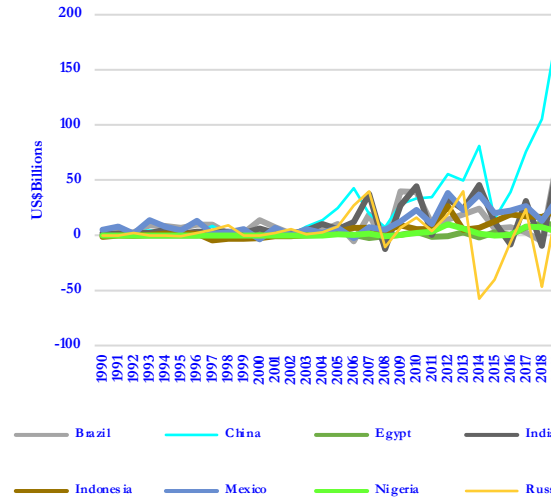
Global Non-Export Flows



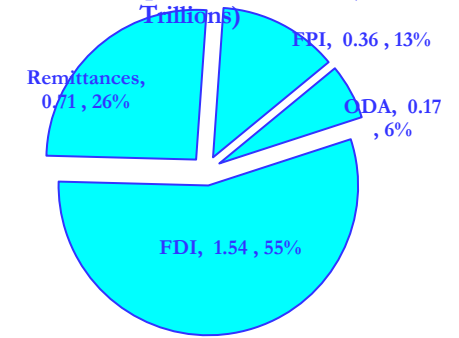
FDI Inflows



FPI Inflows

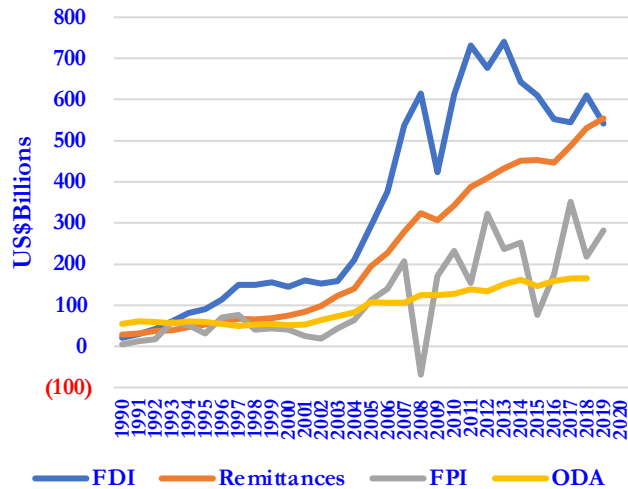


Global Non-Export Flows in 2019 (US\$ Trillions)

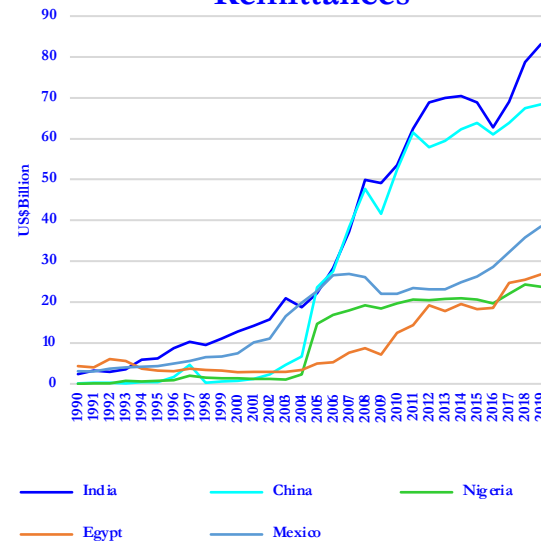


Foreign Direct Investment (FDI) and Remittances *emblemizes Financial Globalization* just as *Exports* had *emblemized Real Globalization*.

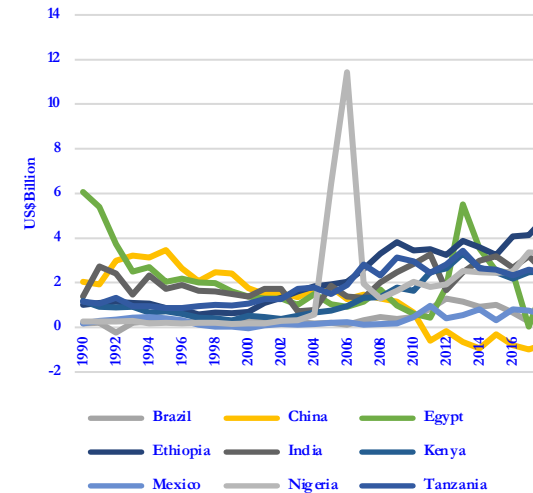
EMDEs' Non Export Flows



Remittances



ODA



Foreign Portfolio Investment (FPI) or 'Hot Money' *is too volatile*, and Official Development Assistance (ODA) *is too little* to compete with FDI and Remittances as *sources of external liquidity*.

Only countries with *diaspora-friendly* and/or *investor-friendly* policies are now attracting large enough capital inflows to *underpin domestic liquidity, stability, inclusive and diversified growth, full employment, shared-prosperity, and national cohesion*.



Execution Milestones

Execution Milestones: Value Conception, Creation, Capture, and Distribution

- a. Value Propositions-* What, and When?
- b. Value Creation-* Processes, and Partners.
- c. Value Capture-* Prospects, and Procedures.
- d. Value Distribution-* What is in it for who and who, at what point, on what criteria?

About EA

Incorporated in 2004, **Economic Associates (EA)** equips decision-makers with the information required for the creation or preservation of economic value in Nigeria. Our conferences, seminars, reports and advisory clients include decision makers and analysts from manufacturing, trading, banking, investment, stock broking, consulting, federal and state government ministries, departments and agencies, multinational corporations, embassies, and development agencies. Our service offerings currently revolve around five work areas:

- *Global-* How are trade flows, capital flows, technology, migration, and liquidity likely to unfold on the global scene?
- *Continental-* How could Africa realign with the realities of global trade and capital flows and their enablers?
- *National-* How could Nigeria realign with the realities of global trade and capital flows and their enablers?
- *Subnational-* How could the 36 States and FCT realign with the realities of global trade and capital flows?
- *Sectoral-* How could sectors, companies and/or individuals realign with the unfolding realities?

CONFERENCES AND SEMINARS

Our one-day Conferences offer *timely opportunities* to explore *key decision issues* across our work areas as relevant economic events unfold, with emphasis on *tacit* considerations about global and local *contexts, hindsight, insights, and foresight*, that will *guide decisions on which of the alternative strategic paths will deliver preferred outcomes*. Our two to five days Seminars are *capacity-building sessions* that *explore key strategic issues* across our work areas *in detail*, to *build the competences* needed to *organically analyze, articulate, implement, monitor, and evaluate strategy execution*.

REPORTS

Our reports distil the *codifiable* components of the facts and insights from our conferences and seminars for wider dissemination. This has included subscription reports on *Nigeria's 36 States* and, presentations on *Nigeria's Economic Outlook*.

ADVISORY

We work with clients to *explore, customize, and assimilate various issues of relevance* across our work areas *into their strategic aspirations* in three stages:

- *Concept Formation.* We hold conversations with decision makers to *explore strategic issues and deliverables*.
- *Strategy Formulation.* We hold *tacit intuitive interactions* with decision makers to *tease out customized solutions*.
- *Capacity Building.* We foster *in-house capacity* to *analyze, articulate, implement, monitor, and evaluate strategic execution*.