Nigeria's Financial & Business Newspaper
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business a.m.
TOWARDS MORE EFFICIENT MARKETS

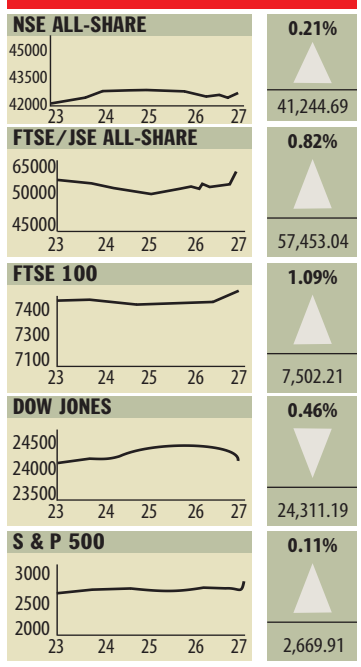
TURNED ON

The NLNG annual prizes

THAT THE NIGERIA Liquefied Natural Gas (NLNG) had instituted Africa's top prizes in literature and the sciences is no longer news.

Back Page

CLOSING INDICES



Summary

OML30 communities protest Salvic removal

There's been ongoing community protests at Oil Mining Lease (OML) 30, Nigeria's second largest onshore oil & gas asset, located in the Niger Delta about 35km east of Warri.

Central to the unrest is the success story of a young technical services operator, Salvic Petroleum Resources Limited.

Page 2

FINANCE & INVESTMENT

35% of banks' revenue at risk

The digital revolution sweeping through the banking sector is set to wipe out about 35 percent of earnings on some financial products by 2025 as new technology companies (fintechs) drive down prices and erode traditional lenders' profit margins.

WORLD BUSINESS & ECONOMY

US battles China over AI

THE US GOVERNMENT may start scrutinizing informal partnerships between American and Chinese companies in the field of artificial intelligence, threatening practices that have long

Page 19

TECHNOLOGY & INNOVATION

Accenture launches financial services index

IN PARTNERSHIP WITH The Lagos Business School and a select C-suites thought leaders acting as adjudication partners from tier one companies,

Page 20

COMMODITIES & AGRICULTURE

20% boost to food prices

GEOGRAPHICAL LABELLING of food products or origin linked registration could increase the value by at least 20 percent, a new study by the Food and Agriculture

Page 17

ENERGY, POWER & RENEWABLES

A bullish World Bank on oil

IT WAS A BULLISH World Bank that we saw last week making its 2018 calls on energy commodities such as crude oil, natural gas and coal prices for the rest of the year.

The bank's bullish call, contained in an April outlook report on commodities, was

Page 22

N250
No 013

NIBSS ready for instant clearing of cheques

STEVE OMANUFEME

THE DISRUPTIVE IMPACT of technology on the financial services industry would soon usher in instant clearing of other bank cheques in the country, according to Yele Okeremi, chief executive officer of Precise Financial Systems Limited.

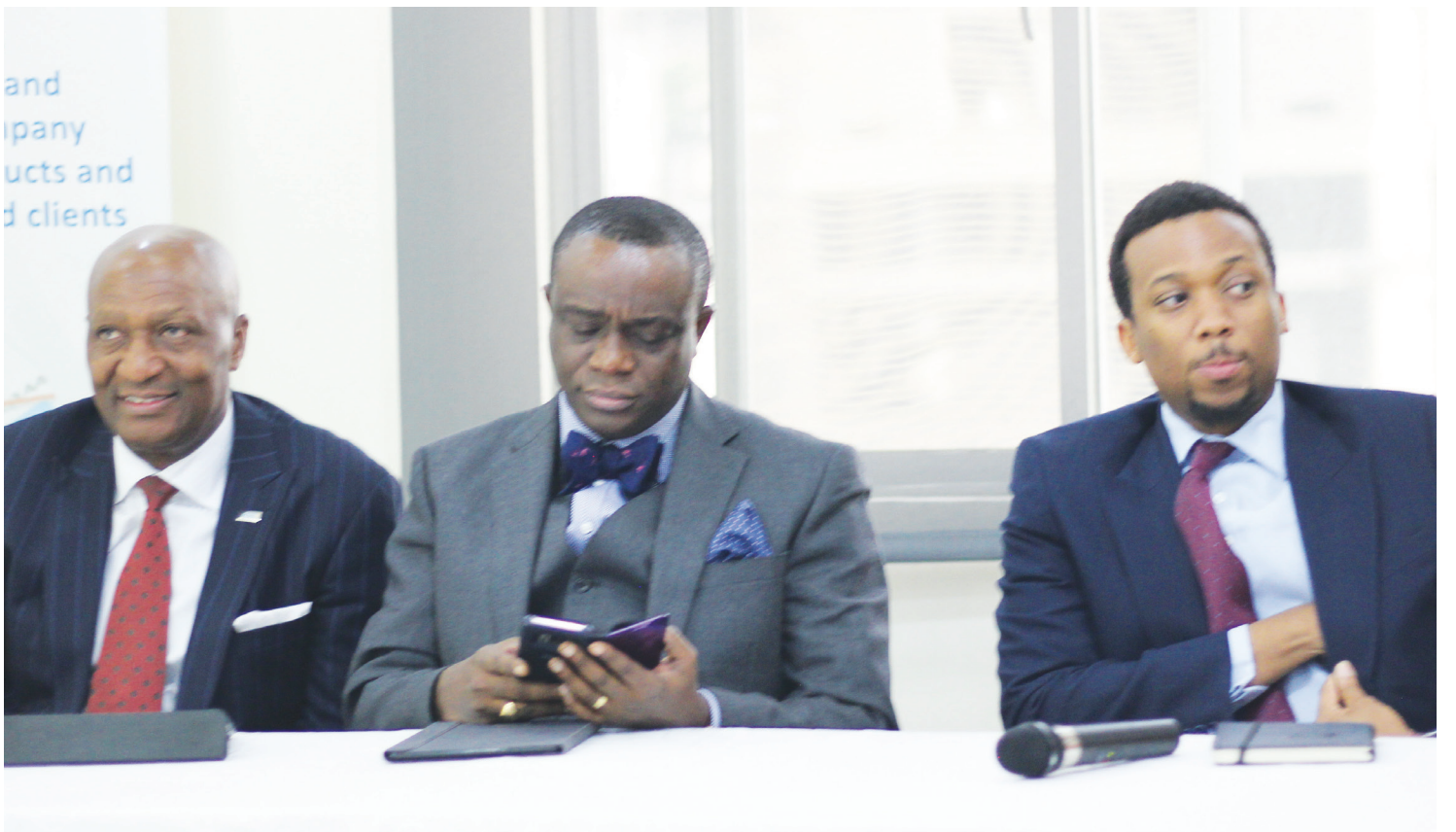
Yele disclosed this at the maiden business a.m./GTI Finance and Investment Dialogue held on Thursday in the Marina Central Business District of Nigeria's financial capital city of Lagos.

Speaking on the topic, "Technology Disruption in the Financial Services Sector: How Prepared is the Nigerian Market?" he said technology disruption has become the new normal, and that the current 24-hour wait for other banks' cheques to clear would soon be a thing of the past as Nigeria Inter-bank Settlement Systems Plc. (NIBSS) was ready with the technology and to deploy the application that would clear cheques for instant transfer of value to beneficiaries.

Okeremi said NIBSS is only waiting for legislative nod to go ahead with the deployment, adding that the threat of monetary authorities relinquishing control has been at the root of hedging on technology hence the delay in deploying some of the disruptive innovations in the financial services industry.

He said authorities' fear of a deregulated banking service is why central bank governors globally are critical of cryptocurrency, adding that the recent pace of technology innovation would make legislation lose its grip on the payment system and be part of the drivers of disruption in the financial services industry with positive consumer

Page 2



L-R: Abubakar Lawal, group managing director GTI; Yele Okeremi, CEO Precise Financial Systems Limited, and guest speaker; and Akinsope Roberts, lead, digital and robotics practice, Ernst &Young, Nigeria, at the business a.m./GTI Finance and Investment Dialogue in Lagos
PHOTO CREDIT: JAYEOLA ISAAC

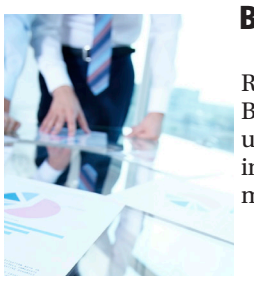
COMMENT

Comprehensive motor insurance

I WENT FOR A PRESENTATION some time ago. In the course of the presentation, I told my audience that if their drivers stole their vehicles, they were not entitled to any remedies, even if the vehicle was comprehensively insured. Uproar followed; all my attempts to explain to them fell on deaf ears.

Page 7

EXECUTIVE KNOWLEDGE SERIES



Building an Impact Investing Business

RESPONSIBLE INVESTING is all the rage. By some estimates, one in every four dollars under professional management today was invested under a socially responsible investment (SRI) strategy.

Page 9

NIBSS ready...

Page 1

experience being the major lever.

"Legislation has delayed the technology that would clear cheques instantly in the country – either upcountry or local, as the Nigeria Interbank Settlement System (NIBSS) has in place a technology that would clear cheques instantly," he said.

He recalled how in the 90s people had to wait for 21 clearing days to get value for upcountry other banks' cheques, which was later cut down to 7 days, 3 days and now 24 hours.

Okeremi, former head, Systems and Logistics, Ventura Savings and Loans Limited, said technology disruption in the financial services sector has empowered and freed customers to make transactions and get instant value, without physically visiting providers of the service.

He said digital banking is the future of the banking industry, tracing the rise of fintechs to the realization by technology companies that they were getting low value from selling their services to the banks and they then decided to provide such services themselves.

Precise Financial System has been working with NIBSS on the project, which has recorded some progress, especially with the launch of the automated cheque clearing application called i-Teller in 2017, which allows banks to clear cheques within hours on special arrangement.

business a.m. learnt that the forthcoming application would be an improvement on the i-Teller since the instant cheque clearing would be across board and there would be no need to call for special consideration.

The current platform allows cheques to be cleared within hours in what is called 'special clearing'. What a customer needs do is to inform the bank so that they take special care in quickly processing the cheque. The system also allows for multiple clearing sessions as well.

The development is coming at a time the use of cheque for transactions is crashing as electronic transfers gain uptake by customers.

According to data from NIBSS, in 2015, the total number of cheques issued by individuals and organisations in Nigeria stood at 13.4 billion. In 2016, this dropped to 11.7 billion while in 2017, the cheque transaction volume stood at 10.8 billion.

The drop in usage from between 2015 and 2017 thus represents a dip of about 2.6 billion, equivalent to 19.7, approximately 20 per cent, in the three years period.

Investigation showed that the transactions, hitherto conducted by the banking customers through cheque and other physical cash transactions, are now being executed via electronic payment channels.

Bank Verification Number (BVN) data show that about 60 million bank customers had been enrolled. Also, in 2017, NIBSS reports that over N60 trillion transactions were carried out through the NIBSS Electronic Fund Transfers (NEFT) and National Instant Payment (NIP).

Why OML 30 communities are protesting removal of Salvic Petroleum as operator

business a.m.

There's been ongoing community protests at Oil Mining Lease (OML) 30, Nigeria's second largest onshore oil & gas asset, located in the Niger Delta about 35km east of Warri.

Central to the unrest is the success story of a young technical services operator, Salvic Petroleum Resources Limited.

Investigations reveal that SALVIC, a relatively young Nigerian company, had been acting as 3rd party operator of OML30 in the last one year on behalf the name-plate operator, a company called Heritage Energy Operational Services Ltd (HEOSL), and that SALVIC achieved obvious successes in the one year it took charge of the mining lease to the benefit of all stakeholders, that the communities are unhappy with the sudden move to replace SALVIC with foreign operators who do not understand the local environment nor the requisite stakeholder management.

OML 30, covering 1,095sqkm, comprising 11 fields, 9 flow stations, the Ughelli tank farm (UPS), the Trans Forcados Pipeline (TFP), and with reserves estimated at about 1 billion barrels of oil, OML30 is a critical source of oil revenues for the Federal Government, the Delta State, 110 host communities and other asset owners around the region.

The communities point to SALVIC's commendable performance OML30, taking production from zero to 75,000 barrels per day (bpd), rehabilitating the Forcados Pipeline in record time and sustaining an uptime of over 86 percent in the 12 months of operations between March 2017 to April 2018. Furthermore, SALVIC restored good relationships with the communities and recorded no major security or environmental issue during the same period. The Communities and their leadership therefore see no justification to terminate SALVIC.

SALVIC is a new breed exploration & production (E&P) company in Nigeria's oil and gas industry. Company information indicates that SALVIC has strategically differentiated itself as an E&P company with a service orientation, focused on providing the full range of value chain E&P services as a non equity holder 3rd party operator to asset owners. Their strengths lie in execution excellence, cost control, operational efficiencies and optimising existing infrastructure to extract value, even from challenging and mature assets, to deliver superior value to stakeholders.

In 2017, OML30 presented an opportunity for SALVIC to prove its new approach and capabilities. Between March 2017 and April 2018, under a Technical Services Agreement (TSA) with the name-plate Operator of OML30, Heritage Energy Operational Services Limited (HEOSL), SALVIC embarked on handling all aspects of operations and crude oil production in OML30, including technical support services, security, operation & management (O&M), community relations & other stakeholder management, corporate social responsibility (CSR) and management of the 87 kilometre Trans Forcados Pipeline (TFP). The company was given steep production targets with a penalty of $25million if the targets were missed. Considering the 15 months prior to March 2017 foregoing conditions of Zero production in OML30 and the TFP down throughout, it was a daunting challenge for any operator, let alone a young new company in a complex business arrangement.

Undaunted, SALVIC took on the challenge and turned around the fortunes of OML30 by ramping oil production from Zero to 75,000 bpd by end December 2017, drawing commendations from industry experts, the communities and stakeholders, as well as the Federal Government and the Delta State government.

According to company sources, Salvic achieved the feat without drilling any new wells, but with a robust work programme of creative and innovative solutions that optimised production and unlocked value from old legacy infrastructure and equipment.

These feats were instrumental in improving revenue generation for the Federal Government, the Delta State, all injectors into the Forcados Pipeline and other asset owners in the western Niger Delta. The sustained uptime on the trunk line also enhanced gas production into the domestic market for power generation by the continuous support of OML34 condensate evacuation.

Other verifiable successes that Salvic achieved in OML30 on behalf of HEOSL and the JV Partners include the rehabilitation of the TFP and sustaining 86 percent uptime; peaceful community relations & stakeholder management as it changed the practice of treating community workers as cash-based casual labour by converting them to full time permanent employees with full benefits. The operator also recorded no major health, safety, security & environment (HSSE) incident. Specifically, in February 2018, the company achieved a total of over 1.1 million loss time injury–free man-hours, which is a rare feat in view of the size of the OML30 asset and the operations.

"Undoubtedly, the SALVIC and OML30 success story is one of defying all the odds. By their achievements in OML30, the SALVIC Team has gained a name as Turn-Around experts in handling and extracting value from challenging and complex assets.

"Salvic met and exceeded targets that were near impossible and demonstrated that excellence does not come from the age of a company but from the resilience of innovative, intelligent people who are empowered and focused on results", an industry expert said.

The Salvic-OML30 project was led by Ikemefuna Okafor, CEO, Salvic; Ebenezer Ajayi, ED, Operations; Theophilus Ekiyor-Katimi –OML30 Asset Manager; Gabriel Oramasionwu CEO, Abbeycourt; Celine Loader, Director, Corporate Affairs (incl. Government & Community Relations); Fufeyin Funkakpo, Manager, Government & Community Relations; Uchechi Nwankwo –GM, HSSE; Okey Ekeocha, Manager, Security; Maxwell Okoh, MD, Eraskorp

L-R: Omar Ben Yedder, group publisher & managing director, African Business Magazine; Austin Okere, non-executive director, Computer Wharehouse Group Plc; Oscar N. Onyema, chief executive officer, The Nigerian Stock Exchange (NSE); Amy Jadesimi, managing director, LADOL Free Zone; Louise Donaghy, senior representative, Leicester Business School; Rupert Adcock, chief executive officer, Global Career Company Limited, during Talent Agenda Series West Africa where the NSE CEO gave a keynote presentation

BoI raised MSMEs lending to N29.5bn in 2017

business a.m.

THE BANK OF INDUSTRY raised the amount it lent to Micro, Small and Medium Enterprises from N8.2 billion in 2016 to N29.5 billion in 2017, its chairman, Aliyu Dikko, has disclosed.

Dikko said at the 58th annual meeting of the bank in Abuja that the bank's disbursement profile also improved significantly from N65.9 billion to N112.5 billion during the period.

He said in spite of the challenging operating environment, the group's total assets improved by 4.5 per cent from N682 billion to N713 billion between 2016 and 2017 and the total equity rose from N219 billion in 2016 to N241 billion in 2017, while Profit before Tax increased from N16.9 billion to N26.3 billion in the same period, a growth of 55.6 per cent.

The chairman pointed out that the economic growth in sub-Saharan Africa rebounded in 2017 to 2.4 per cent after experiencing a two-decade low of 1.3 per cent in 2016 and the region, which was largely dependent on commodities, witnessed modest recoveries in three of its largest economies namely, Angola, Nigeria and South Africa.

He affirmed that improvements in commodity prices, favourable global financing conditions and tempering inflation were responsible for the growth.

According to him, weak investment, declining productivity growth and negative per capita income growth are major growth-limiting factors in the region, and in spite of the above, Nigeria achieved economic growth of 0.83 per cent in 2017.

"This growth was attributed principally to the performance of the agricultural sector, ramp up in the Nigerian Oil and Gas sector and several economic reforms instituted by the Federal Government," Dikko asserted.

Olukayode Pitan, the managing director, said the industrial sector benefited from the loans of the bank in the last one year.

Samsung Q1 profit soars by 50% to increased demand for chips and phones

business a.m.

SOUTH KOREAN telecoms giant Samsung Electronics, on Thursday said its first-quarter net profits soared by more than half thanks to strong demand for memory chips and its latest high-end smartphone.

The world's biggest maker of memory chips and the flagship subsidiary of the sprawling Samsung group has recovered from a series of setbacks to post record profits in recent quarters.

The global launch of its new flagship smartphone, the Galaxy S9, as well as strong demand for chips used for smartphones and cryptocurrency mining has contributed to the rise in profitability.

The firm faced an embarrassing global recall of the Galaxy Note 7 device over exploding batteries in 2016. And last year its vice-chairman Lee Jae-yong, scion of Samsung's founding family, was jailed for his part in the sprawling corruption scandal that brought down president Park Geun-hye.

He has since been released after some of his convictions were quashed on appeal, and the firm's shareholders have seen its value soar.

Net profit for January-March rose 52 percent to 11.69 trillion won ($10.8 billion), up from 7.68 trillion won a year earlier, the company said in a statement.

Operating profit was a record 15.64 trillion won, in line with the estimate of 15.6 trillion won suggested in a preliminary guidance report earlier this month.

"The semiconductor business posted solid earnings — 11.55 trillion won in operating profit on a 20.78 trillion won revenue — on strong demand for memory chips," the company said in a statement.

The semiconductor performance was driven by demand for memory chipsets for high-value-added servers and graphics products.

Traders cheered the news, with Samsung shares closing up 3.45 percent at 2.61 million won.

"As has been expected, the semiconductor sector and the smartphone business performed well," Greg Roh from HMC Investment & Securities told AFP.

In the next quarter, profitability in the smartphone sector will weaken but semiconductor demand will continue to boom, added Roh.

"Therefore, its overall business performance will be about the same as the first quarter," said the analyst, projecting a 15.5 trillion won operating profit.

With the display segment likely to benefit from demand for new products to be rolled out, operating profit is likely to improve in the third quarter, reaching 17.4 trillion won, he said.

Total sales grew 19.8 percent to 60.56 trillion won and Samsung said it expected the memory business to maintain its strong performance in the second quarter.

Outlook for domestic economy in 2018/19 relatively optimistic, says CBN

business a.m.

The outlook for the Nigerian economy is relatively optimistic, as the momentum gained in the second quarter of 2017 is expected to persist into 2018/2019, the Central Bank of Nigeria said in its Monetary, Credit, Foreign Trade and Exchange Policy for Fiscal 2018/2019 released Friday, April 27, 2018.

The CBN said growth prospect is expected to follow global economic recovery, adding that government efforts in the real sector are expected to spur growth and improve economic performance in the medium-term.

"Specifically, the implementation of the Economic Recovery and Growth Plan (ERGP), sustained CBN interventions and improved supply of foreign exchange are expected to stimulate growth in the non-oil sector, particularly in agriculture and manufacturing," it said

It added: "The agricultural sector is expected to drive growth in 2018/2019 through increased production, which is a key objective of the ERGP. An effective implementation of the ERGP, coupled with the resolution of the crises in the North East and favourable climatic conditions, are expected to boost agricultural production and dampen inflationary pressures."

The downward trend in inflation is expected to continue into 2018/2019, being truncated only by the energy shortages at end- December, 2017, according to the financial services regulator, adding that the exemption of Nigeria from production output cut by the joint Organisation of the Petroleum Exporting Countries (OPEC) and non-ministerial committee is expected to boost crude oil earnings.

However, it said the continued gas and shale oil exploitation in the US and the Iran oil deal amongst others would moderate crude oil prices during the period.

"The passing of the Petroleum Industry Governance Bill coupled with the improved security in the Niger-Delta region are expected to stimulate investment in the upstream and mid-stream of the oil industry.

"Premised on improved oil receipts, the outlook for the external sector for the medium-term remains positive. The stability and improved liquidity in the foreign exchange market is expected to enhance the viability of the external sector and attract more capital flows."

The CBN said the primary objective of monetary policy in 2018/2019 fiscal years remains the maintenance of price stability, and that integral to this is the sustenance of financial system stability.

In this regard, the CBN is expected to sustain its effort towards reducing inflationary pressures through effective liquidity management. The aim is to create an environment characterized by low inflation and interest rates, conducive for inclusive and sustainable growth.

"The Bank shall continue to take necessary steps to ensure banking system soundness and overall financial system stability as well as enhance the efficiency of the payments system to create a favourable platform for the conduct of monetary policy."

Kemi Adeosun, Nigeria's minister of finance, with Hassoumi Massoudou, the minister of finance, Republic of Niger, during the International Conference on Fight Against the Financing of Terrorism in Paris, France, recently

Google cofounder, Sergey Brin warns of AI's dark side

Business a.m.

Google cofounder Sergey Brin says advances in artificial intelligence bring new questions and responsibilities.

ARTIFICIAL INTELLIGENCE IS a recurring theme in recent remarks by top executives at Alphabet. The company's latest Founders' Letter, penned by Sergey Brin, is no exception—but he also finds time to namecheck possible downsides around safety, jobs, and fairness.

The company has issued a Founders' Letter—usually penned by Brin, cofounder Larry Page or both—every year, beginning with the letter that accompanied Google's 2004 IPO. Machine learning and artificial intelligence have been mentioned before. But this year Brin expounds at length on a recent boom in development in AI that he describes as a "renaissance."

"The new spring in artificial intelligence is the most significant development in computing in my lifetime," Brin writes—no small statement from a man whose company has already wrought great changes in how people and businesses use computers.

When Google was founded in 1998, Brin writes, the machine learning technique known as artificial neural networks, invented in the 1940s and loosely inspired by studies of the brain, was "a forgotten footnote in computer science." Today the method is the engine of the recent surge in excitement and investment around artificial intelligence. The letter unspools a partial list of where Alphabet uses neural networks, for tasks such as enabling self-driving cars to recognize objects, translating languages, adding captions to YouTube videos, diagnosing eye disease, and even creating better neural networks.

Brin nods to the gains in computing power that have made this possible. He says the custom AI chip running inside some Google servers is more than a million times more powerful than the Pentium II chips in Google's first servers. In a flash of math humor, he says that Google's quantum computing chips might one day offer jumps in speed over existing computers that can be only be described with the number that gave Google its name, a googol, or a 1 followed by 100 zeroes.

As you might expect, Brin expects Alphabet and others to find more uses for AI. But he also acknowledges that the technology brings possible downsides. "Such powerful tools also bring with them new questions and responsibilities," he writes.

AI tools might change the nature and number of jobs, or be used to manipulate people, Brin says—a line that may prompt readers to think of concerns around political manipulation on Facebook. Safety worries range from "fears of sci-fi style sentience to the more near-term questions such as validating the performance of self-driving cars," Brin writes.

All that might sound like a lot for Google and the tech industry to contemplate while also working at full speed to squeeze profits from new AI technology. Even some Google employees aren't sure the company is on the right track—thousands signed a letter protesting the company's contract with the Pentagon to apply machine learning to video from drones.

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1 x 1 Cols Change of Name		N4,400.00	
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EDITORIAL

The CAC: A reform long overdue

THE CORPORATE AFFAIRS COMMISSION appears to have suddenly woken up. For many years it was a nightmare, as a public institution, to deal with. The truth is that it is like many institutions or agencies of government, where those who work in them and are kept at the expense of tax payers or oil money from the Niger-Delta, think that the institutions belong to them personally.

The way the CAC carried on, at some point you thought that they were tone-deaf and clinically blind, unable to hear complaints and unable to see the mess that the institution entrusted to them to manage on behalf of the commonwealth, was going down the gutters. It was so bad that simple transaction that people you did in Rwanda effortlessly, even without seeing any official, became like been thrown into a cage containing a hungry lion.

The place was like a museum filled with old relics, human relics who were so out of touch with reality and modernity and who carried on as if people who came for the services they offered, owed them. It was so pathetic that when people filed applications to register their companies, the files did a long rigmarole, lasting months and months, even years in some cases, if you stayed back and waited for progress to happen naturally.

By creating an atmosphere that suggested the CAC was peopled by demi-gods, room was created for massive corruption because people felt compelled to offer bribes just to get basic things done, including a straight forward matter like a name search. But the behaviour of the people at the CAC cannot be viewed in isolation of the general malaise that afflicts this nation and officials in government, who hold positions but instead of seeing service, see fiefdom and strongholds to use to oppress and extort their fellow citizens.

The CAC at some point was described as a disgrace for an institution existing in the 21st Century. Many gave up on the CAC, especially those who were not in Abuja but who had to go to the CAC in Abuja to transact business. Many had gone and returned to their locations frustrated by the lack of positive response to the mission that took them to Nigeria's almighty capital city, where those who lead and govern lack the essence to understand the fullness of a country that just needs to make its people happy and all other things shall fall into place.

The CAC was your typical example of irresponsibility. It was difficult at some point to distinguish it from a House of Horror. Our lawyers and other independent lawyers and individuals, familiar with the trappings of the agency, tell us that because it fell into the hands of devious individuals, who lacked the full knowledge of the nature and remit of such an institution, it still has vestiges of its old self and that it is only just clawing its way back out of the serious public disrepute it fell into, as far as service delivery is concerned. We understand that it has been slow climbing out, but there appears to be hope.

At least, that's what we believe is happening with the fact that it has bothered to get some automation in place and that people don't all have to go to Abuja to get certain things done that involves business name or company registration. It's automation of its processes is pulling it out of the Horror House that it once was. It seems to us that the CAC now understands that it has to fall in line with the modern world; that it is a key part of government's desire to climb up every ranking that contains the expression EASE OF DOING BUSINESS.

We hear it is now looking at its processes and its books to see what is obsolete and to work to remove those things that have made it an ancient hermit removed from happenings in the world.

It is in the light of this baby steps that we salute its latest decision to review some of its requirements that often did not make sense. For instance, we welcome its decision to remove the proficiency certificate requirement for business and company registration. It called it part of its reform initiatives and we welcome the fact that it found the capacity to interrogate and use the word REFORM, because that is what it had always needed.

The CAC has said: "Under the new arrangement, members of the public do not have to submit proficiency certificate to the commission for registration of companies, business names and incorporated trustees." It only goes to show that when you truly embrace reform, as an individual or organisation, you get very excited to transport yourself from doldrums to modernity and consequently, you are likely to offer better service to your customers.

As we welcome this new CAC, we will keep our eyes and ears open, watching and listening that it does not return to its old, bad and irresponsible ways.

Surmounting the hurdles in Africa's cotton and textile industry (3)

OLUKAYODE OYELEYE

Oyeleye is a policy analyst, journalist and veterinarian

THE PROSPECT FOR GROWTH in hydrocarbon-based alternative to cotton can only get better. This is against the backdrop that the rising demand for clothing materials may stretch cotton supply to the limit. Despite the discovery of this substitute, cotton still continues to be highly relevant as the demand for natural fibres continues to increase and cotton remains the primary natural fibre used within the clothing sector. For non-clothing use, however, demand for artificial fibres is increasing. In the medium-term, given the economic and demographic projections, global consumption of all textile fibre projected to increase by roughly 2.3 per cent per year in 2010 should, by now, have exceeded 62 million tons, earlier projected for about a decade ago.

The diverse modes of liberalisation and their impacts on the cotton and textile industry cannot be ignored. Liberalisation of the cotton sector, observed in most of the countries, was the result of a number of homogeneous trends. On one hand, state corporations have been gradually transferring a number of functions (research and development activities, produce standards, inputs supply, production and primary collection of cotton and ginning activities) to the farmers' unions or other private actors. This alone has contributed in no small measure in leading the sector down the slope.

The revival of the textile industry in Nigeria requires urgent interventions, cutting across government policies, institutional supports, finance, market reforms, research and development. Fundamental to the reforms of the cotton and textile industry in Nigeria is a vibrant seed sub-sector. The decline in cotton production was further compounded by inadequate release of seeds to farmers as well as insufficiency and poor quality of seeds. These must be addressed qualitatively and quantitatively. Our seed companies must respond well to the challenge. We need to facilitate the establishment of world class seed processing plants in the first instance.

Farmers must be at the centre of any intervention aimed at repositioning the textile industry, in Nigeria and Africa. The perennial lack of adequate inputs, dependence on manual farm operations, poor pricing policy, activities of middlemen, poor product standards, effects of climate change, poor roads infrastructure and lack of security are afflictions that need to be cured in a committed manner. Input support services will expedite the cotton industry's rebound. Nigeria and indeed Africa must engage in technology transfer, particularly from other countries, embark on use of fertiliser, herbicides, pesticides, and agricultural extension workers for yield improvement, in ways that make it a game-changer in the revival of our textile industry.

Collaboration through Public-Private Partnership is very much needed in this sector to tap into the combined strength and synergy between the public and private sector practitioners. We need to influence decisions in a number of areas, notably on price fixing, quality, modern technology, environment and sustainable production. Increase in cotton production in some parts of the world has benefitted from the deployment and use of modern biotechnology. The adoption of Bt cotton, which has helped China, US, India, Brazil and Burkina Faso should be part of the continental and national strategy to mitigate the effects of climate change and boost production.

Across Africa, we need a robust platform for knowledge sharing and solution to problems that have trans-boundary impacts. We need to acknowledge the economic values of the utilisation of other co-products of cotton processing, specifically cotton seed oil for cooking, cotton seed cake for feeding livestock, poultry and aquaculture as well as cotton seed shell for power generation.

In Africa, increase in capacity utilisation is desirable and indeed an imperative. This is crucial to the revival of the sector. Recently, India, the second largest textile producer in the world after China, announced a $1 billion incentive package for the textile and apparel industry to create 10 million jobs in three years. But, what are the strategic investments and future outlook in the cotton and textile industry in Africa?

> The contemporary geography of African cotton is quite different from the reality that prevailed in the 1960s. Following the wave of nations' independence, West Africa accounted for an average of only 15 per cent of African production compared to nearly 40 per cent for Egypt and 20 per cent for East Africa

In the non-food agricultural sector, such interventions are urgently needed so as to position Africa as an emerging market and a veritable player in the unfolding global economy. Prospects abound in cotton and textile for Africa in the local, regional and inter-continental markets. The African Growth and Opportunity Act (AGOA) of the United States as well as the European Union's Generalised Scheme of Preferences (GSP) beckon on Africa. For Nigeria, in particular, the potential to produce for the local market of over 170 million people, and representing a large natural market for textiles, presents enormous prospects.

Mechanised operations are crucial for success in Africa throughout the entire cotton value chain. A 2016 report had it that the current global apparel market is worth US$ 1.7 trillion, constituting around two per cent of the world's GDP, with EU, USA and China having a combined share of approximately 54 per cent. The leaders in this industry operate mechanised cotton farming. The global apparel market size is expected to reach US$ 2.6 trillion in 2025, growing by a projected rate of four per cent.

The contemporary geography of African cotton is quite different from the reality that prevailed in the 1960s. Following the wave of nations' independence, West Africa accounted for an average of only 15 per cent of African production compared to nearly 40 per cent for Egypt and 20 per cent for East Africa. The pervasive droughts in the Eastern and Southern Africa in 2017 was a cause for concern as dry weather, leading to poor harvest, might recur, with dire consequences for food crops as well as non-food crops such as cotton.

Significant challenges will have to be overcome to achieve the level of agricultural productivity required to meet the production volume of food, fibre and fuel in 2050. Mechanisation is one factor that has had a significant effect on Total Factor Productivity since the beginning of modern agriculture. Mechanised harvesting, for example, was a key factor in increasing cotton production in the last century in those leading producer countries. In the future, mechanisation will also have to contribute to better management of inputs, which will be critical to increasing Total Factor Productivity in global production.

Mechanisation must be treated as an imperative rather than an option if Africa is to compete favourably in the global cotton-textile value chain. Policies and investment interventions across the continent must address this all-important issue. A 1980 survey of impact of mechanisation in India, covering 815 farming households in 85 villages, showed an increase of 72 per cent in sorghum and seven per cent in cotton as compared to those who used traditional bullocks. We thus need a robust mechanisation intervention in form of irrigation to boost production reliably.

West Africa occupies a modest place, with the region ranking fifth in the world and contributing only five per cent of global cotton production. But production within the region depends largely on small scale farmers using manual labour. It is projected that the major growth drivers of the global apparel market will be the developing economies. Nigeria, and indeed Africa, should aspire to have a significant share of this market. But how far can they go without mechanisation?

Africa produces about 100 varieties of cotton grains, with history stretching centuries back. This also meant that climatic factors were very important in the varieties cultivated. In countries with low rainfall, therefore, cotton must be irrigated as done for most of the areas cultivated in Egypt and Morocco. By contrast, however, sub-Saharan Africa cotton production is mainly rain-fed, as dry and humid seasons alternate.

Of the six cotton basins in Africa, the largest is the West African basin, stretching from Senegambia to South-Eastern Chad and to the heart of the Central African Republic. It accounts for nearly two-thirds of Africa's total cotton production. West Africa is very significant in cotton production and textile industry in Africa. Out of the 12 leading African cotton-producing countries, eight are in West Africa. The rest of Africa's cotton is distributed among four zones along a North–South strip stretching from the Nile Valley to South Africa.

To compete, therefore, there must be a sea change in approach to cotton business, cutting across the entire value chain from the soil to the factory. In between, factors such as input supply, logistics, post-harvest handling, human capital, finance, processing and price competitiveness all require deep introspection and practical actions if the cotton-textile and garment industry in the continent is to return into true reckoning.

This is the third and final part in the series.

Comprehensive motor insurance policy conditions and exceptions

The Insurance Broker

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I WENT FOR A PRESENTATION some time ago. In the course of the presentation, I told my audience that if their drivers stole their vehicles, they were not entitled to any remedies, even if the vehicle was comprehensively insured. Uproar followed; all my attempts to explain to them fell on deaf ears. "It's daylight robber" was the only way they saw it.

But that is the way it is; motor insurance does not cover the fraudulent activities and dishonesty of domestic staff and relatives. There is a more appropriate insurance cover for it called Fidelity Guarantee Insurance, which I explained two weeks ago.

Ordinarily, before you employ a driver, you should do a background check, but if you have no time for that, get a combined policy of Comprehensive Motor Insurance and Fidelity Guarantee Insurance just in case he acts funny. To enforce the Fidelity Guarantee Clause in motor insurance and also avoid foul play, Insurance companies have a clause in the documentation of claims for a policy holder to surrender all keys to the vehicle in the event of theft. Failure to submit these keys may lead to voiding of the claim. The insurance company wants to be absolutely sure there is no fraud or foul play. We have had cases in the past where policy holders hid their vehicles and filed theft claims.

The next exclusion I want to bring your attention is Excess Clause. The clause simply says that in the event of a claim, the policy holder will participate in the claims payment to a certain figure or percentage. If the claim is less than the figure or percentage, the policy holder bears the claim in full. The insurance company is only responsible for any amount above the excess up to the limit of the sum insured or limit of indemnity. The excess clause is inserted in policies to ensure that the policy holder handles the sum matter of insurance with care, knowing that he will participate in claims payment. He should behave as if there is no insurance in place.

Excess can, however, be bought back in motor insurance for a percentage of the sum insured, usually one percent. The process is called excess buyback. The implication is that if your vehicle is insured for N10m, for instance, you get full payment in the event of a total loss, without recourse to excess. But excess buyback only applies in motor insurance; in other types of insurance, excess is a cup every policy holder must drink.

Fire extinguisher clause simply mandates you to have a functional fire extinguisher for use in the event that the vehicle catches fire. The insurance company is entitled to avoid any claim arising from a fire incident if it comes to light that the vehicle had no fire extinguisher at the time of the fire incident. Also, the insurance policy will avoid any claim arising from a fire incident if it is discovered that the fire occurred because the vehicle was being fuelled where there was naked light.

Usually, vehicles are insured to operate within a geographical location, Nigeria in our own case. The implication is that if you want to use your vehicle outside Nigeria, you must contact your insurance company through your broker to get the necessary additional cover on payment of additional premium. But if you engage on such usage outside Nigeria without notification and a claim occurs, you are not entitled to any remedy for any loss or liability sustained or incurred.

Also, a policy holder must observe limitations as to use of the vehicle. For instance, you cannot use a vehicle you insured for private use for kabukabu (commercial use) on weekends, just because you are broke, and expect remedies from your insurance company if you are involved in an accident in the process.

There are other conditions and exceptions and the policy holder is advised to go through the policy document embodying the contract of insurance as he would do in other contracts. Where he does not want the hassle, he should simply transfer it to a registered Insurance Broker (RIB) at no extra cost.

We have had cases in the past where policy holders hid their vehicles and filed theft claims

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ECONOMICS & FINANCE

Building an Impact Investing Business that Makes a Real Difference

Jasjit Singh

RESPONSIBLE INVESTING is all the rage. By some estimates, one in every four dollars under professional management today was invested under a socially responsible investment (SRI) strategy. The simplest form of SRI aims to generate competitive financial returns and positive societal impact by screening out "sin" sectors such as gambling, tobacco and guns and focusing on those considered a priority for social impact, such as healthcare and clean energy. A more sophisticated type of responsible investing is Environmental, Social and Governance (ESG) investing, which assesses ESG risks and seeks ESG opportunities to help improve a company's long-term, risk-adjusted financial returns.

Impact investing goes a step further, with investments having a clearly defined intentionality for achieving a measurable impact, while at the same time targeting financial returns that range from at least preserving the principal to matching or even exceeding mainstream market returns. Unlike SRI or ESG investing, which generally focus on reducing negative externalities a company generates, impact investing seeks to invest in enterprises that are likely to deliver a net positive impact. Depending on the nature of the investment, impact investors may aim to make this positive difference in diverse ways – such as creating jobs or serving low-income customers through inclusive finance, affordable housing, high-quality education or accessible healthcare.

The extent of cumulative assets under management in impact investing – estimated to be in the range of US$200 billion dollars globally, depending on exactly how this space is defined – remains tiny compared to the tens of trillions of dollars sloshing around in SRI or ESG funds. Part of the challenge is the gap between the large amounts of capital at traditional asset managers that could in principle be available and the relatively limited number of impact investment opportunities that seem credible in terms of delivering risk-adjusted market returns. At large asset managers, there is also a lack of expertise in the nuances inherent in impact investments, which can range from inner-city schools to farms, far removed from traditional investing and the kind of business models they are used to. In the specific context of Asia, although there is a vast pool of social enterprises, a large majority of these still seek relatively small amounts of funding and employ business models unattractive to mainstream investors which are unwilling to accept financial compromises.

An experiment at Credit Suisse

Although large global banks are increasingly jumping on the impact investing bandwagon, critics of a non-concessionary approach often criticise them for having little "additionality" in terms of a unique contribution to generate a meaningful social impact. However, it is not easy for banks focused on scale and competitive market returns to also build an impact investing fund closely connected with making a real difference on the ground. Nevertheless, an encouraging case of the possibility has recently emerged at Credit Suisse (CS). In December 2016, the bank closed a US$55 million impact fund focused on impact opportunities in Asia, and has already invested a significant fraction of this money in seven small- or medium-sized enterprises (SMEs) that are trying to make a positive difference in the lives of so-called base of the pyramid (BOP) populations. Leveraging this experience, it now has plans to launch a second impact fund within a year or so due to popular demand.

I had the opportunity to work with Joost Bilkes, the Head of Responsible and Impact Investing for Asia Pacific at CS, for a recent INSEAD case study to understand how the bank, one of the world's biggest fund managers, is trying to make a meaningful impact on the ground without imposing a financial burden on the bank's balance sheet or compromising on the market returns its clients generally expect.

Defining your place on the intentionality spectrum

Over the last 15 years, CS has built an impressive impact investing platform with over US$3 billion of assets under management. Bilkes was keen to build upon this momentum with a unique approach tailored to Asia – where a large fraction on the global BOP population resided. Serving in Wealth Planning Services under Bernard Fung, CS's head of private banking, Asia Pacific, Bilkes sought to bring access to finance in parts of Asia where SMEs making a meaningful social impact didn't have access to investment capital and cutting-edge management expertise. But building an initiative around this within CS required working within the existing investing metrics and frameworks. In other words, even though Bilkes cared a lot about the social impact generated, he knew he had to make a "business case" for launching the fund he had in mind. As he told me recently, "I can only raise a good amount of money with a good investment product."

Bilkes noticed that across Asia not many funds financed expansion capital opportunities in the US$2-10 million range. But these were not the size of deals CS was used to working with. He realised that any Asia-focused impact fund would need to be compelling from a traditional portfolio theory point of view, meaning scalable and attractive risk-adjusted financial returns. Impact investors should make an honest decision about where an organisation should sit on the impact intentionality spectrum. To justify the launch of such a fund at a bank like CS and achieve scale, Bilkes knew the focus would have to be on a non-concessionary impact investing model based on creating "shared value", rather

p. 10

ECONOMICS & FINANCE

Building an Impact...

p. 11

than pursuing concessionary investment opportunities involving a compromise on financial returns.

Partnering for impact

Bilkes won support from management to build a team to look into impact investing in Asia in 2014. But as he explained, "it was very clear the funding gap, the type of businesses we wanted to allocate capital to were the smaller of the smaller companies. That automatically meant that we had to start with a smaller size investment vehicle." The challenge, of course, was ensuring it was financially viable within a premier bank like CS. As long as he could make the numbers add up in terms of viability, Bilkes was confident that he could justify the small fund as a stepping stone for much bigger opportunities in the future.

That's when Bilkes and his team formed a partnership with an Asian venture management group focused on regional growth stage investments to manage the fund. With the partner managing the routine aspects of private equity investment in SMEs, CS could focus on playing the role of "impact adviser". In addition to allowing the fund to operate efficiently, the unique partnership model was also beneficial for two reasons. Firstly, the group was affiliated with a major regional bank with branches all over Asia – providing access to over 500 SME transactions a year, a source of potential impact investments. Secondly, it would also conduct thorough due diligence of potential opportunities just like any world-class venture capital firm would, including sector-specific considerations such as market potential and competitive landscape, as well as company-specific factors such as sources of competitive advantage and quality of management teams. This model also bridged the gap between large institutional capital and on-the-ground knowledge needed for a firm like CS to make a meaningful impact in a way that was also financially viable. Bilkes and his team monitored and evaluated each investee's social performance and their strategy in order to offer potential improvements.

Bilkes was mindful that CS had to stick to its impact-related goals in a disciplined way. He stressed that CS and its partner looked at things in a "pure way" in that the investee companies had to be a profitable business addressing large social and environmental issues. "That's very different than many investments you see today that are maybe branded as impact investments whereby it's a nice-to-have," he said. His fund is also geographically disciplined, focused on China and selected ASEAN countries such as Indonesia, the Philippines, Thailand, Vietnam, Cambodia and Laos. Unlike most managers of large funds who rarely have deep knowledge of what happens on the ground in their investee companies, Bilkes spends a lot of his time in the field – remaining closely connected not only to the investee managers and employees but also their broader set of stakeholders like customers, suppliers, communities and government officials.

Intellectual capital essential

CS's approach in Asia enables it to build up what Bilkes calls a unique "intellectual property" in impact investing. In addition to thorough due diligence of top investment recommendations, CS also circulates comprehensive "investment memorandums" to members of the investment committee, whose approval is necessary before any deal could be finalised. In addition, the team also works with leading experts who have in-depth knowledge related to achieving social impact in the context of a particular sector or region. Bilkes views this intellectual property as something that will ultimately provide a major "competitive edge" for CS, given that it is building structuring capabilities, asset management capabilities and experience working with entrepreneurs on the ground in impact-related areas.

The first investment by the fund was in a nutritional supplement manufacturing company in China, providing supplements to infants in poverty-stricken districts across the country, targeting conditions like child stunting, anaemia and general malnutrition.

Another of its investments was in a fertiliser company in one of southern Vietnam's poorest provinces. The company has developed controlled-release 'smart' fertilisers, which reduce greenhouse gas emissions associated with rice cultivation by 80 percent, while increasing yields by 20 percent, resulting in higher incomes for poor farmers.

Given that its first fund is a seven-year private equity fund, it has not yet made any planned exits, but Bilkes is keen to make sure exits are also tied to both financial and social outcomes.The fact that a major bank like CS is interested in this area, albeit still a nascent industry, is an encouraging development. Connecting the dots between high finance and the boots on the ground has been a difficult gulf to bridge for impact investing to grow in a meaningful way. Developments at CS indicate further commitment to the area, with the creation of a new impact advisory and finance department, reporting directly to CEO Tidjane Thiam.

Replicating what CS has done is not attractive for anybody seeking to quickly make big bucks by jumping on the impact investing bandwagon. But I believe that the long-term perspective and patience CS is demonstrating would likely pay off well in the future, especially as investors are increasingly asking not just about risk-adjusted returns but also the societal impacts their investments generate. Over US$1.2 trillion of money sits in various CS client accounts around the globe, and developing expertise in the social impact arena would serve the bank particularly well as this investable wealth gets passed on to the next generation of leaders – who many studies show care about societal issues far more than the current generation does.

Jasjit Singh is an Associate Professor of Strategy at INSEAD and the Akzo Nobel Fellow of Strategic Management and Academic Director of the INSEAD Social Impact Initiative. He is also a Director of the INSEAD Social Entrepreneurship Programme, INSEAD's flagship executive development programme in the social impact space, which runs from the 25th to the 30th of November this year on the Asia campus in Singapore.

LEADERSHIP & ORGANISATIONS

Why Wisdom Can't Be Taught

Manfred Kets de Vries &

THE DAY AFTER becoming the CEO of a company facing turbulent times, David had a dream. In it, while walking on a beach he discovered a bottle. On opening, a genie appeared offering him a wish in exchange for her freedom. Eschewing riches, fame or a long life, David opted for the one thing he knew he needed to help him guide his people in the best way possible. He chose the gift of wisdom.

In today's hyperactive digital age, attaining wisdom is a challenge. With tablets and phones and their various apps constantly vying for our immediate attention, it is increasingly difficult to find the time and mental space for making meaningful connections or engaging in the deep conversations, reflection, emotional awareness, empathy and compassion, necessary in its pursuit.

Indeed, it is an unfortunate fact for many leaders in David's position, that while wisdom requires education, education does not necessarily make people wise. As Professor Charles Gragg noted in his classic case study "Because Wisdom Can't Be Told", the mere act of listening to wise statements and sound advice doesn't necessarily ensure the transfer of wisdom.

What does it mean to be wise?

People often equate wisdom with intelligence or being knowledgeable; but all too often, it becomes apparent that being intelligent and being wise are quite different things. The world is full of brilliant people who intellectualise without really understanding the essence of things. In contrast, wise people try to grasp the deeper meaning of what is known and strive to better understand the limits of their knowledge.

Wisdom implies more than merely being able to process information in a logical way. Knowledge becomes wisdom when we have the ability to assimilate and apply this knowledge to make the right decisions. As the saying goes, 'knowledge speaks but wisdom listens.' Wise people are blessed with good judgement. In addition, they possess the qualities of sincerity and authenticity, the former implying a willingness to say what you mean, the latter to be what you are.

Wise people are also humble; their humility deriving from a willingness to recognise the limitations of their knowledge. They accept that there are things they will never know. By accepting their ignorance, they are better prepared to bear their own fallibility. People who are wise know when what they are doing makes sense, but also when it will not be good enough. Ironically, it is exactly this kind of self-knowledge that pushes them to do something about it.

Wisdom can be looked at from both a cognitive and emotional perspective. Cognitively, wise people have the ability to see the big picture. They are able to put things in perspective; to rise above their personal viewpoint and observe a situation from many different angles (thus avoiding simplistic black-and-white thinking). From an emotional perspective, people acknowledged for their wisdom are reflective, introspective and tolerant of ambiguity. They know how to manage negative emotions, and possess both empathy and compassion; qualities that differentiate them in an interpersonal context.

Ironically, what makes wisdom more important than success and riches is that it enables us to live well. Our mental and physical health flourishes when we are congruent with our beliefs and values. As Mahatma Gandhi once said, "Happiness is when what you think, what you say, and what you do are in harmony." Wise people are attuned to what constitutes a meaningful life. They know how to plan for and manage such a life. This implies self-concordance, behaving consistently with their values, a journey that requires self-exploration, self-knowledge and self-responsibility.

Age doesn't make us wiser

So, how can we acquire wisdom and can we expedite its acquisition? Becoming wise is a very personal quest. It is only through our own experiences, learning how to cope with the major tragedies and dilemmas embedded within life's journey, that we will discover our own capacities and learn how to create wisdom.

Setbacks are memorable growth experiences contributing to a deeper understanding of the vicissitudes of life. Overcoming difficult situations contributes to an increased appreciation of life and the recognition of new possibilities. These experiences enable us to rise above our own perspectives and see things as they are.

Unfortunately, wisdom is not something that automatically comes with the passing of years. While older people may be more capable than their younger counterparts,

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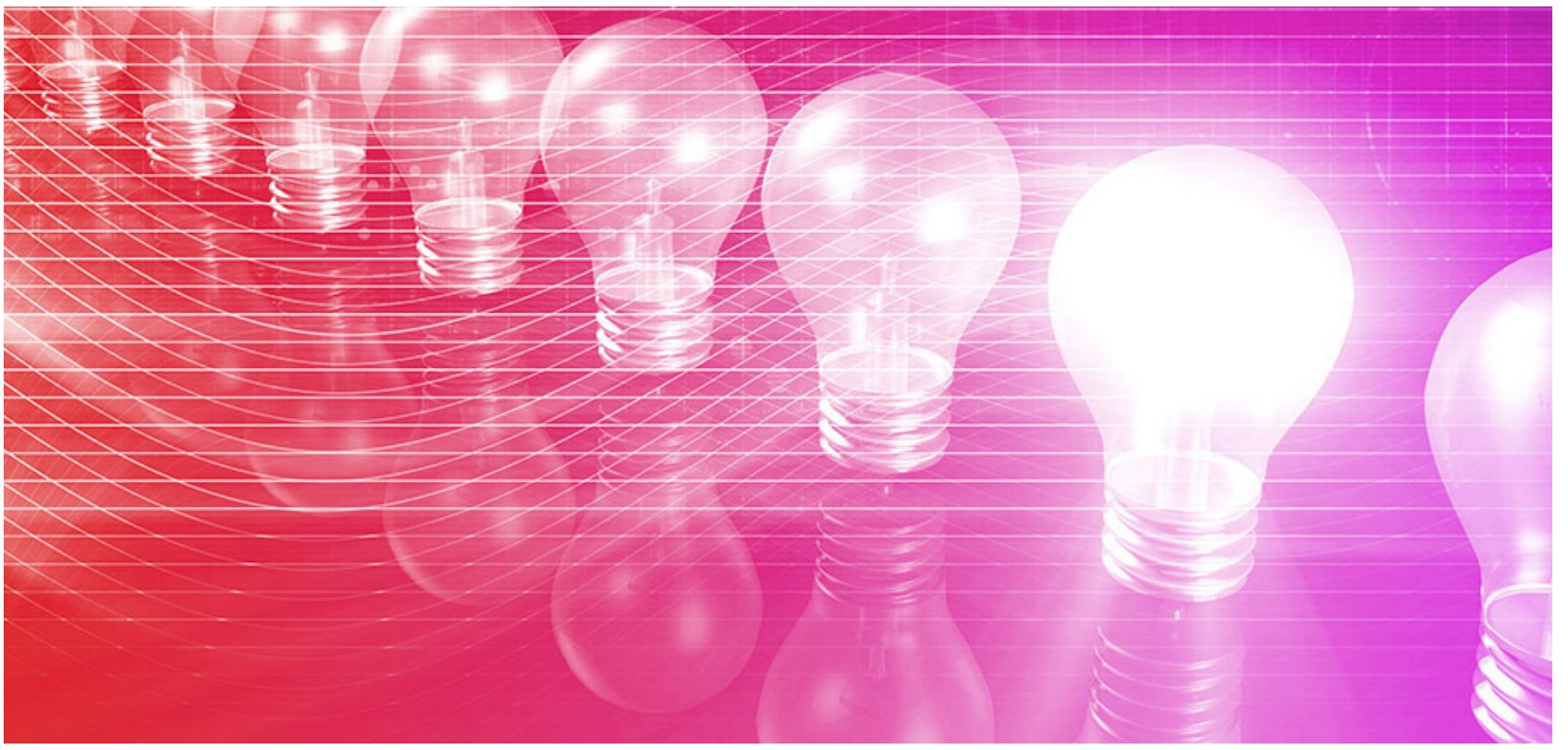
Continue on next edition



Break the Rules: How Thinking Flexibly Leads to Innovation

he one constant in life is change. But rigid ways of thinking can sabotage our efforts to thrive in a changing environment. Theoretical physicist Leonard Mlodinow believes human beings have the unique ability to think flexibly in ways that would unleash an inherent creativity — a skill he calls elastic thinking. "Analytical thinking might be how you figure out the best drive from home to work, but it's elastic thinking that gave us the invention of the car," he said. Mlodinow wrote a book on this topic called Elastic: Flexible Thinking in a Time of Change, which he discussed on the Knowledge@Wharton show, which airs on SiriusXM channel 111.

Knowledge@Wharton: What does it mean to have an elastic mind or elastic thinking?

Leonard Mlodinow: I talk about two ways that humans think. One is rational, logical thought where we follow rules. We get from A to B using our logic and analytical thinking. That's the kind of thinking they test on the SAT and that most companies look for when they interview you. That works fine when you're dealing with situations that are pretty standard.

But there's another kind of thinking that we do, and that's the elastic thinking where you don't follow rules. You make the rules, or you break the rules. You figure out what the rules should be. You try to find new ways of looking at things when the old ways don't work or when you're confronted with a new situation, which happens to us all the time now. Analytical thinking might be how you figure out the best drive from home to work, but it's elastic thinking that gave us the invention of the car.

Knowledge@Wharton: Are all people capable of elastic thinking?

Mlodinow: Our species is. Even though we might think of ourselves as being good physical specimens amongst primates, we're pretty much on the lower end of the physical scale. A chimpanzee could just tear us apart. Others of our related species are much stronger than we are. What we've really had to survive by are our wits and our inventiveness. About 130,000 years ago, there was a great climatic catastrophe that dwindled our numbers. Those individuals who liked to explore and had an appreciation for new things were able to adapt and find new places to go. That's what allowed our species to survive. After that, we've had a genetic makeup that really encourages us to look for new things and to enjoy exploration and new challenges.

Knowledge@Wharton: What is it about our culture now that requires flexibility to be a top priority?

Mlodinow: If you look at civilization over the last thousands or hundreds of years, it was for most people a pretty routine, mundane existence. You might work in a factory. You might be hoeing fields all day. You didn't have a lot of contact with other people, with other cultures. There was no media. Over the last century, that started to change, especially over the last 10 to 20 years. Since the internet was invented and social media rose, the rate of change and the number of new things that we have to face in our lives has been growing exponentially. Whereas elastic thinking may have been nice for artists, scientists, innovators a hundred years ago, now it's really important for everybody in everyday life just to thrive and to survive.

Think about what happens if you change computers. You have to learn a whole new system. If you update your Excel, now the old one doesn't work. We get emails from people who are trying to sabotage us or break into our system and who are always finding new tricks. If you want a vacation, on average people use 26 websites. If you want to get the right price, it's constantly changing. You're in kind of a sword fight with the provider. Everywhere we turn, things are different. They're new. We have to find new skills. We have to adapt.

Knowledge@Wharton: Historically, people have been resistant to change. In your research, is that still the case?

Mlodinow: That's something that's talked about a lot in the business literature. I found this big gap between what they were talking about and what the research psychologists were talking about. The research psychologists were talking about some of the events that I've just mentioned — how the human species likes change and is attracted to change. In fact, they call it neophilia, the love of the new.

But business literature was talking about how we can overcome people's change aversion. When you look at it, what they're talking about is trying to get over people's resistance to negative change. They take out the word negative, or they call it restructuring or give it some euphemism. But what it means is asking people to do more work for the same money, or there's a change that will make their job riskier. People are change-resistant because it's causing them effort or financial harm.

If I were to tell you, "I want you to do 20% more work for the same money," you'd resist the change. If I tell you, "I'm going to keep paying you the same money, but I'm going to give you 20% less work," I don't think you'd resist that change. It has to do with the valence of the change, and they're mixing up "change" with "negative change." But as a species, we tend to like change. If you do the same job all the time, you get bored. Squirrels don't get bored if they do the same thing all the time. They just keep doing it. But humans do.

Knowledge@Wharton: You say one way to think elastically is to let your guard down and relax the mind. Can you explain that?

Mlodinow: Our brain is constantly generating ideas. You have parts of your brain called association cortices that are taking ideas or concepts from one area and another, putting them together and coming up with new ideas. This is constantly bubbling away in your unconscious mind. If you were to become consciously aware of all that, you would drown in ideas, as some people who are mentally ill do. But a normal, healthy person has filters that don't let most of those ideas into your conscious mind. They censor them.

The problem is that sometimes the ideas that are allowed into your conscious mind are the more conventional ones or the ones that are more promising or more ordinary. Sometimes these censors keep the more creative, original ideas out. One of the ways to access your creativity is to find ways to relax those filters so that more starts to get through.

> The more hierarchical a company is, the more it's an innovation-killer

Knowledge@Wharton: People at the lower end of the corporate totem pole may have these unbelievable ideas that could positively affect the company, but they may not have the ability to bring them forward.

Mlodinow: The more hierarchical a company is, the more it's an innovation-killer. There are two ways of approaching a problem or task. One is the top-down way, and that's the way of most corporations. That's the way of the military, where the general at the top gives the orders and they get passed down and maybe adjusted along the way. Everyone is very obedient and follows authority. Your brain works that way when you're doing analytical thinking. The neurons in your brain work in a top-down fashion. You have certain structures in your brain that order the other structures around and organize things. It's the executive part of your brain.

But the other way, which is where elastic thinking comes from, is bottom up. That means all the individuals somehow work together in a way where the whole is greater than the sum of its parts. In mathematics, they call that emergent phenomena. Ants are a good example. Each individual ant has very simple programming, but ants as a colony can do amazing things.

Corporations need more of this bottom-up thinking. If they want to be innovative, they have to give the freedom to the people below and the respect to listen to them and let them interact with each other and come up with ideas, not just have everything dictated from the CEO down.

Knowledge@Wharton: You say we're in a time when we should do a better job of listening to opposing points of view, whether in the office or in politics, and not shut down any idea before the conversation takes place.

Mlodinow: The term that many people use for that is "frozen thinking." Most people think that they're always right. If they are shown to be wrong, they put that in the back of their mind and keep focusing on confirming what they already believe. That's very bad for elastic thinking. It's very important, when you're approaching a new situation or a novel challenge, to be open to new ways of thinking and to let go of those assumptions.

That shows itself in politics, where we all have our beliefs and feel very strongly to the extent that we think people who don't share that are dumb or nuts or evil. But that's really not the case. There are reasons that people come to different conclusions, and that has to do with the unconscious calculations in your mind.

It's called motivated reasoning, which is that people have different philosophies and different needs and desires, and they reason backwards. They automatically reason backwards from the conclusion that's desirable to them. Their minds look at the evidence and sort it out in a way to lead them to the conclusion that unconsciously they really desire. But they believe sincerely in what they're talking about.

If you want to open up your elastic mind and see things in new ways and be more innovative, a very good exercise is to question your own beliefs. Look at what other people are saying in areas that are very important to you, and try and understand how someone who is intelligent and not evil could come to that conclusion and why they might not accept the things that you do. Also, look back at times where you were wrong about something. Realize that the way you think might not be the only way to think, and soon you might discover something.

p. 12

Break the....

p. 11

Knowledge@Wharton: Have you seen companies that are embracing this idea of giving employees the time to engage in elastic thinking?

Mlodinow: I gave a talk at Google, and they are one of the leaders in providing an atmosphere that encourages that. They're a very creative company. It's important to realize that when someone is lying on the couch and staring into space, that could be working. That doesn't mean you're taking a break.

It's very important to interrupt your times of analytical, focused thought with times of unfocused thought, where you let your mind just go. That's when the elastic part of your brain really operates more. It's called the default mode of brain operation. It's when you're not focused on something and you don't have sensory stimulation. After you've focused on a hard problem and thought about it and hit a barrier, it's that default mode operation that allows the unconscious mind to throw those crazy ideas out that can be the answer.

At Google, they have nap rooms. It's dark and you can take a nap or lie and look into space. They have a gym where you can go. It's good sometimes to take a little physical effort to keep you from focusing mentally on something and relax your mind, and then things pop into your mind when you're on the treadmill. A company that says, "Leonard, get off the couch and get back to your desk," is bad. A company that constrains you and is too focused on traditional ways of operating can discourage that kind of thinking.

Knowledge@Wharton: Do you think more companies should embrace elastic thinking?

Mlodinow: The companies that don't change the way of doing things are not going to be efficient enough or even have a product that people want because we're in a time of complete disruptive change, which is why this new thinking is demanded. You have to have some analytical thinking to guide your elastic thinking, but you really need to be able to face the change and go with it, not resist it.

How Big Data Can Make a Big Difference in HR

Big data has become a necessity for many businesses, but some human resources managers don't rely on it because they see their role as something different: connecting to the employees and the company. In their book, The Data Driven Leader: A Powerful Approach to Delivering Measurable Business Impact Through People Analytics, Jenny Dearborn and David Swanson say failure to incorporate data into the HR function can be costly to managers and the company. Dearborn, chief learning officer and senior vice president at SAP, discussed the book on the Knowledge@Wharton show, which airs on SiriusXM channel 111. (Listen to the full podcast using the player at the top of this page.)

Knowledge@Wharton: Do you see this book as a teaching tool for companies and their human resources department?

Jenny Dearborn: Yes. It really is designed for executives across all the different functional areas, but especially for HR. It's HR professionals who are supposed to be monitoring and coaching and encouraging the right behavior for leaders across the company.

Knowledge@Wharton: When you think about how leadership and HR work together, what links big data between the two?

Dearborn: Historically, HR departments have been run by wonderful people who are great people-people. They are great at the human interaction. They're great at being empathetic. They're wonderful at caring deeply about how people feel, and that's fantastic. But to be a competitive differentiator moving forward, we need to move beyond that. We need to use all of the tools available in order to be more effective. Every other functional area in a business is using all of these resources, all of the data and insights. HR needs to use that, too, for their primary responsibility, which is to groom the leadership skills across the company.

Knowledge@Wharton: Does this require HR professionals to change their point of view about their roles in the company?

Dearborn: Absolutely. It really is taking HR departments by surprise, which is part of the motivation for writing this book. It's trying to give my peers the tools they need to keep up and be effective. One of the pieces of research that I cite in the book is that in 2016, for the very first time, more than 50% of the newly appointed chief human resources officers did not come from HR.

If you started at the bottom in HR, you'd think, "With time, I'm going to get to that top job." Now, more than 50% of the time, that's not going to be somebody who has started at the bottom. It's going to be somebody who came laterally from the head of marketing or operations or sales or finance or pretty much anywhere else. The No. 1 reason why is the lack of expertise in data and analytics.

Knowledge@Wharton: Do you expect to see HR departments bringing data scientists into their operations?

Dearborn: That is the No. 1 requested new job that all HR departments around the world are looking for. At the top of their list is somebody who can drive the data and analytics for their department, so every HR department is looking for data scientists. It's unusual to go to a university recruiting event, go to the data science or statistics department and say, "Hi, I'm in HR. Do you want to come to HR?" The undergraduates are scratching their heads, but it really is the trend.

Knowledge@Wharton: What are the roadblocks for HR in terms of getting access to data?

Dearborn: Oftentimes, the internal data in an organization is kept in lots of different places, so it is not consolidated neatly. I've never known of any company where all the data is consolidated neatly. You have sales data in the sales department. You've got customer interaction data in customer service. You've got productivity numbers all over the place. The coming together of all of this information is where the power is.

Each of these groups is going to hold on to the data they have because it's a sense of power for them. They're concerned with: "If I give you this information, how are you going to use it to potentially make me look bad, make me look like I missed a trend or that I wasn't doing my job as well as I could have?" There's a lot of searing skepticism about giving over raw data to a central group and saying, "Triangulate this. Put some algorithms on top. See what you come up with." People are quite reluctant to share.

Knowledge@Wharton: You point out that executives don't always make decisions based on the data points that are provided to them. Why not?

Dearborn: My hypothesis is that most companies have all the data that they need, they just don't know how to use it. They don't know how to put it together or what questions to ask. They don't really know what they're looking for.

Most companies have tons of information about their customers, about which accounts are more productive, which accounts are high margin, and which accounts are a complete waste of time because the return isn't there. Companies know this. But they don't have the time or the discipline to take a step back and ask themselves tough questions like: What are we doing here? What is our purpose? What are our goals? What are we trying to achieve? What is the best way to get there?

Knowledge@Wharton: Companies have all of this data at their fingertips and don't really know what to do with it, which is a big problem. It's also a little scary, considering the concerns about the use and protection of data.

Dearborn: There are significant concerns around data privacy. What are you going to do with this information? What is it going to say about me, about my behavior, about my buying patterns, about who I am? How is this information going to reveal something that maybe I don't want to have revealed to my customers, to my employer? There are also a lot of concerns about employer's rights in all of this. Some countries have very strong rules and regulations around data privacy, and other countries are less restrictive. It really is kind of a wild west right now.

> Most companies have all the data that they need, they just don't know how to use it

Another strong theme in the book, and in a lot of the speaking that I do, is around the importance of diversity in the data scientists so that we can make sure the questions being asked of the data — and the decision-makers of how artificial intelligence and machine learning are being used — are really representative of a diverse perspective across society.

There is a very narrow group of people who are making really powerful decisions using data. It would be better for all of us, in corporations and society, if it was more open and more transparent around how the data is being used, what decisions are being made and if a diverse group of people was engaged in that decision-making.

Knowledge@Wharton: How has your understanding changed you as an executive at SAP?

Dearborn: It has made me significantly more empathetic to the rights of everyday employees and everyday people.

I started this journey wanting to get more information so that I could prove the value of the work that I was doing. I was in charge of a huge department. We had a significant charter to go roll out learning and development in a corporation. Someone said, "How do you know what you're doing is actually making a difference?" I decided to dig into data and information to get facts to support that what I'm doing is actually making a difference and making a positive contribution to my corporation.

That was the start of my journey. The more I got into it, the more I said, "Wow, this is really powerful." I now have insights into people's behavior, people's choices.

The more sophisticated your analyses are, the more you can start to predict the future. You can say, "I believe this employee will be successful in the future. There is a 90% confidence rate that this particular employee will make quota at the end of the year. I believe this other leader will likely fail, unless there is some sort of intervention."

You extrapolate that out, and you can start to predict behavior. That's really powerful. It's a wonderful tool for a corporation to make sure that they meet their revenue targets. But there are bigger implications for us as a society. I'd love for us, as humans, to be having this conversation about the power of this. How can we use this for good? How can we use this to make the world a better place and improve people's lives?

Babatunde Fashola, minister of power, works & housing (right) and Otunba Oluwaranti Lekan Osifeso, president, Association of Indigenous Construction Contractors of Nigeria, during the minister's meeting with the association at the ministry of power, works & housing headquarters, Mabushi, Abuja recently

Over 35% of financial services' revenue at risk by 2025

- McKinsey warns banks face wipeout in some financial services
- Rise of digital disrupters to strip 60% of earnings from areas such as credit cards and car loans

Steve Omanufeme

The digital revolution sweeping through the banking sector is set to wipe out about 35 percent of earnings on some financial products by 2025 as new technology companies (fintechs) drive down prices and erode traditional lenders' profit margins.

This is one of the main submissions of Akinsope Roberts, lead, digital and robotics practice, Ernst &Young, Nigeria, at the maiden business a.m./GTI Finance and Investment Dialogue held on Thursday in the Marina Central Business District of Nigeria's financial capital city of Lagos.

He said significant chunk of profits and revenues would be lost from deposits (18%), payments processing (6%), small and medium-sized enterprise lending (5%), and asset and wealth management/ mortgages businesses (6%).

The losses according to him would come from banks' slow uptake of technology to know and understand their customers and deliver products they need and simple enough for them to understand.

Roberts said that with about 31 million banked Nigerians, there is room for technology start-ups to bring more of the over 150 million Nigerians to access financial services

It is obvious that the traditional financial service providers are lagging behind in bringing the more than 150 million unbanked Nigerians into the financial system, which creates the opportunity for fintech to erode their market share, according to Roberts.

He noted that apart from technology, customer behaviour influenced by demographics is fast becoming a major disruptive driver.

"Nigeria's population is young and young people want service on the go without being physically present at the providers' offices and digital technology is providing the convergence for companies who can offer different services to meet their needs.

"Retail is the future for any commercial bank hence there is the need for banks to grow their technology so they can meet up with the new entrants and also know their customers more as fintechs now understand customers more than the banks, through monitoring of their data usage and are able to reach the people with services that they want," he said.

He said trust, which used to be the dominant issue in the banking sector some years ago was no longer the issue as research carried out by Ernst &Young indicates that 70 percent of respondents were of the opinion that trust was no longer an issue and they would rather prefer providers who understood them.

He said that in as much as technology is the preferred platform to meet, understand and serve customers, there is the need for caution in adoption and deployment as it might be suicidal if financial service providers rush into launching any service without recourse to whether it is the right solution to their problems.

To survive in the disruptive economy, institutions need to put their customers first as their new products must be tailored to not only meet their needs but such products should be understood by the customers.

They must also ask themselves if their disruptive tendencies will lead to growth and if all the disruptive trends are important and relevant to them.

What are other like minds financial service providers doing? Is it going to enhance revenue? Is it empowering employees or is there an agreement between management and employees on how the products work?" he pointed out.

Roberts position is in line with the main predictions by the consultancy McKinsey in its global banking annual review published in September 2015, portraying banks as facing "a high-stakes struggle" to defend their business model against digital disruption.

McKinsey said technological competition would reduce profits from non-mortgage retail lending, such as credit cards and car loans, by 60 percent and revenues by 40 percent over the next decade.

Philipp Härle, co-author of the report, said: "The most significant impact we see in price erosion, as technology companies allow delivery of financial services at a fraction of the cost, and this will mostly be transferred to the customer in lower prices."

He said most technology companies were focused on picking off the most lucrative parts of banks' relationships with their customers, leaving them as 'dumb' providers of balance sheet capacity.

"Most of the attackers do not want to become a bank," said Härle. "They want to squeeze themselves in between the customer and the bank and skim the cream off."

McKinsey said banks last year made $1.75 trillion of revenues from origination and sales activities, on which they earned a 22 per cent return on equity, while they made $2.1 trillion of revenue from balance-sheet provision at a return on equity of only 6 percent.

The consultancy said the industry had two choices. "Either banks fight for the customer relationship, or they learn to live without it and become a lean provider of white-labelled balance sheet capacity," it said.

While predicting upheaval in the future, McKinsey said there was no evidence that digital disruption had started to eat into banks' market share yet. Banks' share of global credit provision has been constant over the past 15 years.

Härle said one factor that could slow down the erosion of banks' market share was if regulators decided to clamp down on the disrupters by imposing similar capital and compliance rules as those faced by banks.

McKinsey calculated that profits from all banks reached a record of $1tn last year, helped by rapid growth in Asia and particularly in China and as US lenders rebounded from the financial crisis. The average return on equity was stable at 9.5 per cent, as cost-cutting offset falling margins in the low interest rate climate.

Almost two-thirds of developed market banks and a third of those in emerging markets earned a return on equity below their cost of equity and were valued below their book value.

"Many in the industry are waiting for an interest rate rise or some other structural lift to profits, but even if rates rise, that will be insufficient to fundamentally improve economics," McKinsey said. "We expect margins to continue to fall through 2020, and the rate of decline may even accelerate.

Financial technology: Are we there yet?

Adesola Afolabi

It is not all doom and gloom as the discussion around the fusion of financial services with digital technology is taking the centre stage. Contrary to a negative notion bordering around trust, consumer protection, transparency and a host of other phenomenon in the financial technology (Fintech) space of Nigeria, there is a positive and reverberating glimmer of hope and array of opportunities that financial institutions can leverage for enhanced profitability, business sustenance and value proposition for esteemed consumers.

This much was the centre of discuss at a Finance and Investment Dialogue held in Lagos on Thursday and powered by business a.m. Nigeria's weekly financial newspapers and GTI Group with the theme "Technology Disruption in Financial Services Sector."

Talking on the disruption fast taking place in the financial services sector, Akinsope Roberts, lead digital and robotics at Ernst & Young, explained that the advantage fintechs have over the traditional financial services providers is the understanding of data and taking advantage of them.

He said the disruption taking place in the financial services sector is driven not only by technology but by the fast changing market demographics.

"60 percent of our population is between ages 18 and 40, hence a more vibrant adoption of technology."

He however stated that as the traditional financial service providers expand digital footprints to reach these needs, an increasing exposure to the risk involved is overwhelming.

Giving the fact that researchers are of the opinion that Nigeria is about 20 years behind cyber skills, Akinsope sued for caution over cyber crimes and attacks since a lot of financial solutions are being driven via the digital space.

Zoning in on the opportunities in spite of the gaps, The EY manager urged financial services providers to align business around social media, cyber mobile, cloud, bug data analytics etc.

"31 million BVN account holders have been captured in a country with over 180 million people. This shows financial inclusion remains a major problem. There is a humongous opportunity but financial institutions must realise that whatever product created for consumers must be perfectly understood by them and easy to use."

He said an EY survey indicates that the perception of the services of traditional financial service providers like banks has changed, and that, for instance, trust is the least worry of a consumer of financial products or services. Consumers feel trust is a given, however engagement and distribution of products and services, understanding customers, experience and innovation, were key issues relevant towards attracting and retaining financial product consumers.

Citing an example of Safaricoms, a telecoms operator in Kenya that engages in financial services, Akinsope said collaborations across financial institutions and other industry's proven to be a driver of the facilities needed to reach consumers could be key in plugging in on the disruption bringing about real value addition to the industry.

Meanwhile financial service providers must ascertain if every disruption trend is relevant to their business. Such solution providers should also know if it has problems looking for solutions rather than providing solutions to problems that don't exist or are yet to exist.

Solution providers must care about their customers or knowing and understanding what they do and what they care about in order to channel devices that can better suite the customers lifestyle.

Giving further insight into what customers really cared about, another survey conducted by EY in 5 African countries including Nigeria, showed majority of respondents cared more about how simple products are and how easily they can understand them, protection of their data, transparency of fees, use of personal and financial data, personalised communication, guidance through the financial jungle, and highly favoured human interaction at certain moments.

However, incorporating disruptive digital ideas into businesses as sensitive as finance management will naturally meet some regulatory slowdown or roadblocks.

Yemi Okeremi, the managing director/CEO of Precise Financial Systems Limited, who was also the guest speaker at the event, surmounting these roadblocks most times requires courage and suasion, which he said has worked over the years.

Fixed income market outlook subdued by budget delay, herdsmen killings

business a.m.

OUTLOOK FOR THE NIGERIAN fixed income market would be slightly bullish in the near term as market remains awash with liquidity, following inflows from FAAC payments to states and local governments, according to market analysts.

They however see the market closing the week on a relatively stable note barring a renewed and sizeable OMO auction sale by the CBN.

Specifically, they say yields might compress slightly on average, adding that there exist some downside risk factors in the broader political and economic space, which could spook the wheels of the recent momentum in the markets.

The key risk, they said include a possibility of capital reversals by FPI's in reaction to political risk factors ahead of the 2019 general election.

Major risk factors include the delay in budget passage, which is perceived as negative as the budget is required by public and private sector stakeholders to plan and manage their economic activities; regional conflicts notable amongst these include the recent Shiite protests in which large number of supporters of the Shite Leader El-Zakzaky stormed the state capital to protest the continued detention of their leader, Boko-haram sect in the north-eastern region and herdsmen killings in the middle belt of the country; and inflationary threats occasioned by electioneering spending and implementation of minimum wage.

The fixed income market has been on a rally of late, hinged on renewed interests from both local and offshore clients, due to investors' expectation of further moderation in inflation rates and a tilt to a more accommodative monetary stance by the CBN, with the recent reduction in its spate of OMO issuances.

Foreign investors have also been attracted by the broader stability in the country's macro-economic environment, largely hinged on positive developments in oil prices and relative stability in its FX Market.

To this end, analysts at Zedcrest Capital advised investors to monitor the aforementioned risk factors critically as they may portend for significant reversals in offshore capital flows and an uptrend in fixed income yields if they worsen or do crystallize.

"We consequently advise investors to exercise caution in their investments ahead of the 2019 General elections, whilst advising a tilt to the shorter end of the Naira yield curve for risk averse investors," they pointed out.

A review of the market last week indicated that the Bond market closed the week on a relatively stable note, with yields compressing slightly by c.3bps on average.

Trading sentiments were however mixed with only few trades executed throughout the session as market players remained skeptical of the recent changes in the trend of OMO issuance by the CBN. We expect yields to be relatively stable at sub-13 percent levels in the near term, barring a significant lift in OMO auction issuance rates and volumes, which could trigger some profit taking into the T-bills space.

The T-bills market also traded with mixed sentiments and closed on a relatively flat note, as market players initially sold off on some short to medium tenured maturities upon announcement of an OMO auction by the CBN. They however came back buying as the CBN once again significantly prorated on the 244-day bill offered, selling only N22.05bn of the N435bn subscription on the bill, whilst selling once again to all banks at +5bps higher (12.05%). The CBN however sold to all subscriptions on the 97-day bill (N27.95bn) at a 5bps higher rate (10.95%) as well.

The OBB and OVN rates remained relatively stable at 2.83 percent and 3.42 percent, as inflows from retail FX refunds and FAAC payments helped offset outflows for today's retail FX sales and bond auction settlement.

Rates are expected to remain relatively stable opening next week, as system liquidity remains buoyant at about N600 billion positive.

The Interbank rate remained stable at its previous rate of N305.65/$, even as the CBN conducted another round of Retail SMIS in the market. The NAFEX rate remained relatively unchanged at N360.41/$, with rates in the unofficial market also stable at N361.50/$.

FGN Bonds

Description	Bid (%)	Offer (%)	Day Change (%)
16.00 29-Jun-19	11.37	10.38	0.20
15.54 13-Feb-20	12.30	11.87	(0.10)
14.50 15-Jul-21	12.86	12.59	(0.17)
16.39 27-Jan-22	13.02	12.64	0.04
14.20 14-Mar-24	12.90	12.80	(0.19)
12.50 22-Jan-26	13.01	12.92	0.03
16.29 17-Mar-27	12.98	12.92	(0.02)
12.15 18-Jul-34	13.02	12.92	(0.01)
12.40 18-Mar-36	12.98	12.74	0.00
16.25 18-Apr-37	12.91	12.80	(0.05)

Treasury Bills

Description	Bid (%)	Offer (%)	Day Change (%)
14-Jun-18	12.00	9.00	0.00
5-Jul-18	11.50	10.00	0.00
2-Aug-18	11.20	10.20	0.20
13-Sep-18	11.15	10.90	0.00
4-Oct-18	10.80	10.55	0.00
1-Nov-18	11.90	10.90	0.00
6-Dec-18	11.60	11.35	(0.15)
3-Jan-19	12.00	10.70	0.00
14-Feb-19	12.00	10.50	0.00
14-Mar-19	12.00	10.70	0.00

Primary Market Auction Results

NTB - 18 April 2018

Tenor	Rate (%)	Offer (N'bn)	Sub (N'bn)	Sale (N'bn)
91 days	10.90	5.85	18.54	5.85
182 days	12.00	29.25	46.58	29.25
364 days	12.08	23.40	374.00	23.40

FGN Bonds - 25 April 2018

Maturity	Rate (%)	Offer (N'bn)	Sub (N'bn)	Sale (N'bn)
Apr-23	12.75	30.00	52.89	38.29
Mar-25	12.85	30.00	49.40	12.75
Feb-28	12.89	30.00	160.19	38.96

OMO - 27 April 2018

Tenor	Rate (%)	Offer (NBn)	Sub (N'bn)	Sale (N'bn)
97 day	10.95	10.00	27.95	27.95
244 day	12.05	40.00	435.08	22.05

NIGERIAN SOVEREIGNS

Description	Bid Price	Bid Yield	Change (%)
5.13 Jul - 2018	99.95	5.31	(0.03)
6.75 Jan - 2021	105.1	4.74	0.01
5.625 Jun - 2022	101.89	5.11	0.01
6.38 Jul - 2023	104.16	5.44	0.03
6.50 Nov - 2027	100.95	6.36	0.01
7.143 Feb - 2030	102.86	6.79	0.00
7.875 Feb - 2032	108.01	6.96	0.03
7.696 Feb - 2038	103.70	7.34	0.00
7.625 Nov - 2047	101.08	7.53	0.04

NIGERIAN BANKS

Description	Bid Price	Bid Yield (%)	Change (%)
6.00 GTBANK 2018	100.76	4.49	0.05
6.25 ZENITH 2019	101.31	4.86	0.00
8.75 DIAMBK 2019	98.23	10.56	0.18
8.25 FBNNL 2020	99.50	9.68	0.00
9.25 ACCESS 2021	101.98	9.31	0.01
8.00 FBNNL 2021	98.00	9.45	0.01
8.75 ECOTRA 2021	84.88	12.23	0.00
10.50 ACCESS 2021	111.70	6.66	0.00
7.375 Zenith 2022	103.00	6.52	0.00
7.75 UBANL 2022	103.03	6.89	0.00
10.5 FIDBAN 2022	102.08	9.91	0.00

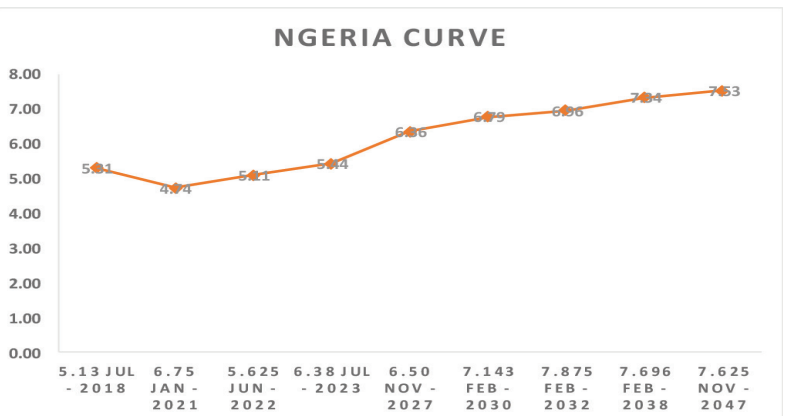
ECONOMIC INDICATORS

Inflation (YoY)	13.34%
Exchange Rate ($)	N305.65
MPR	14.00%
Foreign Reserves	$47.01Bn
Brent Crude	$73.96

	Current (%)	Previous (%)
Open Buy Back (OBB)	2.83	3.17
Overnight (O/N)	3.42	3.67

FX Market

	Current (N/$)	Previous (N/$)
CBN Spot	305.65	305.65
CBN SMIS	330.00	330.00
I&E FX Window	360.41	360.42
Parallel Market	361.50	361.50



CAPITAL MARKET

Foreign investors still bet on equities market after one year of I&E forex window

business a.m.

FOREIGN INVESTORS via portfolio investments are still attracted to the Nigerian equities market long after the Central Bank of Nigeria (CBN) launched the Investors and Exporters' (I&E) FX window.

The Nigerian Stock Exchange's (NSE's) data on domestic and foreign portfolio participation in equity trading for the month of March 2018 indicates that though domestic investors outperformed foreign investors, foreign transactions increased more significantly by 58.87 percent from N83.22 billion to N132.21 billion within the same period. This is against a 8.88 percent increment in domestic transactions ifrom N128.83 billion in February to N140.27 billion in March 2018.

The data shows that total transactions at the nation's bourse increased by 28.50 percent from N212.05 billion recorded in February 2018 to N272.48 billion (about $0.89 billion) in March 2018.

The cumulative transactions from January to March increased by 48.29% from N454.48 billion recorded in 2017 to N878.97 billion in 2018 as domestic investors outperformed foreign investors by 2.96 percent in March 2018.

Also, there was a 55.29 percent increase in foreign inflows from N44.89 billion in February 2018 to N69.71 billion in March 2018 just as foreign outflows increased by 63.06 percent from N38.33 billion to N62.50 billion within the same period.

The attraction of foreign investors into the Nigerian equities market markedly improved in 2017 immediately the CBN introduced the I&E forex window exactly a year ago, with inflow into equities accounting for 29.7 percent and 49.6 percent of total capital and FPI flows respectively.

This resulted in a 42.3 percent equity market return in 2017, making the market's benchmark index, the NSEASI, becoming the 11th best performing index in the world and 2nd in Africa.

Although the policy was pitched almost a year after the CBN reneged on the June 2016 announcement of a transition to a flexible foreign exchange framework, initial skepticism, which greeted I&E fizzled within weeks post-introduction as FX transactions in the window cumulated to $1.9 billion by May-2017.

The singular act of a market reflective pricing of foreign exchange, coupled with the recovery in global oil prices as well as the stability in domestic production, following cessation of militancy attacks on oil installations, reset the stage for a broad based macroeconomic rebound.

Shortly afterwards, exacerbating inflationary pressures began to moderate – settling at 13.3% in March 2018, the economy slipped out of recession in Q2:2017 and grew 0.8% Y-o-Y in 2017, pressure on consumer spending power also tapered while recovery from external sector shock materialized amid improved export figures (most especially from crude oil).

According to analysts at Afrinvest, the equities market rally of 2017 post-FX market liberalization saw investors taking advantage of cheap and attractive valuations, which were previously jettisoned due to demand paucity from foreign investors.

"Particularly, tier-1 banking stocks as well as premium consumer goods and industrial goods stocks drove the positive sentiment. In line with historical trend, domestic investors joined the bandwagon towards Q4:2017 especially after the gradual moderation in fixed income yields following the FGN's decision to restructure debt portfolio and the CBN's cessation of long dated OMO bill offerings," they highlighted.

They posited that whilst FPI flow recovery post I&E introduction is nearing the pre-2014 shock levels of US$14.9 billion with the 2017 inflow at US$7.3 billion, attraction of foreign direct investment (FDI) has been steadily slow, dwarfing the 2014 annual levels by 56.9 percent, notwithstanding structural reforms policy document rolled out by the fiscal authority.

"The Economic Recovery and Growth Plan (ERGP), despite having a launch date preceding the I&E, has achieved very little in generating patient real sector FDI flow with long lasting impact on employment and growth; thus begging the question; Where is our FDI? But more essentially, recent lull in foreign equity investor sentiment, post-January 2018 Bull Run, suggests more dangerously, the dominance of foreign investors in shaping market sentiments and propelling positive equity market trends or otherwise," they stressed.

"What do equities hold for the rest of 2018 and are there still bright spots for the market in the build-up to the 2019 General Elections? Should Investors "Sell in May and Go Away" or are there still cherry-picks plausible for potential upsides? We provide answers to these questions in the following sections," they pondered.

Market trade	27Apr*	20-Apr*	Change
Volume (million)	1,604	3,007	-46.67%
Value (₦'million)	24,399	30,296	-19.46%

*aggregate for the week

Top gainers	w/w change	Price (₦)
FO	20.69%	45.20
NESTLE	13.53%	1,615.00
LEARNAFRCA	12.50%	1.35
HMARKINS	10.34%	0.32
INTBREW	9.05%	51.80

Top losers	w/w change	Price (₦)
UNITYBNK	-21.26%	1.00
GLAXOSMITH	-20.79%	24.00
JAIZBANK	-17.44%	0.71
MBENEFIT	-17.24%	0.24
SKYEBANK	-14.74%	0.81

Fixed Income Yields

Tenor	27-Apr	20-Apr	Change
1 M	9.84%	9.85%	-2bps
3 M	11.94%	11.84%	10bps
6 M	12.55%	12.34%	21bps
1 Y	12.91%	14.18%	-127bps
2 Y	11.46%	11.80%	-35bps
3 Y	12.78%	11.99%	79bps
5 Y	13.07%	12.57%	50bps
7 Y	13.00%	13.05%	-5bps
10 Y	12.98%	12.92%	6bps
20 Y	12.92%	12.81%	11bps

Currency

USD/NGN	27-Apr	20-Apr	Change
Spot	305.65	305.60	0.05
1 M	363.40	363.19	0.21
6 M	383.72	379.75	3.97
1 Y	405.34	408.78	-3.44
Parallel Market	361.50	361.50	0.00
NAFEX	360.41	360.42	-0.01

Positive sentiments seen lifting market this week

A review of last week trading activities at the Nigeria Stick Exchange (NSE) indicates positive sentiments closing the market, which analysts say would be sustained to lift market index this week.

"The market closed out the week on a bright note, climbing 115bps Friday to notch a 105bps w/w gain. Market sentiment at the end of the week was largely positive – evidenced by markedly positive market breadth and a strong green close. We expect this to lift the ASI at the start of the coming ahead," analysts at Vetiva Capital said.

Specifically, the equities market closed Friday on a positive note, as NSEASI appreciated by +1.15% to close at 41,244.89 basis points as against 0.12 percent depreciation recorded previously. Year-to-date (YTD) returns closed 7.85 percent.

Market breadth closed positive as INTBREW led 25 gainers against 14 losers topped by FO at the end of the day's session, which was an improved performance when compared with previous outlook.

However, market turnover closed negative as volume moved down by 15.56 percent as against 7.75 percent uptick recorded in the previous session. MBENEFIT , FBNH and ZENITHBANK were the most active to boost market turnover. ZENITHBANK and FBNH topped market value list.

MBENEFIT led the list of active stocks that recorded impressive volume spike at the end of the day's session.

	Period	Revenue (₦'million)	y/y change	PAT (₦'million)	y/y change
EQUITYASUR	FY'17	3,610	6%	6	NM
CHAMPION	Q1'18	1,129	2%	67	70%
OANDO	Q1'18	150,547	9%	4,192	634%
ETRANZACT	Q1'18	3,392	20%	62	-52%
ARBICO	Q1'18	1,101	-10%	89	278%
MANSARD	Q1'18	14,168	10%	822	11%
ETERNA	Q1'18	54,332	5%	511	-25%
SCOA	Q1'18	114	-69%	(122)	-49%
PRESTIGE	Q1'18	1,354	29%	280	15%
JBERGER	Q1'18	35,324	3%	1,491	NM

Nigerian commodities

Facing lengthy global rejection amid poor production conditions

Temitayo Ayetoto

THE REBUFF OF A NUMBER of Nigerian agricultural exports in global commodities markets has fast become a trend that, sadly, impacts negatively on the country's drive to enthrone an economy less dependent on oil. Some agricultural commodities of Nigerian origin are at a disadvantage when subjected to meeting international standard requirements, especially of health related conditions set by importing regions.

These standards serve as parameters that influence the value attractable to such produces and their ability to stay strong in the face of competition. For Nigeria, the failure to meet these set standards, the result of poor production quality and low packaging standards, among others, is not new to Nigeria, which has received many knocks in the form of heavy sanctions on its produces.

One of such heavy sanctions is the seemingly unending ban placed by the European Union (EU) on Nigerian beans. This followed the rejection of sixty-seven processed and semi-processed food products from Nigeria, including brown and white beans, melon seeds, palm oil, mushrooms, bitter leaf, pumpkin leaves, shelled groundnut, smoked catfish and crayfish, in 2016 and 2017.

In a more recent instance, about 72 tonnes of yam that left the shores of Nigeria through Apapa Port to the United States in June 2017 were also rejected. Despite the government defying its own regulations to test its export strength, the yams arrived the US in rotten conditions.

Under Nigeria's Export Prohibition Act, certain exports are prohibited for purposes of domestic food security, value-added considerations, and preservation of cultural heritage. Currently, the ban covers raw hides and skins, timber (rough or sawn), scrap metals, unprocessed rubber latex and rubber lumps, rice, yams, maize, beans and artifacts and antiquities.

The growing concern among stakeholders, however, is that the narrative does not appear poised for positive adjustments as fundamental issues surrounding local production have not improved significantly.

According to the Nigerian Export Promotion Council, Nigeria's leading non-export, cocoa, for instance, has constantly struggled with value debasement because of poor alignment with premium quality standards.

> Under Nigeria's Export Prohibition Act, certain exports are prohibited for purposes of domestic food security, value-added considerations, and preservation of cultural heritage

The council, in a study of the US market behaviour towards Nigeria cocoa said: "The outcome of the research is the need for Nigeria to increase its cocoa production as well as improve its quality to conform to global market requirements. There is the need to address the issue of low quality and poor packaging in order to have access to cocoa import markets."

Poor quality, according to farmers who spoke to *business a.m.* on this matter, but who would like to remain anonymous, is a bone of contention that could not be treated in isolation of other conditions of production. As long as critical gaps of funding, infrastructural support such as warehousing system, roads and electricity supply, absence of off-taking channels and most imperatively an efficient commodities exchange gap still exists, improved quality of yields may not be guaranteed.

Oluwatimilehin Samson, a cocoa farmer operating on 30 hectares in Iseyin axis of Oyo state told business a.m. that the poor quality upshot of cocoa was an offshoot of the layers of delays the product suffers, from the farm gates to its final destination. This gap, he said, is created by the lack of direct interface with exporters.

"The reason why our products do not meet standard is that it suffers a lot of delay before exportation. And it is government policy that causes these delays. Whatever we want to take abroad, the clearing process has to be expedited because we have already packaged them in bags, and they get diminished, under hot temperature. This makes the value of cocoa to drop before reaching its destination. That's the major problem we are faced with. And since there is no direct market for us producers, it is the intermediaries that take them off. It is from them that the exporters would then buy. It could go through several intermediaries before reaching the final export destination," he explained.

Besides that, Samson believes the exorbitant rate of preventing pest attacks on plants could be bearish on practicing best farming standards. Many smallholder farmers like him cannot afford to keep up with the spiking rates of farming materials, a setback which amounts to pared harvests. According to him, the challenge contributes to why Nigeria cocoa output still hovers around 250,000 metric tonnes yearly when its regional counterparts, Cote D'Ivore and Ghana boast of production level of about 1.7 million metric tonnes and 800,000 metric tonnes, respectively.

Samson said: "Plant pests have really affected our cocoa yield. A product like cocoa has to be treated regularly. And we can hardly combat these issues because the chemical we use have become unaffordable, more than double of the price we used to purchase them. The chemical we bought for about N3,000 before has risen to about N7,000. Consequently, we now have to manage. In an instance, where we used two or three packs before, we now use one instead. Hence, the production will not yield as it ought to. Instead of getting 10 yields, for instance, we now get just about six."

According Maria Semedo, deputy director-general of the Food and Agricultural Organisation (FAO), at the opening of IPPC annual meeting this year, an estimated 10-16 percent of global harvest valued at $220 billion is lost to plant pests each year. The International Plant Protection Convention (IPPC) in a recent report of combating pests, Oriental Fruit Flies cost Africa an estimated $2 billion in annual losses due to fruit export bans. The highly destructive fruit-attacking Bactrocera dorsalis originated from Asia but has spread to about 65 countries including Africa.

Substantiating the farmer's stance, Ade Adefeko, the vice-president, corporate and government relations at Olam Nigeria, said Nigeria has not been able to maintain erstwhile dominance in the world cocoa market on plethora of reasons such as non-availability of good quality inputs like fertilizers and chemicals; inconsistent quality of beans, dearth of modern seedlings, high interest rate and operating costs, occasioned by relative lack of investment in cocoa sustainability initiatives. He noted that chocolate industries were mainly dissuaded from investing in Nigeria because of the insecurity perception. Notably, in February, John Bray, the United States Consul General, identified security challenge as a major factor hindering American investors from picking interest in Nigeria, saying herdsmen/farmers clashes, the Boko Haram insurgency, vandalism, kidnapping and hostage taking, among other security challenges, left depressing impact on the choice of Nigeria as investment destinations.

Decrying the current economies of scale, Adefeko further noted that Nigerian cocoa processing factories operated at very small scale as compared to other West African and global counterparts, adding that the country's processing industry operates at about 40 percent lower than ideal capacity of 85 percent, making it struggle with lack of beans to process optimally.

"The cocoa processing segment of the value chain is also plagued by inconsistent availability of power, high cost of fuel, shortage of domain expertise, high local interest rate, lack of currency hedging options, zero economy of scale, very high security costs, inconsistent application of export expansion grant (EEG) policy and lack of coordination between regulatory authorities. Presently, NDCC Certificates discount rate has shot up from 7-8 percent to 40 percent. There is no liquidity for NDCCs leading to capital constraints and higher interest cost," he explained.

His observation also touched on the inability to target US Butter Markets due to pesticide residue issues which have made it arduous to compete against Malaysian/Indonesian manufacturers in the Far East Markets. For instance, uncompetitive Duty Regime in Europe constitutes a bane as Nigerian cocoa derivatives attract a differential import duty of 6.1 percent for cake and powder 4.2 percent while 4.2 percent on cocoa butter attracts around $300 PMT duty for Nigerian butter.

Proffering a way forward, Olam's Adefeko urged the government to strengthen policies at sustaining conducive operating climate, saying it would go a long way to attract global companies with large scale and expertise to set up state of the art processing facilities. This could reposition Nigeria processing industry to the forefront of the global map and help the country compete fairly.

He said: "I am an apostle of production first before processing as you can only process what you produce enough of. This Large scale manufacturing set up to give economies of scale and global competitiveness adds to direct employment and improves the economy of the country. For this to happen, Federal and state government's support is needed."

He proposed that the license to export cocoa beans should be given mainly to processors who have up to two times based on the bean equivalent export production quantity over the last three years or export tax.

On Olutwatimilehin's part, assistance in the shape of farm implement subsidy, chemical provision and capital support would largely encourage farmers as well as generate increased quality output, he said.

Corn up 0.3%, soybean, 0.1% for July futures o

Temitayo Ayetoto

THE CORN GRAIN gained ground by 0.3 percent to $3.96 one quarter a bushel for July delivery, amid ideas of better seeding conditions as soybeans for July eased by 0.1 percent to $10.38 one quarter a bushel over penultimate weekend's trading sessions.

This is a reflection of increasing fieldwork of planters, according to Karl Setzer at MaxYield Cooperative.

"Given this news it is possible that we could see a sizeable jump in next week's planting progress," he said.

Mike Mawdsley at First Choice Commodities said: "While we are hoping to begin scratching dirt maybe Monday [this week] rain forecast for next week could keep us from getting anything accomplished until the second week of May".

On soybeans, Benson Quinn Commodities believes with such statistics particularly sensitive given the US-China trade spat, "The fundamental picture leans negative at face value as weekly sales were below expectations."

"If the bean market is going to get good from here, there is going to have to be a fresh supportive feature that comes to light," the broker added.

The strength in Chicago soymeal futures, after an Argentine port prang, last Wednesday, prompted worries over the South American country's ability to complete its large export programme for the feed ingredient, continued on Friday, when the July contract added a further 0.3

Geo-labelling

Gives 20% boost to food prices

Temitayo Ayetoto

GEOGRAPHICAL LABELLING of food products or origin linked registration could increase the value by at least 20 percent, a new study by the Food and Agriculture Organization and the European Bank for Reconstruction and Development (EBRD) has found.

The study on "Strengthening Sustainable Food Systems through Geographical Indications" in nine cases spread across Colombian coffee, Darjeeling tea (India), Futog cabbage (Serbia), Kona coffee (United States), Manchego cheese (Spain), Penja pepper (Cameroon), Taliouine saffron (Morocco), Tête de Moine cheese (Switzerland) and Vale dos Vinhedos wine (Brazil) revealed that the linkage brought about an annual trade value of over $50 billion globally.

Specific reputation or characteristics such as taste, colour, texture and quality stemming from their geographical origin spurred consumers to pay willingly higher, the study found, adding that such linkages are economically and socially beneficial to prices, areas and promote sustainable development.

"Geographical indications are an approach to food production and marketing systems that place social, cultural and environment considerations at the heart of the value chain," said Emmanuel Hidier, senior economist in FAO's Investment Centre. "They can be a pathway to sustainable development for rural communities by promoting quality products, strengthening value chains, and improving access to more remunerative markets."

In the case of Penja pepper, a white pepper grown in the Penja Valley's volcanic soil in Cameroon and the first African product to receive a geographical indication label, registration has helped to stimulate a six-fold increase in local farmers' incomes.

> Geographical indications are an approach to food production and marketing systems that place social, cultural and environment considerations at the heart of the value chain

Emmanuel Nzenowo, from the Penja Pepper producers' association said the process from setting standards to registration and promotion has benefited the entirety of local area in terms of revenues, productivity, the growth of other connected industries and stakeholders.

Labeling for the Futog cabbage, grown on the fertile lowlands alongside the Danube River in northern Serbia has provided a small community of growers with a substantial rise in incomes in recent years, with some farmers achieving a 70 percent increase in sales prices.

"Since the registration of the product, local producers have begun working more closely together, and this has helped to protect the unique quality of the Futog cabbage and its agricultural tradition. It has also helped to defend its name and reputation, which had often been misused in the past," said Miroljub Jankovic from the Futog Cabbage Association.

The registration of products linked to their place of origin has implications far deeper than economic gains alone as local producers and processors at the centre of the registration process help make food systems more inclusive and more efficient.

Together, producers develop the product specifications, and promote and protect the origin label. The creation of such labels also stimulates public-private sector dialogue as public authorities are often closely associated with the registration and certification process.

Natalya Zhukova, EBRD director and head of Agribusiness, said there were strong interests in geographical indications from governments in regions close to the European Union since the extent to which they have triggered positive rural development in the countries were visible.

"Now, our agribusiness clients from the retail and processing sectors are also interested in supporting GI processes and markets as they can see that consumers in local and EU markets are interested in food origin and quality," Zhukova said.

Registration of a GI label follows the laws and regulations defined by each country. Internationally, the labels are regulated and protected under the TRIPs Agreement, a multilateral agreement on intellectual property rights that is recognized by all the members of the World Trade Organization.

The study recognises a number of hurdles that producers must consider before applying for an origin label. For example, some small-scale or traditional producers may be excluded if product specifications are overly industrialized, or if they are onerous in areas such as packaging.

The report also stressed that environmental impacts must be considered, and specifications must include requirements to protect against overexploitation of natural resources.

"The unique linkages of these products with their natural and cultural resources in local areas make them a useful tool in the advancement of the Sustainable Development Goals, in particular by preserving a food heritage and contributing to healthy diets," said Florence Tartanac senior officer in the FAO Nutrition and Food Systems Division.

FAO and the EBRD have been working together to support producers and local authorities in developing sustainable Geographical Indication products in countries including Montenegro, Serbia and Turkey. FAO also works with other partners to promote origin-based products in Afghanistan, Benin and Thailand among others.

CME Group post 20% higher revenue to $1.1 bn in Q1 2018

CHICAGO-BASED CME Group, one of the world's paramount exchange operators saw its Q1 revenue climb 20 percent higher to $1.1 billion compared to a year earlier when it was $929.3 million, its financial results for 2018 first quarter has revealed.

It's total operating income for the quarter yielded a profit of $741 million, representing an increase of 23 percent year-on-year from $600 million in 2017.

Another area of strength for the quarter was the group's earnings per share (EPS), which rose to $1.76 in Q1 2018, up 49 percent year-on-year from $1.18 in the same period a year earlier.

Net income for the period was also up year-on-year by a factor of 50 percent after recording $599 billion compared to $399 billion in Q1 2017.

The group's solid first quarter financial performance was driven by the highest quarterly average daily volume to date, including record volumes in energy, and overall options and electronic options trading. CME's total operating income for Q1 2018 yielded a profit of $741 million.

CME has notched growth across most of its six product lines in Q1 2018. The standout performance showed the highest ever average daily volume of 22.2 million contracts, which correlates to a gain of 30 percent year-on-year.

The Q1 financial release follows on the heels of last month's volumes report that showed growth back in March 2018 across key business segments.

Commenting on the results, CME Group CEO Terry Duffy, said: "Broad-based strength across all of our asset classes drove first-quarter revenue to more than $1.1 billion, up nearly 20 percent compared with a strong first quarter last year. We achieved quarterly average daily volume records in five of our six product lines, as well as records in total options and electronic options. From a global perspective, we had growth of 41 percent in Asia and 37 percent in Europe during the quarter, with each product line experiencing increases of more than 30 percent from non-U.S. customers.

In addition to significant revenue growth, our focus on expense efficiency contributed to a 50 percent increase in net income compared

deliveries

percent to $384.50 a short tonne.

However, the other main soybean processing product, soyoil, for July fell by 0.3 percent to 30.98 cents a pound, setting a 20-month low for a nearest-but-one contract, overshadowed by worries over the US going soft on its mandate for blending biodiesel, which is made from vegetable oils.

Mounting debt threatens sustainable development goals

Chris Lane & Elliott Harris

IN 2015, 193 COUNTRIES adopted the 17 Sustainable Development Goals (SDGs) as an overarching policy roadmap through 2030. These goals are predicated on the idea that for a sustainable future, economic growth must go hand-in-hand with social inclusion and protection of the environment.

Our respective institutions, the United Nations Department of Economic and Social Affairs (UNDESA) and the International Monetary Fund (IMF), fully support these goals. From the UN perspective, they represent a down payment on a more peaceful, prosperous, and cooperative world, especially in increasingly perilous times. For the IMF, they help underpin economic stability and sustainable and inclusive economic growth.

In 2017, most types of development financing flows increased, helped by an upturn in the world economy, increased investment, and supportive financial market conditions. Yet less than three years after adoption, the implementation of the SDGs is running into a major hurdle—rising public debt in some developing countries. This is the sobering message of a new report on financing for development issued by the UN, in collaboration with the IMF and almost 60 other agencies.

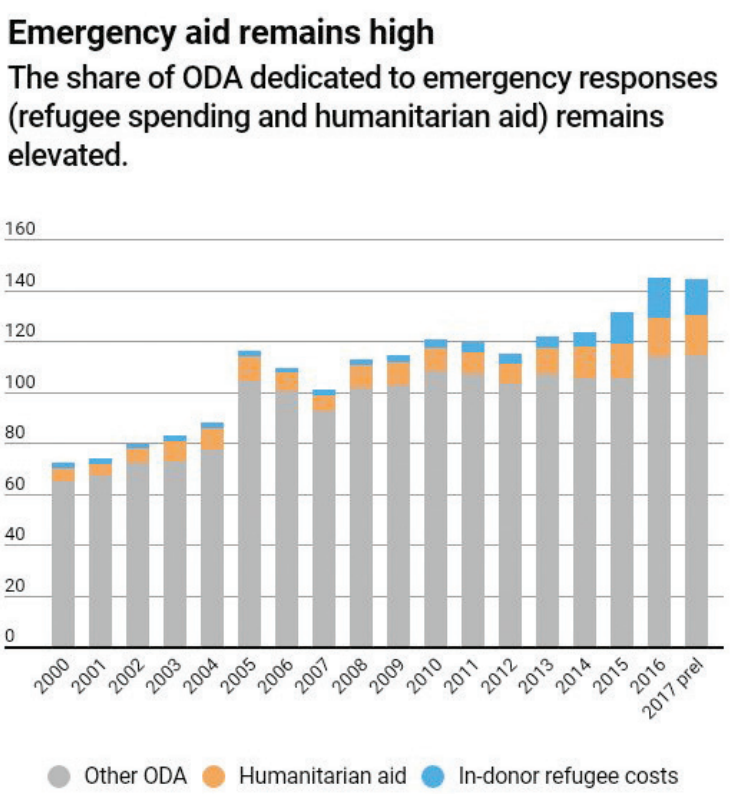
Here's the problem: as noted recently by IMF Deputy Managing Director Tao Zhang, 40 percent of low-income countries face high risk of debt distress or are unable to service their debt fully—this is up from 21 percent just five years ago. On top of this, several developing countries are also falling behind in terms of per capita income, induced by such factors as fragility and conflict—these include vulnerable countries like Haiti, D.R. Congo, and Chad.

Low tax revenue, weak international support

A key problem is that many of these countries are not able to raise enough public revenue. There are many reasons for this—narrow tax bases, continued over-reliance on extractive industries, and weak tax administration. But tax evasion is also part of the problem. The low tax take in low income developing countries—where the median tax revenue is just 13.3 percent of GDP—can be traced in part to informality and tax evasion.

In light of this, the first step of any reform strategy must surely be to raise more revenue at home. But in a world where business activity has become increasingly global, domestic efforts alone will not be enough. We will also need enhanced international collaboration on tax. It is encouraging that governments are developing new international standards on exchange of tax information—we need to make sure that developing countries also benefit from this.

A market in Port-au-Prince, Haiti: some developing countries are falling behind when it comes to incomes (photo: Dumont Bildarchiv/Newscom)



Source: Source: OECD (2018): Development aid stable in 2017 with more sent to poorest countries, available from: http://www.oecd.org/newsroom/development-aid-stable-in-2017-with-more-sent-to-poorest-countries.htm
Note: Preliminary data

INTERNATIONAL MONETARY FUND

Official development assistance (ODA) also has a vital role to play. According to recently released data, ODA amounted to $146.6 billion in 2017. But this amounts to less than half the internationally-agreed target of 0.7 percent of gross national income. And a growing share of ODA is being deployed for emergencies such as in-country refugee costs and humanitarian aid. While such aid is critical, it leaves less available for long-term public investments in sustainable development. ODA inflows toward the poorest and most vulnerable countries have stagnated and remain concentrated in a few of them. Donor countries need to step up their assistance in this area.

Private investment in support of the SDGs

Given the large investment needs, attracting more private investment will be critical. But the least developed countries still struggle to do so at scale, particularly in sectors outside extractive industries. The report calls on developing countries to continue building competitive business environments, including by improving institutional and regulatory frameworks and developing project pipelines and investible projects—especially in infrastructure.

More recently, policymakers have also focused on sharing risks with private investors, through instruments such as guarantees and public-private partnerships. If done correctly, such blending activities can potentially unlock additional SDG investments. For now, they are mostly bypassing countries where the need is greatest.

Only 7 percent of private finance so far mobilized was directed toward projects in the least developed countries.

There is also a risk that such activities will also add to debt burdens, including through contingent off-balance sheet liabilities. These risks need to be managed carefully.

Growing debt risks

The recent growth in debt is not all bad news, however. Greater access to international financial markets and lending by new creditors such as China has unlocked much-needed financing for infrastructure investments in recent years. And investment in productive capacity, if done right, can lead to higher income that offsets debt service. The report recommends that assessments of debt sustainability take this important channel into consideration.

But problems arise when debt is already high, when resources are not spent well (including in the presence of corruption and governance weaknesses), or when a country is hit by natural disasters or economic shocks such as sudden reversals of capital flows. Another issue is that the new wave of private credit often comes with higher interest rates and shorter maturities. And coordination among creditors has become harder, which creates problems when debt restructuring is needed.

When the risk of debt crisis is high, a quick response to lessen the immediate financial stress can make all the difference between rapid recovery and long-lasting harm. We need to think hard about innovative solutions here. For example, a greater use of state-contingent debt instruments—which reduce or delay a country's debt obligations during crises—can provide some relief in some cases. By reducing default risks and risk premiums, they also expand available fiscal space for investment.

Another interesting idea is debt-for-climate swaps—these entail concessional funders buying back outstanding debt, freeing up resources to fight climate change and helping regions hit hard by climate-related disasters.

Now is the time

The bottom line is that we only have twelve years left in which to implement the SDGs. The current upswing in the global economy opens up a vital window of opportunity, but we must make sure that the financing agenda is not derailed by mounting public debt.

The UN and the IMF are united in this common cause. This is demonstrated by our collaborative report, which puts forth recommendations on public finance and debt, private investments, trade, and other critical priorities for SDG financing. Our institutions are committed to deepening our support for the SDGs, in the service of our member countries, to secure a more prosperous and peaceful world.

Culled from IMFBlog

Wema Bank posts 5% growth in Q1 earnings

Wema Bank has announced a 5.02 percent growth in earnings for Q1 2018 to N16.07 billion, from N15.28 billion in Q1 2017. The increase, according to the bank's income statement was supported by a 21.07 percent growth in non-interest income to N3.43 billion from N2.83 billion in Q1 2017, led by a 424.77 percent growth in net trading income.

Profit before Tax (PBT) grew to N0.88 billion from N0.85 billion in Q1 2017, despite increase in impairment charges for the period.

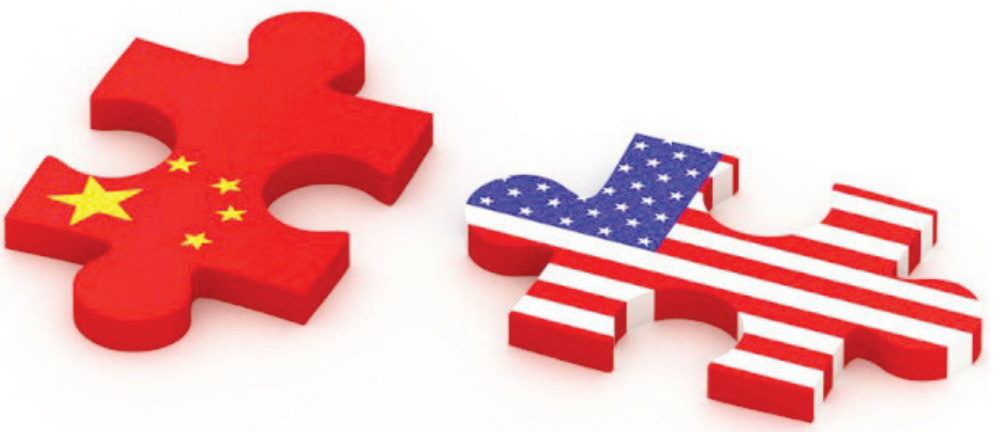
The bank also achieved a deposit growth of 20.29 percent to N306.09 billion from N254.46 billion recorded in the corresponding period of 2017. Interest expense declined by 1.92 percent from N8.47 billion in Q1 2017 to N8.31 billion in the reporting period, resulting from the re-pricing of deposits and low-cost funding from increased accounts openings.

In the reporting period, Wema Bank's digital platform received accolades from many discerning public with bank being named the Best Digital Bank in Africa at the 2018 Asian Bankers Award. It also recorded significant growth in partnerships, particularly in agency banking.

As at March 2018, the bank's number of agents had increased by 126.52 percent across 95 locations within the country.

"We remain focused, leveraging our existing platforms and in-built capabilities in lowering our cost of service and growing our share of the market," Segun Oloketuyi, MD/CEO of Wema Bank, explained.

US may restrict partnerships with China as battle over artificial



business a.m.

THE US GOVERNMENT may start scrutinizing informal partnerships between American and Chinese companies in the field of artificial intelligence, threatening practices that have long been considered garden variety development work for technology companies, according to Reuters, citing sources familiar with the discussions.

So far, US government reviews for national security and other concerns have been limited to investment deals and corporate takeovers. This possible new expansion of the mandate — which would serve as a stop-gap measure until Congress imposes tighter restrictions on Chinese investments — is being pushed by members of Congress, and those in US President Donald Trump's administration who worry about theft of intellectual property and technology transfer to China, according to four people familiar with the matter.

Artificial intelligence, in which machines imitate intelligent human behavior, is a particular area of interest because of the technology's potential for military usage, they said. Other areas of interest for such new oversight include semiconductors and autonomous vehicles, they added.

These considerations are in early stages, so it remains unclear if they will move forward, and which informal corporate relationships this new initiative would scrutinize.

Any broad effort to sever relationships between Chinese and American tech companies, even temporarily, could have dramatic effects across the industry, analysts say.

Major American technology companies, including Advanced Micro Devices Inc, Qualcomm Inc, Nvidia Corp and IBM, have activities in China ranging from research labs to training initiatives, often in collaboration with Chinese companies and institutions who are major customers.

Top talent in areas including artificial intelligence and chip design also flows freely among companies and universities in both countries.

Equally, the nature of informal business relationships varies widely. For example, when US chipmaker Nvidia Corp, the leader in AI hardware, unveiled a new graphics processing unit that powers data centers, video games and cryptocurrency mining last year, it gave away samples to 30 artificial intelligence scientists, including three who work with China's government, according to Nvidia.

For a company like Nvidia, which gets a fifth of its business from China, the giveaway was business as usual. It has several arrangements to train local scientists and develop technologies there that rely on its chips. Offering early access helps Nvidia tailor products so it can sell more.

The US government could nix this sort of cooperation through an executive order from Trump by invoking the International Emergency Economic Powers Act. Such a move would unleash sweeping powers to stop or review informal corporate partnerships between a US and Chinese company, any Chinese investment in a US technology company or the Chinese purchases of real estate near sensitive US military sites, the sources said.

> we are concerned about Made in China 2025, particularly relevant in this case is its targeting of industries like AI.

"I don't see any alternative to having a stronger (regulatory) regime because the end result is, without it, the Chinese companies are going to get stronger," said one of the sources, who is advising US lawmakers on efforts to revise and toughen US foreign investment rules. "They are going to challenge our companies in 10 or 15 years."

James Lewis, a former Foreign Service officer with the US Departments of State who is now with the Center for Strategic and International Studies, said if the emergency act was invoked, US government officials including those in the Treasury Department could use it "to catch anything they want" that currently fall outside the scope of the regulatory regime.

A White House official said that they do not comment on speculation about internal administration policy discussions, but added "we are concerned about Made in China 2025, particularly relevant in this case is its targeting of industries like AI."

Last month, the White House outlined new import tariffs that were largely directed at China for what Trump described as "intellectual property theft." That prompted Chinese President Xi Jinping's government to retaliate with sanctions against the United States.

Those moves followed proposed legislation that would toughen foreign investment rules overseen by the Committee on Foreign Investment in the United States (CFIUS), by giving the committee - made up of representatives from various US government agencies — purview over joint ventures that involve "critical technology."

European economy in soft trend, loses thrust in risk for global expansion

business a.m.

EUROPE'S ECONOMY LOST momentum in the first quarter as expansions slowed from France to the UK, threatening to undermine the global growth the continent previously helped power.

Figures from across the region pointed to a softer trend in the early part of the year, and US first-quarter data due shortly is also set to show activity weakening. The world's largest economy is forecast to have grown an annualised 2 per cent, a step down from the pace seen through 2017.

The latest numbers in Europe included a slump in French economic growth and a stabilisation in Euro-area sentiment after three straight declines. In the UK, the economy came to a near halt, putting in its worst performance in more than five years.

While the slowdown is partly due to storms that ripped through the region, and most officials have played it down, the European Central Bank acknowledged the shift on Thursday. If it persists, it could increase caution among policymakers about plans to pare back stimulus this year. A similar story has emerged in the UK, where the weak data prompted investors to slash bets on an interest-rate increase in May, something once seen as a near certainty.

"Manufacturing just got stung in the first quarter," said Claus Vistesen, an economist at Pantheon Macroeconomics. "We could slow a little bit further. The question is how policymakers react to this, because policymakers, for whatever reason, are very skittish toward data on the downside."

The pound plunged more than 1 per cent against the dollar on Friday amid the changing outlook for Bank of England policy. UK consumer confidence declined this month, with the uncertainty surrounding Brexit continuing to take a toll on the mood among households.

With the economy losing a little lustre, European equities have underperformed. The Stoxx 600 has fallen 2.4 per cent in the past six months, lagging behind a 3.3 per cent gain by the S&P 500.

There's pressure on some businesses from the euro, which has advanced 11 per cent against the dollar in the past year. L'Oreal SA earlier this month attributed a first-quarter drop in reported revenue to exchange-rate effects, despite its fastest sales growth in eight years.

Other companies have highlighted capacity constraints and rising raw material costs. Brent crude oil prices are up 45 per cent in the past year.

Storms aside, the European data risks fanning speculation that the world's synchronised boom of late-2017 is now ending, even though the International Monetary Fund last week repeated its forecast for the strongest expansion this year since 2011. Rising oil prices, fears of a trade war and jittery markets also threaten that outlook.

In France, GDP rose 0.3 per cent, less than half the pace seen at the end of 2017. The UK economy eked out 0.1 per cent expansion, its worst since 2012. There was better news from Spain and Austria, with both expanding 0.7 per cent in the period. Germany, the largest economy in Europe, saw yet another fall in unemployment.

And Europe's top officials remain confident.

"We see no change in our general approach and we believe that the recovery inside Europe, and especially the Eurozone, is strong, solid, robust, that it is long-lasting," Pierre Moscovici, the European Union's economic and monetary commissioner, said on Friday.

Central banks soft-pedal on easing amid signs some key economies are slowing

business a.m.

CENTRAL BANKS from Frankfurt to Ottawa appear to be taking a lower gear on the road away from easy monetary policy amid signs some key economies are slowing.

The European Central Bank avoided any discussion of its next steps toward ending bond buying and Sweden's Riksbank pushed back a plan to raise interest rates for the first time in seven years. Just days earlier, the Bank of Canada governor said more work is needed to heal the scars of the crisis.

The Bank of Japan left its monetary stimulus program unchanged on Friday, as expected, but removed previous wording on reaching its 2 percent inflation around fiscal 2019, underscoring just how much more time will be needed to reach its 2 percent target. Its overall inflation forecasts were largely unchanged. Meanwhile in Russia, the central bank halted monetary easing after the latest round of US sanctions jolted the rouble and raised risks for inflation.

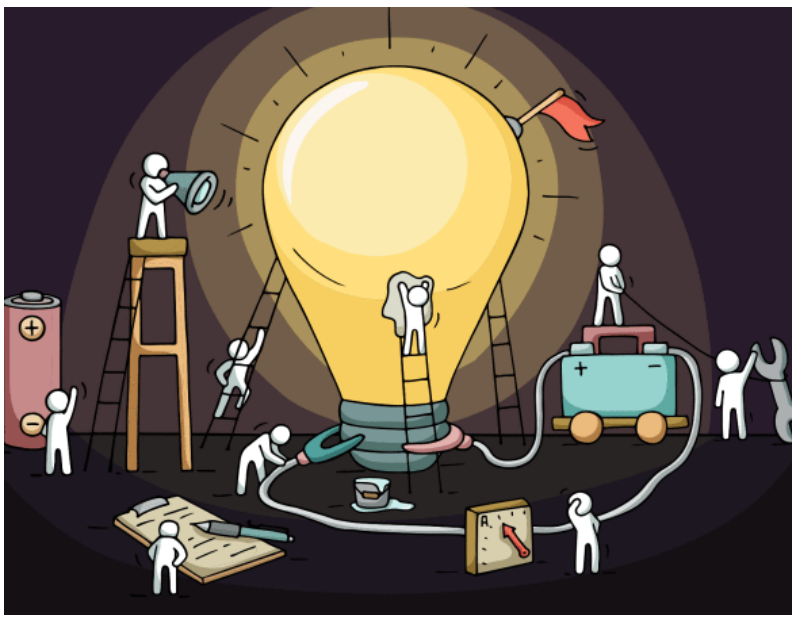
While the US. Federal Reserve has set the example in moving on from a decade of rock-bottom interest rates and quantitative easing, the preference elsewhere to be unhurried has been strengthened by weakening global growth prospects and threats of protectionism. Central banks have fought hard to restore inflation since the financial crisis, but there's little hard evidence as yet that the battle is won.

"The recent data create uncertainty and that, together with weak inflationary pressures, points to a very slow exit," said Nick Kounis, an economist at ABN Amro Bank NV in Amsterdam. "For the ECB, which was already having doubts even against the background of a strong economy, this is a reason to go slow."

The strongest global expansion since 2011 is set to continue for another two years, but the International Monetary Fund has warned that risks are mounting. A potential protectionist spiral, unstable geopolitics and the impact of the US fiscal stimulus will weigh on an upswing that may be running out of steam.

Following the lead of the Fed, most central banks in developed economies are seeking to rein in the stimulus they deployed to counter the global crisis. Yet for some, the slowdown may complicate a tightening process is still in its early stages.

Accenture launches financial services-focused innovation index



business a.m.

IN PARTNERSHIP WITH The Lagos Business School and a select C-suites thought leaders acting as adjudication partners from tier one companies, Accenture is set to launch its 2018 Innovation Index in Nigeria focusing on the financial services industry.

The Accenture Innovation Index 2018 will survey nearly 100 companies in banking and Fintech space, including interactions with the executives.

The Index seeks to highlight and showcase innovation role models who are inculcating innovation into the very culture of their respective organisations, as well as creating product, process, people and service innovations, which are changing the way people live and work.

It is also designed to provide a national benchmark for innovation, providing businesses and policymakers with an authoritative and objective snapshot of the state of innovation within their organisations and in Nigeria.

It will be conducted by a proprietary online survey and innovation diagnostic, which measures innovation and systems of innovation in organisations. The organisations are evaluated based on overall innovation mastery and/or specific innovative concepts.

Participation in the maiden edition is open to banks and fintech companies who will be invited to apply. This includes all licensed commercial banks in Nigeria as well as Fintech companies that are registered organizations with a commercial product and at least one paying customer.

The top three (3) organisations would be selected in each category, ranked and winners selected.

Accenture says it will apply best practice research approaches to provide an Innovation Index report with key findings and implications for the country. This culminates in an awards ceremony where the findings of the Index are presented and the winners in each category are announced.

> Accenture has received a significant number of requests from banks asking for greater insight and assistance on innovation in the first few months of 2016

"This index will help organisations in the financial services industry in Nigeria and other industries in the years to come, to clarify and assess their organization's innovation as well put their innovations in the spotlight.

"We hope it will help to create a culture in organisations and at the national level, that embraces innovation and rotates to the new," Accenture highlighted.

"The banking industry is evolving right now, requiring banks to navigate through significant challenges to not only maintain their profitability but to also increase their revenue and meet the customers dynamic demands.

"The topic of "Innovation" is a critical discussion among the banking C-suites right now, as banks are being pushed to think about innovation in new ways that were unimaginable just a decade ago," said Toluleke Adenmosun, Accenture Nigeria's managing director financial services.

"We believe, the biggest challenge banking in Nigeria is facing is keeping up with the changes in digital technology, consumer expectations and governmental regulations.

"Accenture has received a significant number of requests from banks asking for greater insight and assistance on Innovation in the first few months of 2016. And with a rapidly evolving ecosystem, banks must make innovation a part of their culture and rotate to the new," he added.

MainOne's West Africa expansion gets boost with Cote d'Ivoire licence

AS PART OF ITS WEST AFRICAN expansion drive, MainOne, connectivity and data centre solutions operator, has secured a license to expand national and international connectivity services in Cote d'Ivoire.

The C1B license, received from Minister Bruno Koné, the country's Minister for Communication, Digital Economy and Postal Services, will enable MainOne land its trans-Atlantic submarine cable and build transmission infrastructure in Cote d'Ivoire, to strengthen connectivity, reduce international capacity costs and support wholesale customers, major operators and Internet Service Providers.

Cote d'Ivoire authorities believe that the construction of a fourth cable authorised by the government will improve the international connectivity of the country and will provide a lot more opportunities for the national market while increasing competition. "We have just taken an important step through this authorisation for the improvement of the telecommunication infrastructure of our country, specifically the improvement of international connectivity. MainOne cable will have an impact on price and quality and will strengthen the security of our infrastructure", declared Minister Bruno Koné.

entry of MainOne, an open-access connectivity services provider will further democratize the international bandwidth market in Cote d'Ivoire and neighbouring countries and drive down bandwidth costs for local Internet Service Providers, Telcos and indigenous businesses.

"Cote d'Ivoire is the largest economy in the West African Economic and Monetary Union (WAEMU) and a very important hub for business and transport in West Africa. The dynamism of the national economy and accelerated development of the digital economy in Cote d'Ivoire as well as its regional leadership makes it a natural hub for the West African region and guided MainOne's decision to invest in Cote d'Ivoire", said Funke Opeke, Chief Executive Officer of MainOne.

As part of an overarching plan to invest close to $20m in Cote d'Ivoire with a focus on the provision of wholesale connectivity services, MainOne has obtained the license and will commence the construction of its digital transmission cable in June 2018, to be concluded in the second half of 2019. Its cable landing will provide open-access infrastructure within Cote d'Ivoire and other WAEMU countries to expand internet access for all users in the region and support rapid development as well as facilitate increased non-resources trade and improve public services to aid the evolution of regional businesses.

"By investing and encouraging the business ecosystem within West Africa, we hope to bring meaningful technology solutions to businesses, to enable them in their quest for improved productivity and efficiency through dedicated and reliable connectivity services. We are prepared to collaborate with incumbent operators towards enhancing regional integration and global access," Ms. Opeke concluded.

MainOne is committed to deepening broadband access via fibre infrastructure and data centres across West Africa. With service delivery in 10 countries including Nigeria, Ghana, Cote d'Ivoire, Burkina Faso, Togo, Cameroun, Benin, Niger, Senegal and Chad, MainOne operates a 100G international submarine cable system which guarantees highly reliable connectivity to support the growing demand for Internet access and bandwidth-intensive applications such as e-commerce, Content providers, OTT players and electronic banking and payment services via 3/4G mobile networks. The MainOne Submarine cable was the first privately owned cable in West Africa spanning 7000KM with a capacity of 4.96 TBPS to connect West Africa to Europe via a landing in Portugal and multiple routes to London, Paris and Amsterdam.

Biomedical engineers develop new technology for measuring brain blood flow with light

BIOMEDICAL ENGINEERS at the University of California (UC), Davis, have developed a new technique for measuring blood flow in the human brain, which could be used in patients with stroke or traumatic brain injury, for example. The new technique, based on conventional digital camera technology, could be significantly cheaper and more robust than prior methods.

The work is described in a paper published April 26 in the journal Optica.

"Our setup is very promising, and the cost should be lower," said Wenjun Zhou, a postdoctoral researcher working with Vivek Srinivasan, associate professor at the UC Davis Department of Biomedical Engineering.

If you shine a light into a cloudy solution, light particles, or photons, will be scattered in different directions. An experimental technique called diffuse correlation spectroscopy, or DCS, uses essentially this approach to look inside someone's skull. Laser light is shined on the head; as photons from the laser pass through the skull and brain, they are scattered by blood and tissue. A detector placed elsewhere on the head, where the photons make their way out again, picks up the light fluctuations due to blood motion. These fluctuations provide information about blood flow.

The light signal is very weak, and the further it passes through the skull and brain tissue, the weaker it gets. So DCS requires a number of very sensitive, expensive single photon counting detectors. Boosting the light going in risks burning the patient's skin.

Zhou and Srinivasan took a different approach, based on the fact that overlapping light waves will reinforce or cancel each other out, like overlapping ripples on a pond.

They first split the light beam into "sample" and "reference" paths. The sample beam goes into the patient's head and another, stronger, reference beam is routed so that it reconnects with the sample beam before going to the detector. This boosts the signal, meaning that instead of needing about 20 photon-counting detectors that cost a few thousand dollars each, the researchers could use a single CMOS-based digital camera chip for a fraction of the price.

"The strong reference light enhances the weaker signal from the sample," Zhou said.

They call the method interferometric diffusing wave spectroscopy, or iDWS. An added advantage is that they do not need to turn off the room lights while making measurements with iDWS, Zhou said. Eventually, they may even be able to monitor brain blood flow outdoors, under bright sunlight.

So far, the team has tested their device by making brain recordings from volunteers in the laboratory.

Fintech in the 'new era' – sustainable and sound development

Li Dongrong, president of the National Internet Finance Association of China and former deputy governor of the People's Bank of China, discusses the growing importance of fintech and how innovation must be married to self-discipline for China to make a unique contribution in this field

IN ITS GROWTH, DEVELOPMENT, governance and continuing globalisation, the world economy is undergoing profound and multifaceted changes, and faces new risks and uncertainties. However, its upward trend means expectations for the market are gradually picking up. China's economy is also shifting from a phase of rapid growth to one of high-quality development. After the 19th National Congress of the Communist Party of China (CPC), China has extended supply-side structural reforms and promoted synergetic development between the real economy, technological innovation, modern finance and human resources that have increasingly enhanced its economic innovation and competitiveness.

Principles and policies for fintech development

A new round of technological and industrial revolution is beginning – the digital and shared economies have developed rapidly, accompanied by an explosion of artificial intelligence (AI), big data and cloud computing. Fintech is a deeply integrated combination of finance and technology, and is becoming the focus of global financial innovation and development. In recent years, many countries and international organisations have formulated policies to promote fintech development. Countries such as the UK, Singapore and Australia have begun to implement a regulatory 'sandbox' to create an inclusive and innovative regulatory environment for fintech. Before US President Barack Obama's departure from office in 2017, the US National Economic Council published a white paper entitled Framework for fintech, which clearly set out the administration's principles and framework policies for innovation in fintech, and aimed to promote its sound and sustainable development.

The International Monetary Fund, the Financial Stability Board, the International Organization for Standardization and other international groups have divined the huge importance of fintech, and set up research groups, working groups and specialist committees. These will undertake deep analysis of the impacts on monetary policy, financial stability and international financial governance, and will play an active role in establishing the international policy framework for fintech. After years of discussion, a global consensus of principles on fintech has been reached. Some principles emphasise the driving force of scientific and technological innovation in fintech, and that while developing consumer protection should be the premise, inclusive finance should be the highlight and risk prevention the core, thus establishing guidelines for countries intending to promote sound fintech development.

International experience in a Chinese context

Fintech is gathering momentum on the global stage, and China has been at the forefront in terms of market size and depth of innovation.

But China must also draw lessons from other countries in their experience of fintech development. Many countries, regions and international organisations have explored fintech more deeply and have acquired successful experience worth studying.

Taking a practical, China-focused stance and taking into account the realities of its market, institutions and regulations will allow China to build a fintech system in line with national characteristics and make unique contributions to the global fintech era. Reform and regulation should reflect local environments, the condition of enterprises and supporting software, including the management, accounting and standard systems. Taking a view divorced from reality will lead to insufficient development.

Sustainable global fintech – Development value

The healthy and sustainable development of global fintech can be continued in the following ways. First, there is a need to pay attention to the development value, development concept and innovation trends. An old saying in China is 'when pulling a wagon, we should both lower our heads to take care of the wagon and look up for the road', emphasising the importance of future directions of development. Finance is a widespread, wealth-oriented industry characterised by high risk and inherent vulnerability. These properties – without a correct development value or concept in place – can result in overexpansion, irrational prosperity and economic crisis. For example, the subprime mortgage crisis that began in 2007–2008 and led to the recession in the US and global financial crisis. Other crises around the globe have been caused by similar mechanisms – deviation and overcomplicated financial innovation. The development of Chinese fintech in a 'new era' of Chinese politics and power should never fall into the same trap.

Can fintech improve efficiency and quality in the real economy, and is it conducive to the protection of consumer rights, in such a way that fintech innovation can continue unabated? Excessive, unrealistic innovation outstripping the ability to risk-manage should not be encouraged, and innovations that do not comply with laws and separate themselves from the requirements of the real economy should be identified as 'fake innovation'.

Technological and institutional innovation

Second, China should emphasise both technological and institutional innovation. Currently, digital technologies such as big data, cloud computing and AI have been applied on an unprecedented scale; fintech has played an active role in enhancing finance efficiency, enlarging service range and promoting inclusive finance. While technological innovation is used to solve problems such as high cost, inefficiency and the mismatch between supply and demand, new challenges – such as the digital divide, excessive technological dependence and multiple risk overlays – may arise.

Technological innovation is not a cure-all, and fintech cannot rely solely on technological breakthroughs. Importance should be attached to promoting both technological and institutional innovation, adjusting and improving laws, regulations, inspections and standards in a timely manner, and enhancing the integration of technological and institutional innovation, identifying directions, bottom lines and rules for fintech. In this regard, the Chinese government has organised its departments to conduct positive explorations. In July 2015, in accordance with the request made by the State Council of the People's Republic of China, the People's Bank of China and 10 central government ministries and industry regulators jointly released the Guidelines for promoting the healthy development of internet finance, clearly setting out the fundamental rules, inspections and divisions of labour in fintech, and have introduced inspection and governance standards for online payment and individual online lending. These measures have made great progress towards legalising and standardising fintech.

Risk management

Third, throughout the history of human civilisation, finding an equilibrium between financial innovation and risk management has been problematic. Financial innovation always takes the lead in the game against regulation. However, regulation should not fall behind too far or too long; the lag should be carefully managed. In the process of fintech development, a balance of innovation and regulation must be maintained, so as to realise the dynamism and virtuous circle of regulation, innovation, re-regulation and re-innovation.

On the one hand, new tools such as the regulatory sandbox might strengthen China's fintech supervision position. By applying new tools, China can set up mechanisms for trial and error, fault tolerance and error correction. Under the premise of controllable risk, it can conduct pilot projects and product testing, providing fintech with better future performance. On the other hand, China must ensure that all financial services are under supervision and all services have market access. Prudent supplementary supervision and a long-term regulatory mechanism with full coverage of financial and technological risks should be established. The mechanism should be thorough and able to track transactions from source to the end destination, and connect all links between assets and debt. Regulators must constantly improve their regulatory capabilities and improve their management practices; after all, it is not an easy job for supervision departments to have complete control of fintech innovation – it requires hard work and capability.

Industry self-disciplining

Fourth, industry self-discipline is, theoretically, a typical market-restraint mechanism. Through market-oriented standards and rules, information disclosure and self-policing, opportunistic behaviours by employers that consider only short-term interests can be reduced, and the integrity awareness of market participants can be cultivated to form positive external social capital. At the same time, industry self-discipline is an effective market mechanism for communication. With the development of fintech, the financial services market is becoming increasingly complex and overlapping. Financial industry developments have depended on difficult-to-regulate mixed operations.

> Fintech is gathering momentum on the global stage, and China has been at the forefront in terms of market size and depth of innovation

Li Dongrong

The complexity and interdependence of the market has caused the government and market to suffer from severe information asymmetry, resulting in onerous management of market expectations. Therefore, through industry self-discipline, standardised, transparent and centralised industry data for the government can establish effective communication and dialogue mechanisms, and reduce the cost of communication between the government and the market.

Wherever administrative regulation and industry self-discipline can be co-ordinated, a mechanism of great significance to the supervision of innovation can be established. In this respect, China has already made inroads: in March 2016, the State Council approved the establishment of a national self-regulatory organisation specialising in fintech, the National Internet Finance Association of China (NIFA). Since then, self-regulatory groups have respected the market rules and served as a bridge between the government and the market. They have also attempted to accelerate the gathering of data statistics, risk monitoring, information disclosure and credit information sharing. In particular, they have focused on the prevention and control of financial risks as well as consumer protections, and unveiled industry standards and self-regulatory rules on information disclosure, contract elements registration and deposit of funds. Progress has also been made in regulating the market order of fintech and promoting its sound development.

Around the globe, fintech is constantly developing and maturing, and many fundamental tasks still need to be explored. NIFA is willing to work together with every country to strengthen communication and co-operation, to learn from each other, and to jointly promote fintech worldwide, in order to serve the global economy and social development.

Energy commodities

A bullish World Bank on oil, natural gas, coal prices

business a.m.

IT WAS A BULLISH World Bank that we saw last week making its 2018 calls on energy commodities such as crude oil, natural gas and coal prices for the rest of the year.

The bank's bullish call, contained in an April outlook report on commodities, was that an average 20 percent rise in the price of the commodities should be expected this year.

The predicted increase in energy prices, especially oil, should be cheery news to Nigeria because its exports of oil account for about 90 percent of the country's foreign earnings, hence it is expected that this would strengthen the country's capital inflow and stabilize its finances.

The latest World Bank forecast is a 16-percentage point upward revision from its October's outlook, the bank said in its April Commodity Markets Outlook.

Oil prices are forecast to average $65 a barrel over 2018, up from an average of $53 a barrel in 2017, on strong demand from consumers and restraint by oil producers, while metals prices are expected to rise nine percent this year, also on a pickup in demand and supply constraints.

Agricultural commodities, including food commodities and raw materials, are anticipated to see a price rise of over two percent this year on diminished planting prospects. Weather disruptions are expected to be minimal, the report said.

"Accelerating global growth and rising demand are important factors behind broad-based price increases for most commodities and the forecast of higher commodities prices ahead," said Shantayanan Devarajan, World Bank senior director for Development Economics.

> At the same time, policy actions currently under discussion add uncertainty to the outlook

"At the same time, policy actions currently under discussion add uncertainty to the outlook," he added.

The World Bank said oil prices are expected to average $65 a barrel over 2019 as well. Although prices are projected to decline from April 2018 levels, they should be supported by continued production restraint by OPEC and non-OPEC producers and strong demand, the bank said.

"Oil prices have more than doubled since bottoming in early 2016, as the large overhang of inventories has been reduced significantly," said John Baffes, senior economist and lead author of the Commodity Markets Outlook.

"Strong oil demand and greater compliance by the OPEC and non-OPEC producers with their agreed output pledges helped tip the market into deficit," he added.

According to the World Bank, in the first quarter of 2018, world oil consumption is estimated to have risen 1.6 percent. Consumption growth accelerated to 1.4 percent in OECD members with gains primarily in North America, as cold weather boosted heating oil demand.

Consumption growth in non-OECD countries in the first quarter rose 1.8 percent (year over year), led by China, although its consumption growth slowed amid environmentally motivated production cuts and the late New Year holiday season.

Coal prices rose four percent in the first quarter, following a surge of 34 percent in 2017, mainly due to strong consumption in China spurred by cold weather, low inventories and production constraints, the report said.

Coal prices are expected to average $85 per metric tonnes in 2018, down slightly from 2017, as inventories are replenished and consumption is curtailed.

Ikeja Electric opens bidding process to kick off MAPS

Bukola Odufade

IKEJA ELECTRIC, the Lagos-based power distribution company is taking the lead in the implementation of the new MAP regulations as it announced a bid round for interested and experienced contractors as meter asset providers (MAPs).

The MAP policy came into effect on the 3rd of this month and the eleven Nigerian electricity distribution companies (DisCos) are now expected to engage the services of MAPs within 120 days. The MAP regulations were introduced to bridge the metering gap.

The new arrangement frees up DisCos from the burden of providing their customers with meters, leaving the service to MAPs, and it's an arrangement been seen as a masterstroke that would provide a win-win situation for all parties involved.

This proposed bid round for MAPs shows seriousness on the part of Ikeja Electric to solve the metering crisis and analyst say it would go a long way in restoring trust and confidence of Nigerians in the electricity supply company.

As this represents a major and necessary step, Yemisi Agweye of the Legal and Regulatory department, Ikeja Electric, said that "upon the completion of this process, the MAPs will begin to provide meters to customers."

Optimism has been expressed by stakeholders and analysts alike over the MAP regulations, as it is expected to help the DisCos focus more on their core duties which is providing adequate power to customers.

Amaza Ishaya, an associate lawyer with Aelex, a leading law firm in Nigeria, told business a.m. that he was confident in the effectiveness of the regulations, if properly implemented.

"What the MAP regulations will achieve, if strictly implemented, is that metering will be taken out of the ambit of the Discos who can now focus on their core function of electricity distribution," Ishaya explained.

Odion Omofoman, chief executive officer of New Hampshire Capital Limited, also described the MAP regulations as "very sound regulations".

"The sad truth is that DisCos do not have the resources to meter customers even if they were collecting 100 percent of their revenue, because tariff being paid is not reflecting the current market conditions."

Other distribution companies have not announced bid rounds, and are yet to respond to business a.m.'s questions before going to press.

Ikeja Electric said that the interested parties who have met the required qualifications have a bid document submission deadline of 25th May and they must also be registered with the industry's regulator, the Nigerian Electricity Regulatory Commission (NERC).

Oil Rally: An easy flow, or choppy waters?

Avin Nirula

CAN ANYTHING PUT the brakes on the oil rally? Brent Crude and its cousin WTI have continued advancing throughout 2018, with seemingly nothing holding them back. With Brent's June futures contracts trading just shy of $75 per barrel, oil prices have reached the highs last seen all the way in November 2014.

And as the rising tide lifts all ships, so has the oil majors benefited from higher crude oil prices, with Royal Dutch Shell (profits +41%), Total SA (+13%) and Statoil (+18%) reporting stellar Q1 earnings. If there ever was a time to start getting interested in the oil majors, the time could potentially be now.

What makes this oil rally so sustained is the fact that it is supported not by a single macro event, but by a multitude of converging factors which all push up the oil prices and produce such glowing quarterly reports from the big producers.

Combination of OPEC+ voluntary production cuts (recently extended in a ministerial meeting held by OPEC and Russia in Jeddah), Middle Eastern instability (with war in Syria and Trump trying his best to get out of the JCPOA agreement with Iran), sanctions on Russia (world's largest oil exporter now that the Saudis have been capping their exports so hard) all produce a convergence that is keeping oil prices hot.

Too hot perhaps, you will ask? Is there a worry that the steadily rising oil market is in for a correction? After all, with Saudi Arabia cutting production, the silver medallist in the race for the "World's Largest Producer" is now... you guessed it, it's the United States. And as the oil prices rise, fracking, tar oil sands and Arctic underwater shelf oil are once again becoming cost efficient and potentially available for production. If US and Canada (completely unencumbered by OPEC restrictions) start delivering these harder-to-reach oil volumes on the market, the future could be less rosy.

So, how do you decide? Should investors take a closer look at putting their money into corporate oil giants? Or has the ideal moment already passed? Smart investors need to do their research if they really want to make their money work for them. They need to examine oil majors' quarterly reports, follow the geopolitical situation and pay attention to the new kinds of oil production that will be coming online in the next few years.

Oil sector can be very exciting place, but profits are not guaranteed and to be fully prepared for all the political and financial ups & downs, you need to equip yourself with a great support structure. Click here to subscribe to our research newsletter so you could become a better investor and learn to navigate your way through all the intricacies of the oil market.

Avin Nirula, Trader at Accendo Markets

Fair crude

Analysts can't agree on reaching balanced, fair price

business a.m.

CURRENT OIL PRICES are a reflection of a healthy global demand, amid a regulated supply regime put in place by the Organisation of Petroleum and Exporting Countries (OPEC) and its allies. With crude oil trading at these prices, it poses no cause for alarm in the industry. In fact, some analysts forecast that the market will settle for a balanced price in the range of $65- $85 per barrel.

By mid last week, it turned out that, Brent future was at $73.67 per barrel while OPEC basket price was at $70.50 per barrel, and that was Wednesday.

'A fair price' must effectively compensate conventional producers like Saudi Arabia and Nigeria while also keeping shale production at bay, analysts say, and oil prices have come a long way, since its slump to an abysmal level of $28 per barrel in 2014.

But since oil prices hit the $70 per barrel mark, analysts have been back at it again, trying to predict a fair and balanced price for the highly volatile market.

In a phone conversation with business a.m., Jubril Kareem, an energy analyst at Ecobank Research Centre, projected a "balanced price of $65-$85 per barrel". This prediction takes into consideration, some of the major factors on which crude prices are hinged and they include strong oil demand, OPEC's production quota, U.S. crude inventories, geo-political tensions and the health of the global economy, amongst others.

However, Ishaya Amaza, associate lawyer with Aelex, a topmost law firm in Nigeria, was against this view, and in an email response to business a.m. questions said that eventually reaching a fair and balanced price was "unlikely given the political, socio-economic and technological developments that impact on oil prices."

The current price is still within the projected level, and one of the reasons which might underpin crude prices in this range is global crude demand. According to OPEC, global crude demand is forecast to average 98.7 million barrels per day, showing strong consumer demand.

OPEC's production cut is another strong reason that would continue to play a part in propping up crude prices and eventually arriving at fair and balanced levels. Prices have been on an upswing since crude cartel, OPEC, and its allies embarked on production cuts in 2016.

The cuts have been highly successful, recording compliance rate of 149 percent in its last meeting this month, and the supply glut has been reduced to a minimal level, with world supply at 98.15 million barrels per day, according to OPEC's March oil market report.

Kareem lauded the production quota, noting that the production of OPEC member states and its allies have declined by almost 2.3 million barrels per day, showing how much the cartel is willing to cut, to drain the market of surplus crude.

Greater compliance by the OPEC and non-OPEC producers to their agreed output pledges is helping to tip the market into deficit.

The health of global economy is also another key factor to maintaining balanced and fair crude prices. The last major slump in crude prices was partly due to the fact that the growth of the world economy slowed down, not just an oil glut.

However, the world economy is on a recovery path and according to the World Bank, world growth rate for 2018 is estimated to be 3.1 percent and it is finally strengthening.

U.S. shale production is also playing a very important role in the underpinning of crude prices in the $65-$85 per barrel range. The 2014 slump was triggered by a combination of events, which included China's manufacturing industry entering into recession, world growth slowing down and of course, the over-flooding of the oil market by shale producers.

U.S. shale producers have a history of overdoing it, feeding the market with excess supply when prices reached very high levels, a view shared by Ecobank's Kareem, who said: "The only way to curtail that increasing production from North America is by keeping oil prices reasonably low, but not too low."

He noted that the industry dynamics have evolved and the shale revolution was partly responsible for this. "The advent of shale oil in North America has really changed the dynamics of the market a lot," he explained.

However, this time might be different, as shale producers are careful and more efficient in terms of capital spending on oil projects. They also might not over produce because they don't want to overspend as investors have warned them that it could mean too much production, which would drive down oil prices and leaving them unable to service their debt.

He added that the fair price, which would be reached eventually, will not over encourage shale producers to continue fracking for oil and at the same time, appropriate for the conventional oil producers.

Geo-political tensions in Middle East and crisis in Venezuela, are also putting pressure on oil prices. Iran might be getting sanctioned by U.S. and this would interrupt the outflow of crude from the country. Venezuela, on the other hand is experiencing an economic crisis and might be on the verge of debt default.

The OPEC member has recorded its highest decline in 28 years as its crude production dropped by 13 percent. The successful compliance rate which OPEC is so proud of owes its gratitude to the involuntary production cuts in the troubled state. According to OPEC, the country produced 1.488 million barrels in March 2018, in comparison with production levels of 2.3 million barrels per day in 2017.

Also, no changes in production levels are projected for the country, home to the largest crude reserves in the world this year. This might be bad news for the country but its production decline is helping price stay in the $70 per barrel range.

The current crude price scenario playing out is influenced by all these factors and while, a fair price would eventually be reached by market forces of demand and supply, changes in the fore-mentioned factors might make oil prices to keep rallying.

Clean coal

Possible World Bank, IMF funding in developing economies

Bukola Odufade

DEVELOPED ECONOMIES MIGHT convince the World Bank and International Monetary Fund (IMF) to fund clean coal power projects in developing economies, as the international agencies at their spring meeting announced a substantial increase of $13 billion in capital spending for long-term sustainable growth in the coming years.

The World Bank and IMF had made the decision not to fund new coal plants, almost five years ago in order to drive investment in renewable energy, and emerging economies' policymakers were also made to drop their coal policies.

However, coal as a source of energy, it is turning out, can't be overlooked because it is still responsible for 25 percent of the global energy mix and is seen to grow to 34 percent by 2050. Coal remains an important energy source because of its low cost and abundance, compared to other fossil fuels, particularly for electricity generation.

Coal has a continuing role to play, especially in the rapidly growing, urbanizing and industrializing economies where coal is forecast to be an integral fuel source and vital to economic growth. However, it is also the largest source of carbon emissions, and the world is transiting to a low carbon future.

The World Coal Association reacting to this forecast growth said: "While the use of coal is projected to continue to grow over the coming decades, a low emission technology pathway for coal is essential if global climate objectives are to be met."

This would suggest that the projection of growth in the use of coal notwithstanding, key actors in the coal ecosystem are still working to ensure that coal becomes cleaner and more efficient through the application of technology. Technological advancements that help to make coal 'clean' have been made and are still, being made. Clean coal technology is a group of technologies that have been developed to attempt to help lessen the environmental impact of coal energy generation and to mitigate worldwide climate change.

Emerging economies like India and Indonesia are now accessing the latest, most efficient coal technologies, enabling them to simultaneously expand access to cheap fuel while still meeting global targets for reduced carbon dioxide emissions, with help from developed economies like Japan and China.

Policymakers from some developing nations have welcomed this help. Kenya's first-planned coal power plant which is part of the country's plans to double its generating capacity is a perfect example. The plant in Kenya, is being funded by China and the African Development Bank (AfDB).

The AfDB's decision to fund the coal plant in Kenya, along with similar projects in Nigeria and Senegal, suggests that Africa is not willing to stand idly by as power shortages trim more than two percentage points from the continent's GDP growth every year. As Akinwumi Adesina, AfDB President remarked last year, "Africa has energy potential, but we need to unlock that potential. And we must do so quickly, because Africans are tired of being in the dark."

Rick Perry, U.S. energy secretary had earlier said that U.S. and other developed nations have a responsibility to pursue renewable energy in a way that will not compromise efforts to expand access to electricity in emerging economies.

As part of his efforts to find an approach that reduces emissions while still ensuring widespread access to affordable electricity, Perry had proposed a global alliance of countries interested in developing low-emission fossil fuel projects.

> Technological advancements that help to make coal 'clean' have been made and are still, being made

Numerous African countries, including Botswana, Tanzania, South Africa, and Nigeria, are reportedly interested in joining the fossil fuel alliance Perry proposed.

However, concerns exist regarding the economic viability of these clean coal technologies and the timeframe of delivery, potentially high hidden economic costs in terms of social and environmental damage, and the costs and viability of disposing of removed carbon and other toxic matter.

Renewable

Effective policy still at the heart of growth

business a.m.

TO A LARGE EXTENT, recent advancements made in the global renewable space can be attributed to robust and effective policy framework adopted by various economies. This, along with planning and setting of ambitious targets are partly responsible for the gradual transition from a high carbon future to a low one, but a lot still needs to be done in terms of fully integrating stable and transparent policies to speed up the deployment of renewable energy globally, while meeting the objectives set in the Paris Climate Agreement.

This position is aptly been championed by the International Renewable Energy Agency (IRENA), clearly expressed in its new renewable energy report titled "Renewable Energy Policies in a Time of Transition." It was released in conjunction with the International Energy Agency (IEA) and the Renewable Energy Policy Network for the 21st century (REN21).

The leading renewable agency is advocating for more comprehensive and holistic approach to policy making in order to address growing challenges and newer developments with renewed focus on end-use sectors.

Power and transport sector remain the key drivers of growth in the global renewable sector.

Renewable energy use in power generation has grown considerably over the past years, according to the agency, with 23.5 percent of global electricity generation coming from renewable sources; but over a billion people still live in darkness. Majority of these people live in developing economies with little to no access to electricity, and a new initiative introduced to solve this crisis was the off grid system.

This is in line with the sustainable development goals (SDGs), where achieving universal access to electricity by 2030 is part of the development goals, and which has been accepted cannot be achieved solely through the traditional approach of extending the grid.

However, the agency noted that a growing challenge was the low penetration level of decentralized (off-grid system) solutions for electricity access.

Developing economies around the world are realizing that extension of their national grid cannot be a sustainable model in solving their electricity crisis, but adoption of off-grid has not happened as rapidly as one would hope.

> when implemented thoughtfully, auctions can enable real-price discovery while also supporting other objectives such as socio-economic development

The agency noted that the implemented policies on this initiative have numerous limitations, which include the fact that the policies are largely dependent on continued political commitment, lack of a proper and functional market, where monitoring and compliance measures can be easily enforced in developing economies, among others.

Because of all these multiple barriers, the report said that policy support is critically needed to advance the transformation. Examples like policies on renewable energy targets, like quotas and mandates help to make the targets more binding by cascading them down to electricity producers and consumers.

Also, newer developments like auctions in the renewable energy industry are gaining traction in emerging countries where prices are competitively set and it brings a lot of transparency to the process. IRENA applauded this improvement, noting that, "when implemented thoughtfully, auctions can enable real-price discovery while also supporting other objectives such as socioeconomic development."

Other regulatory and pricing instruments that the agency advised policy makers to focus more on include, financial and fiscal incentives, which are crucial to attract investments in renewable energy.

"Governments can take measures to catalyze private investments for renewable energy under constrained economic conditions, combined with other steps to facilitate access to equity, debt and grant financing," the report stated.

A major end-use sector the report focuses on is the transport sector. According to the IEA, in 2017, renewable energy accounted for only 3.1 percent of final energy demand for transport, despite the apparent increase of car usage especially in developing economies.

More people in developing economies can now afford cars to move about, but it is mostly fossil-fueled cars, so penetration of renewable energy sources into the transport industry has been slow and characterized by various challenges. Lack of an adequate and experienced policy framework is one of these challenges. Others include, evolving technologies and low market deployment.

In order to mitigate and solve these problems, the report encouraged policy makers to adopt policies which would develop the use of vehicles capable of running on renewable energy fuels; the development of infrastructure for the distribution of energy and fuel; and the availability of energy carriers and fuels produced from renewable energy sources.

The report also noted that since the global aim is to de-carbonize, successful de-carbonization would occur faster than projected if subsidies and incentives were provided for renewable energy transportation, not just for fossil fueled transportation, and if the penalties imposed on carbon emissions were stiffer.

It also encouraged policy makers to formulate friendlier policies which would go beyond the encouragement of production and consumption of biofuels, an alternative fuel for vehicles, but should encompass electrification also as a means of powering vehicles.

Energy executives favour more robotics, AI to perform task

WE COULD SOON see more robotics and other artificial intelligence technology performing tasks and jobs in the energy sector.

KPMG's recent 2018 U.S. Energy Survey, which polled 92 energy executives, revealed that the majority of them are in favor of utilizing emerging technologies like artificial intelligence and intelligent automation to improve business operations without a reduction in human workforce.

Regina Mayor, KPMG's global and U.S. energy sector leader, said the survey revealed this is an exciting time in the industry as it moves toward streamlining and making production more efficient.

"One of things I find really exciting and what our survey and report recently validated is our energy industry is embracing technology and what it can do for it in every facet of their business," Mayor said. "If you are in upstream, you are using it for everything from oil dynamics to drilling efficiencies to lease obligation management and all the various onshore challenges you have from an administrative perspective."

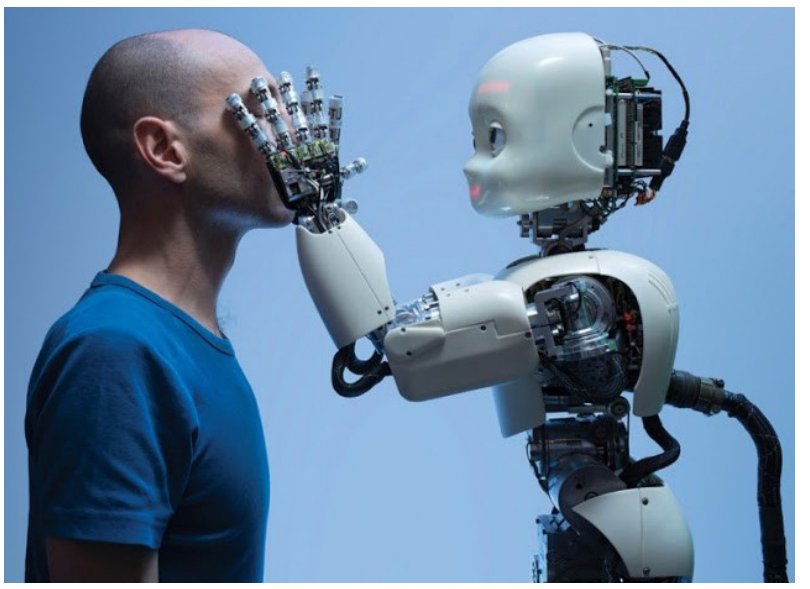
The survey showed that 51% of the executives envision technology replacing tasks so employees can focus on more strategic jobs, and 32% of the decision-makers plan to use the technology to improve products and services.

Mayor said this emerging technology will mean that robotics would take on mundane tasks such as extracting data and putting it into letter form or mailing or emailing a letter to a particular person.

That will allow the workers to focus on the more critical jobs.

"It has lots of implications for the workforce," Mayor said. "The biggest one being that most companies are hoping that they can use the technologies to make their workforce more efficient and effective. Leverage the human for the more exciting and analytical requirements and get them out the mundane."

But naturally there will be concerns about robotics and artificial intelligence taking jobs from people. University of Houston professor Ramanan Krishnamoorti, who referenced the survey during an offshore safety presentation at UH's Second Inter-American Hydrocarbons Regulators Dialogue Conference on April 26, said the turn to A.I. is not about removing the human element at all.



"You ask the common person why they don't want A.I. and they will tell you because it will eliminate people," he said. "That is the least important aspect of why people want to bring in A.I. The main focus is can I improve productivity? Can I optimize my business practices so that we can make better decisions? That is the front-and-center aspect."

Mayor says the use of robotics and A.I. will improve efficiency and drive down costs. She points to a recent story she heard from a rig worker who was discussing how data and analytics had allowed his company to take 50 out of offshore rigs without eliminating those people. They were simply allocated to other areas.

"They reduce costs because it cost on average a million dollars a year to put somebody on a rig," Mayor said. "If you can do more on a rig with fewer people and still have the same environmental protection, safety and the same or better production at a reduced cost then it's a win-win-win."

While some robotic and artificial intelligence is already being used in the energy sector, Mayor said it will be full blown in three to five years.

"You are already seeing a lot of it in place today," Mayor said. "Most of the ushering clients for example have expensive rigs, offshore well production, big data, analytics, performance dashboards. You might be looking at data that is coming from an App that might be in Africa and there are people in Houston who are analyzing how that is operating.

"A lot of that is being used today and in three to five years we won't even be talking about it anymore because it will just be `Yeah, that's how work gets done.'"

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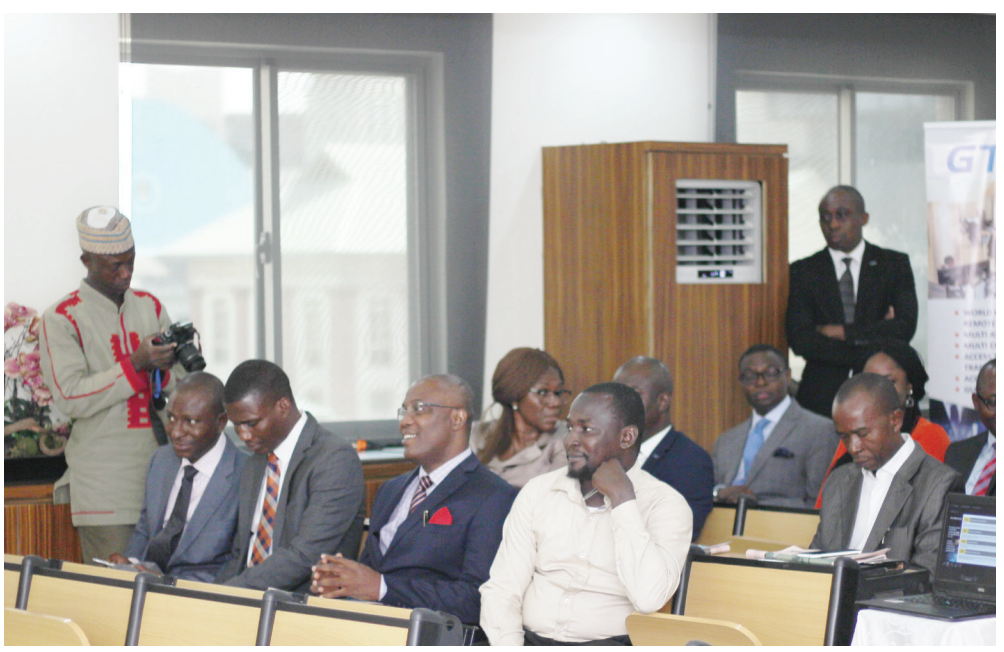

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DIGITAL EMPOWERMENT WORKSHOP 2018

Nigerian cashew

Value addition helps raise N145bn in earnings

Temitayo Ayetoto

TOLA FASERU, the president of the National Cashew Association of Nigeria (NCAN) has said producers and exporters earned a total of N145 billion from export of cashew products in 2017 as a result of value adding initiatives.

The country's cashew industry, he said, has made huge progress compared to other commodities and previous performances, noting that prices experienced upward trend in marketability and acceptability globally based on increased confidence.

He added: "In 2011, our production was about 90,000 tonnes. As at 2018, the figure rose to 220,000 tonnes; the production was doubled, compared to what it was between 2011 and 2017, and despite the issue of climate change and all of that. The earning has increased tremendously. The earning in 2011 was about $48 million to $50 million annually. As at 2017, the earning was about $402 million. In 2011, we are talking about something within $300 and $500 per tonne; but today, we are at about $1800 per tonne. That automatically means the farmers income has increased," he said .

According to him, the cashew brand is presently gaining traction and referred to as the best at the international market, adding that the association is working with the Federal Ministry of Agriculture to further boost farmers' productivity.

> Despite I'vory Coast cashew being largely supported by their government, Nigerian cashew has proved to be far better than theirs now

He said farmers income had increased tremendously from about 30,000 to 40,000 per tonne to about N350,000 per tonne, due to the progress being recorded

He noted that farmers now practiced better drying and packaging of cashew nuts as a result of sensitization and training given to them, saying the process has helped to keep quality and peel-ability of the Nigerian cashew nuts.

"Despite I'vory Coast cashew being largely supported by their government, Nigerian cashew has proved to be far better than theirs now. Most of the initiatives we are doing now on cashew here is basically private sector driven.

But in recent times, we are grateful, we are beginning to see the readiness and willingness of government to support the sector," he said.

According to findings, value addition, proper packaging of Nigerian cashews, global acceptability and marketability were major drivers of Nigerian cashew nuts in the international market.

A metric tonne of cashew is currently sold for N400, 000 on the local market, but internationally, it fluctuated between $1,400 and $1,700 per tonne last week.

The commodity remains germane to health, as it lowers the risk of cardiovascular and blood diseases, protects the eye, facilitates weight loss, serve as a good source of dietary fibres and animal feeds.

Nigerian cashews are majorly exported to the United States, India, Spain and many parts of Europe, including the Netherlands.

Trading premium

A spur on West Africa cocoa shipment

AS NEW YORK futures trade at the highest premium to London in at least three decades, traders' interest in cocoa shipment from West Africa to the US is being spurred.

The unprecedented arbitrage window has opened as some funds prefer to bet on U.S. futures and as the London bourse is plagued with supplies from Cameroon that traders don't want to buy.

Now, at more than $200 a metric tonne, it allows traders to make a huge profit even after accounting for the cost of shipping, importing and storing in American warehouses. There are also big premiums for contract months further out, which may encourage demand for beans from top producers Ivory Coast and Ghana when the next crop starts in October.

"This has never happened before, this is extraordinary," said Jonathan Parkman, co-head of agriculture at London-based brokerage, Marex Spectron Group, and who has been in the market more than 30 years. "In my entire career, I have never seen anything like this. We have an arbitrage a year forward which is not just a record, but it's a record by a wide margin."

New York cocoa for July delivery now costs about $220 a tonne more than London futures for the same month. The premium for May futures, which are closer to expiring, exceeds $300 and for December it's at $176.

The gap has widened partly because of concerns over the quality of beans that can be delivered on the London exchange, Marex Spectron and Rabobank International said. There's a large amount of bulk bags from Cameroon that can be delivered in London that have certificates close to expiring. Traders are worried that the certificates may not be renewed, leaving them supplies that could be difficult to offload in the future.

"People are reluctant to take up cocoa when it expires for fear that if it fails regrading, they can't redeliver against the futures markets subsequently," Parkman said. "They are not sure they are going to be able to sell it in the physical market."

The concerns about bulk Cameroon beans is also being reflected in London futures. The May contract reached a record discount of 76 pounds ($106) a ton to July futures last Wednesday, signaling less appetite for nearby supplies.

U.S. futures have also benefited from participation from trend-following funds, which are usually more attracted to the New York market. At the same time, many traders who traditionally dominated the London bourse, such as hedge fund king Anthony Ward and Olam International Ltd.'s Amit Suri, have recently stepped back.

"The market is changing," said Greg Spaenjaers, managing director of Volcap Trading in London. "The fact that these big influencers have left the market and the systematic funds have a preference for the U.S. contract is basically the game changer."

Some traders said they need a bigger incentive to take delivery of London beans and then sell them in New York. That's because they're likely to end up with a lot of beans from Cameroon, which are harder to ship to the U.S. because of import rules. Obtaining Ivorian and Ghanaian cocoa through the London exchange would require a large position, because they'd first have to take the Cameroonian supplies.

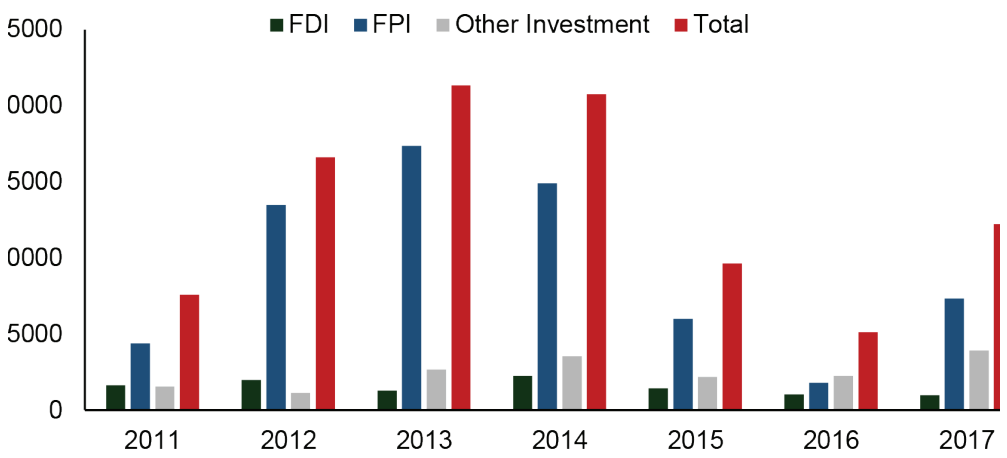
High Asian demand also means less cocoa is moving from No. 3 grower Indonesia to the U.S. market. In the past, those lower-quality beans helped keep New York futures at a discount to London. Indonesia has now become a net importer amid an expansion in domestic processing.

The Nigerian Stock Exchange

Official Price List April 27, 2018

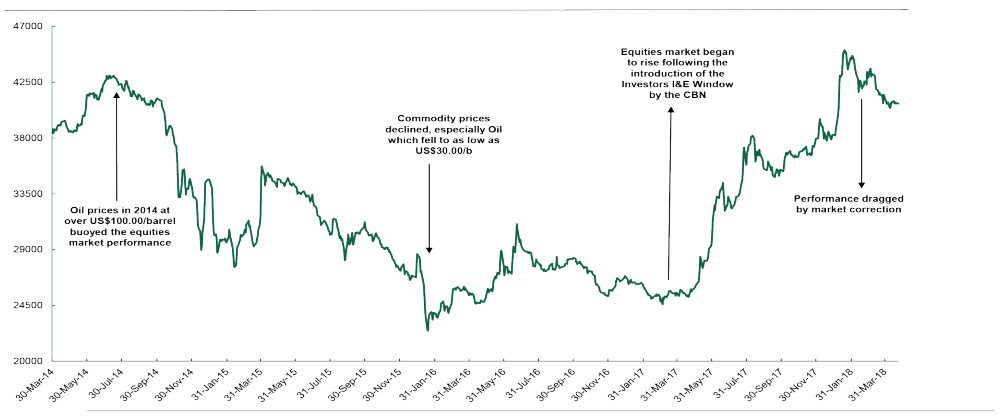
Symbol	Close	Prev	Chg	% Chg	Open	High	Low	Avg	Deals	Vol	Value
ABBEYBDS	1.30	1.30	0.00	0.00	0.00	0.00	0.00	1.24	2.00	300.00	372.00
ABCTRANS	0.48	0.48	0.00	0.00	0.00	0.00	0.00	0.46	1.00	100.00	46.00
ACCESS	11.35	11.35	0.00	0.00	11.30	11.35	11.30	11.33	107.00	2,414,608.00	27,361,159.70
AFRIPRUD	4.20	4.20	0.00	0.00	4.20	4.20	4.20	4.21	27.00	434,591.00	1,831,128.84
AIICO	0.70	0.73	-0.03	-4.11	0.71	0.71	0.70	0.71	36.00	1,373,907.00	970,890.57
AIRSERVICE	4.90	4.90	0.00	0.00	0.00	0.00	0.00	4.80	8.00	12,973.00	62,298.10
ALEX	9.20	9.20	0.00	0.00	0.00	0.00	0.00	8.75	3.00	163.00	1,426.25
ARBICO	4.79	4.79	0.00	0.00	0.00	0.00	0.00	4.56	1.00	100.00	456.00
BERGER	9.40	9.40	0.00	0.00	0.00	0.00	0.00	9.85	10.00	32,921.00	324,271.85
BETAGLAS	75.50	75.50	0.00	0.00	0.00	0.00	0.00	72.04	7.00	28,522.00	2,054,842.25
BOCGAS	4.60	4.60	0.00	0.00	0.00	0.00	0.00	4.37	1.00	100.00	437.00
CADBURY	13.80	14.50	-0.70	-4.83	13.80	13.80	13.80	13.80	18.00	155,687.00	2,149,041.10
CAP	38.75	38.75	0.00	0.00	0.00	0.00	0.00	37.03	13.00	41,641.00	1,541,865.45
CAPOIL	0.33	0.33	0.00	0.00	0.00	0.00	0.00	0.32	1.00	100.00	32.00
CAVERTON	2.40	2.40	0.00	0.00	2.40	2.40	2.40	2.41	25.00	817,960.00	1,968,614.96
CCNN	19.50	19.50	0.00	0.00	0.00	0.00	0.00	20.04	14.00	25,815.00	517,398.00
CHAMPION	2.38	2.38	0.00	0.00	2.40	0.00	0.00	2.38	6.00	7,534.00	17,906.60
CHAMS	0.46	0.46	0.00	0.00	0.00	0.00	0.00	0.44	2.00	2,100.00	924.00
CILEASING	1.39	1.33	0.06	4.51	1.39	1.39	1.39	1.39	19.00	841,700.00	1,169,963.00
CONOIL	31.80	31.80	0.00	0.00	0.00	0.00	0.00	31.67	17.00	37,055.00	1,173,605.65
CONTINSURE	1.52	1.45	0.07	4.83	1.52	1.52	1.52	1.50	12.00	358,649.00	538,193.48
CORNERST	0.35	0.35	0.00	0.00	0.00	0.00	0.00	0.34	3.00	1,220.00	414.80
COURTVILLE	0.21	0.21	0.00	0.00	0.00	0.00	0.00	0.22	4.00	25,122.00	5,506.84
CUSTODIAN	5.34	5.34	0.00	0.00	0.00	0.00	0.00	5.26	15.00	61,320.00	322,721.33
CUTIX	2.81	2.81	0.00	0.00	0.00	0.00	0.00	2.87	5.00	55,688.00	159,643.64
CWG	2.54	2.54	0.00	0.00	0.00	0.00	0.00	2.66	1.00	1,000.00	2,660.00
DANGCEM	245.00	245.00	0.00	0.00	250.00	0.00	0.00	248.09	42.00	75,984.00	18,850,701.90
DANGFLOUR	14.00	14.00	0.00	0.00	13.90	14.00	13.90	13.94	78.00	1,099,839.00	15,333,679.85
DANGSUGAR	21.40	21.15	0.25	1.18	21.40	21.40	21.40	21.40	51.00	9,912,793.00	212,091,761.30
DIAMONDBNK	2.02	1.95	0.07	3.59	2.03	2.02	1.98	2.00	45.00	2,372,451.00	4,752,105.69
ELLAHLAKES	4.26	4.26	0.00	0.00	0.00	0.00	0.00	4.05	1.00	100.00	405.00
ETERNA	6.60	6.60	0.00	0.00	0.00	0.00	0.00	6.45	29.00	461,069.00	2,973,736.46
ETI	20.10	19.75	0.35	1.77	20.05	20.10	20.00	20.06	41.00	771,680.00	15,481,625.55
FBNH	12.45	11.75	0.70	5.96	11.90	12.45	11.70	12.11	422.00	36,077,163.00	437,066,689.80
FCMB	2.47	2.50	-0.03	-1.20	2.47	2.52	2.44	2.48	53.00	2,741,854.00	6,786,187.90
FIDELITYBK	2.52	2.48	0.04	1.61	2.50	2.52	2.46	2.49	124.00	10,873,379.00	27,058,080.78
FIDSON	5.46	5.46	0.00	0.00	0.00	0.00	0.00	5.19	11.00	354,124.00	1,837,904.86
FIRSTALUM	0.49	0.49	0.00	0.00	0.00	0.00	0.00	0.49	3.00	100,100.00	48,553.00
FLOURMILL	35.20	35.20	0.00	0.00	0.00	0.00	0.00	34.40	58.00	240,803.00	8,283,303.30
FO	45.20	47.55	-2.35	-4.94	45.25	45.25	45.20	45.22	78.00	739,259.00	33,432,280.65
FTNCOCOA	0.20	0.20	0.00	0.00	0.00	0.00	0.00	0.20	4.00	5,120.00	1,024.00
GLAXOSMITH	24.00	24.00	0.00	0.00	0.00	0.00	0.00	23.63	24.00	71,071.00	1,679,348.00
GOLDBREW	0.89	0.89	0.00	0.00	0.00	0.00	0.00	0.85	1.00	500.00	425.00
GUARANTY	44.35	43.75	0.60	1.37	44.00	45.00	44.00	44.47	126.00	2,003,060.00	89,070,698.15
GUINEAINS	0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.38	4.00	7,100.00	2,698.00
GUINNESS	103.00	103.00	0.00	0.00	0.00	0.00	0.00	100.90	31.00	19,817.00	1,999,560.20
HMARKINS	0.32	0.30	0.02	6.67	0.31	0.32	0.32	0.31	13.00	674,900.00	212,069.00
HONYFLOUR	2.73	2.77	-0.04	-1.44	2.84	2.73	2.73	2.78	23.00	461,369.00	1,280,540.44
INFINITY	1.44	1.44	0.00	0.00	0.00	0.00	0.00	1.51	1.00	10,000.00	15,100.00
INITSPLC	0.80	0.80	0.00	0.00	0.00	0.00	0.00	0.82	1.00	500.00	410.00
INTBREW	51.80	47.00	4.80	10.21	49.35	51.80	46.90	49.75	15.00	220,217.00	10,956,671.10
INTENEGINS	0.46	0.46	0.00	0.00	0.00	0.00	0.00	0.44	1.00	100.00	44.00
JAIZBANK	0.71	0.69	0.02	2.90	0.68	0.71	0.65	0.69	63.00	6,338,247.00	4,388,582.29
JAPAULOIL	0.50	0.48	0.02	4.17	0.50	0.52	0.48	0.50	56.00	6,918,811.00	3,446,268.05
JBERGER	26.90	25.65	1.25	4.87	26.90	26.90	26.90	26.90	13.00	230,525.00	6,201,122.50
JOHNHOLT	0.55	0.57	-0.02	-3.51	0.55	0.55	0.55	0.55	4.00	189,280.00	104,104.00
LASACO	0.37	0.37	0.00	0.00	0.38	0.37	0.37	0.37	11.00	2,433,508.00	900,578.96

Symbol	Close	Prev	Chg	% Chg	Open	High	Low	Avg	Deals	Vol	Value
LAWUNION	0.78	0.82	-0.04	-4.88	0.00	0.00	0.00	0.79	2.00	2,000.00	1,580.00
LEARNAFRCA	1.35	1.35	0.00	0.00	0.00	0.00	0.00	1.39	10.00	27,956.00	38,838.45
LINKASSURE	0.85	0.82	0.03	3.66	0.80	0.85	0.80	0.82	6.00	1,988,000.00	1,635,704.10
LIVESTOCK	0.77	0.78	-0.01	-1.28	0.77	0.77	0.77	0.78	15.00	416,400.00	322,754.25
MANSARD	2.35	2.35	0.00	0.00	0.00	0.00	0.00	2.46	7.00	171,905.00	422,886.30
MAYBAKER	2.70	2.70	0.00	0.00	2.70	2.70	2.70	2.69	27.00	1,388,084.00	3,737,014.25
MBENEFIT	0.24	0.25	-0.01	-4.00	0.24	0.24	0.24	0.24	12.00	112,966,672.00	27,112,001.28
MEDVIEWAIR	2.14	2.14	0.00	0.00	0.00	0.00	0.00	2.14	1.00	1,000.00	2,140.00
MOBIL	174.40	170.00	4.40	2.59	166.10	174.40	174.40	173.61	26.00	26,699.00	4,635,327.90
MRS	28.35	28.35	0.00	0.00	0.00	0.00	0.00	29.61	13.00	17,155.00	507,954.85
NAHCO	4.00	4.00	0.00	0.00	0.00	0.00	0.00	3.99	18.00	325,743.00	1,298,755.15
NASCON	20.25	20.25	0.00	0.00	0.00	0.00	0.00	20.54	15.00	43,194.00	887,083.40
NB	130.00	127.00	3.00	2.36	125.10	130.00	125.10	128.34	175.00	1,832,635.00	235,207,174.20
NCR	6.30	6.30	0.00	0.00	0.00	0.00	0.00	6.00	2.00	270.00	1,620.00
NEIMETH	0.78	0.78	0.00	0.00	0.00	0.00	0.00	0.75	3.00	11,500.00	8,625.00
NEM	2.85	2.85	0.00	0.00	2.85	2.85	2.85	2.84	17.00	296,554.00	842,523.85
NESTLE	1,615.00	1,568.20	46.80	2.98	1,615.00	1,615.00	1,615.00	1,601.15	70.00	109,225.00	174,885,455.40
NIGERINS	0.30	0.30	0.00	0.00	0.29	0.00	0.00	0.29	4.00	27,850.00	8,076.50
NPFMCRFBK	1.75	1.84	-0.09	-4.89	1.75	1.75	1.75	1.75	19.00	564,608.00	988,704.35
OANDO	9.15	9.15	0.00	0.00	9.45	9.55	9.15	9.40	301.00	6,303,881.00	59,237,153.95
OKOMUOIL	77.15	77.15	0.00	0.00	0.00	0.00	0.00	77.61	25.00	86,642.00	6,724,092.75
PAINTCOM	0.59	0.59	0.00	0.00	0.00	0.00	0.00	0.57	1.00	5,000.00	2,850.00
PHARMDEKO	2.25	2.25	0.00	0.00	0.00	0.00	0.00	2.22	4.00	2,000.00	4,440.16
PORTPAINT	2.05	2.05	0.00	0.00	0.00	0.00	0.00	2.00	1.00	900.00	1,800.00
PRESCO	69.30	69.30	0.00	0.00	0.00	0.00	0.00	69.60	5.00	18,572.00	1,292,555.50
PRESTIGE	0.51	0.51	0.00	0.00	0.51	0.51	0.51	0.51	7.00	334,742.00	170,018.42
PZ	22.50	22.50	0.00	0.00	0.00	0.00	0.00	21.68	37.00	317,867.00	6,892,927.50
REDSTAREX	5.50	5.50	0.00	0.00	0.00	0.00	0.00	5.52	8.00	61,947.00	341,834.75
REGALINS	0.30	0.30	0.00	0.00	0.30	0.30	0.30	0.30	6.00	184,000.00	55,200.00
ROYALEX	0.29	0.29	0.00	0.00	0.00	0.00	0.00	0.30	5.00	75,000.00	22,500.00
SCOA	3.25	3.25	0.00	0.00	0.00	0.00	0.00	3.09	3.00	112.00	346.08
SEPLAT	765.00	765.00	0.00	0.00	0.00	0.00	0.00	763.45	7.00	2,720.00	2,076,580.00
SKYEBANK	0.81	0.78	0.03	3.85	0.76	0.81	0.75	0.77	158.00	15,627,062.00	12,039,831.30
SKYESHELT	100.00	100.00	0.00	0.00	0.00	0.00	0.00	95.00	2.00	125.00	11,875.00
SOVRENINS	0.23	0.22	0.01	4.55	0.22	0.23	0.22	0.22	8.00	5,355,611.00	1,181,686.53
STANBIC	49.50	48.90	0.60	1.23	49.50	49.50	49.50	49.50	14.00	1,487,974.00	73,655,213.75
STERLNBANK	1.60	1.58	0.02	1.27	1.60	1.60	1.60	1.60	27.00	960,469.00	1,537,389.54
TOTAL	222.60	222.60	0.00	0.00	233.70	0.00	0.00	230.19	18.00	6,214.00	1,430,416.50
TRANSCORP	1.70	1.71	-0.01	-0.58	1.75	1.75	1.70	1.72	72.00	2,414,435.00	4,160,931.14
TRANSEXPR	0.86	0.86	0.00	0.00	0.00	0.00	0.00	0.87	1.00	100.00	87.00
UACN	17.20	16.90	0.30	1.78	17.00	17.20	17.00	17.13	35.00	335,900.00	5,753,508.95
UAC-PROP	2.46	2.46	0.00	0.00	0.00	0.00	0.00	2.52	21.00	244,520.00	616,834.98
UBA	11.60	11.35	0.25	2.20	11.25	11.65	11.25	11.47	216.00	26,597,934.00	305,064,606.70
UBN	6.25	6.25	0.00	0.00	0.00	0.00	0.00	6.29	38.00	217,674.00	1,370,138.25
UCAP	3.34	3.30	0.04	1.21	3.30	3.34	3.30	3.32	67.00	1,840,134.00	6,105,271.11
UNILEVER	54.90	54.90	0.00	0.00	0.00	0.00	0.00	53.14	29.00	158,803.00	8,438,823.75
UNIONDAC	0.48	0.50	-0.02	-4.00	0.48	0.48	0.48	0.48	1.00	2,000,000.00	960,000.00
UNITYBNK	1.00	1.05	-0.05	-4.76	1.02	1.02	1.00	1.01	46.00	3,029,814.00	3,064,226.26
UPL	2.25	2.25	0.00	0.00	0.00	0.00	0.00	2.19	4.00	4,451.00	9,759.66
VANLEER	9.10	9.10	0.00	0.00	0.00	0.00	0.00	9.30	5.00	1,770.00	16,461.00
VERITASKAP	0.28	0.27	0.01	3.70	0.28	0.28	0.28	0.28	2.00	200,000.00	56,000.00
VITAFOAM	3.10	3.10	0.00	0.00	2.95	0.00	0.00	2.91	14.00	172,856.00	503,298.77
WAPCO	42.00	42.00	0.00	0.00	42.30	0.00	0.00	41.36	45.00	110,303.00	4,562,114.70
WAPIC	0.57	0.57	0.00	0.00	0.55	0.57	0.57	0.57	40.00	1,343,254.00	760,273.36
WEMABANK	0.84	0.88	-0.04	-4.55	0.88	0.92	0.84	0.87	66.00	5,311,812.00	4,622,179.31
ZENITHBANK	27.40	27.45	-0.05	-0.18	27.45	27.50	27.40	27.45	297.00	32,175,056.00	883,292,808.10

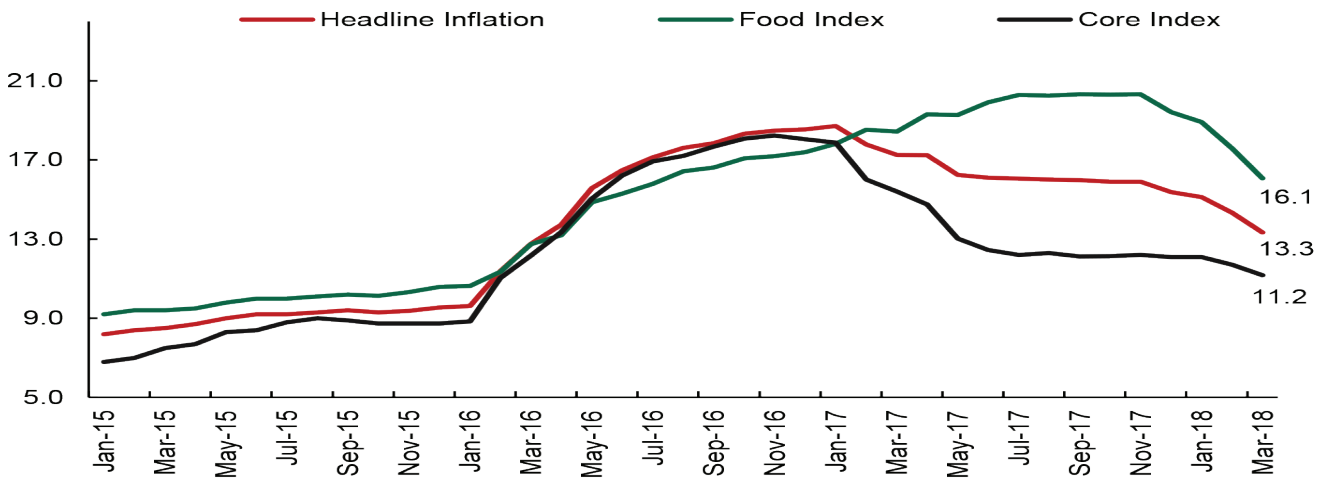


urce: CBN, Afrinvest Research

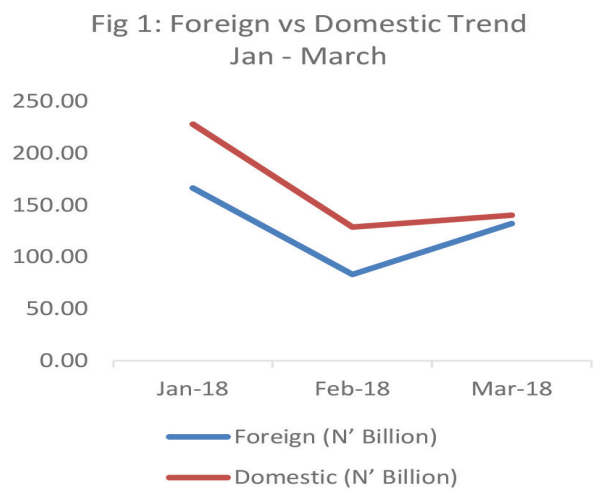
Chart 2: Performance of the NSE ASI

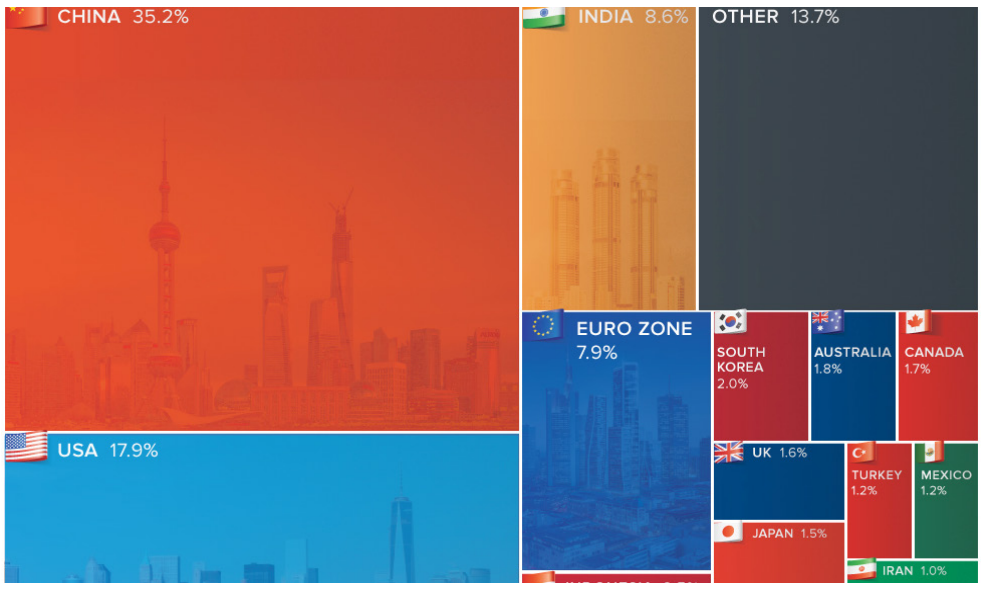


Source: NBS, Afrinvest Research



Source: NBS, Afrinvest Research





These are the world's biggest economies

Based on data from the International Monetary Fund, 2018

Country	Value (in trillions)
1 United States	20.4
2 China	14
3 Japan	5.1
4 Germany	4.2
5 United Kingdom	2.94
6 France	2.93
7 India	2.85
8 Italy	2.18
9 Brazil	2.14
10 Canada	1.8

Source: IMF

Chart 12: Current P/E and EV/EBITDA vs Forward Multiples and 2- Year Average

	ASI	DANGCEM	WAPCO	CCNN
Current P/E	11.2x	21.3x	-	7.6x
Forward P/E	-	14.9x	12.1x	10.7x
2-Year Average	-	18.1x	12.1x	9.2x
Current Ev/Ebitda	-	10.7x	10.1x	1.9x
Forward Ev/Ebitda	-	9.9x	7.8x	6.0x
2-Year Average		10.3x	9.0x	3.9x

Source: NBS, Afrinvest Research

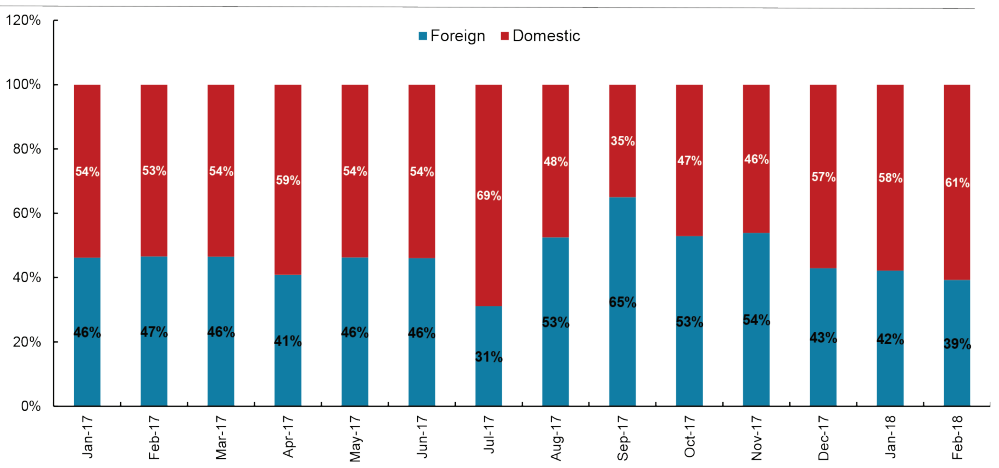
Chart 10: Nigerian Banks vs African and BRICS Peers

Comparison with African Peers			
Countries	ROE	P/E	P/BV
Nigeria	16.0%	8.3x	1.0x
Ghana	6.9%	8.6x	1.7x
Egypt	27.1%	9.5x	2.2x
Kenya	17.6%	10.5x	1.8x
Morocco	9.0%	19.4x	2.0x

Comparison with BRICS			
Countries	ROE	P/E	P/BV
Nigeria	16.0%	8.3x	1.0x
Brazil	14.9%	11.9x	2.0x
Russia	15.8%	6.4x	1.2x
South Africa	16.5%	19.0x	3.0x
India	7.4%	28.6x	2.2x
China	15.0%	7.1x	1.1x

Source: Bloomberg, Afrinvest Research

Chart 8: Investor Participation in the Nigerian Equities Market



Source: CBN, Afrinvest Research

Chart 12: Current P/E and EV/EBITDA vs Forward Multiples and 2- Year Average

	ASI	DANGCEM	WAPCO	CCNN
Current P/E	11.2x	21.3x	-	7.6x
Forward P/E	-	14.9x	12.1x	10.7x
2-Year Average	-	18.1x	12.1x	9.2x
Current Ev/Ebitda	-	10.7x	10.1x	1.9x
Forward Ev/Ebitda	-	9.9x	7.8x	6.0x
2-Year Average		10.3x	9.0x	3.9x

Source: NBS, Afrinvest Research

Futures prices as of April 27th, 2018

Contract	Month	Open	High	Low	Last	Change	Date
Grains							
Wheat	May 18	484-0	495-6	480-2	495-4s	+14-6	04/27/18
Corn	May 18	385-2	390-4	385-2	389-4s	+3-4	04/27/18
Soybeans	May 18	1028-4	1046-6	1019-0	1045-0s	+17-0	04/27/18
Soybean Meal	May 18	380.1	394.7	378.0	393.2s	+14.0	04/27/18
Soybean Oil	May 18	30.78	30.81	30.25	30.43s	-0.38	04/27/18
Oats	May 18	222-0	222-6	219-0	221-4s	+0-6	04/27/18
Rough Rice	May 18	12.700	12.855	12.690	12.810s	+0.100	04/27/18
Hard Red Wheat	May 18	502-0	513-2	500-0	512-2s	+10-4	04/27/18
Spring Wheat	May 18	602-4	607-4	589-2	606-2s	+6-6	04/27/18
Softs							
Cotton #2	May 18	0.00	85.33	85.33	85.33s	+0.34	04/27/18
Orange Juice	May 18	149.75	153.75	149.00	153.70s	+1.55	04/27/18
Coffee	May 18	119.80	120.35	119.15	120.35s	+2.75	04/27/18
Sugar #11	May 18	10.99	11.38	10.82	11.22s	+0.25	04/27/18
Cocoa	May 18	0	2851	2851	2851s	+29	04/27/18
Lumber	May 18	564.10	571.30	563.90	571.30s	+7.40	04/27/18
Sugar #16	Jul 18	24.70	24.89	24.70	24.82s	+0.02	04/27/18
Meats							
Live Cattle	Jun 18	104.600	107.225	104.200	107.000s	+2.650	04/27/18
Feeder Cattle	May 18	140.050	142.375	139.725	142.025s	+1.725	04/27/18
Lean Hogs	May 18	67.300	67.675	66.000	66.100s	-1.225	04/27/18
Class III Milk	May 18	14.97	15.12	14.96	15.07s	+0.09	04/27/18
Energies							
Crude Oil WTI	Jun 18	68.21	68.36	67.64	68.10s	-0.09	04/27/18
ULSD NY Harbor	Jun 18	2.1416	2.1481	2.1287	2.1343s	-0.0073	04/27/18
Gasoline RBOB	Jun 18	2.1184	2.1300	2.1084	2.1279s	+0.0113	04/27/18
Natural Gas	Jun 18	2.826	2.834	2.768	2.771s	-0.068	04/27/18
Crude Oil Brent (F)	Jun 18	74.71	75.01	74.38	74.64s	-0.10	04/27/18
Ethanol Futures	May 18	1.458	1.470	1.447	1.448s	-0.017	04/27/18
Metals							
Gold	Jun 18	1318.0	1326.4	1315.8	1323.4s	+5.5	04/27/18
Silver	May 18	16.490	16.530	16.385	16.406s	-0.085	04/27/18
High Grade Copper	May 18	3.1160	3.1200	3.0290	3.0460s	-0.0680	04/27/18
Platinum	Jul 18	909.6	917.9	906.5	916.4s	+6.3	04/27/18
Palladium	Jun 18	978.60	982.30	962.05	963.00s	-16.05	04/27/18
Indices							
S&P 500 E-Mini	Jun 18	2675.50	2676.25	2657.75	2671.50s	-3.00	04/27/18
Nasdaq 100 E-Mini	Jun 18	6744.75	6772.00	6623.00	6669.75s	-65.00	04/27/18
Dow Indu 30 E-Mini	Jun 18	24311	24317	24147	24283s	-33	04/27/18
Russell 2000 E-Mini	Jun 18	1563.60	1564.70	1548.50	1558.90s	-5.30	04/27/18
S&P Midcap E-Mini	Jun 18	1895.50	1898.50	1882.30	1892.70s	-2.90	04/27/18
S&P 500 VIX	May 18	16.900	17.350	16.350	16.425s	-0.450	04/27/18
S&P GSCI	May 18	472.25	473.55	472.25	473.05s	-0.15	04/27/18
Financials							
T-Bond	Jun 18	142-18	143-09	142-16	143-08s	+0-28	04/27/18
Ultra T-Bond	Jun 18	155-07	156-13	155-05	156-11s	+1-11	04/27/18
10-Year T-Note	Jun 18	119-105	119-175	119-090	119-160s	+0-060	04/27/18
Ultra 10-Year T-Note	Jun 18	127-100	127-215	127-100	127-205s	+0-120	04/27/18
5-Year T-Note	Jun 18	113-120	113-152	113-105	113-142s	+0-022	04/27/18
2-Year T-Note	Jun 18	106-005	106-015	106-000	106-010s	+0-005	04/27/18
30-Day Fed Funds	Jun 18	98.1650	98.1700	98.1650	98.1700s	unch	04/27/18
Eurodollar	Jun 18	97.6400	97.6500	97.6300	97.6400s	+0.0050	04/27/18
Currencies							
U.S. Dollar Index	Jun 18	91.385	91.790	91.290	91.343s	-0.022	04/27/18
Bitcoin Cboe Futures	May 18	9120	9400	8980	9140s	+50	04/27/18
Bitcoin CME Futures	May 18	9135	9420	8940	9080s	+185	04/27/18
British Pound	Jun 18	1.3943	1.3963	1.3777	1.3818s	-0.0137	04/27/18
Canadian Dollar	Jun 18	0.77770	0.78050	0.77595	0.78000s	+0.00230	04/27/18
Japanese Yen	Jun 18	0.917700	0.920950	0.915600		+0.002650	04/27/18
Swiss Franc	Jun 18	1.01440	1.01690	1.01160	1.01620s	+0.00120	04/27/18
Euro FX	Jun 18	1.21460	1.21790	1.20975	1.21640s	+0.00140	04/27/18
Australian Dollar	Jun 18	0.75530	0.75850	0.75320	0.75800s	+0.00270	04/27/18
Mexican Peso	Jun 18	0.052700	0.053350	0.052620		+0.000630	04/27/18
New Zealand Dollar	Jun 18	0.70610	0.70950	0.70370	0.70860s	+0.00210	04/27/18
South African Rand	Jun 18	0.080075	0.080750	0.079875		+0.000550	04/27/18
Brazilian Real	Jun 18	0.28455	0.28945	0.28455	0.28945s	+0.00335	04/27/18
Russian Ruble	Jun 18	0.015825	0.016095	0.015805		+0.000180	04/27/18

Monday, April 30 - Sunday, May 6, 2018

business a.m.
TOWARDS MORE EFFICIENT MARKETS

The NLNG annual prizes: The business of business in creativity and research

UZOR MAXIM UZOATU

Uzoatu is a poet, writer and independent journalist. He started out as a rural peasant theatre director before venturing into journalism. He was nominated for the Caine Prize for African Writing in 2008 for his short story "Cemetery of Life".

Prize winnings in the twin awards in literature and sciences stand above other related prizes globally

THAT THE NIGERIA Liquefied Natural Gas (NLNG) had instituted Africa's top prizes in literature and the sciences is no longer news.

But the sustenance of both prizes with heavy capital expend demonstrates the business of business in creativity and research in Nigeria and on the African continent at large.

The NLNG gesture is a rare demonstration of what is now recently referred to as corporate social investment (CSI).

It is one of the sub-components of corporate social responsibility (CSR) and aims to uplift communities in such a way that the quality of life is generally improved and safeguarded.

It differs slightly from CSR, which describes the broader solution to triple-bottom-line matters of the 3Ps – profit, people and planet.

In fact, it is a new business model, which many businesses in our clime have not really keyed into. The model encompasses projects that are external to the normal business activities of a company and not directly for purposes of increasing company profit. They, of course, have a strong developmental approach, utilising company resources to benefit and uplift communities without being driven as marketing initiatives.

Prize winnings in the twin awards in literature and sciences stand above other related prizes globally.

Specifically the $100,000 worth Nigeria Prize for Literature stands head above the Caines Prize for African Writing awarded yearly in Oxford, England for short stories, which only boasts of £10,000 as prize money.

Even the highly esteemed Man Booker Prize originally had the prize money of £21,000, which was only increased to £50,000 in 2002 when the Man Group took over the sponsorship of the prize. The Etisalat Prize for African Writers offers £15,000.

Ikeogu Oke, a poet, won the much-coveted prize for literature in 2017 with his "operatic poetry" The Heresiad.

The science prize, which has not had any winner since 2010, was jointly won by Ikeoluwapo Ajayi, Ayodele Jegede and Bidemi Yusuf for their research on "Improving Home and Community Management of Malaria: Providing the Evidence Base"; Olugbenga Mokuolu for his work "Multifaceted Efforts at Malaria Control in Research: Management of Malaria of Various Grades and Mapping Artemisinin Resistance"; and Chukwuma Agubata for his research on "Novel lipid Micro-particles for Effective Delivery of Artemether Antimalarial Drug Using a Locally-sourced Irvingia Fat from Nuts of Irvingia Gabonensis var excelsa (Ogbono)."

Obviously buoyed by the dual success of the 2017 awards, the NLNG has upped the ante for the 2018 prizes. The Nigeria Prize for Literature in 2018 will dwell on the drama genre, and 89 entries have been submitted to the judges.

Even so, the money won in literary contests remains small quid when compared with what is earned in puny entertainment contests. For instance, the winner of the recent Big Brother Naija took home all of N45 million! All the winner, named Miracle, had to do was stay in a house idling away only to cart home millions of dough!

The writer who stays indoors writing a tome only manages to win comparatively low quid if he or she manages to beat all-comers. The clear and present danger is that a good number of erstwhile instituted literary prizes had been phased out in the course of time.

It is against this dire background the promised sustenance of the NLNG Nigeria Prize for Literature should be a cause for celebration.

The management team assures that the prizes can only go up instead of coming down or being discontinued.

In the spirit of enhancing the worth of the administration of the prize, there is the explanation that the judging of the prizes, especially literature, is always open to progressive changes. This way, it would in the course of time not be the exclusive preserve of professors in academia; that public intellectuals and critics are invited to join the fold.

In the circumstances the prize in literary criticism, which was not awarded in 2017, was not meant only for people writing from the academia.

It is incumbent on the media to make this awareness readily available to the public so that critical studies can come from public intellectuals writing in diverse journals and media.

The literary criticism prize winner goes home with one million naira.

The management was open to suggestions that the NLNG could start organizing writing workshops in the serene environment of its secluded offices in Bonny Island. A reading tour for the 2017 prizewinner, Ikeogu Oke, commenced in Lagos on March 25. The literati gathered at Ethnic Heritage Centre on Raymond Njoku Street, Ikoyi, to hear Ikeogu read from The Heresiad.

Clad in Ohafia warrior attire, Ikeogu was poetic commitment in fine fettle. Of course, given the $100,000 in Oke's pockets he can truly afford more Ohafia warrior garments! The term "poor poet" no longer applies to Ikeogu as he has joined what George Bernard Shaw calls, "The Idle Rich Class."

The yearly literary prize honours the author of the best book by a Nigerian writer, living in Nigeria or abroad, within the last four years. The prize rotates each year among four literary genres of prose fiction, poetry, drama and children's literature. It is expected that 10 copies of the entry should be submitted together with the evidence of Nigerian citizenship.

The 2018 panels of judges as appointed by the Professor Ayo Banjo-headed Advisory Board for Literature is made up of Professor Matthew Umukoro as Chairman, with Professor Mohammed Inuwa Buratai and Dr (Mrs) Ngozi Udengwu as members.

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