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perspectives

March 2018



# Welcome

In this edition of Insights, we have focused on the world of money, with articles on the implementation of the world's largest biometric identification project in India, the exciting and rapidly evolving world of electronic payments in the growth markets, and the importance of remittance payments by expatriate workers in supporting both the economies and also the currency stability of a number of emerging economies. We also bring a local view on recent changes in South African leadership, with Dave Cooke, one of our partners in Johannesburg capturing some of the optimism felt on the street as President Cyril Ramaphosa takes over the role from the widely discredited Jacob Zuma.



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# Biometric identification in India: A foundation for national transformation?

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**In enrolling more than a billion citizens, India's national biometric database is now ten times larger than similar programs in the world and has been described by the World Bank as the "world's most sophisticated digital identity scheme".**

The Aadhaar project – meaning “foundation” in Hindi – was launched eight years ago with the express objective of identifying gaps in the social welfare payment network. Since then the scope has widened to driving financial inclusion, enabling digital payments and even detecting tax evasion. The proliferation of Aadhaar as the default mechanism for authenticating the identity of Indians has polarized opinions – supporters believe it capable of transforming the lives of millions of Indians while skeptics see a threat of intrusion by the state as well as the possible inadvertent denial of benefits to some of India's poorest citizens who are not yet members of the scheme.

## **“An ambitious project”**

At the time of its launch, only 60 million out of 1.3 billion Indians had a passport. Hundreds of millions of Indians either had no official identification at all or a weak form of it, issued by local authorities. Consequently, they were unable to open bank accounts or receive state services, and the state lost big sums to corruption in the delivery of welfare benefits. A decision was made to create a national biometric database which would enroll all Indian citizens and collect their names, addresses, phone numbers, fingerprints, photographs, and iris scans. Each one of the citizens would be assigned a random twelve-digit number unique to him or her. The project besides being mammoth in its scale would represent a “digital leapfrog” for India which would position it at the forefront of citizen-identification technology.

“...represent a “digital leapfrog” for India which would position it at the forefront of citizen-identification technology”

## **“Mushrooming in scope”**

Aadhaar registration was open to all Indian residents with enrolment being optional initially, and associated with only a handful of government subsidies, including those for food and cooking gas. The scheme was primarily targeted at the rural population who were unable to open bank accounts or access welfare programs due to lack of any formal identification. Prior to the advent of Aadhaar, the government lost hundreds of millions of dollars each year to people either using fake names or applying multiple times in their own names to withdraw more than their fair share of benefits. With Aadhaar, the practice of accessing benefits has become a simple matter of touching a fingerprint scanner.

As the program tasted success with direct benefit transfers, its scope was expanded to a wide range of government and private-sector services. Quoting of an Aadhaar number has been made compulsory for opening bank accounts, receiving credit cards, filing taxes, registration of property documents, for receiving school lunch in the state of Uttar Pradesh, or participating in the state of Karnataka's universal health-care coverage, and even purchasing railway tickets online. The Government has also leveraged the scale of the Aadhaar network to drive digitization of retail consumer payments. The database has been used to enable a biometric enabled payment system that offers a payment solution to customers without carrying any specific device or payment instrument. The customer validates their credentials at the payment point through a biometric identification device (typically a fingerprint scanner) which validates them from the database and debits the amount of the purchase from the customer's Aadhaar linked bank account in real time. The system is in its infancy and suffers from the problem of poor internet connectivity in rural India but holds the potential of significantly accelerating India's digital payments push in the medium term.

## **“Victim of its own success?”**

Despite the widespread success of Aadhaar in reducing leakages in public welfare schemes (the World Bank has estimated that the Indian Government is saving c. \$1 billion per year) the scheme has received its fair share of criticisms on two accounts:

- **Denial of benefits to citizens:** Experts believe that many people have missed out on government benefits because they have been unable to obtain an Aadhaar card. In a few cases, citizens who are elderly or disabled are unable to walk to the distribution sites to verify their identities and remain outside the coverage of the scheme. There are also other teething problems at the ground level as in the case of manual laborers, who find that their fingerprints are too weathered from years of physical exertion to scan correctly, and so are denied their food rations.
- **Privacy concerns and misuse:** Opponents of the Aadhaar scheme believe that it is creating the world's most powerful state surveillance tool allowing government to spy on citizens by monitoring their movements and spending patterns in real time. There are also concerns that the Aadhaar data itself is not secure and can be illegally accessed by cyber criminals leading to data thefts and fraudulent financial transactions.

Privacy advocates have taken the battle against Aadhaar all the way to the Supreme Court arguing that Aadhaar violates the constitution, both in its concept and in the way the law was drafted and passed.

**Privacy concerns and teething implementation challenges notwithstanding, it is quite evident that Aadhaar has materially altered the landscape of benefits administration in India and holds the promise of much more. From being written off as too ambitious, at inception, to becoming the largest biometric database in the world, Aadhaar underpins a strong and ongoing investment case for India and a brighter and fairer future for her citizens.**



```
...add back the deleted...
...objects.active = modifier_ob
... + str(modifier_ob)) # modifier ob...
..._ob.select = 0
...context.selected_objects[0]
...objects[one.name].select = 1
print("please select exactly two objects, the last...
```

----- OPERATOR CLASSES -----

```
class(bpy.types.Operator):
    """Adds an X mirror to the selected object"""
    bl_name = "object.mirror_mirror_x"
    bl_label = "Mirror X"
```

```
def execute(self, context):
    return context.active ob...
```







# South Africa in 2018:

## Positivity returns after several tough years

David Cooke

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**When it comes to politics, the saying goes that a week is a long time. But in South Africa, securing regime change took the better part of a summer.**

### The bruising years

After a controversial seven years as President of South Africa, Jacob Zuma plunged South Africa into a tailspin in December 2015 by summarily replacing a respected finance minister with a politically

pliant unknown. It catapulted corruption to the forefront of political debate and after a rocky 2016 for the economy, the following year led to one bruising blow after the next with a slew of corruption scandals and government mismanagement further draining investor enthusiasm for South African assets.

Early in 2017, long-standing allegations against the Gupta's, a family with close ties to Zuma, hit the headlines. Evidence appeared in a trove of leaked emails, alleging their staggering influence over government departments and state-owned enterprises (SOEs) and showing the enormous extent of the corruption and

scale of government complicity. Suddenly we saw the emergence of a new buzz phrase, State Capture.

Eskom, the national power utility, found itself at the center of corruption allegations and facing serious financial challenges in parallel, this placed the country's economy at significant risk. A tainted nuclear energy deal and delays in signing the latest rounds of renewable independent power projects halted much needed foreign investment.

Unsurprisingly, the economy limped along with GDP growth of barely 1%, rating agencies responded with downgrades, and there were the lowest business confidence





measures on record. As 2017 ended, the private sector also came to the party with the largest case of alleged corporate fraud in South African history when the Steinhoff empire imploded.

Commentators opined that the moral fibre of South Africa was in decay. Pessimism became pervasive and with it, a growing lack of the tolerance and understanding that have been hallmarks of the democratic era.

Then, just ahead of Christmas 2017 the summer of hope started.

the summer of hope emerged

### The governing ANC at war with itself

Growing divisions within the African National Congress, the liberation party that has led South Africa the entire democratic era, became increasingly apparent during the Zuma era. A proud 105-year history was under siege, and with it the decorum of solving internal disputes behind closed doors was rejected. The legal system became the go-to mechanism for political disputes, and a fracturing of the longstanding alliances between the ANC, labour, political idealists and liberation stalwarts caused the ANC enormous discomfort.

The key political moment of 2017 arrived at the December ANC party conference to elect new leadership. Formal and social media positioned the corrupt Zuma camp against the moral high ground of Deputy President Ramaphosa and his supporters. Right up until the last minute, party insiders were saying it was too close to call. To the relief of many in the ANC and most outside of it, Ramaphosa emerged as victor by less than a 2% margin. Investors reacted positively and quickly, pushing the Rand towards the highest point in years.

However, the initial elation felt by many turned into concern about Ramaphosa's ability to drive rapid change because of the split in the composition of various of the ANC governing structures. Notably, of its six members, the National Executive Committee (NEC) includes two powerful Zuma loyalists and one other Zuma ally. Ramaphosa won, but had the ANC compromised its attempts to rout

out leaders tainted by accusations of corruption from its ranks?

### Sweeping changes

In 2018, real changes have started happening. First, the board and management at Eskom was completely overhauled, toppling what had become a beacon of corruption. Ramaphosa, undoubtedly with pressure from the financial institutions, was showing his intent. Then in the run up to the State of the Nation address, the country was on tenterhooks. Rumours around the fate of Zuma, then still president of the country if not his own party, were swirling, culminating in the NEC publicly instructing Zuma to step down or face a recall. Zuma initially refused, but finally met his party's ultimatum, resigning at the last minute. Ramaphosa's political position had finally been solidified. Within 48 hours, Ramaphosa was sworn in as president of the country bringing a new dawn of hope to the nation.

Ramaphosa delivered a rousing State of the Nation address on a 12 point plan. An end to corruption, job creation, and economic growth were balanced against land reform without compensation, radical economic transformation, and support for the social welfare state, showing the careful line he must walk between constituents. Ramaphosa arguably has the broad-based pedigree to navigate these constituents, having sat in the largest corporate board rooms (including alongside Actis in our Alexander Forbes investment), having led the country's largest workers union, and as a leader in the celebrated negotiated end to Apartheid.

The local stock market and the currency both now reflect the optimism and hope of citizens on the ground. Following almost two years of foreign net selling of equities on the Johannesburg Stock Exchange, average daily net inflows were at all-time highs in early 2018. The currency (at ZAR 11.65/US\$ at the time of writing) has recovered back to February 2015 levels after peaking in the Zuma crisis years at nearly ZAR 17/US\$ - a 30% appreciation from its peak.

### Optimism returns

Ramaphosa's "new dawn" has a powerful tide behind it for now. Optimism. For almost a decade, the country was bereft

of a leader who conveyed this sentiment. And the upswing in sentiment felt in the board rooms of our portfolio companies has been palpable. Anecdotally, a local headhunter has told us recruitment enquiries in 2018 are up three-fold on the same period in 2017.

The economic and societal challenges are undeniable. The Ramaphosa era starts with a net debt to GDP ratio of 50%, up from 26% when Zuma became president, a R50bn shortfall in tax collections, junk status and tattered SOEs requiring wholesale turnaround. Unsolved funding challenges are numerous with debt ridden SOEs, Zuma's free education policy and a national health insurance plan to name a few. Potholes of note for Ramaphosa.

Whilst some see this current optimism as post-Zuma exuberance, we have seen a step change in our portfolio company decision-making, reflected in the 2018 budgeting process: a doom and gloom budget if the Zuma camp had won, to a more expansive investment budget, owing to Ramaphosa's victory. Pent up investment spend, held back in the Zuma era of uncertainty, is seen as a real kickstarter for near term growth. A path to +3% GDP growth from current 2% 2018 forecasts will need actions more than just optimism, and even more so to the 5% GDP growth of Ramaphosa's 2023 target.

### What will we be watching for?

In the short weeks of Ramaphosa's leadership, he has made all the right noises. Imminent changes to the cabinet have to be a next step. So too are further changes in SOEs where competent managers, not "cadre deployees", can stem the declines suffered under Zuma. The next round of rating agencies reviews commence in March and we will know then whether they agree that the positive momentum outweighs the risks (although fx markets have provided a fairer view of country risk than rating change.). Then the spotlight will be on Ramaphosa to start showing results on the well-articulated plan that he rousingly delivered in his first State of the Nation address.

**What we should not forget is how close the country came to a very different outcome in December. A summer may be considered a long time in South African politics, but this summer is a historical one to be remembered.**

# 2018 upcoming elections



Venezuela  
**PR** 2018



Mexico  
**GE** 1 July 2018



Colombia  
**PA** 11 March 2018  
**PR** 27 May 2018



Brazil  
**GE** 7 and 28  
October 2018



Paraguay  
**GE** 2018



Tunisia  
**MU** 2018



Egypt  
**PR** 26 March 2018



Sierra Leone  
**GE** 7 March 2018



Cameroon  
**GE** 2018

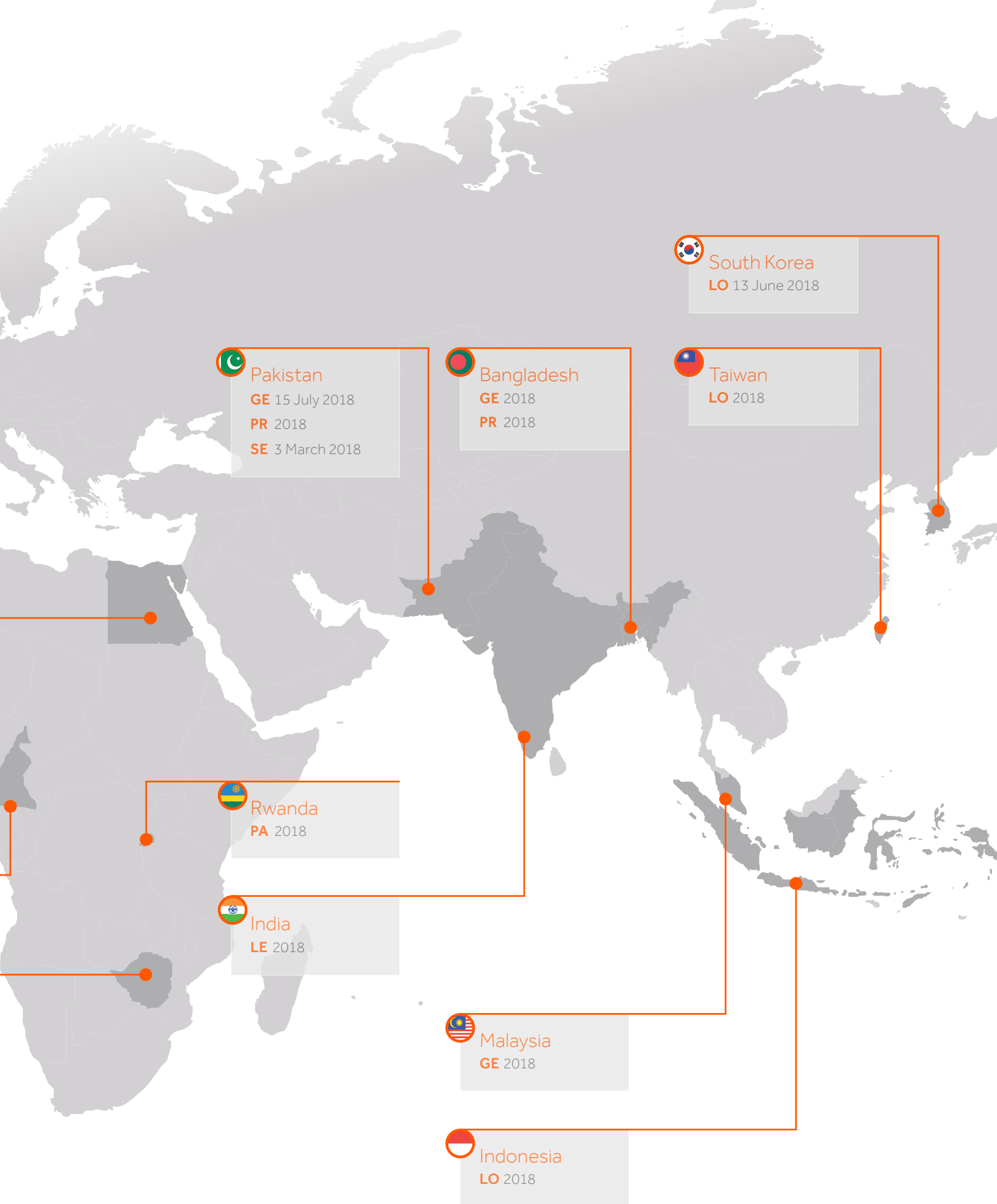


Zimbabwe  
**GE** 2018

## Key

- GE** General elections
- LE** Legislative elections
- LO** Local elections
- MU** Municipal elections
- PA** Parliamentary elections
- PR** Presidential elections
- SE** Senate elections





# Paying it forward: A view from the South

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**Payments businesses are transforming the way consumers, businesses and governments transact in growth markets. And unsurprisingly, it is the growth markets which are home to the fastest growing, most innovative and dynamic electronic payments companies in the world. The move away from cash has taken decades in North America and Europe; in our markets, it is happening quicker, more dramatically, and on an unprecedented scale.**

According to BCG, 70% of global growth in the US\$500bn payments market will come from 'emerging' Asia, Latin America and Africa. Astonishingly, by 2025, emerging Asia will be a bigger payments market (by

revenue) than North America, and Latin America larger than Western Europe.

This has not escaped the notice of many developed market institutions and investors. Billions have been spent, including by some of the most successful payment businesses from developed markets, trying to replicate their success at home on the frontier. The scorecard is at best mixed. Where there is opportunity, there is disappointment; where there are dreams, there are nightmares. I recall a conversation with the head of a successful Japanese investment firm who incredulously asked, 'how do you make money in payments in these markets?', having lost almost as much as they had invested in the sector.

Successful payments business are successful in their own way, failed payments companies are alike in their failure. One recurring reason - employing

the same technology and business models as they would in America or Europe, on the assumption that emerging and developed payments will mature along the same trajectory and that 'best practice' must surely flow from the North to South. This is not the case.

“ the assumption that emerging and developed payments will mature along the same trajectory....This is not the case. Emerging markets are different ”

Emerging markets are different. They are developing their own ecosystems, without path dependency but often sharing common features between themselves.





There is no American precedent for the QR scanning ubiquity behind much of the growth in mobile payments in China (nor is there likely to be with the evolution of Near Field Communication rendering it of limited use in the US).

In 2010, Actis made its first investment in payments, a small Egyptian based processor called MSCC. Today, we can claim to be the leading financial investor in emerging market payments. We have invested in 17 payments companies across 6 platforms operating across 50 countries. Collectively this portfolio has more than a billion retail points of presence providing processing services for hundreds of banks and mobile network operators across 5 continents. It is an unparalleled network, with an expanding portfolio of market leading payment companies stretching from Brazil to South Africa, from India to the Philippines.

This enables a cross-pollination between our portfolio companies in the sector, which support each other, with past experience in one business offering ways of addressing particular issues in another. While there are distinct differences in the technology employed and payments systems preferred, there is also commonality across our markets that can provide a blueprint for portfolio company growth. Payments markets seldom repeat, but along the frontier they often rhyme.

In the process of building out this portfolio, we have developed some views that may seem counter-intuitive but continue to guide our strategy and (we hope) add value in a unique fashion.

#### View one

It is possible to succeed in a market and with a business which an international strategic wishes to exit and sees no value in. Our market breadth and sector expertise means that we recognise the country-by-country nuances and can see value in non-core businesses that have failed to thrive as corporate orphans. In South Africa, for example, Actis backed EMP acquired a loss-making processing business called ACET, which had been founded by First Data. For several years the business had been burning cash and was only processing a couple of hundred thousand accounts. Within six months of the transaction, it was processing 10 million accounts and was highly profitable.

Our activity in Latin America serves as another example. Brazil has one of the world's largest card processing markets in the world. Yet despite its attractive features, Elavon Brazil, a joint venture between two US financial institutions that had been extremely successful in their home market, Elavon Inc. and Citibank, was unprofitable throughout its five-year existence despite substantial investment, and the shareholders wanted to exit. Actis backed the Stone Group (at the time a loss making Brazilian start-up) to acquire Elavon Brazil. Within just a few months, both businesses were profitable, today Stone is one of the fastest-growing scale payments businesses in the world.

#### View two

One of the reasons for Stone and EMP's success is their independence. They are not tied to platforms developed by parent organizations as a means to cross sell other products. As 'independent' businesses, they can focus on facilitating the payment process between parties by creating neutral 'interoperable' solutions for merchants and consumers, rather than being captive to the agenda of a particular bank. Independence and Interoperability are the two greatest competitive advantages a payment business can have.

In some ways, the rollout of payments infrastructure in our markets, is reminiscent of the golden age of US railroads in the 19th century. Those railroads were built and funded by the granite, coal and cotton companies to move goods from their production and extraction bases to end markets. Ultimately, this proved highly inefficient and anti-competitive. In a similar vein, banks and telecoms companies in emerging markets are developing their own apps and technologies for use by a captive customer base, resulting in a proliferation of platforms. Independent companies, by contrast, can offer services that enable merchants to accept payment via the different systems in the market and create a network that should ultimately benefit all stakeholders and create positive externalities for the market as a whole.

So, while others have focused on providing products and services for consumers, we are particularly excited about backing payment companies, in the first instance, looking to solve merchant's needs. This

led us to make an investment in GHL, the leading independent payment provider for merchants in South East Asia with c.150k points of presence across Malaysia, Thailand and the Philippines, and more recently an investment in Pinelabs, the leading independent payment provider for merchants in India with c.200k points of presence in India.

Both GHL and Pinelabs have succeeded partly because rather than looking north for solutions, they developed local propositions that drew on other growth markets for inspiration. For example, GHL provides its merchants not just with Visa and MasterCard card acceptance but also AliPay acceptance through QR scanners.

#### View three

The realisation that emerging markets can be exporters of new payment technologies as well as importers provides us with our third view, that payments markets are at the forefront at South-South connectedness.

We have seen this clearly though our portfolio. A striking example is a South African based business called Tutuka, a subsidiary of PayCorp, a diversified payments company which Actis led an MBO of in 2013. When PayCorp acquired Tutuka in 2014 it was a South African prepaid processor. Less than 4 years later, and having expanded across Africa, it is now the largest prepaid processor in South East Asia. Tutuka is a payments enabler that partners with MasterCard and Visa to allow banks and MNOs to provide their customers with 'interoperable' payment solutions. It provides the plumbing that connects new technologies (e.g. mobile payments) with existing infrastructure and widely accepted payments methods (card schemes). What is striking though, is that whether it be in Cameroon or Cambodia, corporates in our markets are now looking south for their payment needs.

**Sao Paulo and Shanghai have more to learn from themselves than they do from San Francisco. New Delhi and Nairobi are answering mobile payments questions New York hasn't thought of to ask. The winds of change in Kuala Lumpur will be blowing across from Cape Town not Chicago. This South-South axis, core to Actis' DNA, represents an exciting opportunity to unlock value.**

# Bringing it home:

## Opportunities and trends in migrant remittances

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Editor-in-Chief, London

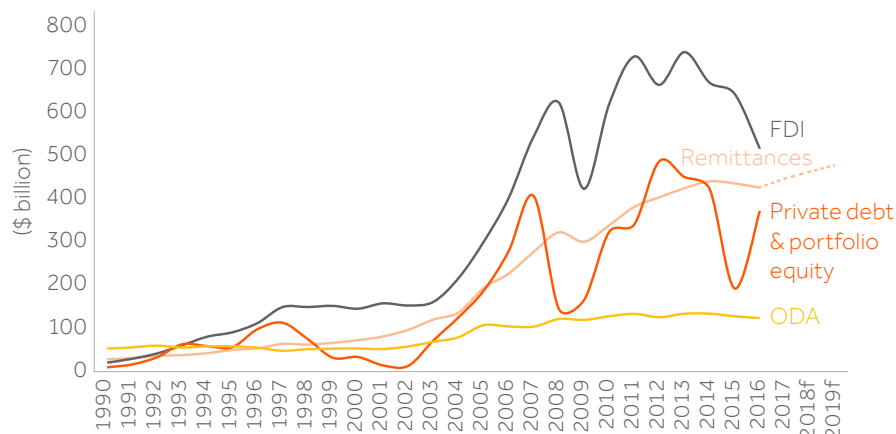
ecameronwatt@act.is



**Sunday afternoon in Hong Kong's Statue Square: - the normal hum of traffic replaced by thousands of voices. Hard working migrants using their day of rest to meet, catch up and visit neighbouring money transfer offices to send money home that support their faraway families. Similar scenes play out in Riyadh, Dubai, and London's Whitechapel Road. Migrant worker remittances exceeded \$600 billion in 2017, larger than portfolio flows supporting the lives of over 800 million people back home. The flows also matter to investors as they can smooth currency volatility in recipient nations and provide an important opportunity for fintech to reduce high transaction costs.**

“ Cross border migrant remittances have more than doubled over the last 12 years....are 3 times the level of official aid and once China is excluded larger than foreign direct investment ”

**Remittance Flows to Developing Countries Are Larger than Official Development Assistance and More Stable than Private Capital Flows, 1990–2019**



Sources: World Bank staff estimates. FDI = foreign direct investment; ODA = official development assistance.

Cross border migrant remittances have more than doubled over the last 12 years exceeding \$600 billion in 2017 once unofficial flows are included. Over 85% of these flows are to developing countries and in 71 cases exceed 3% of GDP in the recipient countries. They are 3 times the level of official aid and once China is excluded larger than foreign direct investment. They are more stable than portfolio flows (which they also exceed in size).

This growth reflects rises in migration driven by the economic needs of host and recipient countries. Most migrants come from poorer rural areas with limited employment opportunity and fill roles in host countries which though often menial are better paid than at home. Ageing

populations in developed countries and relative economic opportunity drive over 1.5 million new economic migrants every year moving from developing to developed countries. IFAD, a UN agency estimates that the total migrant stock of 125 million peoples from developing countries earn over \$3 trillion a year and remit around 15% of this back home.

Where do migrants originate and where do they go? Measured in absolute numbers the greatest supply comes from Asia, Africa and Latin America. Some 60% of migrants come from rural areas (World Bank estimates). Their destination will typically be developed countries seeking low paid workforces to support burgeoning service sectors and basic manufacturing. The major migration corridors include





South Asia to the Middle East, Latin America to the US and Africa to Europe. Geographic proximity, history and politics play major roles in this distribution.

A typical migrant is low paid yet manages to remit up to 15% of their income. Contrary to populist rhetoric, employment levels among migrants tend to be high albeit frequently in informal sectors.

	Number (m)	% Share	2016 Remittances (\$bn)
Asia	71	41	244
Latin America	33	18	73
Africa	33	18	60
Europe	26	14	44
Near East	19	9	25
Total	188	100	446

Source IFAD/IMF

Destination	EU	Gulf	HK	Japan	Former Soviet Union	USA
Migrant Population (m)	54.4	25	2.8	2	11.5	46.6
Annual Income (\$)	20,000	2,600	7,500	20,000	4,000	28,000
Annual Remittance (\$)	3,000	2,000	2,500	6,000	1,500	3,600
Savings Stock (\$)	3,000	150	750	1,500	500	5,000
Bank Account Ownership, Home Nation	20	5	20	30	20	30
Bank Account Ownership, Host Nation	60	20	50	80	20	60

Source IFAD, 2017

Remittances have proved less volatile than other financial flows because the proceeds are critical for family support back home. World Bank and OECD estimates reckon that around 75% of remitted funds are used for basic consumption needs by recipient families. IFAD estimates remittances represent around 60% of family incomes for recipients. No wonder therefore that whilst FDI and portfolio flows declined during the financial crisis migrant flows increased.

Yet migrants cannot wholly escape the economic and political realities of the countries where they relocate. Those from South and West Asia for instance are heavily represented amongst workers in the Gulf region: -in consequence flows to Bangladesh, Sri Lanka and Nepal have stagnated in recent years alongside the impact of falling oil prices on demand for labour. By contrast African migrant reliance on Europe for employment opportunity is boosting remittances. Meantime Mexico waits anxiously on US political developments and the fate of the many millions of immigrants across the Rio Grande. A considerable slowdown in growth rates of cross border flows has already taken place in the last 2-3 years.

Nonetheless the ongoing needs of ageing populations to import labour should sustain payment levels.

Why do these flows matter for investors in growth markets and what opportunities can Actis see arising?

At a pure macro level, the flows raise demand for local currency and except in periods of extreme stress go some way towards smoothing exchange rate volatility. As investors know full well such volatility has an unpleasant impact on portfolio valuations. In poorer countries with narrowly traded exchange rates a stable and important demand for domestic currency mirrors a similar effect seen in richer countries with domestic contractual savings movements: - think Mexico, Chile and Malaysia in this latter category.

Sending this money is expensive running on average at 7% plus for a \$200 remittance. Happily technology is helping lower these costs. Currently around 90% of migrant remittances by value are cash to cash transfers, mainly through Money Transfer Operators ('MTO') who represent around two thirds of transactions. MTO's have large and expensive networks of agents and correspondents which

together with increasing concentration of ownership have kept transaction prices high. Postal networks and agents (costly to maintain) and informal channels which operate where infrastructure is poor are also expensive. By contrast traditional players who invest in digital capabilities and Mobile Network Operators ('MNO's) offer cost savings of over 50%. Among many examples of use of digital payment systems are payments for groceries, agricultural produce, education and electricity and remittances should be no different.

Whilst most remittances go into basic consumption the remainder (estimated at more than \$100bn per annum) is saved or spent on education and healthcare, furthering investment opportunities in those spaces.

**Technology leapfrog and financial deepening are crucial themes in the markets where Actis invests. Cross border remittances benefit from and fuel these trends. Flows may well not grow as sharply in the future as the past but reduced transaction costs and still growing migrant levels suggest their importance as an investment theme is unlikely to wane.**

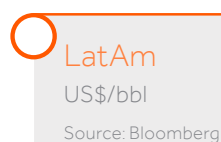
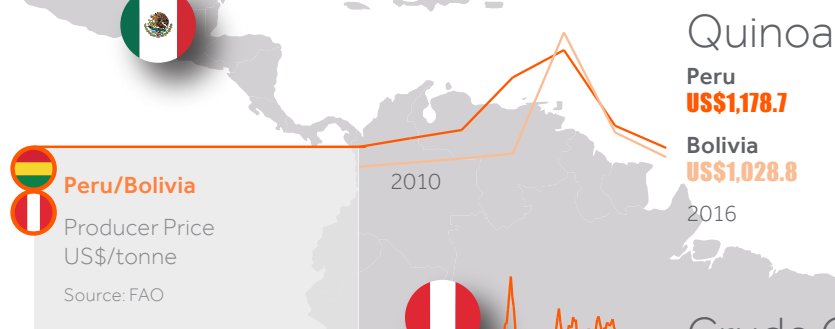
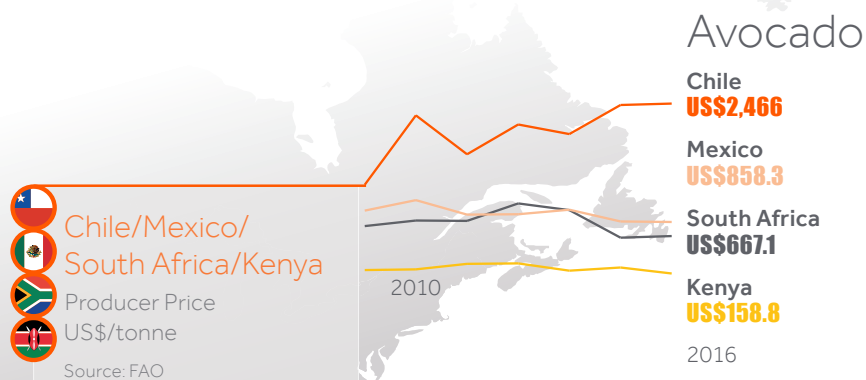








# Commodities-beyond the obvious?



## LatAm

**Nicolas Escallon:** "The dramatic Andean topography sets the scene for Colombia, Peru and Chile's bountiful endowment of mineral products. These massive rock formations make Chile the world's leading copper producer, Peru a major copper player (second behind Chile) and gold miner, and Colombia a significant crude and coal exporter. This handful of products account for c. 50% of the three economies' exports.

Favourable global credit cycle conditions, demographics, institutional reforms and the commodity boom in the first decade of the 2000's acted in synchronicity to create one of the most prodigal growth periods for the Andean economies in history. However the opposite side of the blade was revealed during the 2009 and 2015 commodity market corrections, sending shockwaves through these market's economies, affecting growth, terms of trade and generating fiscal pressure.

Having now lived through several of these cycles, and benefiting from an orthodox policy orientation, these countries managed to create effective policies to manage commodity export revenue management, fiscal stabilization and export diversification, allowing them to channel commodity rents towards needed infrastructure investment and fiscal consolidation. They will continue to be affected by commodity boom-bust cycles (some more than others), but have gone a long way towards creating institutional frameworks that allow them to benefit from their endowments while ameliorating the impact of unavoidable commodity price volatility."



Gold  
US\$1,345.15  
2017

Global  
US\$/troy oz  
Source: Bloomberg

1999

China  
CNY/MT  
Source: Bloomberg

2013

Iron Ore  
CNY628.5  
2018

India  
INR/qtl  
Source: Bloomberg

2014

Guar  
INR4,375  
2018



Lithium  
US\$290.19  
2018

West Africa  
US\$/metric tonne  
Source: Bloomberg

2009

Tuna  
ZAR18.2  
2017



South Africa  
Retail Price ZAR  
Source: Bloomberg

2008

Palladium  
US\$1,030.65  
2018

South Africa  
US\$/Troy Oz  
Source: Bloomberg

2000

## Nigeria

**Funke Okubadejo:** "Oil dominates the economy, though only 10% of GDP, it accounts for over 90% of forex earnings and 70% of government revenues. The vulnerability of the economy to oil prices is evident as the economy contracted for five consecutive quarters to Q1 2017 before rebounding from the oil price recovery. Admittedly, the incidence of oil shut ins in this period from activities of militants in the Niger Delta was also a factor."

As expected, diversification away from oil is a key priority for the government with a number of ambitious programs to promote non-oil exports including export grants. Non-oil exports were up 55% to \$1.26bln in 9 Months to September 2017, though off a very low base. Key non-oil exports include cocoa, rubber, cashew nuts, sesame seeds.

Being an import dependent economy, Nigeria is also vulnerable to imported inflation from an increase in prices of key commodities such as wheat, sugar, rice as well as, ironically, petroleum products."



*El Pelicano, Chile*

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- Countries in which Actis has invested since 1998
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