NEWS ROUND UP

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Sinopec wins bid to operate tank farm at Hambantota Port

The Hambantota International Port (HIP) has recently awarded a tender to Sinopec Fuel Oil Sales Co. Ltd. for oil trading works and the operation and maintenance of their oil tank terminal along with associated facilities.

Bunkering being an important part of the marine services portfolio offered by Hambantota International Port (HIP), the oil tank terminal in partnership with Sinopec Fuel Oil Sales Co. Ltd., will provide high grades of marine fuels compliant with the IMO 2020 Low Sulphur Rule as well as other ancillary facilities to marine liners calling and passing through Hambantota.

"The partnership with Sinopec, who are one of the largest providers of bunkers worldwide, underlines our goal of becoming a bunkering hub for the entire region. Plans are already in the pipeline to expand our tank capacity in the near future," saysHambantota International Port Group (HIPG)CEO Ray Ren, adding that HIP intends taking maximum advantage of its location, just 10 nautical miles from the main sea route connecting east and west, on which ply more than 31,000 vessels each year.

Twenty-three interested parties from Singapore, China, India, Dubai and Sri Lanka, had purchased tender documents and participated in the pre bid meeting, held at the port.

HIPG COO Tissa Wickremasinghe says that the tender process was transparent and in accordance with international tender evaluation processes and practices.

He adds that Sinopec was awarded the tender for its global network and terminal operation experience, "We believe this cooperation would help us to provide cost-competitive and high-quality products as well as effective and safe services to our customers."

Sinopec Fuel Oil Sales Corporation Ltd. Deputy General Manager and Chief Accountant Han Xuelingsays: "With our capability as the largest oil product supplier in China, we considered it our responsibility to start the production and supply of low Sulphur fuel (LSFO) and MGO. Hambantota International Port is one of the many world ports, we would be supplying marine fuel to in 2019, and we guarantee the supply of VLSFO to service all Indian Ocean vessels. We look forward to a long-term partnership with HIP who we consider as a strategic hub in South Asia."

Headquartered in Beijing, the Sinopec Group is the largest oil and petrochemical products supplier in China. Sinopec Fuel Oil Sales Company covers all key ports in China's coastal areas, and operates in more than 40 overseas key ports worldwide. It owns and operates 25 in-use oil depots with a storage capacity of more than one million cubic meters and more than 100 oil barges are in use.

SFO's main business scope includes fuel oil, distillate products, LNG, LPG, asphalt, chemical products, ship repair and marine accessories, tank farm design and construction, etc. with eight branches in Liaoning, Tianjin, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian and Guangdong, two wholly-owned subsidiaries, Sinopec Zhoushan Petroleum Co., Ltd. in Zhejiang Free Trade Zone, which owns China's bonded oil business qualification and Sinopec Fuel Oil Singapore Company, and a joint venture with BP in Singapore.

With its wide network and expertise, the Sinopec Fuel Oil Sales Company would promote Hambantota Port as another marine fuel supply centre for their global clients, to fully utilise the advantage of the strategic location of Hambantota Port.

According to current trend Low Sulphur Fuel Oil (LSFO) with 0.5% sulphur content, will be the main marine fuel choice in 2020. Sinopec with their vast resources, will guarantee the supply of LSFO and MGO in Hambantota, enabling the port to serve all vessels passing the Indian Ocean, by Q4 of 2019.

“Due to their global networking strength, Sinopec will be in a position to offer competitive pricing, opening doors for local parties hoping to provide bunkering services. We plan to expand the port’s capacity — in fact we estimate the volume to surpass one million TPA (tons per annum) in the space of five years, bringing us closer to our goal of establishing Hambantota Port as a bunkering hub in South Asia. HIP will also be looking at a number of associated services such as FW supply, sludge removals, etc., which are already in the pipeline,” says Ren. (Daily FT)

$ 125 m World Bank support for climate resilient agriculture, infrastructure services

Sri Lanka and the World Bank last week signed two new agreements worth $150 million to improve climate resilience and agriculture productivity for small farmers and support priority infrastructure through public-private partnerships.

World Bank Vice President for the South Asia Region Hartwig Schafer and Ministry of Finance Secretary Dr. R.H.S. Samaratunga signed the agreements on behalf of the World Bank and the Government of Sri Lanka respectively. The signing took place during the World Bank Group and IMF Spring Meetings 2019 in Washington, D.C., in the presence of State Minister of FinanceEran Wickramaratne.

The new projects include a $125 million credit for the Climate Smart Irrigated Agriculture Project, which will improve the resilience and productivity of agriculture for more than 470,000 small farmers in six provinces in the dry zone of the country and a $25 million loan for the Framework Development and Infrastructure Financing to Support Public-Private Partnerships Project, which will help the Government of Sri Lanka develop a platform to attract and sustain investments required to fulfil its future development priorities.

“Sri Lanka is on a path to becoming an upper middle-income country,” said Schafer. “To ensure that this growth is sustainable, affordable, and resilient, the two projects are designed to leverage private sector financing for infrastructure and address climate vulnerability in the agriculture sector.”

The Climate Smart Irrigated Agriculture Project will be implemented by the Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries and Aquatic Resources along with the six Provincial Councils participating in the project. The total project cost is $140 million, including a $125 million credit from the International Development Association, with a $10 million contribution from the Government of Sri Lanka and a $5 million contribution from the project beneficiaries.

“The project will support farmers’ access to training and research. Currently, only 10% of women benefit, and this project will help bridge this gap and improve productivity of both men and women working in agriculture,” said World Bank Country Director for Maldives, Nepal and Sri Lanka Idah Pswarayi-Riddihough. “Innovation, including the introduction of improved crop varieties, cropping patterns, water resources management, amongst others, can help farmers adapt to changing climate and improve their incomes and livelihoods.”

The key principle of the Framework Development and Infrastructure Financing to Support Public-Private Partnerships Project is to encourage the private sector to invest in priority projects selected through competitive procurement processes to ensure value for money. The project will be implemented by the Ministry of Finance and Mass Media together with the National Agency for Public Private Partnership. The $25 million loan has a 20-year maturity, including a nine-year grace period, and $2 million counterpart funding. (Daily FT)

IFC report estimates investor appetite for impact investing could be as high as $ 26 t

Investors' appetite for impact investing—in which they seek to generate positive impact for society alongside strong financial returns—could be as much as $ 26 trillion, according to a new report issued by IFC, a member of the World Bank Group.

The report, 'Creating Impact: The Promise of Impact Investing,' is the most comprehensive assessment so far of the potential global market for impact investing. As much as $ 268 trillion—the financial assets held by institutions and households across the world—is potentially available for investment. The report notes that if just 10% of this were channelled toward investments focused on improving social and environmental outcomes, it would go a long way toward providing the funding necessary to achieve the Sustainable Development Goals while also facilitating a shift to a low-carbon future.

The growing demand for impact investing partly reflects demographic shifts. According to Accenture, in North America alone, at least $30 trillion in wealth will be transferred in the coming decades from Baby Boomers to Generation X and millennials. Younger investors increasingly favour socially and environmentally motivated investment strategies—and they're willing to invest larger amounts in them.

"More and more investors – including younger people – are demanding that their investments are channelled into funds that have positive impact for communities and the environment," said IFC CEO Philippe Le Houérou. "We have a historic opportunity to grow this market – and that's good news for the planet and the communities around the world."

In public markets involving stocks and bonds, the report estimates that investor appetite could be as much as $21 trillion. An additional $5 trillion could come from private equity, non-sovereign debt, and venture capital. Turning this appetite into actual investments will depend on the creation of investment opportunities and investment vehicles that enable investors to pursue impact and financial returns in ways that are sustainable.

IFC is the one of the oldest and the largest impact investors—demonstrating that it's possible to achieve significant development impact while generating solid financial returns. On average, IFC's realised equity returns from 1988 to 2016 compared well to returns from the MSCI Emerging Market Index.

Throughout its history, IFC has sought to mobilise like-minded investors to collaborate in ways that can change the landscape of investing. In 2003, it helped international banks establish the Equator Principles, which have become the most tested and applied global benchmark for sustainable project finance in emerging markets.

More recently, IFC – in close collaboration with other financial institutions – introduced a set of Operating Principles for Impact Management—a market standard that could help achieve the same discipline and transparency for impact investing that the Equator Principles did for project finance. (Daily FT)

Manufacturing, services sectors expand in March

The country's manufacturing and services sectors have expanded considerably in March in comparison to the previous month, as per the Purchasing Managers Index (PMI).

The Central Bank said yesterday that the manufacturing activities accelerated in March compared to February this year. Manufacturing PMI reached a 46-month high and signalled a surge in manufacturing activities. The increase of PMI in March was largely attributable to increase in New Orders in line with the seasonal demand, especially in manufacturing of food and beverages.

Production also increased significantly with the intention of achieving expected production levels ahead of the New Year holidays in April. The Stock of Purchases and Employment also increased during the month in line with tight production schedules. Most respondents, especially in textile and apparel sector, highlighted that they had to work overtime in order to fulfil the orders ahead of the festival holidays. The lengthening of Suppliers' Delivery Time also contributed positively to the overall increase. All sub-indices of PMI Manufacturing recorded values above the neutral 50.0 threshold, signalling an overall expansion in manufacturing activities in March compared to February.

The services sector expanded at a higher rate in March, underpinned by accelerated expansion in New Businesses, Business Activity and Employment compared to February. The Business Activity sub index followed the usual seasonal upturn and reached a three month high in March, contributing significantly to the expansion in the services sector during this period. The expansion in Business Activities was mainly seen across wholesale and retail trade, and transportation sub-sectors due to New Year festive season.

Service providers' outlook on the three months' business activities slowed down further in March, as many respondents are taking a wait and see approach. Moreover, the business activities of accommodation, food and beverage and other personal services sub-sectors are expected to deteriorate since the upcoming period is the off-peak season for tourism.

Prices Charged in the services sector increased at a slower rate in March due to the marginal increase in fuel prices, while the expected Labour Cost in the services sector increased at a higher rate due to expected salary increments and incentives to be granted during the festive season. (Daily FT)

China says first-quarter profits at centrally-owned firms up 13.1%

Profits at China's centrally-held State firms rose 13.1% in the first quarter this year to 426.5 billion yuan ($63.57 billion) from a year ago, the country's State assets regulator said on Tuesday. That was slower than the 20.9% growth in earnings for the first quarter last year and the 16.7% increase for the whole of 2018.

For March, profits increased by 10.8% on-year, slowing from the January-February gain of 15.3%, according to a statement issued by the State-owned Assets Supervision and Administration Commission (SASAC) ahead of a regular briefing.

Fixed-asset investments at petroleum and petrochemical companies surged 39.3% in the first quarter, said SASAC spokesman Peng Huagang, adding that investments in steel, coal sectors were on the decline.

The world's second-largest economy is growing at its weakest pace in almost three decades amid weaker domestic demand and a months-long trade war with the United States. Multi-year campaigns to curb debt risks and pollution have also deterred fresh investment.

In response, the government has lowered its economic target to between 6% and 6.5% this year, from around 6.5% last year, while rolling out massive tax cuts worth nearly two trillion yuan.

To bankroll the tax cuts and support fiscal revenue, Beijing has said the Government would collect more profits from certain State-owned financial institutions and centrally-owned firms. (Daily FT)

Rupee edges down; stocks end tad firmer

The Sri Lankan rupee closed a tad weaker on Tuesday, while stocks ended a tad firmer in thin trade after a long weekend.

The currency ended at 174.60/75 to the dollar, lower than Friday's close of 174.45/55. The markets were closed on Monday for a public holiday in lieu of the traditional New Year, which fell on Sunday.

Traders expect lower trade in both currency and stock markets in the three-day week, as Friday is also being declared as a public holiday.

The island nation's currency gained 0.26% last week, and 4.7% so far this year, as exporters converted dollars amid stabilising investor confidence after the country repaid a $1 billion sovereign bond in mid-January.

The rupee dropped 16% in 2018, and was one of the worst-performing currencies in Asia due to heavy foreign outflows. Foreign investors sold a net Rs. 2 billion worth of government securities in the week ended 10 April, the second weekly fall in six weeks, the latest Central Bank data showed.

The Colombo Stock Exchange index ended 0.1% firmer at 5,591.83.

The benchmark stock index fell 0.6% last week, recording its first weekly fall in three. The index has declined 7.6% so far this year.

Turnover came in at Rs. 173 million ($990,836.20), less than this year's daily average of Rs. 605 million. Last year's daily average came in at Rs. 834 million.

Foreign investors bought a net Rs. 31.4 million worth of shares on Tuesday, but the market has seen a year-to-date net foreign outflow of Rs. 6.04 billion worth of equities. (Daily FT)