

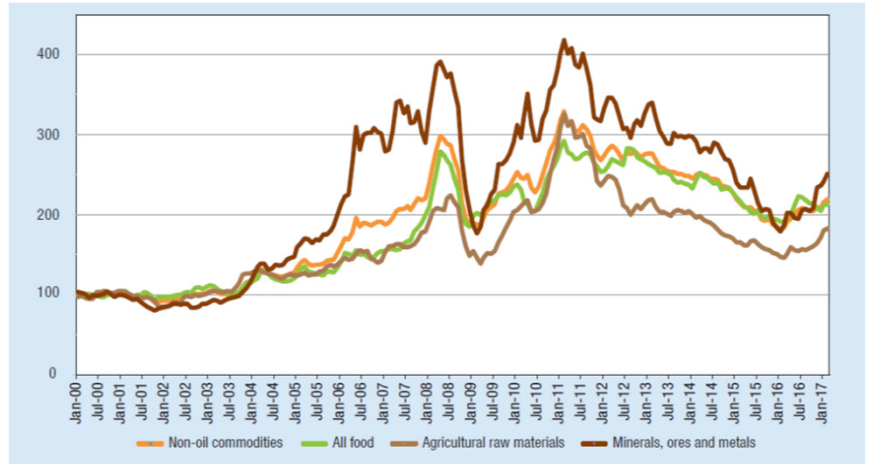
# Commodity Dependency - Vulnerabilities VS Industrialisation & Development Discourse in Africa

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## Overview

- Many African countries are commodity dependent countries
- Minerals, ores, metals, fuels, agric commodities, and food
- Transmission of vulnerabilities through Terms of Trade, Monetary and Fiscal Challenges, and Price Shocks on Poor Households
- Clear policy intervention strategies based on inclusion, strategy with targets, diversification, improvements in competitiveness for a deep structural transformation
- How about an African Commodity Strategy ?

Commodity Price indices, Jan 2000-Feb 2000 (2000=100), Source UNCTADstat

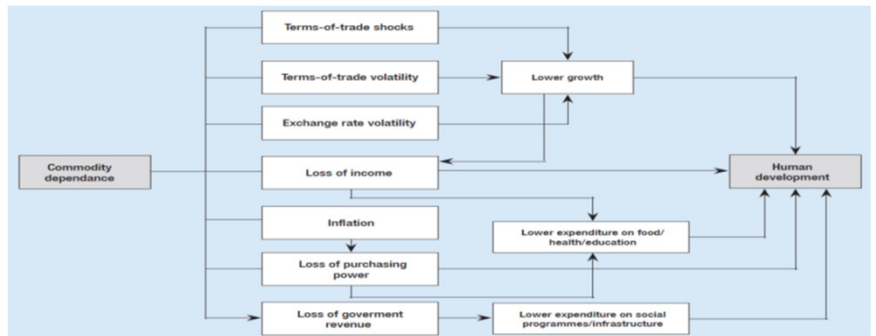


- What is Commodity Dependency
- Commodity dependence is an obstacle to structural transformation and to attaining the 2030 SDGs
- A concentration of exports and revenues carries enormous risks due to the high volatility of commodity prices
- Risks on food security and rural development
- The benefits of commodity windfalls during boom periods are by far outweighed by the negative impacts caused by price volatility and low-price periods, which tend to be longer than boom periods
- CDDCs have not been able to use their commodity windfalls during commodity price booms to diversify their economies and make them more resilient to the devastating effects of future negative price shocks
- In terms of human development, high commodity prices and higher export revenues do not automatically translate into development gains in CDDCs.

## Case Studies from Africa

- Botswana vs Sierra Leone (diamonds)...the importance of the right policy framework for the development of a commodity sector
- Ghana (cocoa)...how a commodity sector can substantially contribute to poverty reduction
- Burkina Faso (cotton)...efficiency and competitiveness of a commodity sector can be improved through policy reforms
- Mali (sorghum)...the importance of taking a broad perspective when designing interventions in the commodity sector
- Nigeria (oil and gas)...Positive gains from local content policy
- Zambia (copper)...the importance of inclusive growth for socioeconomic development

## Potential Negative Impacts of Commodity Dependence on Development: Transmission Channels



## Policy Interventions

- Building a resilient economy
  - Securing Government Revenues
  - Pursuing diversification away from primary commodity exports
  - Fiscal policy and countercyclical expenditures
  - Good governance
- Expanding the linkages between the commodity sector and the rest of

## the economy to promote inclusive growth

- Adding value through backward and forward linkages
- Social protection mechanisms
- Promoting inclusive growth by strengthening existing linkages between the commodity sector and the rest of the economy
  - Increasing productivity
  - Pursuing transparent pricing policies

## References

- *Commodities and Development Report 2017: Commodity Markets, Economic Growth and Development, 2017, UNCTAD and FAO.*

