

Foreword and General Introduction Volume 12 (2007): Africa - Commodity Dependence, Resource Curse and Export Diversification

This Volume 12 of the African Development Perspectives Yearbook deals - in the form of country cases and country units - with African countries' state of commodity dependence, their efforts for export diversification, and their vulnerability to crises and disasters. These problems are considered in the context of the continent's abundance of natural resources, especially its strategic oil resources. Volume 12 of the African Development Perspectives Yearbook is complementary to Volume 11, which discusses African countries' options to escape the primary commodities dilemma, to diversify their exports of products and services, to upgrade production and processes in order to serve markets for higher valued goods and services, and to improve Africa's position in the international global value chains. African countries' high dependency on a few primary export goods is also one of the reasons for their vulnerability to conflicts.

In this volume of the African Development Perspectives Yearbook the focus is on the vulnerability of resource-rich, mainly oil-exporting, African countries. Strategies of export diversification, strategic options how to overcome political instabilities that impede investment, and strategies how to work towards reconstruction and sustainable economic and political development are discussed by highlighting examples from various resource-rich countries. It is analysed how these countries can manage to escape from the primary commodities dilemma by pro-active economic policies and especially by solving political conflicts that have arisen from distributing resource rents. Resource curse problems are discussed in various contributions, focussing on Cote d'Ivoire, Angola, Sudan, Democratic Republic of Congo, and Nigeria. Full country cases for Nigeria and Cameroon highlight the export diversification issues by product and function of producers in the value chain. The implications for the required policy changes of overcoming the resource curse problems are analysed at national, regional and sub-regional level. Book Reviews and Book Notes are included in a unit, and a News and Information unit informs the reader with up-to-date entries regarding the overall topic of Volume 12. The relevance of these issues for Africa's development has increased tremendously in view of the repercussions of the globalisation trend on Africa.

This volume of the African Development Perspectives Yearbook is a joint effort by many contributors and editors who have presented analytical essays, country studies, and informative reports on necessary policy changes in Africa as well as case studies of successful diversification strategies in specific sectors. The issues how to overcome the resource curse in commodity-dependent African countries and how to stimulate diversification attempts were carefully considered by referring to policy areas and to action levels, such as national economies, sub-regional entities, local communities, and social groups. References were also made to the relevant strategic positions of regional organisations in Africa that have highlighted in policy and research papers Africa's future perspectives. Volume 12 of the Yearbook comprises five Units in total.

The Unit I is presenting, first of all, a frame for the analysis of vulnerabilities, instabilities, crises and conflicts in Africa. It is argued that for the purpose of strategy formulation the various sources of vulnerability need to be identified. Only then it becomes possible to design strategies to overcome the problems emanating from vulnerabilities and instabilities. Resource-rich countries in Africa, and especially the oil-exporting countries, are very vulnerable so that a careful analysis of the structures in these countries is requested. It is also argued in Unit 1 that resource control at the local level is imperative for any attempt to overcome the conflicts that are attached to the problems of abundance of raw materials. The cases of Cote d'Ivoire and Nigeria are presented as

resource-rich countries with high risk of conflicts, severe crises and numerous post-conflict problems. After a period of rapid growth spanning from 1960 to 1979, Côte d'Ivoire experienced a slow-down in the GDP growth rate until the 1990s. Since September 19, 1999 Côte d'Ivoire has been experiencing political turmoil and social crises that had started with a first coup in 1999, followed by a second one in 2002, and a war that has not ended yet. It is however also assumed by experts that the current crisis situation is transitory, and that the country could regain a new growth path based on its endowments in physical and human resources as well as its economic infrastructure, factors all of which might help the country to break away from its dependency on agricultural raw material exports. Some strategies are presented to reach this new growth path.

Nigeria is emblematic of the 'oil curse' or the failure to utilize oil wealth prudently. Despite earning a cumulative revenue estimated at about US\$ 350 billion over a 35-year period, Nigeria continues to rank low on all development indicators with an alarming increase in the incidence of poverty. The country unfortunately provides some of the most egregious examples of rent-seeking and corruption that undermine good governance and has also become a global reference point for the irresponsible management of oil wealth. It is argued that there are new management techniques available with regard of oil revenues in Nigeria that offer practical solutions for lifting the oil curse, based on a careful management of using oil revenues over time. Based on the reality on ground, the study on Nigeria recommends a holistic approach in the management of the oil rent. Despite these important reforms being proposed, Nigeria will in the foreseeable future continue to be highly dependent on oil and this calls for diversification as an urgent strategy. Some crucial elements of such a new strategy are outlined. Resource-rich Nigeria has suffered from oil-induced conflicts, especially in the Niger Delta. Such conflicts include revenue allocation-induced conflicts, conflicts because of intercommunal claims to ownership of land where oil wells are situated, and many other sources of conflicts are there such as emanating in the area of environment. Politics revolves however mainly around the distributive concerns generated by the expenditure of the oil wealth, which induce riots, disputes, killings and protests. It is argued that there is a need to address the renewed or heightened wave of conflicts in the nation over oil resources and the suffering of the people of the Niger Delta living where the oil wealth of the country is located. There is also a need to revisit the system of compensation payments for the damages done in oil-producing regions to the people and their assets. A greater commitment to fight against corruption in the country is also necessary. The study also emphasizes the respective roles of government at all levels, oil companies, non-governmental organizations, civil societies, but also of oil-producing communities and of donor agencies in reducing conflicts in Niger Delta.

Because of the obvious coexistence between the abundance of raw materials and the occurrence of crises in Africa, it is argued that the behaviour of the different actors that are involved in the "Raw Materials Crisis" system in Africa has to be articulated. This is done exemplarily with regard of the DR Congo. It is considered as important to focus on the profile of African leaders. A "Vagabonds In Power"/"Vagabonds In Rebellion" (VIP/VIR) framework is proposed to explain the resource curse in Africa. The obvious co-existence between abundance of raw materials and the high levels of poverty in Africa is analysed in the frame of "raw materials games", in which the African leaders in Power (VIP) or in Rebellion (VIR) cooperate with other agents (multinational corporations headquartered in America, in Europe and in Asian Countries, and companies/individuals in neighbouring countries) in order to exploit the mineral resources to the detriment of the welfare the population. The study also proposes actions and strategies to react to this situation by national and international policies. There is a role for actors and agents in Africa that are interested to pursue endogenous development strategies, and there is a role for actors and agents that are supporting equitable and fair international standards and policies towards resource-rich African countries and towards the global markets and value chains for raw materials. It is part of the analysis to show that there is a potential to change policies and strategies towards this end. There is a need for a new international order to avoid the crises and the conflicts that are related to the resource abundance. In resource-rich economies, when being exposed to a crisis, export

earnings are spent in a manner that discriminates parts of the population, that destructs reforms and positive changes, and that encourages initiatives by violent actors to reverse an improving trend in the country by military means.

The impact of transnational companies is also ambiguous: they provide technology and marketing skills to explore the resource stocks and to provide the resource earnings, but they are also part of the mechanism that generates the crises and the conflicts. A strong cooperation between the companies and the elites is perceived by the public to divert income in a manner that strengthens the violation of human rights in the respective countries. The companies however do not serve as substitutes for "failed states" by providing important services. The availability of incomes from natural resources is often also a means to destabilise neighbouring countries or to invite them to start cross-border operations being determined to gain access to the commodities. Actions at the international level are therefore recommended to interrupt the access of potentially violent actors to funds, equipment and staff by "cutting off the market", by enhancing transparency on the spending of commodity revenues, and by creating an adequate frame for the cooperation with transnational companies. Furthermore, regional collaboration may provide for joint activities to stop smuggling and illegal trafficking of primary commodities. Developed countries are also requested to grant inputs to a peaceful development, mainly by strengthening social sectors such as education, health, housing, water and sanitation. Good governance, ownership of the development process, and the strengthening of the civil society are furthermore proposed to remove internal sources of conflicts. The analysis of conflict generation and conflict dynamics in resource-rich African countries underlines that internal and international efforts need to be considered as interrelated.

It can be seen that those individuals and groups that benefit from the lack of control over resources and traded primary commodities will not contribute to those activities that may help to make international regulations more effective. The control of illegal transactions through international regulations requires additional administrative capacities that extend far beyond the current staffing and funding opportunities in resource-rich African countries. The so far proposed actions to control raw materials markets and to increase transparency of resource sectors are however not effective enough to eliminate the sources of conflict in resource-rich African countries. The links between the commodity markets and the patterns of conflict generation were ignored for too long. Security and stability in commodity-exporting African countries need to be considered as public goods in terms of supply and demand on a national, regional and even a global scale. Therefore, joint actions need to be undertaken to provide for long-term supplies of raw materials under a regime of open markets - towards the benefit of economically, socially and politically stable commodity-exporting African economies as well as to the benefit of commodity-importing states. International agreements need to be implemented, and destructive actions should not be permitted what necessitates sanctions. Development cooperation is supposed to act in such a way as to contribute to peaceful development, to lead to an environment conducive to an internal consensus in the supplying countries, and to contribute to the diversification of the economic structures there. Thereby it is possible to enhance growth and social welfare and to secure a long-term and continuous supply of commodities at prices that are to the mutual benefit of sellers and purchasers.

Unit 2 of the African Development Perspectives Yearbook explores primary commodity dependence and export diversification strategies in Nigeria. The contributions appraise various important strategic aspects of exports diversification in Nigeria with an emphasis on policy. Nigeria has made substantial progress in designing and implementing a new development strategy since the advent of democratic rule in 1999, albeit being fragile. A common thrust in the contributions is that much more is needed to orientate towards a new economy. The Unit identified various strategic elements for a revitalisation of the Nigerian economy. These are: a creative response to the globalisation trends; a coherent strategy to overcome the overt dependence on primary commodity exports; and the development of the agricultural sector so that

a broad-based industrialisation, an export diversification and an exploitation of the globalisation chances open to the country become feasible. A new set of policies and institutions is also required to make open the path for coherence in all strategic elements and policies. This is the first systematic attempt to analyse deeply how to embark on this challenge. The problems of primary commodity dependence and resource curse are discussed on the example of Nigeria, the eight largest oil-exporter in the world and one of the potentially richest countries in Africa.

The case of Nigeria is a teaching example for the curse of mineral resources. Revenues from oil exports account for the bulk of government income and have resulted in the negligence of other economic sectors and activities. The relevance of non-oil products for export revenues has declined over the past decades until Nigeria has almost become a single commodity exporter. However, the country is not only rich on oil but has also vast other potentials, such as in agricultural production and in human capital. These other potentials are underutilised so far and wait for exploitation in an increasingly global world economy. The authors in the Unit discuss how Nigeria can escape the status quo and use its potentials to reduce its dependency on oil exports and to diversify economic activities towards agriculture, manufacturing and services. Four case studies (on palm oil production, cocoa, cassava, and leather products) discuss in detail the necessity to improve quality, to upgrade production, and to enter new markets.

The authors analyse the role of the various stakeholders in the Nigerian society and economy and draw policy recommendations what needs to be done to diversify the Nigerian economy successfully. Thereby, it is not only the different interest groups within Nigeria, but also various external actors/agents that are considered in the case studies. The relevance to integrate Nigeria better into international trade is indisputable. What is however disputed is how this could be achieved. It is therefore necessary to discuss in detail the internal and external constraints of Nigeria's improved participation in the globalisation process, such as various supply-side constraints in the country and non-tariff barriers in relevant export markets. Policy recommendations are given how these production constraints and export barriers (on the supply-side and on the demand-side) can be overcome. The reader gets a comprehensive overview on the problem of commodity dependence for Nigeria and learns which policies and strategies are necessary for the country to escape its resource curse by effective export diversification strategies.

In Nigeria the leather sector is a viable sector with tremendous potentials. Nigeria has the potential to diversify its economy through the export of leather and leather products. Presently finished leather exports constitute more than 30 percent of non-oil exports, and over US\$ 300 million were realized through the export of finished leather in 2004. Yet, evidence has shown that most of the products are wasted and consumed locally due to a low export patronage. The study on leather export potentials therefore tries to find the bottlenecks of the sector, which - if tackled - could bridge the lacuna between export and waste. Top on the list of constraints, as perceived by leather firms, are inadequate infrastructure, high utility prices, official corruption, bureaucratic burdens (including red tape and rent seeking), and missing access to affordable credits. Other constraints include regulations for new businesses/business expansion as well as tax regulations/high taxes. The study on leather recommends therefore improvements in infrastructure, like electricity, water, communication, etc., and the refocusing of the development banks to enable them to provide affordable credits. Moreover, the harmonization of policies between the three tiers of government and the involvement of stakeholders are recommended to make national, state and local policies effective. Given the high instability of Nigeria's mono-product economy, the country has made frantic efforts (in principle, but not with commensurate actions) to diversify the economy.

Agriculture, particularly cassava, has been identified as a great diversification option. In order to make the strategy on agriculture effective, an Agricultural Demand-Led Industrialization (ADLI)-based strategy is recommended for Nigeria. This is enunciated at least partly in Nigeria's current development model, the National Economic Empowerment and Development Strategy - NEEDS.

The main aim of this policy, with respect to cassava, is to realise the exportation of cassava worth about US\$ 3 - 5 billion by 2007. Currently, Nigeria is neither an importer nor an exporter of fresh cassava tubers, but the exportation of cassava-based products is expected to begin next year. Within the context of the NEEDS and given the important role of agriculture in the Nigerian economy, there is the need for deep analyses of the incentives (prices, subsidies, etc.); trends of production, yield, cultivated and harvested areas; export values; technologies; constraints and/or leakages in the "cassava pipeline" (including lack of information on informal trade and market exchanges, especially across the borders). This is critical given cassava's prospects for food security and poverty alleviation. It is therefore important to identify the constraints and opportunities for cassava production, processing, storage and marketing, considering the policies in place at macro-, meso- and micro-levels. Like this, a cassava-induced diversified economy can be achieved and a strategy to maximise the cassava potential for income and employment generation and poverty alleviation can be applied.

In this unit also the perspectives of other important agricultural sub-sectors in Nigeria, namely cocoa and palm-oil, are discussed. There are chances to revitalise cocoa production and to increase palm-oil production by volume, quantity, and processing level. However, all these successes will depend on a thorough implementation of the NEEDS and ADLI-type strategies in Nigeria. Also, the strengthening of local capabilities for processing and marketing is important as well as the synchronisation of efforts of government tiers, donor organisations, and non-governmental organizations. Although these sectors are in the moment uncompetitive in terms of international values, comprehensive policy packages based on strategies as outlined in the unit could change the situation quickly to the better. The main message of the Unit is that the resource curse in Nigeria is not a fate but can be politically overcome.

Unit 3 aims at answering some of the up-cited questions in the case of Cameroon. The key findings of the Unit are very important for a new strategic orientation and give lessons for required policy changes. It is analysed how the country could organize its economic policy so as to go beyond the conventional structural adjustment programmes (SAPs) and to cope with the new and tremendous challenges of the Millennium Development Goals (MDGs), especially to achieve economic growth, poverty alleviation and income redistribution for sustainable development. Cameroon's past SAPs are assessed in the unit and it is concluded that they failed to boost growth and development. A new route for the country to achieve sustainable development is mainly based on: 1) the improvement of governance and the combat of corruption; 2) the reduction of legal and judicial insecurity for investment; 3) the compensation of the absence of a fiscal system that is adapted to specific sectors of activity; 4) the upgrading of local enterprises hampered by outdated equipment and underutilization of their capacities; 5) the improvement of infrastructure, such as roads, ports, airports, railways, energy, telecommunications and storage facilities; 6) the decentralisation of government coupled with reconstructed governance; and, 7) the diversification of exports towards products with comparative advantages. Rationalization of resource utilization, reaching the achievement point of the Highly Indebted Poor Countries (HIPC) initiative, and financial deepening are proposed as main sources to finance these activities. In the Unit we find analyses how to promote exports and regional trade in the Economic and Monetary Community in Central Africa (CEMAC) through improvements of the transport infrastructures. After outlining various barriers to trade, among which transport costs are the main, the direct and indirect benefits of a new road linking Yaoundé to Libreville are assessed. It is shown that the direct benefits for Cameroon are fiscal and trade-related, since the country is a net exporter within CEMAC. Indirect benefits are also accruing to Gabon, given the interdependence of markets at the border with Cameroon. To finance the new road in a period of budget limitations, preference is given to a public financing mode. The possibility to couple public finance with private finance, through the Built-Operate-Transfer (BOT) system, is also envisaged. The Unit therefore presents a case where regional cooperation can have very positive repercussion and interaction effects.

The Unit also presents analyses of the challenges and prospects of investments and industrialization in Cameroon. After giving a detailed history of the economic policy reforms in Cameroon since 1960 and their impact on the sequencing of development of the country, it is argued that priority needs to be given to industrial development in order to meet the MDGs. Competitive products and industries are then envisioned. It appears that bauxite-aluminium, forest-timber, cotton-textile, energy, and food industry are interesting sub-sectors despite the intense competition on the world market. However, to boost the related industries, an appropriate institutional frame and an enabling economic environment need to be put in place as well as a new shape of the public-private sector partnership model. Also, for Cameroon an industrialization strategy of an ADLI-type has some relevance. The Unit comprises an analysis how to achieve efficient diversification of agricultural exports with reference to food production and non-food agriculture supplies. Considering the world's demand, there is much room to promote local supply of natural rubber, palm oil, and Arabic gum. Looking at the sub-regional market (CEMAC), a diversification through food crops, vegetables, fruits and biological products can enable the country to increase its exports to oil-producing countries like Chad, Congo/Brazzaville, Gabon, and Equatorial Guinea. The success of such a diversification policy requires however multi-dimensional actions, including the reform of the agricultural development strategy, its institutions and policies so as to increase the yields and to adapt the structure of the production to the bio-ecological diversity of the country, and improving the sub-regional trade policy frame to allow the private sector to respond favourably to non-price incentives.

Primary commodities and raw materials of developing countries are facing negative trade effects due to the volatility of world prices. As suggested by many authors, primary commodity producers must find other ways for development. The diversification of agricultural production in order to improve export performance appears to be one way. Three objectives for a successful and sustainable policy change are then targeted: 1) identifying new markets which can support an export-led agricultural diversification policy; 2) identifying agricultural products for which Cameroon has a comparative advantage in exporting; and 3) making some inferences for policy considerations at the various policy levels. New developments in the agricultural sector are key for sustainable development. Several products of the sector have been identified with comparative advantage due to contextual factors (agro-climatic conditions, competitive agro-industries, etc.) and due to other factors (like a strategic geographic position in the sub-region). It appears that for traditional export crops (cocoa, logs, etc.), Cameroon has a natural potential, but the country has also potentials for the development of new promising sub-sectors like pepper, horticulture, and organic farming. Three types of promising products have been analysed: selected traditional export crops (natural rubber, palm oil, Arabic gum, and cocoa); selected food crops (cassava, plantains, corn or potatoes); and selected fruits and vegetables (pineapple, avocado, mangoes, papayas, banana, etc.). Geo-climatic conditions, abundant reserves of land, and experienced producers with low cost production systems constitute the main advantages. However, the lack of investment, of storage facilities, and of rural infrastructures are among the obstacles that hinder the utilization of Cameroon's advantages.

Considering Cameroon's potential for agricultural production, two diversification paths are presented in detail, concerning cocoa and plantains. However, public action is needed in the form of a "pro-active" growth strategy. Although already initiated by the Cameroonian government, there is much room for improvement, and there is a need to emphasize even more the new public/private partnerships that are now established. It is revealed however that concrete policies in Cameroon remain embryonic, because the strategy is limited with regard to two main points: for some areas of production, the externalities are too weak to promote the diversification; and some crops are neglected despite their opportunities. Obviously, Cameroon has a great potential to increase food and export production, but it needs to follow a coherent strategy of export diversification in order to sustain economic growth when facing trade shocks. The success of this strategy is conditioned by many constraints. Among other things, there are constraints regarding

the effectiveness of governmental action, the efficiency of the private sector, and the continued support of development partners for such programmes.

In Unit 4, relevant books, magazines and documents dealing with the topics of primary commodities dependence, resource curse and diversification strategies, as well as other important publications about socio-economic developments in African countries are discussed in book reviews and book notes. It is interesting to see how many research institutes, international organisations and development policy institutions add to the knowledge in this field by presenting new books, journal articles, seminar reports and discussion papers on various issues of concern to Africa. More and more editors, authors and publishers send their publications for review to the Review Editor of the African Development Perspectives Yearbook, and the Yearbook Editors hope that this trend will continue.

In Unit 5 Profiles, News and Information are presented. In this Unit information on new initiatives for Africa, new research projects, and new development networks on and for Africa are presented with a special focus on conflict resolution, reconstruction and diversification options. Reports about new researches and documents on key issues for Africa's development are coming in from institutions and experts that are part of the global network that was created already in 1988/1989 by the Research Group on African Development Perspectives in Bremen. These reports and documents are of great importance because they are proof of the collective will and effort of African people to change their situation by determined action. It is also part of the editorial policy of the African Development Perspectives Yearbook to broaden and to deepen its research network and to make most important documents, reports and researches from the continent available to the public, giving authentic proof of African intentions, plans and objectives for the development of the African continent.

The theme of the current Volume 12 of the African Development Perspectives Yearbook is of great importance for Africa's future, as it is now more and more pressing to overcome conflict potentials associated with the abundance of resources, and to develop long-term sustainable strategies of economic diversification and inclusive growth. In order to realise this objective, the combined efforts of African governments, civil societies and enterprises, of international donors, and of the international community are necessary. Also, the complementary Volume 11 of the African Development Perspectives Yearbook with the title "Africa - Escaping the Primary Commodity Dependence" highlights the discussion on how to revitalise and ultimately to transform African economies. Volume 11 addresses firstly, successful cases of diversification; secondly, strategies to improve African countries' position in international trade and production; and thirdly, diversification efforts of commodity producers in the SADC region.

With now 12 volumes, the African Development Perspectives Yearbook has become an important source on Africa, and we look back to a highly successful working period of the Research Group on African Development Perspectives in Bremen. The work on Volume 13 with the title "New Growth and Poverty Alleviation Strategies for Africa" is underway. The volume 13 will discuss how the recent experience of accelerated growth in African countries can be made sustainable and how economic growth can be made more poverty alleviating. The national and regional growth experiences in African countries are quite different, as well as the effects of growth on poverty alleviation. There are development models that contain growth acceleration and poverty alleviation strategies that can form the basis of best practise case studies. We will present country cases as well as local and sub-regional cases of new growth and poverty alleviation strategies and lessons that can be learned from these cases. The forthcoming volume 13 titled "New Growth and Poverty Alleviation Strategies for Africa" will be published in 2008.

In the past 12 volumes of the African Development Perspectives Yearbook the Research Group on African Development Perspectives had discussed such important themes, such as the human dimensions of structural adjustment; the role of agriculture for industrialisation; the role of new

energy policies; the importance of active labour and employment policies; the role of regional labour and employment strategies; the issue of good governance for African development; economic and social empowerment strategies and policies; the options and problems of Africa's reintegration into the world economy; the issue of African entrepreneurship and private sector development; the problem how private and public sectors can be successfully balanced in African countries; the strategies and policies to escape the primary commodities dilemma in Africa; and, with this newly available volume of the Yearbook, the central issues of primary commodity dependence, resource curse and diversification efforts in African countries. With these volumes of the African Development Perspectives Yearbook that were presented over the years to an international readership we have covered central issues of African development and have also formulated innovative strategies how to cope with these relevant problems. This may help to shape in a future-oriented way the fabric of the economies and societies in Africa by analyses and projections that are telling us what needs to be achieved during the next decades. In future we will continue to focus on the necessary changes of economies and societies in Africa and on the new role of Africa in the world economy and society, especially in the context of the global informational and technological revolution. Thus, the views of the Research Group on African Development Perspectives in Bremen are focussed on a future vision for Africa that is based on a fair global order, on principles of sound political and economic governance, and on an African society that is reflecting the demands for and the opportunities of the globally emerging knowledge society.

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