

Commodities and Development Report 2017

Commodity Markets, Economic Growth and Development



CONTENTS

OVERVIEW	x
Commodity dependence and development	x
The behaviour of commodity prices: Simulating long-term trends and socioeconomic impacts	xi
Case studies	xi
INTRODUCTION	xiv
CHAPTER I COMMODITY DEPENDENCE AND DEVELOPMENT	1
1. Commodity dependence and its relevance for development.....	2
2. Commodity dependence and human development: What do the data show?	4
2.1 An initial glance at the data	4
2.2 Establishing a causal relationship between commodity dependence and human development	7
3. Commodity dependence and development: Transmission channels	8
3.1 Terms of trade	9
3.2 Fiscal and monetary policy challenges	10
3.3 Impacts at the micro level	10
4. Conclusions.....	12
Annex A.....	13
CHAPTER II THE BEHAVIOUR OF COMMODITY PRICES: SIMULATING LONG-TERM TRENDS AND SOCIOECONOMIC IMPACTS	15
1. Commodity prices and the Prebisch-Singer hypothesis	16
2. A simulation experiment: Price trends and economic growth	18
2.1 Projected commodity price trends through 2030	19
2.2 GDP growth, factors of production and household expenditure	21
3. Conclusions.....	24
CHAPTER III CASE STUDIES	25
1. The soybean industry in Argentina and Brazil	27
Development of the soybean industry in Argentina and Brazil	28
Soybean prices and the macroeconomy	29
Poverty reduction: The case of Argentina.....	30
Poverty reduction: The case of Brazil	31
Conclusions	31
2. Cotton prices, growth and farm income in Burkina Faso	32
Cotton price movements and policy reforms	32
Cotton prices and growth	33
Cotton prices and food security	35
Conclusions	36

3. Lessons from Costa Rica's export diversification strategy	36
Policies encouraging export diversification	37
The agricultural sector as a driver of export diversification	38
Export diversification and poverty reduction	39
Conclusions	40
4. Cocoa prices and farm income in Ghana	40
Policy reforms in the cocoa sector	41
Cocoa prices and inclusive growth	42
The crucial role of productivity increases	43
Conclusions	44
5. Sorghum production in Mali	44
Mali's agricultural context	45
Price movements and policies	46
Prices, growth, and poverty	46
Policy implications	47
6. Rice prices, growth, and poverty reduction in Bangladesh	47
Evolution and reform of the rice sector	48
The rice sector as an integral part of the economy	50
Rice production and poverty alleviation	51
Conclusions	51
7. Diamond exports from Botswana and Sierra Leone: The role of institutions in mitigating the impact of commodity dependence on human development	51
The context	51
Contribution of diamonds to the economy and job creation	52
Managing diamond revenues: the role of institutions	54
Lessons learned and conclusions	55
8. Using trade policy to drive value addition: Lessons from Indonesia's ban on nickel exports	55
Early Lessons	57
9. Are local content requirements a catalyst for development? The case of oil in Nigeria	58
Introduction and background	58
Limited progress in value addition and socioeconomic development	59
institutional and regulatory frameworks	62
Conclusion	62
10. The missing link between economic growth and development: The case of copper-dependent Zambia	63
Robust macroeconomic performance	64
Disappointing development results	64
Missing links: Policy and institutional gaps	66
Conclusions	68

CHAPTER IV RECOMMENDATIONS FOR POLICYMAKERS	69
1. Building a resilient economy	70
1.1 Securing Government Revenues	70
1.2 Pursuing diversification away from primary commodity exports	71
1.3 Fiscal policy and countercyclical expenditures.....	71
1.4 Good governance.....	72
2. Expanding the linkages between the commodity sector and the rest of the economy to promote inclusive growth	72
2.1 Adding value through backward and forward linkages.....	72
2.2 Social protection mechanisms	72
3. Promoting inclusive growth by strengthening existing linkages between the commodity sector and the rest of the economy	73
3.1 Increasing productivity	73
3.2 Pursuing transparent pricing policies.....	74
4. Conclusions.....	74
REFERENCES.....	75
