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AFRICA'S PROGRESS IN REGIONAL AND GLOBAL ECONOMIC INTEGRATION – TOWARDS NEW TRADE AND INVESTMENT POLICIES

REUBEN A. ALABI, ACHIM GUTOWSKI, TOBIAS KNEDLIK,
OYEBANKE OYELARAN-OYEYINKA, KARL WOHLMUTH
(EDS.)

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Reuben A. Alabi, Achim Gutowski, Tobias Knedlik,
Oyebanke Oyelaran-Oyeyinka, Karl Wohlmuth (Eds.)

Africa's Progress in Regional and Global Economic Integration – Towards New Trade and Investment Policies

African Development Perspectives Yearbook

Edited by the

Research Group on African Development Perspectives Bremen:
Reuben A. Alabi, Achim Gutowski, Tobias Knedlik, Oyebanke Oyelaran-Oyeyinka, Karl Wohlmuth

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Klosbachstr. 107
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Tel. +41 (0) 44-251 75 05 Fax +41 (0) 44-251 75 06
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AFRICA'S PROGRESS IN REGIONAL AND GLOBAL ECONOMIC INTEGRATION – TOWARDS NEW TRADE AND INVESTMENT POLICIES

The Research Group on African Development Perspectives Bremen

The aggravating social, political and economic crisis of the African continent forces institutions, organisations, researchers, development practitioners, ad hoc working groups and networks on Africa, and all others involved in African development affairs to intensify the analytical and conceptional work on alternative development visions and designs for Africa. There exist a growing number of plans and programmes, strategy conceptions, researches, and ideas for policy action and projects being published worldwide and focussing on the peculiarity of the African crisis, Africa's recent growth dynamics, the chances for structural adjustment and transformation, the issue of planning development beyond mere adjustment, and on the necessary responses to the globalisation trend. The discussion referring to Africa's development problems and perspectives is widening. However, it is difficult to get an overall view of the different approaches and proposals and, subsequently, to make the discussion useful for the programming and co-ordinating of development policies. So there is a need for a comprehensive publication that compiles, evaluates, and analyses the scattered material and the often not easily available sources.

To fill this gap, the *Research Group on African Development Perspectives Bremen*, established at the University of Bremen, is presenting the *African Development Perspectives Yearbook*, being published since Volume 1 in 1989. Research activities of the group members comprised over the years country case studies and comparative country analyses; studies on macroeconomic policies and strategies, aspects of labour market policies and informal sector activities, human development policies and strategies, agriculture and food security policies; studies on natural resources development and environmental policies, but also researches on the promotion of small-scale industries, private sector development policies, entrepreneurship development, and assessments of sector and structural adjustment policies, trade and regional integration policies, as well as reviews of economic diversification options.

The *African Development Perspectives Yearbook* is the first English-speaking periodical published in Germany relating to development problems and perspectives in Africa. African, European and North-American experts from universities, international and regional organisations, and from non-governmental and donor organisations are reporting on problems and on possible solutions, on new political and economic approaches, on specific

economic programmes, and on visions for alternative African development paths.

Africa's future will depend on both, on its economic and political connections with the international community at the Pan-African, sub-regional, national, provincial and sectoral levels, and on local projects and development efforts at the micro level. Most important are own African development visions, programmes, strategies and policies. The *African Development Perspectives Yearbook* contains information and analyses with regard to these various dimensions. Global analyses, regional and country studies, sectoral studies and individual project evaluations are published in the *African Development Perspectives Yearbook*, as well as statements and declarations on Africa submitted as the result of international conferences, important documents of African regional organisations and of individual African states, and important programmes of African civil society organisations and African self-help groups.

Beside the analytical, comparative and documentary character of the *African Development Perspectives Yearbook*, the editors successfully established an extensive network for the exchange of news and information and are so relating and connecting development organisations and research institutions that are working in and for Africa. The members of the *Research Group on African Development Perspectives* are interested to deepen the contacts with partners in and outside of Africa who are sharing similar objectives.

The *African Development Perspectives Yearbook* is targeted to decision-makers and research personnel in development policy institutions and to experts and staff in project consultancies, media, research and development, donor and aid institutions, and to all others that are interested in Africa's development. It offers comprehensive analyses and information about recent developments with regard to the African continent. Main focus is on development perspectives. Thus, the *African Development Perspectives Yearbook* is reporting on

- visions and conceptions with regard to long-term development strategies for Africa;
- strategies that emphasise a longer-run planning process that goes beyond conventional structural adjustment policies;
- successful projects and programmes concerning countries, regions, institutions, or specific sectors of African economies, by analysing the conditions of their success;
- resourceful and creative activities of socio-economic interest groups, local development initiatives and NGOs, which could serve as models for other regions;

- innovative strategies for and prospects of regional integration in Africa; and on
- economic, social, and political trends in Africa's sub-regions, nation-states, provinces, towns and local communities.

The *African Development Perspectives Yearbook* takes into account sources and information from all relevant levels of action, planning, discussion, and research, i.e. from international, regional, and national organisations and institutions, committees, working groups, and NGOs, but with particular emphasis given to those ideas and approaches originating from Africa.

Address:
Research Group on African Development Perspectives Bremen
c/o

Professor Karl Wohlmuth, Volume Editor,
University of Bremen
Department of Economics and Business Studies
P.O. Box 330 440
28334 Bremen, Germany
Phone: +49 421 218-66517
Fax: +49 421 218-4550
Email: wohlmuth@uni-bremen.de

Professor Tobias Knedlik, Managing Editor
Fulda University of Applied Sciences
Leipziger Str. 123
D-36039 Fulda
Germany
Email: Tobias.Knedlik@w.hs-fulda.de

Internet: http://www.iwim.uni-bremen.de/africa/africanyearbook.htm

Foreword and Acknowledgements

This Volume 19 of the *African Development Perspectives Yearbook* with the title *"Africa's Progress in Regional and Global Economic Integration – Towards New Trade and Investment Policies"* has again benefited from many contributions, from various inputs and from important institutional support. The great number of contributions to this volume (essays, review articles and book reviews) was made possible because of the continuing support from African and international organisations, from numerous research and development institutions, and from many individual experts cooperating continuously with us on Africa. A great number of international and regional organisations, universities and research institutes have supported this project, such as: UNECA (United Nations Economic Commission for Africa) and its Sub-Regional Office in Kigali, Rwanda; the FAO (Food and Agriculture Organization) in Rome, Italy; UNCTAD (United Nations Conference on Trade and Development, especially the Trade and Poverty Branch) in Geneva, Switzerland; the Botswana Institute for Development Policy Analysis (BIDPA), Gaborone, Botswana; the Arab Planning Institute (API) in Kuwait City, Kuwait; the European Centre for Development Policy Management (ECDPM) in Maastricht, the Netherlands; the Department of Economics, University of Khartoum, Sudan; the National and Kapodistrian University of Athens, Athens, Greece; TRALAC, the Trade Law Centre in Stellenbosch, South Africa; the Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, Legon, Accra, Ghana; senior researchers from Covenant University, Ogun State, Nigeria, Columbia University, New York, University of Aarhus, Federal University of Technology, Akure, Nigeria, the City University for Applied Sciences Bremen, the Former Presidential Affairs Minister from the Government of The Gambia, the Director of Economic Policy Advisory Services, Nairobi, Kenya, and many others. All these partners have directly supported the Yearbook project, comprising this volume 19 and the former volume 18 on "*Africa's Progress in Regional and Global Economic Integration – Towards Transformative Regional Integration*", with contributions, expertise and suggestions.

Institutional support is welcomed. Many organisations in Africa, like the African Development Bank (AfDB) Group, the United Nations Economic Commission for Africa (UNECA), the African Union (AU), and the NEPAD (New Partnership for Africa's Development) Secretariat have contributed with information and encouragement. Also the OECD (Organization for Eco-

nomic Cooperation and Development) Development Centre and the World Bank (with various offices at headquarters and in Africa) have given advice and information. We, as the Editors of the Yearbook, are always interested in their advice and guidance so as to structure the future work on the *African Development Perspectives Yearbook*.

For Volume 19 of the *African Development Perspectives Yearbook* the Editors took up the issues of the so much needed "new trade and investment policies" for Africa, as structural reforms and structural transformation in Africa request policies which directly support structural change. Unit 1 of this volume 19 focusses on the "new trade policies in Africa for structural change", while Unit 2 has the theme of "new investment policies in Africa for structural change". While the volume 18 focussed on "transformative regional integration", the volume 19 focusses now on "transformative trade and investment policies". Unit 3 is rich in presenting numerous review articles, book reviews and book notes on the core themes of volumes 18 and 19. In this Volume 19 of the *African Development Perspectives Yearbook* with the title *"Africa's Progress in Regional and Global Economic Integration – Towards New Trade and Investment Policies"* major strategic and policy issues are analysed. The guiding issue is how to make the trade and investment policies part of the structural transformation process in Africa. So far the trade and investment policies are not comprehensive, integrative and coherent enough, and they lack a focus on structural transformation. The disappointing results in export diversification, diversification in trade partnerships, and in attracting foreign direct investment for manufacturing and high-technology services sectors request a new approach. Also the limits in African intra-regional trade, investments, technology diffusion, skilled labour migration, enterprise-to-enterprise cooperation, etc., within and between the regional economic communities (RECs) in Africa, request a completely new approach.

In this volume 19 such a new approach - towards trade and investment policies - is elaborated. Based on Africa's deep routed structural problems the key aspect of transformative trade and investment policies is how to promote structural transformation by coherent policies in the African nation-states, in the RECs and in the whole Africa region.

In Unit 1 the core issues are: In the first chapter the foundations of a comprehensive trade policy approach are discussed which is incorporating major areas from trade policy design and trade policy formation to trade policy execution and trade policy implementation. This is done on the basis of the case of Tunisia, where the government has now the huge task to redesign fundamentally this policy. In the second chapter the role of international organisations in promoting agricultural export trade in Sub Saharan Africa is

presented. This is taken as an example how national policy institutions and international donor agencies can effectively collaborate so as to improve the export competitiveness of Sub Saharan Africa's agriculture products. This is done by looking at cases of agricultural export products which are identified from international organisations for support initiatives; it is also shown through specific country experiences how sustainable such initiatives are. The third chapter is on the complex issues of planning for an offensive export diversification strategy; the discussion is related to the case of Sudan. This is of interest as the country has followed such a strategy already in the 1970s, but again is now pursuing a strategy of agricultural sector export diversification and food processing to compensate for the losses of oil export revenues due to the separation of South Sudan. Major interest in all the three chapters is on policy formation and how to translate these new policies and strategies into overall development strategies. It is discussed what all this means for policy reforms in individual African countries and for the strengthening of the RECs when it is attempted implement such polices in the context of limited institutional capacities.

In Unit 2 new investment policies in Africa for structural change are discussed. One chapter looks at the process of structural transformation in Nigeria and asks what the requirements are for directing foreign investment towards key economic sectors which are of importance for inclusive growth. The essay points out that a great transformation is needed in Nigeria in order to make the agriculture and manufacturing sectors more attractive for foreign investment. The second chapter is on oil exploration and production in Uganda and the role of foreign direct investment. It is asked how industrial policy can be strengthened so that the developing oil sector is not preventing a broader industrial development in Uganda. It is argued that it will not be easy to strengthen industrial policy but strict regulations of foreign investment are needed so that foreign investment can support broad industrial development. In chapter three there is a discussion how Tunisia could be better integrated into global value chains, at more value added per worker and at a higher technology and skill level of production. The problem is how to redirect foreign investment towards higher value added production in Tunisia. The main policy reforms needed to achieve this are discussed. The last chapter is on small export firms linked to a global value chain in The Gambia. The case of horticultural exports out of The Gambia in the context of a specific global value chain is discussed. Main weaknesses of integration into the global value chain are identified, and much needed country-specific reforms are discussed. These four chapters bring together valuable material to clarify the interactions between foreign investment, structural transformation, integration into global value chains and industrial policy formation in African countries.

In Unit 3 a great number of review articles, book reviews and book notes are made available to the readers. All these reviews and notes have relevance to the themes of volumes 18 and 19 of the *African Development Perspectives Yearbook*. But also important new books and studies on more general issues of African development are presented.

Complementary to Volume 19 is Volume 18 with the title "*Africa's Progress in Regional and Global Economic Integration – Towards Transformative Regional Integration*". For Volume 18 of the *African Development Perspectives Yearbook* the Editors took up the issue of a much needed more "transformative regional integration" process in Africa as proposed by Patrick N. Osakwe, Head of the Trade and Poverty Branch of UNCTAD. Based on his key contribution to Unit 1 of volume 18 the editors were guided through the whole volume to emphasize this new approach so as to stimulate regional integration in Africa more effectively. In Volume 18 of the *African Development Perspectives Yearbook* the major strategic and policy issues of the new strategy are analysed. The guiding issue is how to make the regional integration process in Africa more transformative in terms of structural change and structural transformation. So far the regional integration process in Africa was based on a conventional (linear) model, starting from preference zones and then moving to free trade areas, customs unions, monetary and economic zones, etc. The disappointing results so far in intra-regional trade, investments, technology diffusion, skilled labour migration, enterprise-to-enterprise cooperation, etc. within and between the regional economic communities (RECs) in Africa request a completely new approach. This was achieved with publication of Volume 18 of the *African Development Perspectives Yearbook*.

Many institutions contribute with news about countries and regions, information about new research projects, publications about policies and strategies, documents about declarations and agreements, and research papers, also at their early stage. Many regional and international organisations, like the African Development Bank (AfDB), the African Union (AU), the UNECA (United Nations Economic Commission for Africa), the World Bank, UNCTAD (United Nations Conference on Trade and Development), UNDP (United Nations Development Programme), IMF (International Monetary Fund), UNIDO (United Nations Industrial Development Organization), and ILO (International Labour Organization), continue to support our scientific effort by sending us materials and making available - always timely - new strategy documents and drafts of their researches for our publication and/or for review. Also UNU-WIDER (United Nations University - World Institute for Development Economics Research) as an institution of global importance for development research has continuously supported our work with most

recent research papers, publications and information about important scientific events. Furthermore, we would like to thank all those institutions as they are informing so many others in the development field about our work for Africa when publishing the *African Development Perspectives Yearbook*.

We would also like to express our gratitude to two researchers who accepted the position as members of the Editorial Committee for Volume 19: For Unit 1 of Volume 19 we are thankful to Professor Reuben A. Alabi, Professor of Agricultural Economics, Department of Agricultural Economics, Ambrose Alli University, Ekpoma, Nigeria, who also acted during his work for Volume 19 as guest professor and project director at IWIM, University of Bremen. For Unit 2 of Volume 19 we are thankful to Mister Oyebanke Oyelaran-Oyeyinka, Researcher, PhD. Urban Planning, Columbia University, New York, USA, and currently with Dalberg Global Development Advisors in Lagos. Both accepted the task of becoming Unit and Volume Editors. We also have to thank Andrew Mold from UNECA for his continuous encouragement; beside of being an author in several of our volumes he always pushes us to present the new Yearbook Volumes at the UNECA offices in Addis Ababa and Kigali, and elsewhere in Africa. We plan to respond to this valuable idea and kind invitation with the publication of the new volume of the *African Development Perspectives Yearbook*.

Professor Dr. Tobias Knedlik, the Managing Editor of the *African Development Perspectives Yearbook,* and Professor Karl Wohlmuth, the Director of the *Research Group on African Development Perspectives Bremen* and Volume Editor, are also thankful to Professor Dr. Achim Gutowski for his continuous work as the Book Review/Book Notes Editor of the *African Development Perspectives Yearbook*; he has prepared the Unit 3 with Book Reviews and Book Notes for Volume 19. This Unit has never been so complete with relevant material on the themes of volumes 18 and 19. We are thankful to Anna Katharina Pfeiffer for editorial assistance.

We have to thank all the contributors and supporters of the *African Development Perspectives Yearbook* for their hard work, their steady encouragement and their continuous assistance. The valuable inputs from leading African research institutions and their experts have contributed over the years to the success of the *African Development Perspectives Yearbook* as an outstanding publication on and for Africa. In 2014 the project celebrated its 25th birthday as the first volume appeared in 1989. The readers of the various Yearbook volumes have continuously contributed with critical comments and encouragement so that over time a valuable network between readers, contributors and editors was created.

Various institutions have made over the years donations and have funded specific allocations to the *African Development Perspectives Yearbook* pro-

ject, but the support of the University of Bremen, Bremen, Germany is of invaluable importance. The University of Bremen was awarded by the German scientific research community in June 2012 the title "Excellence University", and the *Research Group on African Development Perspectives Bremen* is very proud about this distinction.

These donations, supports and research grants to the project have helped us to do research on African development issues, to distribute the various volumes of the Yearbook to African partner universities and to major African research institutions, and to invite research scholars from leading African research institutions to work with us in Bremen. Institutions like the Volkswagen Foundation and the Alexander von Humboldt Foundation have generously financed the stay of senior researchers at IWIM (Institute for World Economics and International Management) in Bremen. Also the African Economic Research Consortium (AERC) is financing research of our staff since years for their contributions to the Yearbook volumes.

Africa Research Workshops are regularly held in Bremen at the University to discuss the draft papers which are intended for publication. These Africa Research Workshops serve as forums for the intensive discussion of the draft papers and related research topics. The Editors also have to thank the many reviewers of draft contributions for their committed work. By this input the *African Development Perspectives Yearbook* has become over the years a fully refereed publication.

Many persons have given support, advice, and encouragement; others have helped with frank and critical assessments. However, the responsibility for the final product remains with the editorial team of the *Research Group on African Development Perspectives Bremen*. While Volume 18 for 2015/16 and the companion Volume 19 for 2017 are both released in the year 2016, the *Research Group on African Development Perspectives* has already started its work on Volume 20 for 2018 with the title *"Science, Technology and Innovation Policies for Inclusive Growth in Africa"*. The theme is related to important research and cooperation programmes of the *Research Group on African Development Perspectives Bremen* at IWIM (Institute for World Economics and International Management), University of Bremen.

In the name of the Editorial Team:

Professor Dr. Tobias Knedlik, Fulda University of Applied Sciences and IWH Halle, Managing Editor, and Professor Dr. Karl Wohlmuth, Bremen University, Director of the Research Group on African Development Perspectives Bremen at IWIM, Volume Editor

List of Abbreviations and Acronyms

ABoS	Agricultural Bank of Sudan
AbTF	Aid by Trade Foundation
ACDI	African Cotton Development Initiative
ACET	African Center for Economic Transformation
ACP	African Caribbean and Pacific
ADB	Asian Development Bank
ADPs	Agricultural Development Programmes
AEC	African Economic Community
AEI	American Enterprise Institute (in Washington D.C.)
AERC	African Economic Research Consortium
AfDB	African Development Bank
AFT	Aid for Trade
AGI	Africa Growth Initiative (at Economic Policy Research Centre, Kampala, Uganda)
AGRODEP	African Growth and Development Policy (research network)
AHK	Auslandshandelskammer
AIS	Adapting to International Standards
AL	Arab League
AMS	Aggregate Measures of Support
AMU	Arab Maghreb Union
ANADER	National Agency for Rural Development
ANOVA	Analysis of Variance
AoA	Agreement on Agriculture
API	Industrial Promotion Agency
APP	Africa Progress Panel
ARC	Agricultural Research Corporation
ARDL	Autoregressive-Distributed Lag
ASD	Africa Sector Database
ASEAN	Association of South East Asian Nations
ASYCUDA	Automated System for Customs Data
ATA	Agricultural Transformation Agenda
AU	African Union
AUC	African Union Commission
AVC	Agricultural Value Chain
B	Billion
BM	Brand Manufacturing
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung/German Federal Ministry for Economic Cooperation and Development

BoU	Bank of Uganda
BPT	Business Profit Tax
BRC	British Retail Consortium
BVIMSR	Bharati Vidyapeeth's Institute of Management Studies and Research (in Belapur, Navi Mumbai, India)
CA	Customs Administration
CAADP	Comprehensive Africa Agriculture Development Program of the African Union
CAGR	Compound Annual Growth Rate
CBN	Central Bank of Nigeria
CBoS	Central Bank of Sudan
CBS	Central Bureau of Statistics
CD	Customs Department
CDG	Centre for Global Development
CECAFEB	Cooperativa de exportação de Café biológico
CEE	Central and Eastern Europe
CEP	Centre for Environmental Policy
CEPEX	Export Promotion Centre
CET	Common External Tariff
CFTA	Continental Free Trade Agreement
CGD	Center for Global Development (in Washington D. C., USA)
CGGC	Center on Globalization, Governance & Competitiveness (at Duke University)
CID	Center for International Development
CIF	Cost, Insurance, Freight (clause)
CIP	Competitive Industrial Performance (Index of UNIDO)
CLOs	Customs Licensed Operators
CM	Common Market
CMiA	Cotton Made in Africa
CNOOC	China National Offshore Oil Corporation
COMESA	Common Market for Eastern and Southern Africa
COMTRADE	United Nations Commodity Trade Statistics Database
COS	Customs Operating System
CPIA	Country and Policy Institutional Assessment
CRs	Customs Reforms
CRS	Congressional Research Service
CSCO	Civil Society Coalition on Oil in Uganda
CSD	Customs Services Department (of Rwanda)
CSIS	Center for Strategic and International Studies
CSOs	Civil society organizations
CSs	Customs Stations

CTA	Technical Centre for Agricultural and Rural Cooperation ACP-EU, Wageningen
CTAPA	Cotton Technical Assistance Programme for Africa
CTG	Capturing The Gains (programme related to GVCs)
CU	Customs Union
CUPs	Customs Union Protocols
DCGGC	Duke Center on Globalization, Governance & Competitiveness (Duke University)
DDR	Doha Development Round
DECPG	Development Economics Prospects Group
DEPD	Department of Petroleum Exploration and Production
DFID	Department for International Development (UK)
DFQF	Duty-Free and Quota-Free
DI	Diversification Index
DIIS	*Danish Institute of International Studies*
DP	Discussion Paper
DRC	Democratic Republic of Congo
DTI	Direct Trader Input
DTIS	Diagnostic Trade Integration Study
DVA	Domestic Value Added
EAC	East African Community
EBA	Everything but Arms, the European Union's trade initiative for Least Developed Countries
EBRD	European Bank for Reconstruction and Development
ECA	Economic Commission for Africa
ECES	Egyptian Center for Economic Studies
ECI	Economic Complexity Index
ECOWAS	Economic Communtiy of West African States
ECQIP	Ethiopian Coffee Quality Improvement Project
ECTS	Electronic Cargo Tracking System
EDBI	Ease of Doing Business Index
EDIGD	Export Dynamics In Global Demand (index)
EEAA	European Union Association Agreement
EEC	European Economic Community
EFTA	European Free Trade Association
EIF	Enhanced Integrated Framework
EIN	Environmental Information Network (Uganda Clearinghouse)
EPA	Environmental Protection Agency
EPA	Economic Partnership Agreements
EPAs	Economic Partnership Agreements (of EU and ACP countries)

EPRC	Economic Policy Research Centre (Kampala, Uganda)
EPZ	Export Processing Zone
ERP	Economic Reform Programme (of the government of The Gambia)
ESID	Effective States and Inclusive Development Research Centre
ETGAMA	Ethiopian Textile and Garment Manufacturers Association
EU	European Union
EUD	European Union Delegation (to Sudan)
EUREP-GAP	European Good Agricultural Practices (certification scheme)
F&V	Fruits and Vegetables
FAL	Facilitation Committee of IMO
FAO	Food and Agriculture Organization of the United Nations
FAOSTAT	FAO Statistics Database
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FIPA	Tunisian Foreign Investment Promotion Agency
FRN	The Federal Republic of Nigeria
FS	Falling Stars
FTA	Free Trade Area
G-24	Group of 24 developing countries
GAFTA	Greater Arab Free Trade Area
GAP	Good Agricultural Practices
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GBoS	Gambia Bureau of Statistics
GCCI	Gambia Chamber of Commerce and Industry
GCI	Gini Coefficient Index
GDP	Gross Domestic Product
GF	Global Fund (of Uganda)
GFCF	Gross Fixed Capital Formation
GGDC	Groningen Growth and Development Centre
GIEPA	Gambia Investment and Export Promotion Agency
Global GA	Global Good Agricultural Practices (certification scheme)
GNAIP	Gambia National Agricultural Investment Plan
GNI	Gross National Income
GRA	Gambia Revenue Authority
GTP	Gambia Trade Policy

GTZ	Gesellschaft für Technische Zusammenarbeit/German Technological Cooperation Corporation
GVC	Global Value Chain
H&M	Hennes & Mauritz (Swedish textile trade company)
HDI	Human Development Index
HFEFI	Heritage Foundation's Economic Freedom Index
	HIV/AIDS
HT	High Technology
IADB	Inter-American Development Bank
IC	Investment Committee
ICCO	International Cocoa Organization
ICD	Internal Containers Depot
ICE	Intergovernmental Committee of Experts (for Eastern Africa)
ICEA	Institute for Ethical and Environmental Certification
ICF	Investment Climate Facility for Africa
ICO	International Coffee Organization
ICRG	International Country Risk Guide (of PRS/ Political Risk Services)
ICT	Information and Communication Technology
IDA	Industrial Development Authority (of Ireland)
IDA	International Development Association
IDB	Islamic Development Bank
IDP	Investment Development Path
IDP	Internal displaced persons
IDS	*Institute for Development Studies (Sussex, UK)*
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFPRI	International Food Policy Research Institute (in Washington D.C.)
IHDI	Inequality-adjusted human development index
IIE	Institute for International Economics (in Washington D. C.)
IIT	Intra Industry Trade (index)
IMF	International Monetary Fund
IMO	International Maritime Organization
ImWMT	Impact of a country on World Manufactures Trade
ImWMVA	Impact of a country on World Manufacturing Value Added
IPSP	Inclusive policy support programme
ISCTE-IUL	ISCTE-University Institute of Lisbon
ITC	International Trade Centre (in Geneva)

ITCEQ	Institut Tunisien de Compétitivité et des Etudes Quantitatives
IWIM	Institut für Weltwirtschaft und Internationales Management
IWVWW	Internationale Wissenschaftliche Vereinigung für Weltwirtschaft und Weltpolitik
IZA	Institute for the Study of Labour
JITAP	Joint Integrated Technical Assistance Programme
KEI	Knowledge Economy Index
KFC	Kenyan Flower Council
KTP	Knowledge Transfer Partnership (Agreement)
LC	Local Council (in Uganda)
LCs	Landing Contractors
LDC	Least Developed Countries
LPI	Logistics Performance Index (of World Bank)
LT	Low technology
M	Million
MAAIF	Ministry of Agriculture, Animal Industries and Fisheries
MCDA	Multi-Criteria Decision Analysis
MDGs	Millennium Development Goals of the United Nations
MENA	Middle East/North Africa
MFA	Multi Fibre Agreement
MFN	Most Favoured Nation (clause of WTO)
MHLW	Ministry of Health, Labour and Welfare
MHT	Medium- and High-Technology
MHVAsh	Share of Medium- and High-tech Manufacturing Value Added share in total manufacturing value added
MHXsh	Medium- and High-tech manufactured Exports share in total manufactured exports
MIGA	Multilateral Investment Guarantee Agency
MIR	Management International Review
MNC	Multinational Corporation
MNEs	Multinational Enterprises
MO	Missed Opportunities
MoA	Ministry of Agriculture (of The Gambia)
MoAaRD	Ministry of Agriculture and Rural Development
MoEaMD	Ministry of Energy and Mineral Development
MoF	Ministry of Finance
MoFaEA	Ministry of Finance and Economic Affairs
MoFaEP	Ministry of Finance and Economic Planning
MoFaNE	Ministry of Finance and National Economy

MoT	Ministry of Trade
MoTRIaE	Ministry of Trade, Regional Integration and Employment
MPI	Multidimensional Poverty Index
MRIO	Multi region input-output database
MRLs	Maximum Residue Levels
MSMEs	Micro, Small and Medium Enterprises
MT	Medium Technology
MT	Metric Tons
MTS	Multilateral Trading System
MVA	Manufacturing Value Added
MVApc	Manufacturing Value Added per capita
MVAsh	Manufacturing Value Added share in total GDP
MW	Megawatt
MXpc	Manufactured Exports per capita
MXQual	Manufactured Exports Quality
MXsh	Manufactured Exports share in total exports
n. e. c.	Not elsewhere classified
NAoE	National Agency of Exports
NASS	National Agricultural Sample Survey (of the Ministry of Agriculture)
NBER	National Bureau of Economic Research (Cambridge, Mass., USA)
NBS	National Bureau of Statistics
NC	Nature Choice
NCA	National Confectioner Association
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development, the African Union’s strategic framework for pan-African socio-economic development
NES	National Export Strategy
NFIDCs	Net food-importing developing countries
NGOs	Non-Governmental Organizations
NHSMP	National Horticultural Sector Master Plan
NIA	National Investment Authority
NICs	Newly Industrializing Countries
NIS	National Innovation System
NOI	Net Outward Investment
NORAD	Norwegian Agency for Development Cooperation
NPA	National Planning Authority (of Uganda)
NPC	National Pesticide Council
NRC	Natural Resource Curse

NRM	National Resistance Movement
NSA	National Seed Administration
NSCRP	National Strategy for Growth and Reduction of Poverty
NSSF	National Social Security Fund
NTB	Non-Tariff Barriers
NTBs	Non-Tariff Barriers
NTFC	National Trade Facilitation Committee
NTM	Non-Tariff Measures
NTP	National Trade Policy
NTWG	National Technical Working Group (Vision 2020 Nigeria)
NWGoTF	National Working Group on Trade Facilitation
ODA	Official Development Assistance
ODI	Overseas Development Institute (in London, UK)
OEC	Observatory of Economic Complexity
OECD	Organisation for Economic Cooperation and Development
OECDStat	OECD Statistics Database
OED	Operations Evaluation Department (at World Bank)
OEM	Original Equipment Manufacturing
OGA	Other Government Agencies
OMC	Organisation mondiale du commerce
OPHI	Oxford Poverty & Human Development Initiative
OPS	Organized Private Sector
OREA	Country and Regional Department - East Africa, AfDB
OSBP	One Stop Border Post
PACT	Programme for Building African Capacity for Trade
PAGE	Programme for Accelerated Growth and Employment
PCA	Post Clearance Audit
PCUs	Project Coordination Units
PEPD	Petroleum Exploration and Production Department (Uganda, Kampala, Ministry of Energy and Mineral Development)
PFoOaG	Parliamentary Forum on Oil and Gas
PID	Project Information Document (of World Bank)
PIDA	Programme for Infrastructure Development in Africa
PNDRT	Programme National de Développement des Racines et des Tubercules
PPD	Plant Protection Department
PPDC	Market-oriented Promotion of Certified Sustainable Cocoa Production in Côte d'Ivoire
PPP	Purchasing Power Parity

PQD	Plant Quarantine Department
PRDP	Peace, Recovery and Development Plan (of Uganda)
PREBAP	Programme de Reconversion de la filière Banane Plantain
PRICE	Project for Rural Income through Exports
PRMED	Economic Policy and Debt Department (of the World Bank)
PSAs	Production Sharing Agreements
PSCP	Private Sector Competitiveness Project
PSD	Programme for Sustained Development
PSDS	Private Sector Development Strategy
QWIDS	Query Wizard for International Development Statistics
R&D	Research and Development
RA	Rainforest Alliance
RADDex	Revenue Authority Digital Data Exchange
RB	Resource Based
RCA	Revealed Comparative Advantage
RCPRP	Rehabilitation and Community-based Poverty Reduction Project
RECs	Regional Economic Communities
REPOA	Research on Poverty Alleviation, Tanzania
RMRDC	Raw Materials Research and Development Council (in Abuja, Nigeria)
RMS	Risk Management System
RMU	Risk Management Unit
ROP	Roll Out Plan
RoT	Republic of Tunisia
RoU	Republic of Uganda
RRM	Rwanda Risk Management
RS	Rising Stars
RVCs	Regional Value Chains
S&D	Special and Differential (treatment of developing countries)
SADC	Southern African Development Community
SAMCERT	Strengthening Smallholders' Access to Markets for Certified Sustainable Products
SAN	Sustainable Agriculture Network
SAP	Structural Adjustment Programme
SAPs	Structural adjustment policies
SATH	Southern Africa Trade Hub (of USAID)
SBs	Signature bonuses
SCI	Sustainable Commodity Initiative

SDG	Sudanese Pound (Sudan's national currency)
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
ShShA	Shift share analysis
SIDP	Strategic Infrastructure Development Programme (for Nigeria)
SITC	Standard International Trade Classification
SME	Small and Medium Enterprises
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SMEs	Small and Medium-sized Enterprises
SMP	Staff Monitored Programme (of IMF)
SOAS	School of Oriental and African Studies
SPS	Sanitary and Phytosanitary Standards
SR	Strategic Retreat
SRCO	Strategic Reserve Corporation
SSA	Sub-Saharan Africa
SSMO	Sudanese Standards and Metrology Organisation
STDF	Standards and Trade Development Facility
STI	Science, Technology and Innovation
STRI	Services Trade Restrictiveness Index
SWAC	Sahel West Africa Club
TA	Trade Administration
TA	Tax Administration
TBT	Technical Barriers to Trade
TDV	Tanzania Development Vision
TF	Trade Facilitation
TFP	Trade Facilitation Programme
TFTA	Tripartite Free Trade Agreement
TGHE	The Gambia Horticultural Enterprise
TICPI	Transparency International’s Corruption Perception Index
TIMSS	Trends in International Mathematics and Science Study
TiVA	Trade in Value Added (OECD database)
TMEA	Trade Mark East Africa
TOFC	Trade Facilitation Office Canada
TPR	Trade Policy Review
TRA	Tanzania Revenue Authority
TRS	Time Release Study
TRS	Time Reporting Study
TTRI	Tariff Trade Restrictive Index
UAE	United Arab Emirates

UBoS	Uganda Bureau of Statistics
UChoM	Ugandan Chamber of Mines
UCRC	Ugandan Constitutional Review Commission
UIA	Uganda Investment Authority
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations conference on Trade and Development
UNCTAD-EORA	EORA MRIO GVC database
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
UNRISD	United Nations Research Institute for Social Development
UNU INTECH	United Nations University Institute for New Technologies
UNU-WIDER	United Nations University - World Institute for Development Economics Research
UoTG	University of The Gambia
UPEACE	University for Peace (headquartered in Costa Rica, A United Nations Mandated University)
UPF	Ugandan Petroleum Fund
URA	Uganda Revenue Authority
US	United States of America
US DoS	US Department of State
US$	United States Dollar
USA	United States of Amercia
USAID	United States Agency for International Development
USD	United States Dollars
USDA	United States Department of Agriculture
VAT	Value added tax
VEGIES	Vegetables/Vegetarians
WAEMU	West African Economic and Monetary Union (of the French-speaking West African states)
WB	World Bank
WCAO	Internet radio station in Baltimore, USA
WCO	World Customs Organization
WDI	World Development Indicators (of World Bank)
WIDER	World Institute of Development Economics Research (of UNU)

WIEGO	Women in Informal Employment Globalizing and Organizing (Global Trade initiative)
WITS	World Integrated Trade Solution (at World Bank)
WRCs	Warehouse Receipt Certificates
WTO	World Trade Organization
ZRA	Zambia Revenue Authority

Unit 1: New Trade Policies in Africa for Structural Change

New Trade Policies in Africa for Structural Change – An Introduction

Reuben A. Alabi[1] and Karl Wohlmuth[2]

1 The Issues

1.1 Is Africa enlarging its role on global markets?

Trade has been a common activity since the Stone Age. From exchanging animal furs for grain, to the development of currencies and the first bonds in the Middle Ages, trade has increased throughout history along with transportation improvements. Trade is one of the measures of integration of economies with the rest of the world, and the structure of trade (imports and exports) is reflecting the production structure of the trading partners (UNECA, 2015). Trade development gained a new impetus after the Industrial Revolution (Rostow, 1978). One explanation for this dramatic increase of trade is that extraordinary breakthroughs have occurred in transport, logistics, telecommunications, and information technologies. The new technologies made trading easier and reduced considerably trading costs. The rapid increase in trade is also the result of intense and lengthy negotiations to improve the trading environment. Negotiations have taken place at the international level (United Nations Conference Trade Development/UNCTAD, General Agreement on Tariffs and Trade/GATT, and later the World Trade Organization/WTO), at regional levels (regional trade agreements) and at multi-regional levels (EPA negotiations of EU with ACP countries, and Tripartite Free Trade Agreements/TFTA of COMESA, SADC, and EAC). The global increase in trade has been accompanied by a shift from bulk commodities to more processed commodities which have a greater share of value-added, but Africa is still a large exporter of unprocessed commodities. Trade can be a key factor in economic development. The prudent use of trade can boost a country's development and create absolute gains for the trading partners in-

[1] Professor of Agricultural Economics, Department of Agricultural Economics, Ambrose Alli University, Ekpoma, Nigeria and Guest Professor and Project Director 2015 - 2017, IWIM, University of Bremen

[2] Professor Emeritus of Comparative Economic Systems, University of Bremen, Bremen, Germany and Director of the Research Group on African Development Perspectives Bremen

volved. Trade has been touted as an important tool in the path to development by prominent economists.

Over the first decade of the 21st century, trade expanded significantly across Sub-Saharan Africa. In effect, trade volume grew at an annual rate of 5.9 percent, and this increase was well above the world average of 3.8 percent (UNDP, 2013). This trade pattern happened in a general context of relatively strong economic growth of African economies, with an annual rate of 5.0 percent (5.3 percent for Sub-Saharan countries), twice as much as the global economy's growth rate, making the continent the second fastest growing region in the world (UNDP, 2013). However, this positive trend had more to do with imports than exports. In effect, exports have grown at a lower rate than imports: 5.1 percent against 6.9 percent, suggesting a further worsening of African economies' international trade position. World merchandise exports grew by 2.5 per cent, while Africa's merchandise exports declined by 2.5 per cent in 2013 (ITC, 2014). Moreover, Africa is still a marginalized region in the world trading system, with a meagre 2.8 percent share of the global trade volume in 2010 (and 1.9 percent only for the Sub-Saharan economies). It would certainly take a far greater pace of trade expansion for the continent to become a major player in the global trade arena and reap the benefits of economic growth which are associated with international trade (Seck, 2015). Fuels and natural resource–based products — mainly in their raw form — accounted for close to two thirds of the exports (UNECA, 2015). Apart from South Africa, the top African exporters are its oil exporters. The decline in merchandise exports is attributed to the downward trend in the prices of commodities and the continued dominance of natural resource–based products. Such export swings underscore the need for Africa to diversify its production and export base by adding value to its commodity exports (Seck, 2015).

1.2 Are there increases observed in Agricultural Exports out of Africa?

Agriculture has continued to be a major component of merchandise and primary exports in SSA. Africa's merchandise trade of the year 2000 showed in exports a share of 12.9 percent for agricultural produce and in imports a share of 15.1 percent (Mkpado, 2013). In the years 2001 to 2004 the shares increased to 14.12 percent and to 15.1 percent for exports and imports respectively, but from 2005 to 2008 the shares of agricultural exports decreased to 8.65 percent while that of imports decreased to 13.87 percent. A similar trend was observed in 2009, generally, but the share of agricultural goods in merchandise imports was higher than the share in merchandise exports. On the other hand, the reverse was the case in South and Central America as well as

in Europe. The current trend shows that agricultural exports and imports constitute about 10 percent and 14 percent of the total merchandise trade of SSA respectively. Sub-Saharan Africa's agricultural imports have seen rapid growth – averaging more than 13 percent annually.

In 2014, total imports reached an estimated $48.5 billion, the second-highest value on record (USDA, 2015). In comparison, India imported only $17.6 billion in agricultural products, despite having 300 million more people than Sub-Saharan Africa (SSA). Sub-Saharan Africa's top agricultural imports are consumer-oriented products, namely prepared foods, dairy, poultry, wine/beer, and vegetables. Imports of consumer-oriented goods have grown by 70 percent in the last five years and now make up more than 40 percent of the region's total imports. Imports of intermediate products, primarily palm oil and sugar, have also grown rapidly. Sub-Saharan Africa's total agricultural imports include $11.7 billion from other countries within the region and $36.8 billion from the rest of the world (USDA, 2015). On the output side, it is estimated that about 20 to 25 per cent of Africa's agricultural production is marketed, and only 10 to 15 per cent of total agricultural production is processed. This contrasts with the region's sizeable and increasingly effective demand for imported processed food and agricultural products from outside of the continent (ECA, 2012).

1.3 Is Export Diversification taking place in Africa?

SSA's exports are constrained by several problems. First, African exports are not diversified, with 80 percent of its exports concentrated in oil, minerals, and primary agricultural commodities (Mutenyo, 2011). Fuel and minerals alone account for more than 50 percent of SSA's total exports. Broken down by country, it is clear that the region's exports are consistently dominated by primary agricultural commodities, natural resources, and minerals. For example, in Angola 94 percent of its exports are in crude oil; in Burundi, 72 percent of its exports are in coffee; in Equatorial Guinea, 99 percent of its exports are oil and gas; in Malawi, 55 percent of its exports are in tobacco; in Nigeria, 82 percent of its exports are in crude petroleum; in Sierra Leone, 90 percent of its exports are in diamonds; in Zambia, 70 percent of its exports are in copper. SSA's lack of export diversity and dependence on unprocessed commodities are further compounded by its declining share of manufacturing in total GDP, reflecting the bad management of Africa's deindustrialization process.

Primary commodities are vulnerable to changes in world prices, then leading to a deterioration of the terms of trade, as evidences now by the declining oil prices. Experience from the recent global financial crisis shows that less diversified African countries — particularly those that are natural

resource-rich and depend on exports of oil and minerals, such as Angola, Botswana, and Equatorial Guinea — were affected most during the crisis (Seck, 2015). Now the same countries are affected by the sharp decline of oil and raw materials prices. Those African countries which are more diversified tended to be more resilient during the global financial crisis (Ghana, Senegal, Tanzania, and Uganda) or have recovered faster (Kenya, Mauritius, and South Africa). The second problem constraining Africa's export growth is that the destinations for Africa's exports are also less diversified. About 70 percent of Africa's exports go to the United States and the European Union (EU), while about 11 percent is traded within Africa (ECA, 2010).. There is evidence from the recent global financial crisis showing that those countries which are more dependent on the US and the EU markets for their exports were more negatively impacted by the crisis than those countries which depended more on intra-regional trade within Africa (Mutenyo, 2011). Negative fluctuations in export revenue emanating from unforeseen changes in prices of the major export products can pose a negative effect on economic growth (Hwang, 2006).

These fluctuations have warranted economists to advocate for a policy of export diversification to circumvent the negative effects associated with high export concentration. Export diversification originates from structural change that involves changes in products, size and location of firms, economic, legal and social innovations, etc., which are all prerequisites of economic growth (Parteka and Tamberi, 2013). Export diversification has a strong, positive impact on economic growth, through various channels. Firstly, export diversification increases productivity through knowledge spillovers. Knowledge spillovers are important for industry upgrading and gaining competitiveness. Secondly, a more diversified export structure stimulates the establishment of new firms and expands existing ones elsewhere in the economy by adding new production opportunities for industries. This channel occurs mainly as a result of export diversification taking place through addition of new export products to the existing export basket (Lopez-Calix et al., 2010). Thirdly, export diversification has often a direct link with global value chains and so can lead to stronger links and the development of new products as cost reductions in the chain are passed on to downstream industries. Finally, export diversification reduces the volatility of export revenue by reducing the dependence on a limited number of products that are subject to major price and volume fluctuations (Seck, 2015). Amidst the positive attributes of export diversification, export performance in SSA is still lagging behind that of advanced countries as a result of various vulnerabilities affecting Africa, such as export concentration and a low survival rate of firms that all underpin the continent's fragile export sustainability (Cadot, et al., 2013). This fragile export sustainability (lack of trade deepening and low rate of export survival)

has adverse implications on the realization of economic diversification in SSA.

1.4 Is Africa strong in Global Value Chains, and what are the Prospects?

Apart from the potential for increasing trade and development, experience from other developing countries indicates that participation in Global Value Chains (GVCs) has helped countries to vastly expand capacities at all levels, including technology adaptation, skills enhancement, and marketing (AfDB et al. 2014, AfDB, 2013). This in turn creates a firmer basis for longer-term industrial upgrading. Indeed participation in GVCs is strongly correlated with growth performance, within regions where they have taken hold, notably in Asia, with growth gaps between participants and non-participants in value chains of up to 2 percent of GDP (AfDB, 2013, AfDB et al., 2014). Currently, a confluence of factors, including cost considerations, strategic location, and Africa's emergence as a serious consumer of goods and services, make it a place where GVCs could thrive.

Africa has an indisputable comparative advantage in natural resources; they could provide a viable entry point into GVCs. For a country to link profitably to a regional or global value chain, improved logistics and good information networks are required. Countries and regions which have invested in new transport, information and communication technologies are best placed to benefit from trade in goods and services, owing to lower costs of transport and better access to information on new markets. This has facilitated the spatial division of labour among global value chain participants, with certain production processes being located in particular geographical locations according to their competitive advantage. However, GVC projects have performed far below expectations in many African countries (AfDB et al., 2014). The involvement of African firms in GVCs is relatively low, and even then, mostly on the lower rungs of the ladder in the extractive industries and agriculture (UNECA, 2015). Therefore, the bulk of the value-added in the value chains still accrues to firms in richer countries — examples include cocoa, coffee, and tea within the agricultural sector, and copper and iron ore in mining. Part of the problem has tended to be the lopsided tariff structures and the use of trade-distorting subsidies in global trade that would, for example, allow tariff-free entry for raw cocoa beans and impose prohibitive tariffs for semi-processed cocoa paste (or for copper bars and wire). Serious impediments to full participation in the past include weak implementation, and in instances, the absence of industrial policies and strategies for taking advantage of the available opportunities.

In pursuing GVCs, lessons from Asia point to the need for specialized skills involving technical training, and the pursuit of science and technology so as to upgrade the position within GVCs. Such skills are prerequisite for involvement in high-level global value chains associated with industries such as information technology, electronics, and pharmaceuticals. Also, specific infrastructure requirements have to be met to integrate into GVCs. Most importantly, however, countries must learn to trade competitively. Examples from across the world indicate that regional trade is the basis for a strong global value chain development. Africa, which has the lowest level of intra-regional trade, will start from a low base. But it is precisely for this reason that it could benefit greatly from a rolling-out of regional and global value chains, especially for products targeted at the continent itself. Therefore, apart from exploiting their comparative advantages in the natural resources sector, notably agriculture and mining, African countries should strive for niche areas that will place them higher up in the GVCs and enable them to reap gains from trade. As noted above, this will only be successful if GVCs are seen as part of a broader strategy for enabling countries to benefit fully from the new opportunities in the global economy. GVCs have to be accompanied by skills and infrastructure development and good economic management (AfDB, 2013, AfDB et al., 2014).

1.5 How important is Regional Integration for Africa's trade expansion?

Against the backdrop of the global financial and economic crisis in the traditional markets of developed countries, the stalemate in WTO negotiations, and the need to maximize the GVC potentials by Africa's integration and upgrading, regional trade integration has emerged as a formidable instrument for sustaining current economic growth across Africa and as a cushion against the effects of the global financial and economic crisis (ECA, 2012). Increasing intra-African trade and building African markets through increased trade integration can be a launch pad for enhancing Africa's competitiveness and its meaningful participation in the world economy. Regional integration remains the key strategy that will enable African governments to accelerate the transformation of their fragmented small economies, expand their markets, widen the region's economic space, and reap the benefits of economies of scale for production and trade, thereby maximizing the welfare of their nations. Regional integration increases competitiveness in global trade and improves access to foreign technology, investment, and ideas (ECA, 2010).

African countries have embarked on the process of integration along a systematic continuum of Free Trade Area (FTA), Customs Union (CU), and

Common Market (CM). As envisaged in the Abuja Treaty, these efforts are expected to converge towards an African Economic Community (AEC), in which the economic, monetary, fiscal and social policies applied separately by individual African countries of the continent would be fully harmonized and integrated into uniform policies common to all of them. The wider economic space created will strengthen Africa's voice and bargaining power in its relations with the rest of the world. In spite of the many constraints inherent to continent-wide integration, the continent is making some progress in this area.

A number of Regional Economic Communities (RECs) have taken action to create free trade areas and customs unions; they have also introduced community passports to ease the movement of goods and persons; and they have also established macroeconomic convergence targets. In addition, a number of the RECs are harmonizing their business laws and pursuing vigorously their implementation with the aim of promoting trans-boundary businesses and investments in Africa. Some strides have also been made in strengthening Infrastructure development and Information and Communication Technology (ICT) development on the continent, through various programmes and initiatives at the national, regional and continental levels. Despite these efforts and some achievements, a lot still remains to be done. A key remaining challenge is the still low level of trade within Africa. ECA (2012) finds on average that over the past decades only about 11% of African trade is handled within the continent, which is one of the lowest shares of intra-regional trade levels when this is compared with shares of 72% intra-European, 52% intra-Asian, and 48% intra-North American trade.

Intra-regional trade flows in Africa have been generally low because of poor infrastructure development, maintenance and connectivity, conflicts and security issues among the regions, and the presence of numerous forms of trade barriers despite of RECs and also within the RECs (ECA, 2010). With respect to infrastructure, a number of the continent's railways and roads lead to marine ports rather than linking countries over land. Internal waterways are insufficiently exploited and in most cases underdeveloped, making it difficult to conduct intra-continental business. The production and export structures of most African economies are geared to primary commodities, such as minerals, timber, coffee, cocoa, and other raw materials, for which demand is externally oriented (ECA, 2012). Most countries in Africa lack the industrial capacity for diversified manufactured goods to support trade within regional markets. ECA (2010) demonstrates that Africa's non-oil exports are concentrated in very few products, none of which are important as regional imports. Sub-Saharan African (SSA) countries appear to have relatively few goods to trade with each other. An analysis of historical changes in the other

countries' exports indicates that the "non-complementarity" problem in African trade cannot be resolved quickly (ECA, 2012).

The implications of low intra-African trade are many and they are far-reaching. Many opportunities are lost for using trade within the continent to enhance the prospects for specialization between African countries and for accelerated development and integration. Intra-African trade can generate development and dynamic integration among African sub-regions and can act as a powerful driver of African growth and economic maturity (ECA, 2012). Inadequate infrastructure remains one of the chief obstacles to intra-African trade, investment, and private-sector development. Programmes to cultivate transport and communications networks, energy resources, and information technology would accelerate trade progress and transform Africa into a haven for investment.

Some countries continue to demand high tariffs on imports, even from their neighbours. They also persist in applying non-tariff barriers and impose quantitative restrictions. Roadblocks and checkpoints, security agents at border posts, and inconsistent procedures and regulations continue to present serious obstacles to intra-Africa trade, even within RECs and more so between them. Some of the African countries generally lack a strong industrial capacity for diversified manufactured goods to trade within regional markets. The continent's multiple national currencies continue to lack convertibility, while efforts towards monetary, financial, and physical integration are their but without great results so far. There remains a high cost of doing business due to infrastructural gaps, duplicative border procedures, and cumbersome paper requirements. Free movement of people and the right of establishment of firms have progressed in some RECs, but remain a paper objective in other African sub-regions.

1.6 Is there a Trend towards Trade for Inclusive Growth in Africa?

It has been established that trade expansion can contribute positively to inclusive growth and poverty reduction in SSA directly, through changes in prices, increased incomes and employment opportunities, and indirectly, through expanded resources for government expenditure (ODI, 2010). Changes in trade can also adversely affect poor households, by increasing their vulnerability through exposure to price fluctuations in SSA (ODI, 2010). Aid for Trade (AfT) and other aid-related initiatives have been helpful in mitigating the negative impacts of trade expansion on poor people. Aid for Trade (AfT) and other aid-related initiatives can be useful in building the export potential of SSA countries so that they are able to reap the benefits of global trade, and help poor people engage with domestic and international markets in a way that benefits them.

Interestingly, donors are realizing the importance of trade in promoting inclusive growth and ensuring policy linkages. For example, the overarching objective of United Nations Development Program (UNDP)'s Aid for Trade (AfT) support is to build partner country capacities to leverage trade for poverty reduction and the achievement of the MDGs (ODI, 2010). Member countries have also directed the United Nations Conference on Trade and Development (UNCTAD) to enhance its work on the linkages between trade and poverty reduction. Further, the World Bank is refining its approach to Aid for Trade (AfT) in response to a 2006 independent evaluation of its trade-related work, which recommended giving greater attention to addressing poverty and distributional outcomes from trade reforms and external shocks. The European Union (EU)'s Aid for Trade (AfT) Strategy embraces pro-poor and inclusive growth as one of its five strategic objectives in SSA (OECD/WTO, 2009). However, much more progress is needed in this direction.

1.7 Is there a Change observable towards more Pro-active Trade and Domestic Policies in Africa?

Because of the success of export-led economic growth, many SSA countries have tried to emulate this model of export promotion. The traditional import substitution model had encouraged SSA countries to build up their own domestic agricultural and manufacturing capacity and to substitute domestically produced goods for imports. This traditional model may have been important at an earlier stage of development in these countries, but also led to a number of failures and slow growth. Therefore, a number of countries that had earlier followed an import-substitution model have become more outward oriented (ITC, 2011). Today, the focus is on improving international competitiveness, by allowing the identification and exploitation of dynamic export markets. It is now widely recognized that to tackle the myriad of constraints faced by exporters, trade policy can no longer be limited to so-called 'border measures'. Policymakers must address a wide range of national issues, including creating an enabling business environment (regarding competition, investment, institutions, etc.); providing a competitive access to infrastructure (energy, communications, transport, etc.); facilitating a reliable and efficient movement of goods to destination markets; and ensuring product compliance with quality and sanitary and phytosanitary standards. A change towards more enabling domestic policies and trade policies is therefore needed in most of the African countries.

Countries that have reaped the greatest benefits from international trade have focused on national trade policies and regulatory reforms that created a business-friendly environment so that firms could achieve export successes.

However, because trade policy is a complicated process that demands balancing competing and disparate interests, the process of reform is challenging for both the public and private sectors (ITC, 2011). Governments must take a holistic view of the policies, laws and regulations needed. They must be implemented in the right sequence to create a mutually reinforcing framework that fosters competitiveness and a business-friendly environment. Policies, laws and regulations should work together in synergy to achieve an 'export impact for good'. Ministries, departments and government agencies must work in tandem to ensure policy coherence (ITC, 2011). A coherent trade policy framework bridges government departments, public and private sector trade-related programmes, and private-sector actors. To be export competitive among countries with similar resource endowments, a range of supporting domestic policies is required. Many countries are unable to realize the full potential of export-led growth because domestic preconditions remain largely unfulfilled. Partial efforts have been made by many countries in SSA, but anything short of a comprehensive approach fails to overcome the full range of constraints inhibiting trade development.

1.8 How can Africa implement Integrative and Dynamic Trade and Investment Policies?

To exploit the opportunities in exports, African countries should prioritize infrastructure development and should focus strongly on establishing incentives policies for exporters. A further step may be to establish functioning special economic zones and export processing zones, although it is necessary to learn from the successful cases in developing countries. Implementing all these actions should help African countries to improve the investment climate, to encourage foreign direct investment, and ultimately to diversify their production. African countries must also increase their intra-regional trade through the strengthening of regional economic communities by removing the still existing regional trade barriers. Due to unfavourable and deteriorating terms of trade, faced by African primary commodity exporters, there is a need to focus on adding value to primary commodities. Global and regional value chains can be tools for this redirection of the export structure. Developed countries can help in supporting the growth of African economies more effectively through more trade openness, technology transfers, business to business cooperation, and support for global and regional value chains. These measures will be more helpful than just giving aid to African countries. Especially, agricultural subsidies from developed countries act as significant barriers for African agricultural exports to penetrate the markets in these countries. Well-designed market access policies can have a significant impact on the growth of African economies, but the continued subsidizing of agricul-

ture by developed countries will remain a difficult constraint to Africa's growth and development.

2 The Contributions

2.1 Three Key Issues on Trade and Structural Change: Towards Comprehensive and Coherent Trade Policies; International Promotion of Agricultural Exports; and Coherent Policies for Export Diversification

In this Unit 1 of Volume 19 of the *African Development Perspectives Yearbook* in three chapters key issues of trade as a vehicle for structural change in Africa are discussed. In chapter one there is a discussion of comprehensive new trade policies so as to overcome the policy constraints in export while changing the structure of exports towards higher value added products. This is done for Tunisia, a country which had some export successes in the past but had lost export competitiveness in recent years. In chapter two there is a discussion on how to promote best the agricultural exports from Sub Saharan Africa; focus is on the measures proposed and practised by international organisations, such as Aid for Trade (AfT). In chapter three there is a discussion on the possibilities to implement a strategy of export diversification in an agriculture-based economy. This is vital for Sudan as it lost three quarters of its oil reserves when South Sudan became independent. The question is if Sudan can revive the idea of the 1970s to become the "breadbasket" of the Arab world by vigorously pursuing the vision and the related implementation strategies.

While two chapters focus on country studies (Tunisia and Sudan) dealing with comprehensive trade policies and policy perspectives of export diversification, the other chapter is focussing on Sub-Saharan Africa's potential to increase the export of agricultural goods so as to redress the increasing position of being a net importer of agricultural goods. The new role of international organisations in supporting this turnaround is presented. It is important to highlight the frame of comprehensive trade policies as in Africa much more action is needed than just implementing measures at the border level. Behind the border measures (domestic policies) and across the borders measures (regional integration policies) are as well requested. Many domestic policy areas affect the trade of national economies and of the regional economic communities.

Identifying the possibilities of increasing the agricultural exports out of Sub-Saharan Africa is so urgent because of the changing terms of trade for oil, gas and minerals and because of the fact that Africa has already become a

net importer of food, and this in a region which has its comparative advantage in agriculture-based resources and related value chains. The discussion on policy aspects of export diversification is so important as it is necessary to learn from success and failure cases of implementing such policies in African countries. For the case of Sudan it is even becoming urgent to analyse the reasons for the unsuccessful policies of the past as the country has to develop alternative sources of foreign exchange (beside of oil and gold) so as to broaden the basket of export goods. And in this context it is necessary to understand which policies are working and which are failing. Around 40 years later the prospects of the intended revival of the breadbasket strategy of the 1970s in Sudan is of great interest for policymakers in Africa.

2.2 Towards a Comprehensive and Coherent Trade Policy Framework

In chapter 1 of this Unit 1 of Volume 19 the author ***Walid Abdmoulah*** presents a study on ***"Tunisia's Foreign Trade: Challenges and Policies".*** In the chapter several structural weaknesses regarding the Tunisian trade policy formation process were discussed. Most important, trade policy since the early 1970s led to a dualism between the export and the domestic sectors of the Tunisian economy. Worse than this, the dualism has widened over time because of a proliferation of privileges towards the firms who are exporting all or most of their product. This dualism had strong impacts on both, the export sectors and the domestic sectors of the economy. The export sectors were over-protected and benefitted from general and specific privileges according to the Investment Code. Moreover, the regulatory burden was much smaller in the export sectors than for partially exporting and non-exporting firms. All this has led to a lack of innovation in both sectors, and to the failure of both sectors to adjust to the new realities of global markets as characterised by the deeper participation and integration in global value chains.

The benefits from the state to this privileged sector had also severe repercussions on Tunisia's public revenues as the tax privileges were large and left increasing holes in the budget. Additional income was less and less forthcoming from the export sector as it was producing more and more on the low end of the value chains by using unskilled and low wage labour. On the other hand the domestic sectors have not benefitted from the privileges for the export sector as linkages were not created via local inputs and local markets. The totally exporting corporations did not source inputs from the domestic firms and could not act as competitors to the local ones. The lack of privileges in the domestic sectors and the high overall tax rates were partly compensated by high levels of protection and a lack of competition guaranteeing monopoly profits to the large and politically connected firms. But, these

protective measures in the domestic sectors were harmful for innovation and employment. So, neither the export sectors nor the domestic sectors were employment-creating and innovative.

Both sectors increasingly made use of fixed term labour, temporary labour, contract labour, and subcontracting, because of the unprotected status of this cheap labour reservoir. Long-term employment at higher wages and skill levels was not created. Thereby, structural change in the economy was impeded. Another severe impact was the decline of foreign direct investment in the country as the possibilities for low end production in the export sectors was becoming exhausted. Also domestic investment was on the decline as the local firms were not able to export profitably. So the trade policy system of Tunisia, although originally aimed at encouraging foreign investment and exports, did not deliver any longer – in terms of upgrading, competition, innovation, and export diversification. All these issues are analysed in great detail in the chapter by the author *Walid Abdmoulah*. An agenda on policy reforms follows from the analysis.

It is also made clear that the export performance of the domestic sector firms has to be strengthened but this is not possible without a complete overhaul of the economic system of Tunisia. It is a nightmare to export and to import because of the regulatory requirements and the administrative burden laid on the firms. Also the promotion agencies for trade and investment are not supportive in Tunisia, as they are static, bureaucratic, and not integrative and innovative in their arrangements. Trade is also affected negatively by the high cost of production and trade due to inefficiencies of state-controlled public utility companies (telecommunication, energy, water, ports logistics, etc.). Also, the vocational training system is inefficient and the costs of hiring tertiary education graduates are prohibitive; and the regulatory costs take up more than 13 per cent of the turnover. So, the national export policy needs a complete overhaul (as outlined in ITC 2011, 2014). A whole set of measures is requested: creating competitive infrastructure services to reduce the logistics costs, promoting exports and foreign investment so as to reach higher value added markets, moving goods across borders more effectively via an array of trade facilitation measures, addressing export market issues in order to find new market niches, and improving access to inputs and capital goods for a more competitive production.

In Tunisia, export promotion, industrial modernization and privatization programmes failed to promote the role of the private sector and to intensify the supply capacity. Therefore it is necessary to review all export promotion, industrial upgrading and privatization programmes so as to lay new foundations to trade, by building on new competitive advantages through innovation, training and recruiting skilled workers, accelerating productivity gains, and progressing vertically on the global value chains. So far Tunisia is not

successful in becoming part of new global value chains and in upgrading in existing global value chains. It appears that trade policy, FDI policy, and the institutional and business environment had grim consequences on markets functioning and incentives. New investment, industrial and trade policy frameworks are at the centre of a new sustainable development strategy, and nothing less is expected from the new government authorities which were democratically elected in 2014. This turnaround of the economic system would be helpful to create employment and this is the major political issue in Tunisia, and the trade policy reform is a key factor in this.

The Tunisian economy is now even regressing as there is a move from higher to lower productivity sectors, such as in the case of textiles; this negative structural change is costly to the country. Also, the chapter shows that the number of "rising stars" in exports (when exports are rising in sectors in which also global demand is rising) is overshadowed by a great number of products in less promising export sectors. The numbers of export products characterised as "falling stars" (export successes in sectors with declining global demand), as "missed opportunities" (lack of export successes in sectors with global demand), and as being in "strategic retreat" sectors (sectors in which national exports and global demand are decreasing) are quite large, and a greater trade policy focus on "rising stars" is necessary. This assessment refers to all types of export products (low value added, medium and high value added, and resource-based products).

It is fair to say that an overhaul of the economic system and of the trade policy system as requested for Tunisia should also be on the agenda in many other countries in Northern Africa and in Sub-Saharan Africa. Therefore the case study on Tunisia in chapter two is of value also for other countries when they start to review and to reform their economic policies and institutions.

2.3 International Support for Agricultural Exports

In chapter two the authors ***Reuben Adeolu Alabi and Kehinde Omotola Adejuwon*** contribute with a study on ***"The Role of International Organizations in Promoting Agricultural Export Trade in Sub-Saharan Africa".*** This study examines the increasing role of international organisations in promoting agricultural exports in Sub Saharan Africa (SSA). Trade facilitation is becoming a more important activity of international and regional organisations. The authors highlight such activities with particular emphasis on IFAD (International Fund for Agricultural Development), WTO (World Trade Organization) and the many donor institutions with ODA-related AFT (Aid for Trade). Many international, regional and donor organisations are active in the field. Some of these organisations have such a mandate since their founding date (IFAD) while others have strengthened their instruments

to support the trade of least developed and low-income countries (OECD, EU, AfDB/African Development Bank, USAID, DFID, and others).

The study concentrates on four major export crops in SSA, such as cocoa, coffee, cashew and cotton. The concentration on these four important export crops has to do with the great export potential of these four crops, but also with the intense competitive pressures which African producers face from other producing regions. It is also related to the need of increasing productivity and cost effectiveness of production and marketing along the whole value chain towards export. The data used for this study are essentially secondary in nature. The range of the data is between 1961 and 2011, and so a long term analysis is presented which allows also an analysis of trend breaks and policy-induced changes. The data were derived principally from the Food and Agricultural Organisation (FAO)'s Statistical Database and the Organisation for Economic Co-operation and Development (OECD)'s Statistical Database, and these data were supplemented with data from other secondary publications.

Various analytical tools are employed in this study. These are correlation analysis, analysis of variance, growth analysis, and causality tests. This is the base for understanding the long-term trends of production and exports for these commodities. In order to account for structural change in export crop production, data on yield, overall production quantity, and the quantity and value of exports are considered over the full period and are related to policy changes which have occurred from a more controlled to a more liberalized trade regime. The assumption is that export successes are in a longer term consideration policy-dependent; trade, market and agricultural policies can impact on export volumes and revenues (despite of short-term disruptions caused by weather, drought, flooding, and other natural catastrophes, or man-made conflicts). So the authors estimate export crop production, yield, and quantity and value of exports on the basis of policy regimes which have prevailed in SSA, by using the analysis of variance (ANOVA) to test for the differences. The outcomes of the study are of relevance for policymakers. The study reveals that the economic policies related to structural adjustment programmes (SAPs) have led to an increase in the growth of the value of these exports but to a decrease in the growth of the quantity of these exports during the period. Various explanations are presented for this result, but the actions of responding to competitive pressures and reorganizing local production systems may have occurred as a consequence of the more liberal trade, market and agricultural policies.

In another part of the study the support measures towards "trade facilitation" and "aid for trade" were investigated by looking at case studies and specific projects. The study reveals that IFAD has been making effort to improve price competitiveness of agricultural exports from SSA through

value chain development. It is however not so clear from the evidence if and to what extent these support programmes will lead to sustainable increases of exports. The study also shows that SSA agricultural exports will benefit from WTO trade facilitation efforts. A more active participation of Africa in the programmes following the Trade Facilitation Agreement of 2013 and the WTO Amendment of 2014 is envisaged. From all this substantial benefits are expected in terms of reducing trade costs, and by international efforts of capacity building and technical assistance. Some of the SSA countries are members of the G33 group and also in this frame there have been actions to get increased duty-free and quota-free market-access opportunities granted them from developed countries but also aid in the form of trade facilitation measures.

The analysis of Aid for Trade (AfT) suggests that the share of AfT flows to SSA is lower when compared with the average for the rest of Africa. It is argues that it is necessary to change this imbalance. However, the study reveals that AfT has significant influence on the export of cashew and cocoa, but not so on coffee and cotton. The instruments of AfT programmes have therefore to be considered in relation to specific crops and markets. Therefore, the study recommends adequate national and international support for SSA to increase its capacity to trade, by addressing both, market access and supply-side impediments with a view to increase the productivity, quality, volume and value of export trade. More resources are needed for initiatives such as AfT, WTO, IFAD, etc. to enable SSA countries to deal with trade impediments. But also, a continual review of impacts and outcomes of AfT interventions is proposed so as to revise the various instruments which are in use.

2.4 Coherent Policies for Export Diversification

In chapter three ***Dirk Hansohm*** presents a study on ***"A revived breadbasket strategy for Sudan – Is it a viable approach at export diversification?"***, a study which builds on evaluations of earlier attempts of Sudan to diversify its production and exports. The study has great relevance for Sudan, but also for other oil-rich countries in Africa which aim at diversification. Countries such as Nigeria, Angola, South Sudan, just to mention a few of the African oil-exporting countries, have neglected agriculture as a main sector of their economy, with serious consequences for the livelihood of their people and the viability of the growth model. The recent sharp decline of the oil prices may force these countries now to go ahead with pro-agriculture interventions. But, the experience of Sudan after the separation of South Sudan in 2011 shows that such a policy change, although being a rational decision, must not come forward. The government of Sudan pushed after 2011 the

gold mining sector with intense activity in exploration, production and exports. Major alternatives were not promoted, such as cotton, sesame, live animals, Gum Arabic. On the contrary, via high taxes, overvalued exchange rates, high bureaucratic and regulatory costs, high trading margins, lack of support for R&D and extension services, and lack of support for trading infrastructure agricultural export commodities were "taxed out" of the global markets. And, the competition for scarce labour in harvest periods led to wage increases in agriculture which were also caused by increases of wage levels in gold mining because of the public preference for gold mining in Sudan.

In this context it is interesting to study the experiences of the 1970s when Sudan invented a strategy of becoming a "breadbasket of the Arab world", by utilising its natural resources, by importing and using Western technology, and by financing agro-industrial projects with Arab capital. At the times of the global oil price crises in the 1970s this approach at Sudan's export diversification was seemingly well founded by geo-political realities and trends. But, in order to implement such a huge programme in a country like Sudan, it would have been necessary to streamline all development action toward this ambitious programme. But soon it became obvious that the administrative capacity of the country was not sufficient and that the ability to change the inherited structures in the three agricultural sub-sectors (rain-fed agriculture, mechanized farming, and irrigated agriculture) of Sudan was tremendously overestimated. The budgets were overstretched and soon macroeconomic imbalances led to sharp austerity policies (at the advice of the IMF). A devaluation/instability/ adjustment cycle set in, but it was not possible to stabilize the economy. But also the other components of the Breadbasket Strategy were not successful as envisaged – Arab capital for agro-industrial projects came forth but at a limited scale, and Western technology, such as for irrigation and mechanization projects, became too expensive. And, institutional reforms were a precondition of the Breadbasket Strategy so as to implement it, but they did not materialize. Numerous studies have recorded the failure of the Breadbasket Strategy of the 1970s.

Sudan is now, after the separation of South Sudan, in crisis, and the crisis is a political one, a social one, and an economic one. Following the loss of most of its oil resources in 2011 and despite of very weak governance mechanisms the government of Sudan is revitalizing since this time the Breadbasket Strategy. The economic crisis has deepened the longer term structural problems of the country, as the budget and current account deficits limit the scope for public investments. And, the low agricultural yields, the weak integration into global agricultural value chains, and the lack of private investments in agriculture prevent quick successes, although the need for economic diversification is evident. Economic diversification is aimed at by the ruling

classes of the country, in order to broaden the public revenue base and the foreign exchange base for rent-sharing. But, economic diversification is important for the well-being of the people in Sudan, as food security, income security, and rural livelihoods depend on its successes. Therefore, the search for viable alternatives to the oil economy the concept of the 1970s - the 'breadbasket strategy' – was rediscovered and is presently discussed. While the strategy of the 1970s aimed at combining Arab capital, Western technology, and Sudanese land and labour to transform Sudan into a major food producer primarily for the Arab countries, the new version of the strategy centres on land (which is sold and least to Arab and other investors) and credits (for huge dam and irrigation projects, partly financed by the Chinese). However, the main lessons were not learned from the Breadbasket Strategy of the 1970s; and so the danger is great that this new approach at export diversification will fail.

Manifold lessons can be drawn from the largely failed strategy of the 1970s. This study by Dirk Hansohm asks how far these lessons are still relevant, if they have been taken on board in the current plans, and how the country is prepared to implement such a strategy successfully. The study shows – not surprisingly - that the lessons are known but not taken up in the new planning process for a Breadbasket Strategy II. Lack of realism, false assumptions, lack of institutions, lack of adequate finance, lack of administrative capacity, lack of long-term planning, neglect of sectoral interdependencies, and many other constraining problems have to be mentioned. Despite of high expectations, the chances for implementation as a whole strategy are very small. Instead of looking at the real problems first (ownership of land, interdependencies of agriculture with other sectors, institutional and administrative weaknesses, financial constraints, unfavourable agronomic factors, backward and forward linkages of agricultural global value chains) the propaganda for this overambitious programme is intense. In reality, what can be expected as an outcome is the start of some isolated projects, based on suspect land and finance deals, but this is not the road to a broad new strategy.

The most important lessons to be derived from the failed Breadbasket experiment of the 1970s and the Oil Export period (1999-2011) are first, that export diversification has to focus on the long-run successes with export crops; second, that a look at the successfully exporting companies is needed to reveal the sources of competitive advantages; and third, that implementation has to be done at a scale which is manageable and compatible with the institutional and administrative capacities of the country. There are such products as Sesame, Gum Arabic, Live Animals, etc., and more emphasis on private sector initiatives can help to increase the exports. But, it is necessary to stick to pro-active policies for a longer period and to build on institutions

and governance systems which are indispensable for agricultural subsectors and value chains.

3 The Strategy

3.1 Moving towards Comprehensive and Coherent Trade Policies

First, a move towards comprehensive and coherent trade policies is necessary and it is possible to implement such policies. Comprehensiveness of policies means that various policy elements are put together and are changed together. Benign industrial sector policies cannot compensate bad macroeconomic policies. Favourable export taxation policies cannot compensate bad exchange rate policies. And good macroeconomic policies cannot compensate bad logistics performance. Therefore, trade policies should be based on a coherence of macroeconomic policies, export and foreign investment policies, regional integration and investment policies, technology and industrial development policies. Many of the current problems of Tunisia relate to this lack of comprehensiveness and coherence. The country loses in international competitiveness and in economic complexity because of the failure of policymakers to implement comprehensive and coherent trade and investment policies but similar problems are found in other African countries, such as South Africa, Kenya, and Nigeria.

Second, trade policies should be future-oriented what means that global demand trends play an important role in focussing industrial and trade policies. Identifying global demand trends in goods and services is a task of all export and investment promotion offices, but the whole array of economic ministries plays a role (trade, investment, finance, transport, infrastructure, labour and training, higher education and R&D, and tourism). Reforming the institutional basis for trade and investment promotion is requested. Again, the case of Tunisia shows that the will to implement such reforms is rather weak, and this is the case so even five years after the political revolution. Third, trade policies have to be value-chain specific in order to increase integration and participation in global value chains. The policymakers in Tunisia are well aware that this is necessary, but industrial sector plans for key global value chains have to be developed and then implemented, but based on comprehensive policies. This is not done at the moment. Fourth, the policies should be dynamic, not static. This means that global demand changes and local supply changes have to be reconciled. This means that rising stars and falling stars have to be identified, and then a reorientation of policies will have to follow. Also, missed opportunities in trade have to be identified so as to develop neglected products and sectors, such as mining, organic agriculture and eco-

tourism in Tunisia, but also the potential of specific services sectors could be developed.

The policymakers should learn from failures and successes of policies, from losses and gains in terms of products and sectors. The trade policy framework should work flexibly, what means that all the institutions for facilitating trade should be ready to cooperate with all the exporting firms and to learn from the successful exporters. As the case of Tunisia shows, separating the firms into wholly exporting, partially exporting, and non-exporting is not helpful, as all the firms should have incentives to export. All these recommendations are based on the paths of export development of Asian economies and have they have built their trade policies over time. The case of Tunisia, but also the cases of many other countries in Africa show that there are huge gaps in regard of the whole trade policy framework.

3.2 Developing Integrated International Support Systems for Africa's Agricultural Export Crops

The potential for Africa's agro-related exports, based on strategies of agro-industrial development and agribusiness promotion, is considered as huge, and so many African countries could benefit from higher exports of such products. These benefits would be broad, relating to employment creation and foreign exchange generation, income diversification of households, livelihood improvement, and poverty reduction. These export sectors suffer however from the same gaps in trade policy formation - lack of comprehensiveness, lack of coherence, lack of value chain-specific policies, lack of future-oriented policies, and there are also serious gaps with regard of the institutional trade policy framework.

However, trade facilitation has in recent years received an increasing attention from the side of the WTO, OECD, EU, IFAD, USAID, DFID, AfDB/African Development Bank, and many other global, regional and bilateral actors. It is obvious that international support systems for agricultural export crops can play a great role in trade facilitation, and that aid for trade (AfT) measures can impact favourably on export development. However, the evidence on such programmes and projects shows that too many actors and too many approaches are around, while the gaps in regard of cooperation and coordination are not getting smaller. Even for one agricultural crop, such as cocoa, many actors are around in just one country, and this is done without any concertation among themselves and with national policymakers. International donors, multilateral, regional and bilateral donors, also increasingly in the form of a South-South cooperation, have their role in trade facilitation and export development of agricultural crops. So many reports show that there is a gap in cooperation, coordination and concertation; integrated pro-

grammes and projects for an export crop and for a production area are scarce, and instruments for joint strategy formation, evaluation and monitoring are not widely used. Some support programmes are valid only for a short period, while others are limited to pilot projects in certain producing regions and for specific groups of households.

A better integration of the aid for trade (AfT) architecture could be helpful for Africa's export development, but obviously this will only become reality if the dialogue with key national trade policy actors is fruitful and successful. The loss of competitiveness of Africa's traditional export crops relative to Asian suppliers (such as Vietnam) can only be overcome by a concerted action. Not small pilot projects are requested but huge development programmes are needed which make an impact by scale. Such a huge effort leading to scale effects requests also that complementary support is provided in terms of R&D, extension, training, infrastructure and logistics, marketing, and management. Value-chain specific policies and programmes play a role, but also institutional development is needed at various levels of decision-making. An increasing role of regional economic communities (RECs) is observed in Africa, but the RECs have so far not taken up the issue of coordinating jointly the support of export crops despite of building customs unions and monetary zones. The weakness in terms of a common agricultural, industrial and export development policies is obvious and so retards progress also at national and local levels.

A synchronization of policies and programmes between global, regional, national, and local policy levels is requested, but has just to emerge. The country cases mentioned in this Unit 1 show that successes are there where local production conditions are identified and where local production actors with competence are supported by national and international partners during a sufficiently long period of learning the "art" of export development. On this basis the implementation of aid for trade (AfT) projects will be successful in terms of regaining export competitiveness. Learning the lessons from successful aid for trade projects and programmes is important, and there are now so many annual reports and project reports available to learn the lessons and the best practices. Anyway, on the positive side a more pro-active role of international and regional multilateral organisations on such aid for trade (AfT) support programmes can be ascertained as well as a new attitude of bilateral and NGO donors towards sustainable export development as a form of aid for self-help.

3.3 Working with a Long-term Horizon on Export Diversification Policies and Strategies

Strategies aiming at export diversification are very important for growth and development. Multiple development objectives can be realised via export diversification: employment generation, industrial development, transformation of the agriculture sector, poverty reduction, regional development, upgrading in value chains, mobilising linkages between sectors, allowing for the growth of enterprises, and others more. The situation in Africa is not favourable as only few countries have a sufficient degree of export diversification (by whatever indices are used for measurement). Most of the African countries are exporting only few products (oil and gas, mining, forestry, fishery, horticultural, and agricultural raw products) with a low processing level and often directed to only few destinations.

Evidence shows that it is not possible to make progress based only on top down policies, such as grand designs of export diversification plans. The "breadbasket strategy" of Sudan which was followed in the 1970s was such a design but did not work. The strategy was aiming at agro-based industrial processing and export diversification to make Sudan an exporter of meat, livestock, cereals, sugar, groundnuts, sesame and other oilseeds, gum arabic, and other products for the Arab countries in the region. The strategy was also part of a regional political strategy to react to the oil price shocks which showed the dependence of the West on Middle East oil; this dependence threatened to lead to counter-reactions from the West in terms of wheat and other food products because of the dependence of the Arab world from food imports. The strategy was planned at high political levels but this top down strategy did neither consider the structure and condition of the Sudanese economy nor did it reflect the real interests of the Sudanese producers and enterprises. So this Plan collapsed and now there is a new try of it which is discussed in this Unit 1. Although planned on a more modest scale, still it is a top down exercise to find an alternative for the oil reserves which were lost when South Sudan became independent.

Some countries in Africa were more successful in regard of export diversification, such as Tunisia, Mauritius, and South Africa. But the example of Tunisia shows that progress has to be supported continually as otherwise the country ends with export diversification at low sophistication levels. Many African countries have not made progress despite of intentions and support programmes. Tunisia has worked successfully since the 1970s towards export diversification, and this was reached on the basis of many export development initiatives. But more and more the advantages in this regard were exhausted; Tunisia became a location being unable to increase the sophistication of exports; the economic complexity index rank even declined. The ex-

port promotion model itself get into troubles as it was becoming costly in fiscal terms and ineffective in increasing the value added content of export products. It was not possible to use the existing value chains for producing goods with higher value added in Tunisia. So Tunisia was moderately successful in export diversification but mostly by producing low value added products and components for export. This was achieved despite of privileging the export sector relative to the domestic sectors in terms of taxes, subsidies, regulatory costs, etc.

So, comparing the two cases of Sudan and Tunisia shows that much more is needed than grand designs and export promotion instruments and finance to support effective export diversification policies. The case of Sudan shows that macroeconomic stability has to be maintained and cannot be suspended for some years to finance mega-projects, as this overstretches the budget limits. Successful export diversification has also other important ingredients, such as stable real exchange rate policies, pro-active trade, investment, industry and technology policies, effective competition and private sector support policies, integrated human resources development policies, working good governance policies, and in the case of Sudan also a coherent agriculture sector policy is an important precondition for sustainable export successes. Simply giving some financial advantages to the exporters is not enough. Also, trade openness is needed so as to get quality intermediate products and inputs for higher value added export production, but openness is not sufficient as industry must have space for technological and industrial learning.

Traditional export positions can even get lost, such as it was the case with cotton and sesame in Sudan. Tax policy matters in this regard as such traditional export positions can get lost quickly if export taxes, overvalued exchange rates, and high domestic transport costs, logistic costs, and taxes are affecting negatively the exporters. Beside of these macroeconomic and value chain considerations the cases of successful countries in terms of export diversification show that innovation systems and related technological policy initiatives are of great relevance. All these measures and policies have to coincide with political and macroeconomic stability. The case of supporting the export of agricultural crops via aid for trade (AfT) programmes also shows that trade support systems are only working if they are embedded into coherent national trade and economic policies.

Export diversification also requires foresight exercises. It is necessary to look at the prospects of niches which may be exploited by the country, such as products with characteristics as “rising stars”, meaning products which have a) a steadily improving global demand position, and b) find in the country favourable and adaptable supply conditions. The trade policy framework - with all the existing export promotion and investment promotion agencies - has a lot of instruments in stock to support such foresight exercises. It is also

necessary to start a dialogue process on these findings between the trade policy institutions, the local value chain actors, the exporting enterprises, and the research and training community. The advice from successful exporters is most relevant in this context.

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Tunisia's Foreign Trade: Challenges and Policies

Walid Abdmoulah*

1 Introduction

Policy makers and scholars have shown great interest in the possible relationship between exports and economic growth and prosperity since the early 1960s, generally supposing that promoting exports should accelerate growth mainly through productivity gains and technological changes. This export-led growth hypothesis has been (theoretically) controversial between its advocators (Romer, 1986, Lucas, 1988, Grossman and Helpman, 1991, and Barro and Sala-I-Marti, 1995 among others) and sceptics (including Krugman. 1994 and Rodrik, 1995) who think that the effect of trade openness on growth is doubtful, and so they argue that rather growth induces exports. Moreover, the empirical literature on the subject, counting hundreds of papers, led to very mixed conclusions regarding the direction of the supposed relationship, and has been affected by serious data and methodology problems (see for example Giles and Williams, 2000).

Nonetheless, the relationship between exports and economic growth remains fairly plausible, whether exports lead to growth or if the opposite direction is valid. Many new industrialized export-oriented countries, obviously including the Asian Tigers, continue to do well in this area and inspire other developing countries, such as Tunisia, a country which claims of actively promoting exports for decades through industrialization, technological catch-up, privatization and trade liberalization. This raises many questions in this regard, given its overall timid economic performance in terms of income, equity and employment and even in terms of foreign trade. For instance, the real GDP per capita (constant $2005) is still under 4,000$ in 2013, coupled with a Gini index exceeding 40 in 2010 and an unemployment rate around 15% in 2013. The current account deficit has certainly improved since the 1980s, standing at 2.9% on average instead of 4.1%. But the budget deficit worsened a lot after the uprising of December 2010/January 2011, when reaching 12.5% of GDP in 2013 (see Abdmoulah, 2014 for further scoping of the Tunisian economic performance). This chronic and volatile current account deficit, and what it hides in terms of low exports volume and composi-

*Arab Planning Institute (API) in Kuwait, P. O. Box: 5834 Safat 13059 Kuwait.
Email address: walid@api.org.kw. Tel: +965-24843130. Fax: + 965-24842935.

tion, should be deeply analysed in order to pinpoint the structural weaknesses depriving Tunisia from reaping the full benefits of privatization and trade liberalization programs, and then to come up with a set of new policies leading to a fundamental shift helping Tunisia meet its developmental challenges of rapid economic growth, employment, equity and sustainability.

The rest of the paper is structured as follows: Section 2 provides a brief overview of trade policies followed by Tunisia since its independence in 1956, including a description of the evolution of its tariffs and non-tariff measures. Section 3 makes a statistical analysis of the exports of goods and services patterns, detailed by technological level and by destination. Section 4 tries to discuss the reasons behind Tunisia's failure in terms of industrial and FDI policies, as well as the institutional environment. Section 5 concludes and tries to come up with a set of new trade policies.

2 Trade policies since 1956

After its independence in 1956, Tunisia had two distinct trade phases. First, it followed an import substitution policy within a quasi-socialist economic orientation where domestic producers were shielded from international markets behind high trade barriers. In 1972, trade direction started to reverse gradually towards a market- oriented economy and an export-promotion policy. The role of the private and the foreign sectors were promoted for instance by creating an "off-shore regime" to attract export-oriented Foreign Direct Investment (FDI) and by deploying new technical bodies such as the Industrial Promotion Agency (API), the Export Promotion Centre (CEPEX), and the Tunisian Foreign Investment Promotion Agency (FIPA). The purpose was to support the private sector which was previously confined to quick-return manufacturing activities, was non capital-intensive, and was technologically unsophisticated (Bellin, 1994). Many concessions have been progressively granted to exporting companies in the form of subsidies, including tax exemptions, facilitation of customs and foreign exchange procedures, and support of transportation.

Later, in the late 1980s and the early 1990s, after a long period of mismanagement, a new era entered when President Ben Ali came to power in 1987 and initiated a set of new policies aiming at deepening Tunisia's integration into foreign markets, while launching an industrial modernization and privatization programme in order to enforce the modernization of the industrial sector and to ensure that the private sector can cope with increased competition in global markets. Hence, Tunisia became signatory to the General Agreement on Tariffs and Trade (GATT) in 1990, and subsequently a member of the World Trade Organization (WTO) in March 1995. It also became signatory to the European Union Association Agreement (EEAA) in July 1995. Regionally, Tunisia became member of the Arab Maghreb Union (AMU) in 1989, the Greater Arab Free Trade Area (GAFTA) in 1997, the Arab-Mediterranean Free Trade Agreement (Agadir Agreement) in 2004, and the European Free Trade Association (EFTA) in 2004. Tunisia has also signed bilateral agreements with 13 countries, including Turkey, Senegal, and many other Arab countries. Since 2008, the Euro-Med Agreement, resulting in free bilateral trade for industrial products with the European Union, is seen as the most important arrangement, given that the Euro Zone is the largest trade partner.

In sum, the five decades since independence can be divided into three periods: collectivism and import substitution policy during the 1960s; slow transition to a market-oriented economy, coupled with export and private sector promotion during the period 1970-1986; and finally, enforcing global integration and openness of the economy since 1986 by accelerating the dismantling of tariffs. Nonetheless, the public sector and state-owned enterprises kept a hand on many economic activities, mainly infrastructure, services, and mining.

Obviously, the different steps undertaken towards more openness and export-oriented policies were pursued in the hope of boosting exports, accelerating economic growth, and finally tackling employment and poverty problems, as all this was long advocated by liberal economists since the 18th century, leading to the unprecedented trade liberalization drive since the 1950s under the auspices of the GATT and its successor, the WTO. Nonetheless, the WTO, in its trade policy review in 2005 (WTO, 2005), found that the reforms and the efforts undertaken by Tunisia "*have not substantially liberalized trade, and has created a dualism within the economy, between an export sector, strongly supported, and a domestic sector that is still heavily protected*." Furthermore, the report recommended the simplification of the tariff structure and the reduction of the tariff rates in order to make the trade regime more transparent and predictable, which might enable Tunisia to reap the full benefits of globalization.

Generally speaking, tariffs dismantlement has been very selective not only to protect the domestic market, notably the local agricultural products, but also to safeguard the revenues required to finance the budget. In addition, Tunisia seems not to fulfil its tariff binding commitments, as claimed by the WTO. The simple average of the Most Favoured Nation (MFN) tariffs applied in Tunisia in 2012 is 15.5 percent for all goods; 33 percent for agricultural goods, and 12.6 percent for non-agricultural goods (Table 1).

Table 1: Trade Tariffs

1-Tariff binding coverage (%)	58.0
2-MFN tariffs	**Applied in 2012 (Final bound)**
Simple average of import duties all goods	**15.5** (57.9)
Agricultural goods	**33.0** (116.0)
Non Agricultural goods	**12.6** (40.8)
3-MFN duty free imports (%, 2010)	
In agricultural goods	34.3
In non-agricultural goods	40.5
4-Services sectors with GATS commitments	20
5-Services Trade Restrictiveness Index/STRI (World Bank)	44.5
Financial	33.1
Telecommunications	25
Retail	25
Transportation	55.3
Professional	79
6-Imports duties collected (%, 2012)	
In total tax revenue	8.1
In total imports	3.2
7-MFN TTRI (2009)	20.3
Agricultural goods	43.1
Non Agricultural goods	17.7

Source: WTO, 2014; World Tariff Profiles 2014, accessed at: https://www.wto.org/english/res_e/booksp_e/tariff_profiles14_e.pdf

The World Bank found that the Tunisian MFN Tariff Trade Restrictiveness Index (TTRI) was 20.3 (in 2009), which is higher than that of the region and the income group standing at 11.9 and 8.4, respectively. Consequently, Tunisia is ranking among the most restrictive countries, notably in agricultural goods (123rd out of 125). But, it has to be said that the TTRI dropped from 25.91 over the period 2000-2004. The trade policy space as measured by the

wedge between bound and applied tariffs increased to 42.4 instead of 34.4 in 2008.

Nonetheless, data on the share of customs and other duties out of the total tax revenues confirm the liberal choice of Tunisia, as the share has fallen from 42.2% in 1990 to 8.8% in 2012 (World Bank/WDI, 2014). However, this fall has been substituted gradually by Non-Tariff Barriers (NTBs), referring to restrictions, conditions or specific market requirements making imports difficult and costly. Ghali et al. (2013) show that Tunisia had introduced progressively many NTBs over the period 1992-2010, more precisely in the years 1992, 1998, 1999, 2002, and 2010. Sanitary and Phytosanitary (SPS) requirements, Technical Barriers to Trade (TBT), and Pre-shipment Formalities represent almost 85% of these NTBs. More precisely, 77.2% of these measures concern four products, which are live animals and animal products, vegetable products, prepared foodstuff, and the products of chemical or allied industries. Ghali et al. (2013) show, by using a gravity model, that NTBs can be restrictive to trade to some extent, notably with regards to TBT; they can be restrictive on the intensive (volume of already traded commodities) rather than the extensive (the range of traded commodities) trade margins.

In addition, many other taxes are applied to domestic and imported goods, including a consumption tax reaching 350 percent for vehicles for example, and a value added tax reaching in general 18%, with two exceptions of 6% and 12%.

Turning to services, the Services Trade Restrictiveness Index (STRI), published by the World Bank and covering 103 countries, shows that Tunisia is among the most restrictive in the world with an average STRI score standing at 44.5, compared to less than 20 in OECD countries on average. Morocco seems to be the least restrictive in the region with a score standing at 21. Actually, this restrictiveness varies widely by activities. The score reaches 10 for reinsurance and 25 for telecommunications, among the least restricted activities. At the opposite, transportation and professional activities, such as maritime auxiliary services, accounting, auditing, and legal activities, are the most restricted (see Table 1).

Two consequences could incur. Firstly, this restrictiveness may reduce Tunisia's attractiveness for FDI in services, what might be very harmful to its development and competitiveness, making the opening to international markets almost impossible and leading to delays in any lifting of these restrictions, notably of the legal investment framework. Secondly, an inefficient services sector likely hampers the rest of the economy since these services enter as inputs in every economic activity, besides facilitating access to domestic and international markets: notably through efficient and well-priced transportation, insurance and banking services. Lack of such services leads to

a huge shortfall in terms of competitiveness and access to global production value chains.

3 Trade patterns

Economic and trade policy orientations since 1972, in addition to Tunisia's factor endowments, led to a certain structural transformation of the economy and in the exports composition. Indeed, exports volume of goods and services increased from 3.3 billion $ in 1980 to 22.09 billion $ in 2013, while the services share declined from 33% in 1980 to 22.5% in 2013. Hence, merchandise exports increased from 2.2 billion $ in 1980 to 17.06 billion $ in 2013 (see: WITS/World Integrated Trade Solution, 2014, accessed at: http://wits.worldbank.org/#).

3.1 Commodities

In order to gauge Tunisian export competitiveness and to find out to what extent it was successful to increase and diversify its exports away from resource-based to technology-intensive products, detailed commodity exports and imports data to a three digits-level as available from the WITS system have been used. Table 2 reports the evolution of Tunisian exports and imports over the period 1990-2013, expressed in terms of technological content and resource base.

Table 2: Structure of commodity exports and imports (million $)

	Export					Imports				
	HT	MT	LT	RB	Total	HT	MT	LT	RB	Total
1990	67.7	574.1	1425.2	1430.4	3,498	469.5	1819.4	1347.0	1840.0	5,476
%	1.9	16.4	40.7	40.8	100	8.5	33.2	24.6	33.6	100
2013	1241.1	5561.0	4916.7	5341.2	17,06	2758.0	8095.5	4134.5	9277.6	24,266
%	7.27	32.6	28.8	31.3	100	11.3	33.3	17.04	38.2	100

Source: WITS, 2014 and author's calculations.
Note: HT high technology; MT medium technology; LT low technology; RB resource-based;

It appears that the resource-based share of exports declined from 40% to 31%, just like the low technology exports share declining from 40% to 28%,

which means that the medium and high technology commodities shares have more than doubled in 23 years. Still, high technology exports have witnessed little improvement over the period, counting only 7% instead of 1.2% in 1990. The breakdown of these exports by main commodities shows in Table 3 that 9.7% are agricultural goods, 24% are fuels and chemicals, while manufactures represent 72% in 2013. Manufactures exports are concentrated in some sectors such as food and textiles which are considered as low technology, in addition to electrical and machinery products and transport equipment which are considered as medium technology products.

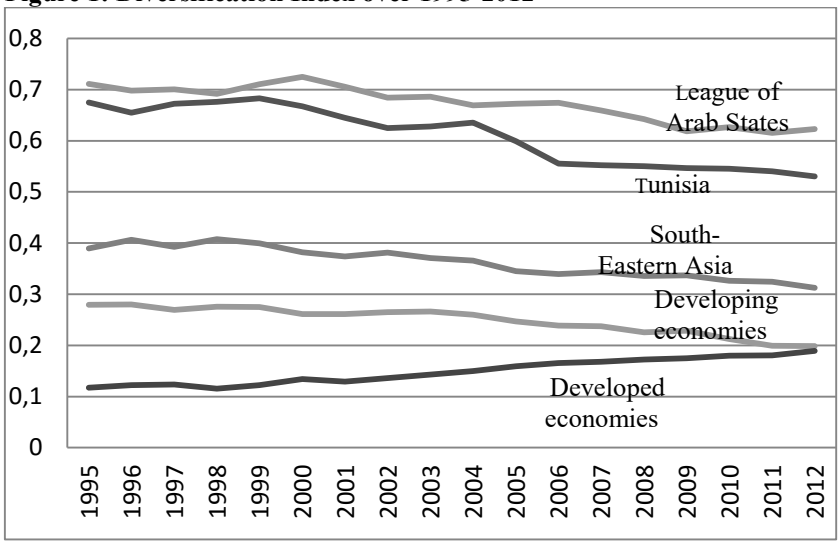
Table 3: Exports and Imports structure by commodity

	Exports		Imports	
	1990	**2013**	**1990**	**2013**
Food and live animals	6.7%	5.6%	8.6%	7.6%
Beverages and tobacco	0.8%	0.5%	0.6%	0.5%
Crude materials, inedible except fuels	2.4%	1.4%	7.7%	4.1%
Mineral fuels, lubricants and related materials	17.3%	15.2%	9.0%	17.8%
Animal and vegetable oils, fats and waxes	3.5%	3.6%	1.3%	1.2%
Chemicals and related products	14.5%	8.8%	8.9%	11.8%
Manufactured goods, *including*	**10.2%**	**8.9%**	**27.0%**	**19.1%**
Paper/paperboard/article	0.4%	1.3%	1.6%	1.4%
Textile yarn/fabric/art.	3.2%	2.4%	14.4%	7.0%
Non-metal mineral manuf.	3.4%	1.2%	1.3%	0.9%
Iron and steel	0.9%	0.7%	4.3%	3.2%
Non-ferrous metals	0.2%	0.5%	1.2%	2.3%
Metal manufactures	1.3%	2.1%	2.3%	2.4%
Machinery and transport equipment, *including*	**7.8%**	**31.3%**	**28.4%**	**30.6%**
Power generating equipment	0.3%	2.2%	2.0%	1.3%
Industry special machine	0.2%	0.7%	6.2%	3.3%
Industrial equipment	0.4%	1.4%	5.4%	4.0%
Telecoms etc. equipment	0.6%	4.4%	1.2%	1.5%
Electrical equipment	4.8%	17.7%	4.8%	9.4%
Road vehicles	1.1%	2.4%	5.5%	7.0%
Railway/tramway equipment	0.3%	2.2%	1.6%	1.7%
Miscellaneous manufactured articles, *including*	**36.8%**	**24.6%**	**8.4%**	**7.3%**
Apparel/clothing/access	32.2%	16.4%	3.5%	1.9%
Footwear	2.1%	2.8%	0.2%	0.7%
Scientific/etc. instrument	0.4%	1.8%	1.3%	1.4%
Misc. manufactures	0.5%	2.6%	2.2%	2.6%

Source: WITS, 2014 and author's calculations.

Subsequently, Tunisian exports became more diversified, as can be corroborated by the Diversification Index (DI) which is available from UNCTAD. This index goes from 0 to 1, revealing the extent to which a country relies on many or few goods, respectively. The Tunisian Diversification Index (DI), reported in figure 1, stands at 0.53 in 2012, which can be seen as a better performance than the averages of the Maghreb countries standing at 0.68 and the Arab countries as a whole standing at 0.62. However, Tunisia is still far from the average of developing and developed countries standing at 0.19 and 0.18, respectively.

Figure 1: Diversification Index over 1995-2012



Source: UNCTAD, 2014; Web Access: http://unctad.org/en/PublicationsLibrary/tdstat39_en.pdf

The nature of the production system often requires a certain number of imports in the sense that the propensity of importing manufactured goods increases since it is driven by industrial inputs and the demand for investment, besides the demand for final goods imports which increases with income gains. As a matter of fact, the technological structure of imports has witnessed very little change: the share of resource-based commodities has increased to 38%, up from 33%, leaving the rest unchanged apart from the fact that low technology imports have decreased by 7% while high technology imports have gained somewhat (see table 2). Table 3 shows that manufactured goods imports have dropped from 27% to 19%, while mineral fuel and

lubricants coupled with crude have more than doubled over the period, everything almost constant elsewhere.

When it comes to the geographic distribution of Tunisian exports, table 4 shows that more than 70% are still addressed to European countries, mainly France, Italy, Germany and Spain, followed by Arab countries coming second with 10%, exports mainly directed to Libya, Algeria and Morocco. This figure shows clearly that Tunisia has failed in geographically diversifying its exports away from its traditional markets, to take advantage of the growing emerging markets notably in Asia and in Africa.

Table 4: Commodities Geographic Distribution

	Export								
	World	**Arab countries**	**East Asia and Pacific**	**EU**	**GCC**	**Latin America and Caribbe-an**	**North America**	**South Asia**	**Sub Saharan Africa**
1990	3498	**362.7**	70.9	**2497**	8.1	29.4	32.6	48.0	36.3
%	100	**10.4**	2.0	**71.4**	0.2	0.8	0.9	1.4	1.0
2013	17060	**1826**	196.6	**12169**	122.2	166.4	415.5	232.4	415.8
%	100	**10.7**	1.2	**71.3**	0.7	1.0	2.4	1.4	2.4
	Imports								
1990	5476	**374.1**	174.7	**3798**	65.0	106.5	334.6	19.3	50.6
%	100	**6.8**	3.2	**69.4**	1.2	1.9	6.1	0.4	0.9
2013	24266	**2400**	2480	**13552**	438.7	884.8	890.3	358.8	90.3
%	100	**9.9**	10.2	**55.8**	1.8	3.6	3.7	1.5	0.4

Source: WITS, 2014 and author's calculations.

Nonetheless, some progress has been made in the technological content of exports to the European Union (EU), mainly in high and medium technology products at the expense of resource-based and low technology commodities as shown in Table 5.

Table 5: Exports and Imports Breakdown by technological content (in %)

	Export to								Import from							
	Arab countries				European Union				Arab countries				European Union			
	HT	LT	MT	RB	HT	LT	MT	RB	HT	LT	MT	RB	HT	LT	MT	RB
1990	4	22	30	44	2	43	14	41	3	8	16	73	10	27	38	25
2013	6	22	28	45	9	34	34	23	1	5	16	79	12	21	39	28

Source: WITS, 2014 and author's calculations.

3.2 Services

As mentioned above, the services' share in foreign trade declined from 33% in 1980 to 22.5% in 2013. Nevertheless, services contribute highly to Tunisia's GDP (61.9% in 2013 instead of 47.7% in 1980) and employ 60% of the formal sector employment. In addition, services trade represents 18% out of

GDP in 2013, which allows for reducing the deficit of the balance of payments.

However, a closer look at the services exports reveals a high dependence on travel (tourism) and transport, representing together 70% in 2013 instead of 83% in 1980, compared to 45% on average in the rest of the world and even less in developed countries (see table 6). It is worth noting that travel has lost a lot in favour of transport and other services, mainly communications and construction. Having in mind the idea of heavily investing in tourism for decades as a strategic choice, this result seems to be quite disappointing. On the other hand, the diversification of services away from travel towards new categories bodes well, although very shy, especially when compared to developed countries which are earning a lot from other business services (including operational leasing services, legal, advertising, consulting, accounting, R&D, etc.), royalties and licenses, computer and information, and financial services. Even developing countries are, on average, gaining a lot in these services categories, classified by Eurostat as high technology/knowledge-intensive activities. Contrarily, transport and travel services are classified as low technology/less knowledge-intensive activities. Thus, Tunisia needs to upgrade its services towards more knowledge-intensive/high value added services, which will accordingly improve its competitiveness and growth. Otherwise, services exports will continue growing at a rate far below that of the rest of the world (since Tunisian services exports grew by 492% over the 1980-2012 period compared to 1131%, 1844% and 961% for the World, the Developing and the Developed countries, respectively). On the imports side, Tunisia does not really seem to follow the global trend regarding the decrease of the transportation share and the increase of the "other services" share. Precisely, construction, insurance and government services dominate the category of "other services" in Tunisia, while they represent only 2 to 3 percent in the rest of the world. This is a problem as "other services", such as financial, computer, information, royalties and licenses, and business services, are so necessary for competitiveness gains and for the participation in the global value chains. For example, in 2012 royalties & licenses and business services, including trade-related services, professional and technical services, weigh 9% and 34% in Korea, 10% and 30% in Japan, and 3% and 20% percent in Malaysia. The situation in Tunisia is in this regard very poor (see the table 6 figures for "Other services").

Table 6: Services exports breakdown by category

	Tunisia				World				Developing countries				Developed countries			
	Exports		Imports		Exports		Imports		Exports		Imports		Exports		Imports	
	1980	2012	1980	2012	1980	2012	1980	2012	1980	2012	1980	2012	1980	2012	1980	2012
Total services (B.$)	**1.06**	**5.2**	**0.6**	**3.2**	**395**	**4473**	**447**	**4292**	**73**	**1353**	**139**	**1599**	**312**	**3003**	**295**	**2529**
1-Transport	**19**	**28**	**51**	**49**	**34**	**20**	**38**	**27**	**30**	**22**	**39**	**35**	**34**	**18**	**37**	**22**
2-Travel	**64**	**42**	**18**	**18**	**26**	**25**	**24**	**23**	**34**	**33**	**19**	**24**	**24**	**21**	**27**	**22**
3-Other services	**16**	**30**	**31**	**33**	**40**	**55**	**38**	**49**	**36**	**45**	**42**	**41**	**41**	**61**	**36**	**54**
Communication	0	6	0	2	na	2	na	na	na	2	na	na	na	3	na	na
Construction	0	8	0	10	na	2	na	na	na	3	na	na	na	2	na	na
Insurance	2	1	6	6	na	2	na	na	na	2	na	na	na	3	na	na
Financial	0	1	0	2	na	7	na	na	na	4	na	na	na	9	na	na
Computer and information	0	1	0	1	na	6	na	na	na	6	na	na	na	6	na	na
Royalties and license fees	0	0	0	0	na	7	na	na	na	1	na	na	na	9	na	na
Other business services	7	5	7	5	na	26	na	na	na	25	na	na	na	27	na	na
Personal, cultural and recreational	0	0	0	0	na	1	na	na	na	1	na	na	na	1	na	na
Government	7	6	19	6	7	2	10	3	6	2	16	4	8	2	7	2

Source: UNCTAD, 2014 and author's calculations.

Tunisia's high potential in services could play a crucial role in boosting growth and reducing unemployment, by means of liberalization, privatization and moving from accumulation of rents to competition, what requires also an offensive strategy, as argued by many studies (ITCEQ, 2010, World Bank, 2014). Besides, Tunisia should diversify its exports geographically, since more than two thirds of its services are exported to European countries, mainly France, Italy, Germany and UK, a concentration just like with the commodities exports figure (see table 7). Tunisian services imports follow almost

the same pattern, with few exceptions such as with Saudi Arabia and Turkey for travel services.

Table 7: Services exports geographic breakdown (in %, Top 10 countries)

Exports		Imports	
Total	**4.778 B.$**	**Total**	**3.285 B.$**
France	30.1	France	31.1
Italy	14.1	Italy	9.1
Germany	9.4	USA	7.1
Libya	9.9	Germany	7.0
UK	5.6	Belgium	4.0
Belgium	3.2	UK	3.3
Algeria	2.7	Saudi Arabia	3.05
USA	4.1	Spain	2.9
Spain	1.3	Turkey	2.9
Poland	1.3	China	2.7

Source: WITS, 2014 and author's calculations.

3.3 Export competitiveness and export dynamics

Following Porter's (1990) contribution of emphasizing building competitive advantages through innovation and productivity gains, we now turn to computing some of the most relevant indices, namely the Revealed Comparative Advantage (RCA) index, the Export Dynamics In Global Demand (EDIGD) index, and the Intra Industry Trade (IIT) index. South Korea, Malaysia and Turkey have been added in order to further benchmark Tunisian trade evolution.

RCA, as suggested by Balassa (1965), captures the degree of trade specialization of a country and reveals a comparative advantage if it exceeds 1. This is a comparison of the share of a particular export good in a country's overall exports relative to the share of the commodity in the overall world exports. Table 8 shows that Tunisia has made some progress with this regard since 64 commodities have henceforth comparative advantage instead of 47 in 1990. In 2013, only 3 high technology commodities have a comparative advantage instead of 1 in 1990. Similarly, only 5 medium technology commodities have gained comparative advantage. Most importantly, when looking at the export value of these commodities, it is found that the value share

of the commodities with comparative advantage decreased by almost 10 percentage points over the period (from 87.9% to 78.5%) in spite of the laudable increases in exports of high and medium technology commodities. Similarly, it is found that the value share of the commodities with comparative advantage decreased in Malaysia and Turkey, despite the comparative advantages gains reached in these countries. Only Korea shows a net progress in both.

This finding shows that penetration progress of Tunisia in global markets is very shallow, revealing real difficulties in intensifying supply and building new advantages for deriving gains in volume and value added.

Table 8: RCA by technological content

	Tunisia		Malaysia		Korea		Turkey	
	1990	2013	1990	2013	1990	2013	1990	2013
Classification	**RCA>1**	**RCA>1**	**RCA>1**	**RCA>1**	**RCA>1**	**RCA>1**	**RCA>1**	**RCA>1**
HT	1	3	5	6	5	5		2
MT	7	12	6	16	13	26	10	24
LT	14	20	9	7	30	12	21	32
RB	25	28	25	29	8	14	35	36
Total	47	63	45	58	56	57	66	94
as percentage of total exports								
HT	0.7	3.9	21.9	24.5	15.0	21.1	0.0	0.8
MT	12.2	24.7	8.7	10.6	20.2	38.1	8.8	24.8
LT	37.9	26.0	6.1	4.9	36.9	6.4	48.2	34.6
RB	37.1	23.7	43.8	33.1	4.6	15.1	28.7	19.3
Total	87.9	78.3	80.6	73.1	76.7	80.6	85.7	79.5

Source: WITS, 2014 and author's calculations.

Furthermore, to make sure that the Tunisian exports position in international market is in accordance with global trade changes, the Export Dynamics In Global Demand (EDIGD) index is brought in. Table 9 reports the classification of Tunisian exports in terms of Rising Stars (RS), Strategic Retreat (SR), Falling Stars (FS) and Missed Opportunities (MO), as suggested by the Economic Commission of Latin America (ECLA) and the World Bank (WB) in 2005, which is known as Trade CAN[1]. RS means that both Tunisia's exports

[1] The Exporter Dynamics Database of the World Bank is as well a relevant instrument to improve the knowledge about the dynamics of exports by type of exporters; see Web Access:
http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTTRADERESEARCH/0,,contentMDK:23191417~pagePK:64168182~piPK:64168060~theSitePK:544849,00.html

changes and global demand changes are positive over the period 1990-2013. SR means that both changes are negative. FS means that Tunisian's exports increased while global demand has decreased. MO is just the opposite, meaning decreasing Tunisian exports in times of increasing global demand. Table 8 reveals that 72 of Tunisian's exported commodities are in accordance with global demand change, counting for 48.4% out of total exports. Contrarily, FS commodities are 82 but they only weigh 19.3% out of total exports, while MO represents 18.3% out of total exports, mainly in categories of resource-based (RB) exports and to a lesser extent in exports of medium technology (MT) and low technology (LT) commodities. The situation is quite better in comparator countries, notably in Korea and Malaysia in terms of Rising Stars (RS) high and medium technology commodities. Korea is by far doing better in terms of Missing Opportunities (MO) with a share as little as 3.4%. Overall, Tunisia seems to be in accordance with the global market demand changes, but the country is far behind these three fast growing countries amongst others, given that their exports volume increased by 760%, 675% and 1071% over the 1990-2013 period while global trade increased by 458%, while Tunisian exports increased by only 387%. Hence, despite the fact that a good part of its exports is generated in RS, the expansion of exports sectors is very limited, and its growth is being further hindered since a sizable part of its exports is generated in the FS category.

Table 9: Exports Dynamic (number of commodities)

	Tunisia				Korea				Malaysia				Turkey			
	FS	MO	RS	SR	FS	MO	RS	SR	FS	MO	RS	SR	FS	MO	RS	SR
HT	8	2	6	1	6	1	7	4	6	2	6	4	9	1	7	1
MT	36	2	22	14	33	3	21	17	36	1	23	14	43	6	18	7
LT	10	5	11	20	3	12	4	27	17	9	8	13	13	6	11	17
RB	28	16	33	33	32	17	35	35	38	18	34	30	35	19	33	32
Total	82	25	72	68	74	33	67	83	97	30	71	61	100	32	69	57
as percentage of total exports																
HT	**3**	1	**4**	0	2	0	**21**	2	9	3	**16**	1	1	0	2	0
MT	**9**	4	**20**	1	29	0	**14**	3	6	0	**9**	3	23	1	8	2
LT	5	1	14	8	2	1	3	5	4	2	3	1	4	7	10	16
RB	2	13	11	5	3	1	14	1	3	6	31	4	7	5	13	3
Total	19	**18**	48	14	35	3	51	10	22	10	59	9	35	13	31	20

Source: WITS, 2014 and author's calculations.

By looking at aggregated IIT index levels in Table 10, showing the intra-sector/industry exports and imports of a country, it is revealed that it almost doubled over the period, which is comparable to that of Korea and Turkey but less than Malaysia, reaching 0.67, meaning that Tunisia's gains from trade flows doubled. When disaggregated by technological content, it appears that gains are larger in high and medium technology, but Tunisia reaps far lesser gains than Korea and Malaysia. Furthermore, it appears that Tunisia's gains are larger in commodities SITC groups 3 (mineral fuels and lubricants), 4 (animal and vegetable oils and fats) and 7 (machinery and transport equipment). Contrarily, Tunisia lost a lot in the first SITC class (beverages and tobacco). With this regard, Malaysia seems to outperform these countries, showing that it benefits more from global markets. It is worth noting that according to Krugman (1981), this index reveals the capacity of the country to take advantage from larger markets, notably through global production chains leveraged by FDI and multinational companies (MNCs).

Table 10: Intra-Industry Trade by technological content and by commodity groups

	Tunisia		Korea		Malaysia		Turkey	
	1990	2013	1990	2013	1990	2013	1990	2013
HT	0.24	0.55	0.74	0.61	0.84	0.81	0.14	0.28
MT	0.24	0.45	0.36	0.52	0.35	0.69	0.28	0.57
LT	0.27	0.37	0.35	0.67	0.36	0.56	0.30	0.48
RB	0.28	0.42	0.23	0.34	0.19	0.59	0.23	0.38
0	0.11	0.19	0.33	0.36	0.43	0.57	0.13	0.25
1	0.70	0.43	0.38	0.51	0.34	0.67	0.13	0.73
2	0.17	0.22	0.12	0.13	0.10	0.62	0.28	0.14
3	0.26	0.52	0.12	0.27	0.18	0.69	0.12	0.48
4	0.63	0.48	0.01	0.11	0.07	0.17	0.63	0.67
5	0.23	0.35	0.44	0.58	0.30	0.73	0.38	0.36
6	0.28	0.37	0.53	0.66	0.38	0.61	0.53	0.52
7	0.28	0.53	0.53	0.57	0.62	0.76	0.17	0.59
8	0.28	0.39	0.19	0.51	0.40	0.61	0.09	0.42
Total	0.26	0.43	0.39	0.49	0.42	0.67	0.26	0.43

Source: WITS, 2014 and author's calculations.

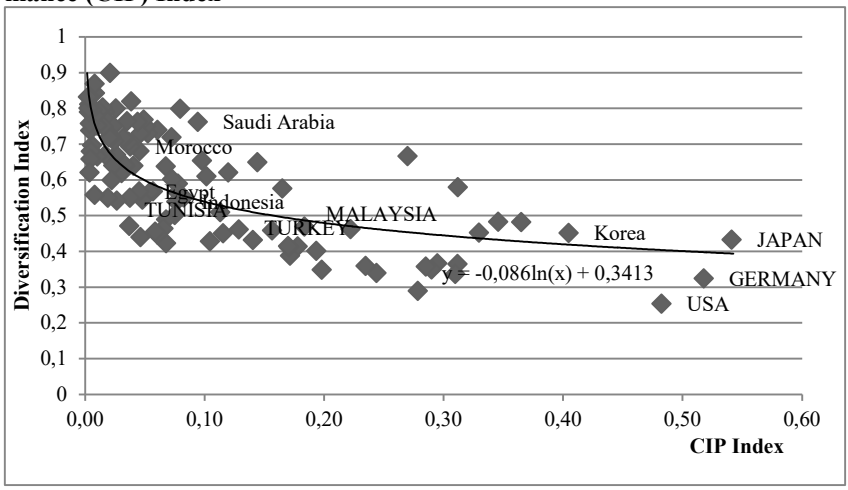
Overall, Tunisian exports need to shift away from its traditional sectors and markets to maximize the benefits of trade and to adapt more to global trade ramifications, in particular through export-oriented FDI and through a new offensive market penetration strategy.

4 Industry, FDI and institutional framework

4.1 Industrial Policy

Industrial policies matter for Tunisia as well as for other emerging countries. Chenery, Robinson and Syrquin (1986) and Chenery and Syrquin (1995) argued that industrial transformation is correlated to income and it should be seen as a fundamental indicator of economic development. According to them, many factors affect the industrial transformation such as the size of the economy, the natural resources endowment and, most importantly, the human capital base, the quality of the institutions, the role played by the private sector, and the integration to global markets. The following figure combines the Diversification Index (DI), already seen in section 3, and the Competitive Industrial Performance (CIP) index. The CIP index has been developed by UNIDO since 1990 to assess the industrial performance, using indicators of an economy's ability to produce and to export manufactured goods competitively. Tunisia seems to be halfway between single-export commodity countries (of natural resources or agricultural), such as the oil rich Gulf countries, and those that have taken a big step towards industrialization, which allows them to get closer to rich countries in terms of the export basket, such as Japan, USA and Germany. Turkey and Malaysia appear indeed well ahead but remain behind Korea which is now ranking 4th in the CIP just behind Japan, Germany and USA, while holding only the 14th position in the ranking of 1990.

Figure 2: Diversification Index (DI) vs. Competitive Industrial Performance (CIP) Index



Source: UNCTAD, 2014, and UNIDO, 2013.

Further explanations are given in Table 11 by detailing the three dimensions considered by the CIP index: (1) the capacity to produce and to export manufactures; (2) the technological deepening and upgrading performance; and (3) the world impact of the country's performance. The Manufacturing Value Added per capita (MVApc) captures the level of industrialization. Korea, Malaysia and Turkey produce 10, 3 and 2 times as much as Tunisia per capita. Manufactured Exports per capita (MXpc) takes into account the ability of the country to produce goods competitively and thus to cope with technological changes. With this regard, Tunisia is relatively well doing although it is ranked only 54th, just after Turkey, but it is still far away from Korea and Malaysia. These two first sub-indexes are further detailed through the Medium- and High-technology Manufacturing Value Added share in total manufacturing value added (MHVAsh) and the Manufacturing Value Added share in total GDP (MVAsh), being a measure of the industrialization intensity. In terms of MHVAsh, Tunisia comes after 103 countries with less than 10%, even after Saudi Arabia counting 41%. Korea, Malaysia and Turkey show a solid position as well with 53%, 42% and 30%, respectively. Likewise, Tunisian's MVAsh stands at 17.3%, while this ratio exceeds 20% in the three comparator countries, but Tunisia appears to lead all Arab countries, while Saudi Arabia is falling to 11%, reflecting the oil dependence effect. Furthermore, Tunisia appears to belong to the top 50 countries in terms of Medium- and High-tech. Manufactured Exports share in total Manufactured Exports

(MHXsh) and in terms of the Manufactured Exports share in Total Exports (MXsh), outperforming all Arab countries with 45% and 82%, respectively. The latter two sub-indexes, the Impact of a country on World Manufacturing Value Added (ImWMVA) and the Impact of a country on World Manufactures Trade (ImWMT) show the country's competitive position relative to others in international markets. Rather than looking at how much Tunisia weighs in international markets, which seems irrelevant given the size of the Tunisian economy, we look at the changes in ImWMVA and ImWMT which are registered over the 2005-2010 period (more ample details are available from UNIDO, 2013), where gains means more competitiveness and losses means deterioration of competitiveness. With this regard, the Tunisian ImWMVA increased by 0.011 and ImWMT increased by 0.01, which is seen as a positive signal of competitiveness gains. But other countries did much better, such as Turkey, which has seen its shares of international markets penetration increase by 0.094 and 0.069 over the same period. On the contrary, UK has regressed by -0.63 and -1.127, respectively, leaving more place for the newly industrialized countries such as China, which was gaining 5.9 and 4.7, respectively, over the period.

Overall, it is clear that the contribution of the manufacturing sector to total production is still underdeveloped in Tunisia, despite the very reasonable part of manufactures exports out of total exports. Besides, Tunisia's specialization in some high and medium technology activities, which represent 45% of its exports, can be conducive to more learning dynamics. This problem is recurring in most developing countries where domestic firms experience difficulties in undertaking strategic learning efforts and in supply intensification within a globalized market where exogenous factors and endogenous dynamics factors are interlinked. This calls for a well-designed industrial policy. Actually, domestic firms rely on "self-discovery" in their investment decisions, given the market failures, as argued by Rodrik (2004) and Lall (2004), in addition to government and institutional failures, discussed in detail below.

Table 11: CIP index, various sub-indexes

ranking 2011	CIP 2011	Country	MVApc	MXpc	MHVAsh	MVAsh	MHXsh	MXsh	Im-WMVA	ImWMT
1	0.54	**Japan**	7994.0	5521.0	53.7	20.4	79.8	91.6	14.1	6.5
2	0.52	**Germany**	4666.9	13397	56.8	18.6	72.3	86.8	5.3	10.2
3	0.48	**USA**	5522.1	2736.1	51.5	14.9	64.7	76.8	24.0	8.0
4	0.40	**Korea**	4782.7	9280.3	53.4	29.1	75.9	96.9	3.2	4.2
5	0.36	**Taiwan**	6153.1	10825	61.9	29.9	72.4	96.0	2.0	2.3
6	0.35	**Singa-pore**	8198.3	35709	73.4	24.5	69.0	89.8	0.5	1.5
7	0.33	**China**	820.0	1123.6	40.7	34.2	60.5	96.3	15.3	14.1
20	0.19	**Czech Republic**	2148.2	11816	44.6	28.2	67.9	91.0	0.3	1.1
21	0.18	**Malaysia**	1426.9	5930.9	41.8	27.1	63.5	83.3	0.6	1.5
30	0.13	**Turkey**	1012.7	1286.7	30.0	20.2	42.5	87.7	1.1	0.9
37	0.09	**Saudi Arabia**	1157.3	2020.7	41.1	11.8	35.5	21.7	0.4	0.5
58	***0.05***	***Tunisia***	***491.0***	***1272.1***	***9.3***	***17.4***	***45.0***	***82.6***	***0.1***	***0.1***
62	0.05	**Egypt**	361.7	206.5	22.3	17.5	25.9	62.4	0.4	0.2
66	0.04	**Morocco**	239.7	425.9	21.6	12.9	38.3	77.6	0.1	0.1
Europe			2384.1	8497.6	32.0	16.2	48.2	79.7	0.6	1.2
North America			4299.9	4701.8	44.4	13.4	60.2	69.4	12.7	5.0
Latin America and Caribbean			578.6	860.8	19.0	12.8	23.3	55.4	0.3	0.2
East Asia and the Pacific			2210.3	4854.7	32.9	20.0	43.6	72.8	2.3	2.0
South and Central Asia			151.9	207.8	16.7	15.8	24.8	55.6	0.3	0.2
Middle East and North Africa			721.6	1699.1	19.6	10.5	31.6	48.3	0.1	0.2
Sub-Saharan Africa			124.0	280.7	11.0	9.9	18.0	43.0	0.03	0.03

Source: UNIDO, 2013.
Note: Abbreviations explained in the text

The role of well-designed industry policies is important, but market failures, government failures and institutional failures have to be overcome. Textile is a very illustrative case since Tunisia lost more than 20% of its textile exports over the period 2008-2012, after the expiration of the Multi Fibre Agreement (MFA). Tunisian textile exports dropped from $5.47 billion in 2008 to

$4.3billion in 2012. Actually, Tunisia did not manage to upgrade as part of textile global value chains and to move into higher value added activities like some Asian countries which turned into Original Equipment Manufacturing (OEM) or Brand Manufacturing (BM) producers, with appropriate design and marketing skills resulting from pro-active upgrading policies, including skills training, technological upgrading, and establishing processing zones (Keane and te Velde, 2008). Tunisia seems to be locked into the upstream part of the global production chain, generating accordingly lower spillovers in terms of value-added, employment, taxes, and growth. For instance, Tunisian value added per employee in textile production reached $1,219 M. in 2003 compared to $14,916 M., $4,588 M. and $5,872 M. in China, India and Turkey, respectively (Keane and te Velde, 2008).

From the neoliberal paradigm point of view, the process of supply intensification relies on keeping economic fundamentals, promoting openness and curbing government failures, as largely advocated by the IMF and the World Bank and known as functional interventions. Another view emerged recently and was mainly developed by Lall (2004), Rodrik (2004) and Nolland and Pack (2002, 2003, and 2005) who have drawn upon the lessons of the East Asian countries when confronted to market failures notably in addressing investment coordination and information problems. East Asian countries followed highly selective interventions, besides functional interventions, in order to stimulate technological catch up, through building human resources, learning from others, notably through FDI and trade, and investing in R&D activities and export promotion.

Although being combatted by the WTO, some of these selective interventions can be very useful in the Tunisian case, notably in services, especially when it comes to improving human resources or optimizing FDI contribution and R&D activities, albeit their benefits shall outweigh the costs, as Lall (2000) warned. Indeed, certain interventions require information, autonomy, and impartiality not usually met in developing countries.

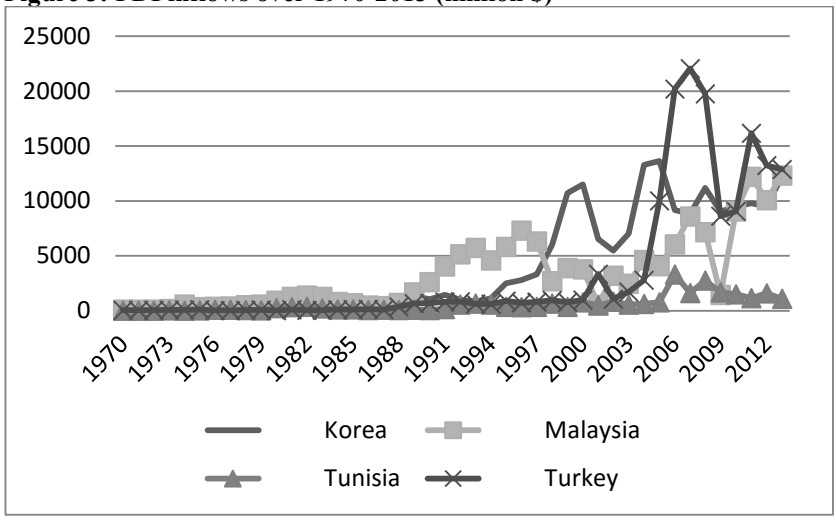
As a matter of fact, Tunisia is ranking very low in the World Bank Knowledge Economy Index (KEI), in the 80th position out of 145 countries, an index which traces the economic incentives regime, innovation, education, and Information and Communication Technology (ICT). For instance, Tunisia is still suffering of weaknesses in the context of innovations as measured by royalty payments and receipts, patents applications, and the number of scientific and technical articles. Besides, the Tunisian educational system is still lagging behind despite the decent enrolment rates. Trends in International Mathematics and Science Study (TIMSS) revealed in 2011 a deterioration of the Tunisian scores, for the 4th or the 8th grade in Mathematics and Science down to 359/346 and 425/439, respectively, far below the average score standing at 500.

Furthermore, a new industrial policy aiming at intensifying the supply capacity and building new competitive advantages should be guided by what Tunisia, like any other developing country, actually produces and exports given its sparse product space, as argued by Haussmann and Rodrik (2006), Haussmann and Klinger (2007) and Haussmann et al. (2007). Product space describes the network of relatedness between products, given the similarity of their inputs, skills and production processes. Hence, economic progress should start by upgrading current products to new more sophisticated ones. The more closely related the product lines, the easier it is for countries to make progress.

4.2 FDI policy

FDI may play a crucial role in recipient countries regarding its ability to raise the investment level at a "free cost", in addition to many other externalities such as job creation, technology transfers, and exporting activities, which might alleviate pressures on the balance of payments. Nonetheless, recipient countries' attractiveness for foreign investors depends on several criteria, on top of them the size of the economy, but also the availability of natural resources, or the human work force, either skilled or unskilled, in addition to the ease of doing business, economic and political stability, and the proximity to large markets. These criteria act on the ability of a country, either developed or developing, to attract more FDI inflows annually. With this regard, Tunisia is lagging behind other developing countries even in the Middle East/North Africa (MENA) region. For instance, Tunisia's average annual inflows since 2000 stand at almost $2 B., while the volume has reached $9.7 B., $6.1 B. and $10.1 B. in Korea, Malaysia and Turkey, respectively. These amounts have increased a lot when compared to the 1990s, where they used to be about $3 B., $4.8 B. and $0.7 B. in these three countries, while it was only about $0.4 B. in Tunisia (Figure 3). This trend allowed Korea, Malaysia and Turkey to accumulate an FDI stock of about $167 B., $144 B., and $145 B., respectively, compared to a small volume of $33.5 B. in Tunisia out of a total stock of $25,464 B.. As a matter of fact, the whole Arab region suffers from the inability to attract more FDI. The total FDI stock of the Arab region never exceeded 3.5% out of the total FDI stock.

Figure 3: FDI inflows over 1970-2013 (million $)

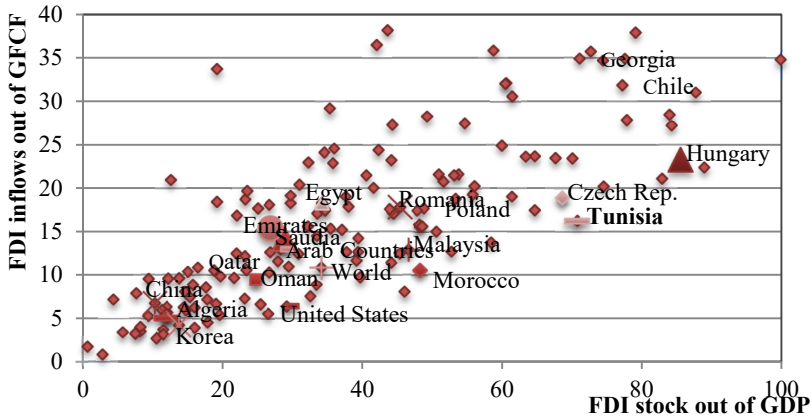


Source: UNCTAD, 2014.

This quite disappointing quantitative aspect of FDI for Tunisia is not the end of the story because it is believed that FDI has a more important role regarding its economic contribution, as it can be measured by its contribution to Gross Fixed Capital Formation (GFCF), to exports, to job creation, to value added, to R&D, as well as to tax revenues. Henceforth, countries should adapt their FDI policy in order to place it at the heart of their efforts to induce growth and sustainable development through concrete measures and mechanisms aiming at optimizing FDI's economic impact. UNCTAD's FDI Contribution index which was launched in 2012 (UNCTAD 2012) shows that many countries managed to get a higher contribution per unit of FDI most likely due to active investment policies channelling investment to specific higher-impact sectors and ensuring an effective cooperation with foreign investors in order to build a productive capacity and an international competitiveness. These countries include Hungary, Belgium, Czech Republic, Hong Kong, Romania, China, Malaysia, and Poland. Adversely, FDI contribution was lower than expected in many countries, such as in Korea and Turkey. The only Tunisian FDI contribution data available are those to GFCF, exports, and jobs, standing at 16%, 30% and 12%, respectively, revealing a timid FDI contribution. Besides, the unavailability of data regarding the FDI impact on R&D, taxes, and value added reveals the outstanding constraints on the national data collection which deserves to be improved to help conducting research on the impact of FDI and to interpret it.

Figure 4 shows FDI's contribution to GFCF regarding the FDI stock out of GDP. Obviously, the FDI stock out of GDP tends to be larger for small countries such as Tunisia or Chile or Hungary, given their small GDP. It appears that Tunisia's FDI contributes to GFCF up to 16% (average over the period 2000-2012) while its stock represents 70% out of Tunisia's GDP. Unfortunately, this level does not appear to be the most profitable when it is compared to many other countries where FDI contribution is higher when looking vertically above Tunisia, such as the Czech Republic, Chile, and Georgia, or horizontally on the left of Tunisia, such as Poland, Romania, Malaysia and Egypt. Obviously, the FDI stock over GDP depends on the size of the economy, but what is crucial is the extent to which it helps to bridge the finance gap notably in developing countries.

Figure 4: FDI Contribution to Gross Fixed Capital Formation



Source: UNCTAD, 2014.

Another reason behind this statement lies in the institutional and the business environment, as emphasized by the World Bank Ease of Doing Business Index (EDBI), where the Arab region is still trapped behind all regions, except South Asia and Sub-Saharan Africa. Tunisia is ranked 51th in 2014, a position which was declining due to political instability after the 2010 uprising, in addition to persistent constraints on construction permits, obtaining credits, enforcing contracts, registering property, and paying taxes. Only ranks in resolving insolvency and trading across borders can be considered decent. World Bank/Ease of Doing Business Report (2014) finds that investment is discouraged mainly by corruption, instability, and the poorly functioning markets of labour, goods and finance. Thus, FDI is skewed towards

the low quality activities with the least job creation potential, mainly in extractive industries and non-tradable sectors. The non-oil manufacturing share of the FDI stock stands at only 8.5%, far behind countries such as Oman, Algeria and Saudi Arabia (UNCTAD, 2014).

Moreover, according to the Tunisian Foreign Investment Promotion Agency (FIPA)[2], less than 18% of FDI inflows over the period 2007-2013 were directed to services, and exclusively tourism and banking, while up to 60% of total FDI inflows in the world go to services. FDI inflows to services created less than 15% out of the total job creation registered by foreign investment, compared to 84% in manufacturing. These disappointing results corroborate what has been predicted in section 2 regarding the low attractiveness of Tunisia to foreign investment in services, notably in terms of high knowledge services, which deprives Tunisia of many economic spillovers in terms of knowhow, training, R&D, and integration into the global value chains.

4.3 Institutions

It turned out that Tunisia, while having abided to IMF and World Bank conditionality since 1987, could not achieve the expected economic prosperity. Actually, the problem is not only economic, but fundamentally institutional and political as we can see through the following tables. First, it has been found that economic performance improves with better standards of governance, given the high costs of poor management and corruption. The Government Indicators available from the World Bank assess many aspects of the quality of governance in monitoring and implementing sound policies, the rule of law in addition to political institutions, scores ranging between -2.5 for the worst to 2.5 for the best. Generally speaking, Tunisian institutions' scores suggest that the environment is not very conducive particularly with regards to the lawlessness coupled with the prevalence of corruption in place even before the Ben Ali era (see table 12). International Country Risk Guide (ICRG) indicators available from the PRS (Political Risk Services) group similarly show that corruption, bureaucracy quality, and accountability received the worst scores even after the uprising started in 2010[3]. The World Bank (2014) argued that such environment led, already very early in the 1960s, to cronyism, rent seeking behaviour, and various anti-competitive practices that obstructed the economic development. Consequently, as esti-

[2] See on recent data the publications by FIPA; Web Access: http://www.tunisiainvestmentforum.tn/En/fipa-tunisia-documents_21_51

[3] See on the data on Tunisia the homepage of PRS; Web Access: http://epub.prsgroup.com/products/icrg

mated by Global Financial Integrity (2013), Tunisia has lost approximately two percent of the GDP per year over the period 2000-2008. It also indicated that beyond the inefficient bureaucracy and the widespread corruption, one of the most disturbing elements is the sustaining of barriers to competition in various sectors, mainly services, ensuring the rent extortion in favour of firms owned by cronies, hindering any intentions by the private sector to intensify its supply capacity and to build new competitive advantages and to grow vertically along the production value chains.

Table 12: Governance Indicators 2013

	Tunisia	USA	Japan	Korea	Malaysia	Singapore	Czech Republic	Turkey	Morocco	Saudi Arabia
Voice and Accountability	-0.1	1.1	1.1	0.7	-0.3	0.1	1	-0.3	-0.7	-1.8
Political Stability and Absence of Violence/Terrorism	-0.9	0.6	1	0.2	0.1	1.3	1.1	-1.2	-0.5	-0.4
Government Effectiveness	0	1.5	1.6	1.1	1.1	2.1	0.9	0.4	-0.1	0.1
Regulatory Quality	-0.3	1.3	1.1	1	0.6	2	1.1	0.4	-0.2	0.1
Rule of Law	-0.2	1.5	1.4	0.9	0.5	1.7	1	0.1	-0.2	0.3
Control of Corruption	-0.1	1.3	1.6	0.5	0.4	2.1	0.2	0.1	-0.4	0

Source: World Bank, Governance Indicators, 2014.

Furthermore, the indicators gathered by the World Bank's Ease of Doing Business Index highlight that firms are exposed to many other obstacles, including getting permits, starting a business, registering property, getting credit, and enforcing contracts (see table 13). A few reforms have been undertaken in Tunisia since 2011, two during the year 2011 by making it easier to do business regarding taxpaying and trading across borders. Contrarily, in 2014 the cost of company registration had been increased, which made it more difficult to start a business. On the other hand, Saudi Arabia, for example, had made the most dramatic reform since 2005 which propelled it to the 26th position globally, by cutting registration time, by removing impediments, by reducing the minimum capital requirement, by adopting a one day permit procedure, and one-stop shops. All this has to be done in Tunisia what requires that after the political reforms the overdue economic reforms have to start now.

Table 13: Doing Business 2014

	Tunisia	USA	Japan	Korea	Malaysia	Singapore	Czech Republic	Turkey	Morocco	Saudi Arabia
Ease of Doing Business Rank	51	4	27	7	6	1	75	69	87	26
Starting a Business	70	20	120	34	16	3	146	93	39	84
Dealing with Construction Permits	122	34	91	18	43	3	86	148	83	17
Getting Electricity	55	13	26	2	21	6	146	49	97	15
Registering Property	72	25	66	75	35	28	37	50	156	14
Getting Credit	109	3	28	13	1	3	55	86	109	55
Protecting Investors	52	6	16	52	4	2	98	34	115	22
Paying Taxes	60	64	140	25	36	5	122	71	78	3
Trading Across Borders	31	22	23	3	5	1	68	86	37	69
Enforcing Contracts	78	11	36	2	30	12	75	38	83	127
Resolving Insolvency	39	17	1	15	42	4	29	130	69	106

Source: World Bank, Doing Business, 2014.

More related to foreign trade, the World Bank Logistics Performance Index (LPI) shows that Tunisia ranks very low, standing at the 110th position out of 150 countries, and literally in every dimension, regarding the clearance process, the infrastructure, the pricing of shipments, the quality of logistics services, the tracking and tracing of shipments, and the timeliness of shipments (see table 14).

Table 14: Logistics Performance Index 2014

	Tunisia	USA	Japan	Korea	Malaysia	Singapore	Czech Republic	Turkey	Saudi Arabia
LPI Rank	110	9	10	21	25	5	32	30	49
Customs	146	16	14	24	27	3	33	34	56
Infrastructure	118	5	7	18	26	2	36	27	34
International shipments	73	26	19	28	10	6	13	48	70
Logistics competence	120	7	11	21	32	8	29	22	48
Tracking &tracing	124	2	9	21	23	11	25	19	54
Timeliness	80	14	10	28	31	9	39	41	47

Source: World Bank, Logistics Performance Index, 2014.

5 Conclusion and Recommendations

The paper drew a detailed picture of Tunisia's trade performance since its independence. The paper findings brought to light several structural weaknesses of the economy and also of the trade policy paradigm itself. Market and government failures deprived Tunisia from fully reaping the benefits of industrialization efforts and trade openness.

Exports growth in volume and commodity composition remained timid when compared to that of the fast growing Asian countries. Several structural constraints led to this outcome which had painful consequences in terms of loss of welfare as reflected by high levels of unemployment rates, high income inequality, high sub-regional inequality, and high poverty rates. Tunisia's trade policy since the early 1970s was very inconsistent and led to a dualism between an expensively supported export sector and a heavily protected domestic sector. Successive industrial modernization and privatization programmes failed to help promote the private sector, to significantly intensify the productive supply capacity, and to build new competitive advantages through innovation, productivity gains and the moving up into higher valued added activities along the global value chains. These outcomes were probably due to several reasons. First, factors such as governance failure and the poor efficiency of markets (of labour, goods and finance markets) are the most severe challenges. Exports remained unfortunately confined to few goods and services, and mostly directed toward few European countries. Second, FDI policy was not effective in promoting trade policy, in the sense that such investments were not channelled to high-growth manufacturing and services

sectors, ensuring an emergence of new productive capacity and a better international competitiveness. Third, the poor institutional and business environment had devastating consequences on the functioning of markets and on the incentives systems which hindered intentions of the private sector to intensify its supply capacity and to build new competitive advantages and to grow vertically along the production value chains.

Moreover, it seemed that the authorities had been reluctant to address the institutional challenges and to address the inefficiencies by designing and implementing pro-active policies, probably because of luck of autonomy, responsiveness and vision (Abdmoulah, 2014). All this leads Tunisia to face several policy challenges and to set priorities as a major concern of the transitional period which prevailed since the popular uprising of 2010. A renew of industrial policies would be insufficient unless it is conceived within a new development strategy that places inclusive growth and sustainable development at the heart of new investment, industrial, and trade policy frameworks. Hopefully, the new authorities issued from ballot boxes by the end of 2014 would benefit from the new political and social environment to finally focus on addressing such concerns.

This new endeavour will probably open to Tunisia the way to bank on its potential in some sectors and on its various competitive advantages to finally unleash the potential of the private sector toward investing in knowledge-intensive and higher value added activities and through a wider integration into the global value chains. Policies have to be pro-active, offensive and designed to "pick the winners". But, the building of supply capacity, the enhancing of competitive advantages, and the diversifying of production and exports need mobilizing new investments, local and foreign, in selected sectors and in a more regionally balanced way. This strategy also requires deep reforms of the institutional setting and the business environment in order to remove all the binding constraints to competition, trade, innovation, education, labour, goods and finance markets. Although these much needed reforms and interventionist policies are hard and challenging for the authorities, which for a long time were known to be inefficient, reluctant and devoid of any idea of long run strategic planning, they have to start now by the democratically elected government. Forums for discussing the role of the government in economic development in general, and in industrial and trade policies in particular, could be crucial to the economic future of Tunisia.

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The Role of International Organisations in Promoting Agricultural Export Trade in Sub-Saharan Africa

Alabi, Reuben Adeolu[1]
Adejuwon, Kehinde Omotola[2]

1 Introduction

Sub-Saharan Africa (SSA) is well endowed with natural and primary resources. SSA has a total land area of 2,455 million hectares, 41 percent of which is classified as agricultural land. SSA is a highly complex region of 47 countries with 7 distinct colonial histories. It is also highly diverse, with more than 800 million people of at least 1,000 different ethnic groups. The region is a critical development priority—it has some of the world's poorest countries, and during the past two decades the number of the poor in the region has increased to 300 million — what is near to 40 percent of the region's population. Agriculture is a critical sector for the region. It accounts for about 30 percent of GDP and employs 75 percent of the population (WDI, 2014). Data on the agricultural potential for six continents rank Africa second (after Latin America) in terms of the theoretical maximum levels of attainable production (Alabi, 2014). Agricultural land in Africa falls into many agro-ecological zones and is generally characterized by poor soils, highly variable rainfall, and frequent droughts (World Bank, 2007). Farmers' access to irrigation and transport infrastructure is limited, and so also is their access to credit, improved seeds, and fertilizers. Extension support for improved soil and water management practices is weak. The majority of the farmers are smallholders with an average of 0.7 hectares of land and they rely on diversified coping strategies that involve the planting of several crops with different maturity periods and the keeping of livestock. The increases in agricultural production in the region have mainly come from area expansion rather than from yield increases, and they have not kept pace with population growth (World Bank, 2007). The low level of engineering technology inputs in agriculture has also been cited as one of the main constraints hindering the modernization of agriculture and the food production systems in SSA. Farm power in SSA's agriculture relies to an overwhelming extent on human muscle power, based on operations that depend on the hoe and other hand tools. Such

[1] Department of Agricultural Economics, Ambrose Alli University, Ekpoma, Nigeria
[2] Department of Agricultural and Resource Economics, Federal University of Technology, Akure, Nigeria

tools have implicit limitations in terms of energy and operational output in a tropical environment. In general, animal and tractor power have both declined in SSA agriculture in the past few years, making agriculture yet more reliant on manual methods in a continent where constraints such as severe health problems and demographic shifts make manual labour a scarce and weak resource. These methods place severe limitations on the amount of land that can be cultivated per family. They reduce the timeliness of farm operations and limit the efficacy of essential operations such as cultivation and weeding, thereby reducing the crop yields. A study by the Food and Agricultural Organisation (FAO, 2008) reveals that other developing countries have about ten times as many tractors per unit of farmland as those in SSA. Also, UNECA (2009) reports that SSA only has 13 tractors/100km^2 of arable land, compared with the world average of 200 tractors/100km^2. The World Bank (2011) shows that in 2007 Nigeria had seven (7) tractors/100km^2, Mali two (2) tractors/100 km^{2,} and Togo had only one tractor/100km^2. Such low levels of mechanization compromise productivity. The governments in SSA have used agriculture more as a basis of resources for growth and they have not invested adequately in its development (World Bank, 2008). Government capacity is weak, and exchange rate and market distortions and poor incentives have limited private sector development and have also kept farmers from taking risks and intensifying agricultural production. All these constraints limit not only the productivity of the agricultural sector but also the trade potential of the agricultural sector and its competitiveness globally.

Generally, SSA's share in world trade is proportionally very small, accounting for less than 3% of world exports and imports. Europe is currently SSA's largest trading partner, but the trade with Asia and other developing regions has been steadily increasing. Exports are dominated by fuels (55%), with manufactures (19%), agricultural products (10%), mining products (9%), and "others" making up the remainder (WTO, 2010). In the past three decades, SSA has also suffered massive losses from the erosion of its share of foreign trade, aggravated by substantially worsening terms of trade. The emerging fact is that the share of agricultural exports in the total merchandise exports of SSA has declined, while the share of agricultural exports in the total merchandise exports looked at globally has been increased during the same period (UNCTAD, 2011). The other challenge with regard of agricultural exports in Africa is that they are mainly in the form of primary and unprocessed products. About 52% of the agricultural exports from Africa are in the form of primary or raw products (Mkpado, 2013). Given the fact that exports of agricultural products or produce are one of the ways in which SSA can benefit from the ongoing globalization and integration process and given the fact that reliable international organisational support is indispensable (Kalibata, 2010) to achieve this, this paper attempts to examine the role of

international organisations in promoting agricultural exports in SSA. Moreover, knowing the importance of improved trade for economic development and social progress in SSA, we also investigate the ways in which the international organisations have been helping or can assist in increasing the volume and the value of agricultural exports of SSA, in terms of quantity and quality so that SSA will be able to harness the benefits of globalization. This study may be of importance to the governments of the countries in SSA and to the relevant international organisations because the studies by Dorosh and Haggblade (2003) and by the International Food Policy Research Institute/IFPRI (2006) found that investments in agriculture generally favour SSA's poor population more than similar investments in other sectors in SSA.

The rest of the paper is divided into seven sections, after presenting the background information in this introduction being the section one. Section two presents the methodology and the analytical tools employed in the study. Section three traces the growth in production, productivity and export of cocoa, coffee, cashew and cotton in SSA. Section four is devoted to the activities of the International Fund for Agricultural Development (IFAD) on value chain development for export crops in SSA. Section five examines the role of the World Trade Organisation (WTO) as related to agricultural export promotion in SSA. Section six investigates the impact of Aid for Trade (AFT) on agricultural exports in SSA, while section seven dwells on successful trade facilitation efforts in SSA. Section eight concludes the study with policy recommendations on how to promote agricultural exports in SSA.

2 Research Methodology

Data used for this study are essentially secondary in nature. The range of the data is between 1961 and 2011. They were derived principally from the Food and Agricultural Organisation (FAO) Statistical Database, the Organisation for Economic Co-operation and Development (OECD) Database, and were supplemented with data from other secondary publications. The study relied on data from four major agricultural exports in SSA, namely, cocoa, coffee, cashew and cotton. The data collected include data on cocoa, coffee, cashew and cotton production, yield, quantity of processed exports, and exports in quantity and values for SSA over the range of 1961 to 2011. Other data collected include Aid for Trade (AFT) values for the period of 1995 to 2012 (the period for which AFT data are at all available).

Various analytical tools were employed in this study. These are correlation analysis, analysis of variance, growth analysis, and causality tests. In order to account for structural change in export crop production, yield, and

quantity and value of exports over the period under consideration, as a result of policy change from controlled to a liberalized trade regime, we estimate export crop production, yield, and quantity and value of exports on the basis of policy regimes in SSA by using the analysis of variance (ANOVA)[3] to examine if there are significant differences in the amount of export crop production, yield, and quantity and value of exports during different regimes in SSA (Alabi and Chime, 2010). We then estimate the growth rates of export crop production, yield, and quantity and value of exports in SSA. Following the procedure of Barrett (1999), growth rates of export crop production, yield, and quantity and value of exports were estimated from 1961 to 2011, and the growth rates model is presented in equations 1, 2,3 and 4, respectively, as:

$$In\ (\text{Export Crop Production}) = \alpha_{op} + \beta_{1p}\,(\text{Year}) + \ell_{pt} \quad (1)$$

$$In\ (\text{Export Crop Yield}) = \alpha_{oy} + \beta_{1y}\,(\text{Year}) + \ell_{yt} \quad (2)$$

$$In\ (\text{Crop Export}) = \alpha_{oe} + \beta_{1e}\,(\text{Year}) + \ell_{et} \quad (3)$$

$$In\ (\text{Value of Crop Export}) = \alpha_{ov} + \beta_{1v}\,(\text{Year}) + \ell_{vt} \quad (4)$$

Where *In* is the natural logarithm, β_{1p}, β_{1y}, β_{1e} and β_{1v} are the estimated export crop production, export crop yield, crop exports and value of export crop growth rates, respectively, when expressed in percentage. We investigate the relationships among the export crop production, yield, quantity and value of exports, and Aid for Trade (AFT), using the Pearson correlation analytical procedure[4]. Since correlation does not imply causality, we

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[3] Analysis of Variance (ANOVA) is a statistical method used to test differences between two or more means. ANOVA is used to test general rather than specific differences among means. The one-way ANOVA compares the means between the groups you are interested in and determines whether any of those means are significantly different from each other. Specifically, it tests the null hypothesis:

$$H_0: \mu_1 = \mu_2 = \mu_3 = \cdots = \mu_k$$

, where μ = group mean and k = number of groups. If, however, the one-way ANOVA returns a significant result, we accept the alternative hypothesis (H_A), which is that there are at least 2 group means that are significantly different from each other.

[4] Correlation analysis measures the relationship between two items or variables. During the correlation analysis the correlation coefficient is generated. The correlation coefficient is a measure of linear association between two variables. Values of the

performed Granger causality tests among the export crop production, yield, and quantity and value of exports. A Granger causality test[5] was also carried out for the entire sample to establish the direction of causality between the quantity of exports, the proportion of exports processed, and AFT in SSA. For example, testing causality, in the Granger sense, involves using an F-test to test whether lagged information on crop export provides any statistically significant information about export crop production and yield in the presence of lagged export crop production and yield. If not, then "crop export does not Granger-cause crop export production and yield". In order words, we ask if changes in export crop production and yield cause changes in the crop export. If this is the case, then the lags of export crop production and yield should be statistically significant in the equation for the crop export. In this case, it can be said that export crop production and yield "Granger – causes" crop export. This kind of test is called Granger Causality test (Moroza, 2008).

3 Analysis of Comparative Trends of Growth in Production, Productivity and Export of Cocoa, Coffee, Cashew and Cotton in SSA

3.1 Trends in Agricultural Production, Productivity and Exports in SSA

The proportion of agricultural exports to total exports varies by region and by country in SSA. For example, agricultural exports account for 47% percent of total exports in East Africa, 14 percent of exports in Southern Africa, and 10 percent in West Africa. In SSA, as a whole, agricultural exports make up 16% of total exports (Mkpado, 2013). IFAD (2011) reveals that agricultural exports are primarily high value cash crops, such as cocoa, sugar, coffee, tea, cotton, and oranges. In Table 1, we present the contribution of agricultural exports to total exports of some countries in SSA which are major agricultural exporters. The table shows that the contribution of agricultural exports to total exports varies from 7% in Gabon (export of Hardwood) to 85% in Burundi (export of Coffee and Tea). On the average, the agricultural exports (as

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correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense, while a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables.

[5]The Granger causality test is a statistical hypothesis test for determining whether one time series is useful in forecasting another (Granger, 1969).

to be seen in table 1) contribute about 40% to the total exports of 31 countries from SSA presented in the same table. The African Development Bank (AfDB) (2012) testifies to the fact that agriculture is the mainstay of the Burundi economy, making up over 36 % of GDP, mainly through coffee and tea crops. The Bank (AfDB 2012) also reveals that Coffee exports alone represent 70 % of the state's foreign exchange of Burundi. The table further shows that the agricultural exports based in SSA are not diversified but rather are concentrated on a few products. This lack of a diversified export base will make SSA exportation vulnerable to price shocks in the international market.

Table 1: The Major Agricultural Exports and their Contribution to Total Exports in SSA Countries

Country (all tables: first line bold)	Agricultural Exports	Share in Total Exports (%)	Country	Agricultural Exports	Share in Total Exports (%)
1.Benin	Cashew nuts, Cotton	58.2	17.Madagascar	Shrimps &Pawns, Vanilla	14.9
2.Burkina Faso	Cotton, Sesamum Seeds	61.2	18.Malawi	Tobacco, Vegetable, Tea	21.4
3.Burundi	Coffee, Tea	85.4	19.Mali	Cotton, Sesamum	47.4
4.Cameroon	Cocoa, Banana, Plantain	27.1	20.Mauritius	Cotton, Cane Sugar	25.6
5.Cape Verde	Tunas, Yellowfin, fish	29.9	21.Rwanda	Coffee,	29
6.Central African Rep	Tropical wood	42.5	22.Sao Tome & Principe	Cocoa	47.1
7.Comoros	Cloves	32.1	23.Senegal	Fish	12.8
8.Cote d Ivoire	Cocoa	44.3	24.Seychelles	Tunas, Skipjack, Bonito	71.9
9.Eritrea	Sheep	14.2	25.Sierra Leone	Cocoa	8.5
10.Ethiopia	Coffee, Sesamum Seeds	66.8	26.Somalia	Goat, Sheep, Bovine	74.2
11.Gabon	Hardwood	7	27.Swaziland	Cane Sugar, Food &Drink	39.7
12.Gambia	Cashew nut	44.5	28.Tanzania	Coffee, Tobacco	18.8
13.Ghana	Cocoa	55.3	29.Togo	Cocoa, Groundnut	55.4
14.Guinea	Coffee	4.3	30.Uganda	Coffee, Fish, Tobacco	51.7
15.Guinea-Bissau	Cashew nuts	92.2	31.Zimbabwe	Tobacco, Cane Sugar	31.2
16.Kenya	Tea, Flowers, coffee	34	Average	-	40.3

Source: Computed from Douillet (2011).

In order to properly focus the study on the few export crops that contribute significantly to the economies of SSA, we summarise the contribution of the crops of high exportation values from SSA in Table 2. The table reveals that cocoa, coffee, cashew and cotton contribute 18%, 15%, 13% and 11%, respectively, to the total exports of 31 countries from SSA. The overall contribution of these crops to total exports from these countries amounts to 57%. This suggests that they are crops of high economic value for SSA. The major countries from which they are obtained are also presented in Table 2. Cocoa is integral part of the economy of West Africa. The National Confectioner Association/NCA (2012) asserts that cocoa is an essential critical export for the West African nations, such as Ghana and the Cote d'Ivoire, that source more than 70% of the world's cocoa.

Table 2: The Contribution of Cocoa, Coffee, Cashew and Cotton to total Agricultural Exports in SSA

Products	**% of Total Exports**	**The Four Major Countries of Export**
Cocoa	18.0	Côte d'Ivoire, Ghana, Togo, Sao Tome& Principe
Coffee	15.0	Burundi, Ethiopia, Rwanda, Uganda
Cashew	13.0	Benin, Gambia, Guinea-Bissau, Côte d'Ivoire
Cotton	11.0	Mali, Burkina Faso, Benin, Malawi
Total	**57.0**	**-**

Source: Computed from Douillet (2011)

The study by the AfDB (2012) has also indicated that coffee is important to the economies of SSA, and that coffee exports have generated about 26% and 22% in export revenue in 2009 in Ethiopia and Rwanda respectively. Economy Watch (2010) has emphasized the importance of cashew to the economy of Guinea-Bissau. It indicated that cashew nut production dominates Guinea-Bissau's agriculture sector. As the sixth largest producer of cashew nuts in the world, the cashew industry represents 20% of Guinea-Bissau's total GDP as well as 85% of all jobs in the country (Economy Watch, 2010). The figures by the OECD (2008) indicate that cashew exports account for about 10% of Benin's exports. The study by OECD (2008) has also revealed that Benin is one of Africa's leading producers of cotton, which provides livelihoods for 2 million of Benin's inhabitants and accounts for about 80% of its exports. FAO (2008) shows that Mali, Burkina Faso, and Benin are among the main cotton-producing countries in SSA, and that they produce about 80% of SSA's cotton. Cotton's contribution to GDP in these countries ranged from 5-10% of GDP (OECD 2008).

3.2 Growth in Cocoa Production, Productivity and Export in SSA

More than two-thirds of world cocoa come from SSA, especially West Africa, where Côte d'Ivoire and Ghana produced 39% and 21% of world cocoa, respectively (ECOWAS, 2007). Statistics from FAO (FAOSTAT 2015) reveal that cocoa production and yield has increased from 835,362 tonnes and 2.5tonnes/ha in 1961 to 3,118,230 and 4.9 tonnes/ha in 2011, respectively. The average production and yield during the period were 1,554,513 tonnes and 3.8 tonnes/ha, respectively. In order to examine the effect of the policy regime on cocoa production and productivity we divided cocoa production and yield based on 10 year periods. Table 3 shows that the highest production and productivity was witnessed in the 2001 to 2010 period, while the lowest

production and productivity was witnessed in the post-independence period. The analysis of variance (ANOVA) suggests that there are significant differences in cocoa production and productivity during different policy regimes in SSA. However, the growth rates show a different pattern. The lowest annual growth rate in production and productivity was witnessed during the Structural Adjustment Programmes (SAPs) era (1971-1980, and 1981 up to 1990). The production and productivity growth rates during this period were -4.7% and -7.2%, respectively. Some factors were implicated for decline in production and productivity growth rates during this period. The neglect of agriculture by the governments during this period is one of them. It was revealed by FAO (2008) that one of the main constraints to agricultural productivity in SSA is low soil fertility, so that the neglect of agriculture has tremendously negative consequences. The other issues were related to the implementation of the SAPs during the period[6]. The devaluation of the currency and the liberalization of trade and of the economy (associated with the SAPs) had impacted negatively on growth factors in SSA. Generally speaking, SAPs have been reported to slow down African economic growth. For example, in 2011 the Economic Commission for Africa (ECA) noted that in the SAPs era, Africa recorded the lowest growth rates in its post-independence history (UNECA/AUC, 2011). Although the reforms intended with the SAPs are rational in the sense of economics, they were not conceived in a way so as to develop and to restructure markets and institutions. This refers especially to markets and institutions in agriculture. The neglect of agriculture was a persistent factor all over the SAP period, impacting negatively on agricultural productivity growth. The decline in the agricultural productivity growth rate in 2001 and 2010 has also been alluded to by various researches (see IFPRI, 2010). It opines that growth in SSA comes from expansion of farm land, but not from productivity growth. It is asserted (IFPRI, 2010) that, because land is becoming marginal in SSA due to overuse, the productivity decline becomes the natural outcome.

[6] According to the World Bank (1994), during the period 1987-1991 not less than 29 SSA countries were implementing SAPs with mixed results. And it had become clear after 15 years that SAPs in Africa had neither accelerated growth nor reduced poverty.

Table 3: Trend in Cocoa Output (tonne) and Yield (kg/ha) in SSA (1961-2010)

	Post-Inde-pendence	SAP Era	Post-SAP	New Era	Post-Inde-pendence	SAP Era	Post-SAP	New Era		
	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010
Year	Output	Output	Output	Output	Output	Yield	Yield	Yield	Yield	Yield
1	835,368	1,178,240	1,063,510	1,436,970	2,114,880	2,537	3,599	3,048	4,156	4,541
2	867,170	1,036,630	886,804	1,557,620	2,140,520	2,581	3,289	2,742	4,500	4,641
3	922,621	966,647	890,274	1,507,810	2,444,770	2,719	3,032	2,831	4,394	4,751
4	1,190,060	1,025,000	1,073,100	1,573,020	2,795,640	3,455	3,255	3,331	4,510	4,813
5	874,245	1,004,330	1,091,390	1,909,850	2,720,030	2,538	3,155	3,203	4,507	4,693
6	969,648	876,150	1,172,900	2,145,560	2,926,010	3,216	2,768	3,374	5,238	4,927
7	982,906	935,141	1,202,160	1,940,590	2,557,560	3,154	2,869	3,534	4,662	4,233
8	855,617	909,069	1,527,570	2,171,720	2,834,140	2,859	2,746	4,145	4,804	4,426
9	1,004,660	1,014,540	1,526,250	1,993,310	2,706,870	3,190	3,017	4,370	4,404	4,461
10	1,120,840	1,025,810	1,521,760	2,350,840	2,783,810	3,505	2,989	4,215	4,644	4,591
Mean	962,314	997,156	1,195,572	1,858,729	2,602,423	2,975	3,072	3,479	4,582	4,608
Growth Rate	4.4	-4.7	9.0	9.2	7.4	6.7	-7.2	9.3	4.6	-3.6
Aver-age Growth Rate for SAP era		7.2				6.6				
ANOVA F-Test	92. 57*	47.61*								

Source: Computed from FAOSTAT (2015) ** Significant at 1%

As it had been alluded to earlier, the majority of cocoa produced is exported to Europe (50%), America (25%), Asia and the Oceanic (13%), while the export to other African countries is marginal (ECOWAS, 2007). The available data indicate that SSA's cocoa export had increased from 820,680 tonnes in 1961 to 2,657,346 tonnes in 2011 in quantity, and the value of cocoa export from SSA had increased from 0.39 billion USD in 1961 to 8.04 billion USD in 2011 (FAOSTAT, 2015). The data by FAOSTAT (2015) also reveal that about 87% of total cocoa produced in SSA between 1961 and 2011 was exported with annual returns of 2.15 billion USD, and that about 55%, 27% and 15% of total cocoa exported from SSA during the period came from Côte d'Ivoire, Ghana and Nigeria respectively. The ANOVA test indicates that there are significant differences in the quantity and value of cocoa exported during different policy regimes. The growth analysis reveals that the SAP period has seen an increase in the growth of the value of cocoa export, but the growth of the quantity of the cocoa export had decreased during the period. As indicated in Table 4, the quantity of cocoa and the values of cocoa export grew annually by -8.2% and 9.5% in SSA respectively during the SAP period. Devaluation of currency and increasing price competitiveness embedded in the SAPs may account for the increase in the value of cocoa export during the period. The fact that the growth of cocoa export quantity became negative during the period may be attributed to the decline in production and productivity during the SAP period as indicated earlier. In the past, political events and civil unrest (such as in Côte d'Ivoire in 2004) have also contributed to irregular developments and sudden declines of cocoa yields (Bass, 2006). In

order to test the influence of cocoa production and productivity on cocoa export in SSA, we examined the causality between cocoa production, productivity and export in Table 5.

Table 4: Trend in Cocoa Export (tonne) and Value of Cocoa Export (1000$) in SSA (1961-2010)

	Post- Independence	SAP Era	SAP Era	Post-SAP	New Era	Post-Independence	SAP Era	SAP Era	Post-SAP	New Era
	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010
Year	Export	Export	Export	Export	Export	Value	Value	Value	Value	Value
1	820,687	1,023,783	1,079,064	1,355,297	1,918,271	390,536	677,760	1,907,838	1,485,754	2,104,103
2	889,470	1,087,281	925,194	1,170,589	1,926,739	392,961	644,839	1,511,071	1,322,079	3,309,945
3	865,887	1,005,801	879,941	1,455,540	1,966,121	409,400	862,493	1,400,304	1,452,397	3,773,983
4	885,287	973,858	1,006,124	1,259,841	2,480,071	442,914	1,330,913	2,103,968	1,528,290	3,717,011
5	1,147,012	934,319	958,763	1,334,697	2,334,269	439,619	1,419,414	2,044,137	1,924,715	3,651,973
6	951,486	965,362	1,150,617	1,974,678	2,305,111	371,403	1,485,265	2,486,054	2,758,346	3,894,392
7	918,732	800,993	1,112,971	1,667,037	2,072,573	509,141	2,176,970	2,295,547	2,331,640	3,897,122
8	916,755	885,259	1,079,686	1,637,685	2,027,749	567,543	2,804,846	1,943,961	2,584,055	4,711,453
9	859,041	691,309	1,352,187	1,936,111	2,234,240	682,552	2,364,267	1,947,906	2,533,555	6,312,896
10	967,819	859,358	1,340,697	1,934,238	1,946,441	786,368	2,394,605	1,618,574	1,824,770	6,216,967
Mean	922,218	922,732	1,088,524	1,572,571	2,121,159	499,244	1,616,137	1,925,936	1,974,560	4,158,985
Growth Rate	2.9	-8.2	7.8	8.2	1.5	8.7	9.5	2.4	7.3	9.1
Average Growth Rate for SAP era		0.3				8.8				
ANOVA F-Test		75.15**				51.95**				

Source: Computed from FAOSTAT (2015) ** Significant at 1%

There is a positive and significant correlation between the quantity of cocoa produced and its yield on total cocoa exported from SSA from 1961 to 2011 as reported in Annex 1. However, we measured the degree of influence of cocoa production and yield on cocoa export in SSA from 1961 to 2011 and the result is presented in Table 5. As table 5 reveals cocoa production and productivity have a significant influence on cocoa export in SSA. Therefore, the important message is that efforts to increase cocoa production and yield will directly and positively promote cocoa exports. However, the table 5 also shows that the cocoa export does not influence cocoa production and yield, which implies that there is no technology transfer and feedback from cocoa-importing countries to SSA. This has obviously to do with the low level of processing of cocoa being exported.

Table 5: Granger Causality Test between Cocoa Production, Yield and Export in SSA (1961-2011)

Null Hypothesis	F-Statistic	Probability
Cocoa Production does not Granger Cause Cocoa Export	20.83**	0.01
Cocoa Export does not Granger Cause Cocoa Production	0.93	0.40
Cocoa Yield does not Granger Cause Cocoa Export	4.43**	0.02
Cocoa Export does not Granger Cause Cocoa Yield	0.20	0.82
Cocoa Yield does not Granger Cause Cocoa Production	0.45	0.64
Cocoa Production does not Granger Cause Cocoa Yield	0.11	0.90

Source: Computed from FAOSTAT (2015) ** Significant at 1%

An example of such a feedback is the Sanitary and Phytosanitary Standards (SPS) Capacity Building in Africa to Mitigate the Harmful Effects of Pesticide Residues in Cocoa and to Maintain Market Access in five cocoa-producing countries in SSA, with an investment of $5,458,709 and a support from the European Union (EU) and the World Trade Organisation (WTO). In September 2008, a European Union Legislation on Maximum Residue Levels (MRLs) on Pesticides (Regulation 149/2008/EEC) came into effect. The Regulation set maximum levels on the amount of pesticides permitted on imported foods, including cocoa beans. Consequently, all cocoa beans imported into the EU from September 2008 onwards must conform to the new Regulation. In the USA, the Environmental Protection Agency (EPA) established the Food Quality Protection Act of 1996 which regulates the amount of pesticide residues permitted on food for consumption. The Environmental Protection Agency (EPA) also requires that all approved pesticides are clearly labelled with instructions for proper use, handling, storage and disposal. In Japan, the Ministry of Health, Labour and Welfare (MHLW) established a new legislation that came into effect from May 2006 onwards, setting new MRLs for food products. The SPS regulations of cocoa-consuming countries have the potential of constituting a trade barrier, as most cocoa-producing countries may not have the capacity to adequately meet these SPS regulations. This will disrupt cocoa trade, limit market access, and have a significant economic impact on cocoa-producing countries. Support for the cocoa-producing countries to conform to these regulations is therefore very important, but has to be effective. So funding was provided to build the capacity of stakeholders in cocoa industries in the cocoa-producing countries of Côte

d'Ivoire, Ghana, Cameroon, Nigeria and Togo to build their capacity to manage the SPS. It is not so clear how effective the programme was.

3.3 Growth in Coffee Production, Productivity and Export in SSA

According to Diao et al. (2007), coffee is produced in 40 SSA countries, 20 of which are in East and Southern Africa. FAOSTAT (2015) indicates that coffee production had increased from 870,970 tonnes in 1961 to 1,062,450 tonnes in 2011, and that the yield had increased from 4031kg/ha to 5413kg/ha between 1961 and 2011 in SSA. The average coffee output and yield during the period were 1,131,994 tonnes and 4100kg/ha, respectively (see table 6). The ANOVA shows that there are significant differences in the production and yield of coffee during different policy regimes in SSA. The growth rate analysis shows that the annual rates of growth for coffee production and yield were lower during the SAP period. Coffee production and yield declined by 5.4% and 7.9% annually, respectively, during the SAP period. The reasons for the negative growth during the SAP period have been alluded to previously. Especially the fact that productivity of coffee had declined by 3.1% during 2001 and 2010 raises concerns. FAOSTAT (2006) had revealed that coffee yield was declining in SSA due to the lack of innovation in the coffee subsector of SSA. According to Diao et al. (2007), owing to technological innovations that have resulted in high-yield varieties and better pest resistance in other regions of the world, world average coffee yields grew by 5.5 percent a year between 1996 and 2003. In contrast, green coffee yields either declined or stagnated in the same period (1996–2003) in 25 of the 28 SSA countries for which yield data are available (FAOSTAT, 2006). Diao et al. (2007) shows further that, for SSA as a whole, the coffee yield had declined by an average annual rate of 0.3%, and the production annual rate had declined by 3.4% during the same period. Moreover, in 24 Sub-Saharan African countries, harvested areas either had declined or stagnated in this period. In total, Africa had lost one-third of its coffee production area (with an annual average decline of 3.2%). The subsequent decline in the production of coffee was initially attributable to structural factors, given low yields and ageing coffee trees as well as the economic liberalization programmes implemented in the 1990s. Other factors were related to the regional conflicts affecting certain countries (ICO, 2014). The yield comparisons suggest that declines in coffee production efficiency is the major reason for SSA's loss of market shares at the coffee world market (see table 6).

Table 6: Trend in Coffee Output (tonne) and Yield (kg/ha) in SSA (1961-2010)

	Post-Independence	SAP Era		Post-SAP	New Era	Post-Independence	SAP Era		Post-SAP	New Era
	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010
Year	Output	Output	Output	Output	Output	Yield	Yield	Yield	Yield	Yield
1	870,970	1,266,290	1,293,050	1,192,730	1,061,560	4,031.26	4,023.76	3,956.1	4,005.64	4,840.11
2	883,512	1,296,270	1,206,870	1,156,200	942,043	3,395.52	4,149.26	3,619.03	4,154.29	5,087.45
3	996,674	1,379,420	1,113,480	990,276	793,627	3,663.29	4,256.38	3,437.1	3,737.51	4,289.3
4	1,162,050	1,266,730	1,036,470	1,058,410	892,678	4,155.72	3,879.81	3,291.05	4,306.29	3,857.95
5	1,075,080	1,312,580	1,181,860	1,128,070	957,225	3,727.14	4,169.14	3,742.26	4,177.83	4,266.3
6	1,199,530	1,165,510	1,274,900	1,254,960	942,305	3,987.58	3,824.46	4,064.51	4,805.69	4,098.1
7	1,085,560	1,235,350	1,235,950	1,176,640	1,009,560	3,525.55	3,940.36	4,020.53	4,567.43	4,119.83
8	1,183,870	1,063,660	1,218,790	1,220,100	988,734	3,962.09	3,383.91	3,885.14	4,750.55	4,188.31
9	1,253,500	1,110,740	1,256,510	1,252,860	1,012,780	4,124.24	3,489.34	4,111.5	5,015.94	4,254.65
10	1,295,000	1,163,650	1,254,210	1,232,960	1,067,510	4,237.29	3,616.42	3,866.24	4,930.56	4,719.81
Mean	1,100,575	1,226,020	1,207,209	1,166,321	966,802	3,881	3,873	3,799	4,445	4,372
Growth Rate	9.0	-7.6	2.9	5.5	4.2	4.3	-7.9	4.9	8.8	-3.1
Average Growth Rate for SAP era		-5.4					-3.3			
ANOVA F-Test	10.70**					8.01**				

Source: Computed from FAOSTAT (2015) ** Significant at 1%

FAOSTAT (2015) shows that coffee export and value of export increased from 683,078 tonnes and 0.36 billion USD in 1961 to 592,276 tonnes and 2.23 billion USD in 2011, respectively. The average coffee exported and the value of export during the period amount to 885,674 tonnes and 1.50 billion USD, respectively. Coffee export from SSA accounts for about 19% of global coffee export during the period. More than 52% of coffee export comes from East Africa, while Ethiopia and Uganda exported 15% and 18% respectively of the coffee from SSA. The amount of coffee exported, based on the prevailing policy regime, shows an inconsistent pattern as presented in Table 7. The highest coffee export took place during the SAP period and it has since then continued to fall. The value of export had also increased during the SAP period and the period immediately after it and then fell. The ANOVA confirms that the amount of coffee exports and values varies significantly during different policy regimes in SSA. The growth rate analysis supports the evidence that, though the rate of growth of the quantity of coffee exports during the SAP period was the lowest (-5.7%), the value of coffee export grew by 9.3% during SAP era. Price incentives associated with the SAPs may account for the increase in the growth of the value of exports. The decline in coffee production and productivity may account for the slow growth of coffee exports during the SAP period.

Table 7: Trend in Coffee Export (tonne) and Value of Coffee Export (1000$) in SSA (1961-2010)

	Post-Independence	SAP Era	SAP Era	Post-SAP	New Era	Post-Independence	SAP Era	SAP Era	Post-SAP	New Era
	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010
Year	Export	Export	Export	Export	Export	Value	Value	Value	Value	Value
1	683,078	995,740	970,855	889,317	703,449	359,190	802,494	2,098,148	1,114,128	654,988
2	760,732	1,091,312	1,058,970	901,843	667,163	397,466	911,951	2,244,484	970,180	583,968
3	791,200	1,190,268	944,830	835,240	569,821	435,673	1,203,586	2,163,697	998,710	682,974
4	850,162	1,177,407	918,833	767,216	720,196	618,123	1,344,068	2,379,452	1,452,198	864,424
5	845,183	1,109,177	978,547	796,892	661,421	545,040	1,272,677	2,525,412	2,110,294	1,081,092
6	941,206	1,149,898	1,082,772	953,738	677,869	649,085	2,225,350	3,489,779	1,777,456	1.287,443
7	912,031	878,736	923,217	939,850	719,580	611,448	3,512,166	2,125,274	1,864,534	1,497,988
8	996,308	930,270	922,283	823,379	671,441	686,424	2,690,359	2,135,991	1,782,581	1,716,221
9	987,478	1,015,935	1,022,492	816,350	644,000	657,046	3,093,402	1,933,220	1,392,317	1,449,089
10	1,013,241	899,493	1,082,134	987,320	707,225	824,879	2,836,182	1,392,849	1,197,634	1,825,802
Mean	878,062	1,043,824	990,493	871,115	674,217	578,437	1,989,224	2,248,831	1,466,003	1,164,399
Growth Rate	9.6	-5.7	2.0	2.1	1.7	9.3	9.3	-3.9	4.4	9.6
Average Growth Rate for SAP era		-3.8					7.7			
ANOVA F-Test			30.66**					20.73		

Source: Computed from FAOSTAT (2015) ** Significant at 1%

There is a positive and significant relationship between the quantity of coffee produced and its yield on total coffee exported from SSA from 1961 to 2011 as reported in Annex 2. However, we measured the degree of influence of coffee production and yield on coffee export in SSA from 1961 to 2011 and the result is reported in Table 8. The table 8 shows that coffee production and yield have not significantly increased coffee export in SSA. However, the yield of coffee has a positive and significant influence on coffee production. This implies that an increase in the productivity of coffee will increase coffee supply. The fact that production and productivity have no significant influence on coffee export may be due to many factors. Firstly, the demand for coffee in developed countries (which consume about 70 percent of the world's coffee) is more or less constant with a low price elasticity (around –0.2) prevailing. This suggests that the demand will increase only marginally even if the price declines substantially (Development Economics Prospects Group/DECPG, 2006). Without considerable growth in demand, even a modest growth in SSA's coffee productivity may further depress world prices for green coffee and discourage export of coffee from the region. Secondly, most of the coffee which is exported from SSA is green coffee. Table 9 reveals that while the proportion of roasted coffee in total export in the World and North Africa were about 10% and 36%, respectively, in 2011, the same value for SSA was 0.5%.

Table 8: Granger Causality Test between Coffee Production, Yield and Export in SSA (1961-2011)

Null Hypothesis	F-Statistic	Probability
Coffee Production does not Granger Cause Coffee Export	2.00	0.15
Coffee Export does not Granger Cause Coffee Production	2.26	0.12
Coffee Yield does not Granger Cause Coffee Export	2.27	0.12
Coffee Export does not Granger Cause Coffee Yield	1.01	0.37
Coffee Yield does not Granger Cause Coffee Production	5.88**	0.01
Coffee Production does not Granger Cause Coffee Yield	0.63	0.54

Source: Computed from FAOSTAT (2015)

Table 9: Comparing the Proportion of Roasted Coffee in Total Coffee Export in SSA with the World and Africa's Averages in 2011

Coffee Export	World	%	Africa	%	North Africa	%	SSA	%
Quantity of Total Coffee	8,455,289	90.0	592,276	98.6	13,735	64.5	578,541	99.5
Quantity of Roasted Coffee	844,150	10.0	8,018	1.4	4,875	35.5	3,143	0.5
Value of Total Coffee	42,558,824	79.8	2,232,031	98.5	73,386	71.1	2,158,645	99.4
Value of Roasted	8,602,054	20.2	33,232	1.5	21,231	28.9	12,001	0.6

Source: Computed from FAOSTAT (2015)

While the quantity and price of green coffee are declining, there remains a great potential for expanding the market for roasted coffee. According to Diao et al (2007), world export of roasted coffee has been growing in terms of both volume and value. Box 1 highlights the premium placed on roasted and superior coffee varieties in the international market and the need to develop specialized coffee varieties. Moreover, since world prices for roasted coffee are about twice those for green coffee, SSA countries would be better off exploring market opportunities for roasted coffee and superior coffee varieties, thereby increasing coffee export values (Calo and Wise, 2005).

3.4 Growth in Cashew Production, Productivity and Export in SSA

Cashew is a high value tree crop that is well suited to being grown in several parts of Africa. The tree can grow in fairly poor soils (it does best in well-drained sandy loam soils) and with relatively little rainfall, as long as there is a clear dry season of two - four months. These attributes, plus the facts that little capital is required for cashew establishment, and the low nut perishabil-

ity, have given cashew the reputation of being a "poor man's" (i.e. smallholder) crop (Jaffee, 1995). So, SSA is a major supplier of cashews, accounting for more than 31% of world nut production during 2000-2004, but the proportion of SSA production in global cashew production has increased to 43% as at 2012 (FAOSTAT, 2015). There has been considerable success in raising raw nut production in four countries (Côte d'Ivoire, Tanzania, Guinea-Bissau, and Benin) over the past decade (Poulton, 2006). Generally, cashew production and yield have increased from 172,050 tonnes and 5.4tonnes/ha in 1961 to 1,854,050 and 7.0 tonnes/ha in 2011, respectively, in SSA. The average production and yield during the period were 492,463 tonnes and 5.7 tonnes/ha respectively. Table 10 shows that production and productivity of cashew have been consistently increasing during the different regimes where the production and productivity of each regime is significantly higher than the previous ones as revealed by the ANOVA test. However, the growth rates show a different pattern. The lowest annual growth rate in production and productivity was witnessed during the SAP era (1971-1980). The production and productivity growth rates during this period were -9.3% and -9.4% respectively (but also the period 1981-1990 was bad enough with -2.3% and -5.7%). Some factors have been alluded to as the reasons for the declined agricultural production and productivity during the SAP period in the previous discussions. However, the decline in cashew productivity in the period between 2001 and 2010 deserves some explanations, because cashew yield declined by 8.1% annually during the period. The recent decline in soil productivity in SSA may be attributed to this (FAO, 2008). The recent low productivity of agricultural production in SSA has raised concerns among agricultural stakeholders (IFPRI, 2010, and World Bank, 2007). Various innovative suggestions have been made on how to change this situation, especially with regard of foreign aid allocation and use (Alabi, 2014).

Table 10: Trend in Cashew Output (tonne) and Yield (kg/ha) in SSA (1961-2010)

	Post-Independence	SAP Era	Post-SAP	New Era	Post-Independence	SAP Era	Post-SAP	New Era		
	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010
Year	Output	Output	Output	Output	Output	Yield	Yield	Yield	Yield	Yield
1	172,050	379,859	186,881	164,359	921,536	5,359.81	5,733.72	5,048.55	4,224.3	8,982.88
2	204,150	369,915	155,056	219,147	910,326	5,593.15	5,802.59	4,710.37	4,792.14	7,639.64
3	226,250	432,738	115,570	218,468	943,666	5,831.19	5,948.29	4,554.48	4,582.44	7,711.04
4	260,650	383,851	113,210	226,619	1,035,460	6,205.95	5,746.27	4,138.93	4,511.81	7,505.72
5	248,350	358,035	116,960	295,474	1,187,180	5,948.5	5,611.83	4,395.96	5,011.14	7,456
6	240,660	266,297	115,547	374,953	1,252,440	5,898.53	5,462.5	4,228.5	5,483.69	7,312.77
7	226,382	253,945	120,936	387,340	1,350,190	5,283.13	5,266.97	4,335.83	4,528.02	7,228.37
8	318,005	199,978	139,393	474,736	1,500,420	5,626.42	5,088.5	4,642.56	5,222.8	6,847.78
9	288,410	175,688	160,486	808,673	1,590,020	5,414.12	4,928.13	4,485.35	7,333.35	6,485.49
10	345,772	163,218	126,858	863,398	1,672,050	5,518.55	4,860.72	4,139.6	7,888.31	7,304.04
Mean	253,068	298,352	135,090	403,317	1,236,329	5,668	5,445	4,468	5,358	7,447
Growth Rate	8.8	-9.3	-2.3	9.7	9.9	-2.3	-9.4	-5.7	8.1	-8.1
Average Growth Rate for SAP era		-9.8				-9.4				
ANOVA F-Test	57.13**	26.85**								

Source: FAOSTAT (2015). ** Significant at 1%

FAOSTAT (2015) reveals that cashew export and value of export increased from 140,133 tonnes and 0.021 billion USD in 1961 to 976,595 tonnes and 1.11 billion USD in 2011, respectively, in SSA. The averaged cashew exported and the value of export during the period amounted to 229,657 tonnes and 0.15 billion USD respectively. Cashew export from SSA accounts for about 59% of global cashew exports during the period. More than 30% of cashew world export comes from West Africa. The quantity and value of cashew export, based on the policy regime, shows an inconsistent pattern as presented in Table 11. The table shows that cashew export which was about 183 thousand tonnes during the post-independence era declined to about 150 thousand tonnes and 54 thousand tonnes during the regimes that followed it. The table shows further that the cashew export value which was about 0.04 billion USD during the post-independence era increased to 0.08 billion USD and decreased to 0.07 billion USD during 1971-1980 and 1981-1990, respectively. The inconsistence in cashew export and value recorded in table 11 may be due to the decline in the export of cashew from Tanzania and Mozambique. Poulton (2006) observed that until 1980 Mozambique and Tanzania (in SSA) were the main cashew-producing centres in the world. However, they lost this position due to a combination of policy neglect (both countries) and civil conflict (Mozambique). The ANOVA test confirms that differences in the amount of cashew exports and values vary significantly during different policy regimes in SSA. The growth rate analysis supports the evidence that, though the rate of growth of quantity of cashew export during SAP was the lowest (-9.1%), the value of cashew export grew by 3.2% during the SAP era. Price incentives associated with SAPs may account for the

increase in growth in the value of cashew exports. The decline in cashew production from high-producing countries, such as Tanzania and Mozambique, and the low productivity in the cashew-producing countries may account for the slow growth of cashew exports during the SAP era. We examined the influence of production and productivity on cashew exports in Table 12.

Table 11: Trend in Cashew Export (tonne) and Value of Cashew Export (1000$) in SSA (1961-2010)

	Post-Independence	SAP Era	SAP Era	Post-SAP	New Era	Post-Independence	SAP Era	SAP Era	Post-SAP	New Era
	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010
Year	Export	Export	Export	Export	Export	Value	Value	Value	Value	Value
1	140,133	202,982	55,822	69,937	320,410	21,109	58,935	133,246	65,136	186,047
2	172,550	240,946	47,776	71,304	350,490	25,806	72,076	84,340	65,266	191,375
3	176,174	189,113	25,347	93,898	352,329	24,477	77,614	33,307	67,044	181,259
4	206,983	255,599	52,858	164,192	448,568	30,516	99,835	59,258	123,538	284,139
5	193,998	221,764	44,707	164,737	431,679	31,191	82,677	40,983	129,642	317,456
6	168,772	118,352	82,000	180,323	523,355	37,159	57,804	56,040	156,429	300,552
7	152,667	97,768	58,766	232,196	500,369	34,787	78,417	72,101	170,131	270,862
8	242,367	66,394	71,874	209,538	640,142	54,837	70,241	76,652	170,576	522,304
9	183,197	61,643	47,415	411,513	722,664	48,879	70,343	55,161	348,418	467,992
10	196,221	45,806	50,314	302,535	675,445	54,709	103,183	46,410	245,606	451,340
Mean	183,306	150,037	53,688	190,017	496,545	36,347	77,113	65,750	154,179	317,333
Growth Rate	4.7	-9.1	3.0	9.5	9.7	9.6	3.2	-3.4	9.5	9.1
Average Growth Rate for SAP era		-8.0				-2.2				
ANOVA F-Test	33.17**	42.44**								

Source: FAOSTAT (2015). ** Significant at 1%

There is a positive and significant correlation between the quantity of cashew produced and its yield on total cashew exported from SSA in the period 1961 to 2011 as reported in Annex 3. However, we measured the degree of influence of cashew production and yield on cashew exports in SSA from 1961 to 2011 and the result is presented in Table 12. Table 12 reveals that cashew production and productivity have a significant influence on cashew export in SSA. However, there is no significant influence of cashew exports on cashew yield and cashew production as revealed in Table 12. This suggests that there is no technology feedback from importing countries back to cashew exporting countries. This may have to do with the type of global value chain involved in regard of cashew. The impact via standards and technologies is not observable.

Table 12: Granger Causality Test between Cashew Production, Yield and Export in SSA (1961-2011)

Null Hypothesis	F-Statistic	Probability
Cashew Production does not Granger Cause Cashew Export	3.01**	0.05
Cashew Export does not Granger Cause Cashew Production	0.35	0.70
Cashew Yield does not Granger Cause Cashew Export	2.38*	0.10
Cashew Export does not Granger Cause Cashew Yield	2.20	0.12
Cashew Yield does not Granger Cause Cashew Production	2.03	0.14
Cashew Production does not Granger Cause Cashew Yield	2.11	0.13

Source: Computed from OECDStat (2015) ** Significant at 1% * Significant at 10%

3.5 Growth in Cotton Production, Productivity and Exports in SSA

Since 1960, world production of cotton has doubled, from 10.2 to 20.3 million tonnes, representing a moderate average annual growth of 1.7 % (OECD, 2006). SSA ranks fifth in the world and contributes only 4% of global cotton production in 2011 (FAOSAT, 2015). But cotton remains of considerable social and economic importance in the main cotton-producing countries in SSA – Benin, Burkina Faso, Chad, and Mali (Agritrade, 2013). The recent data reveal that cotton production has increased from 851,968 tonnes in 1961 to 3,162,759 tonnes in 2011, and this averaged 2,179,457 tonnes during the period. The ANOVA test shows that there are significant differences in the production of cotton during different policy regimes in SSA. The production of cotton has been increasing consistently over the regime periods but declined by 5% between 1971 and 1980 (SAP era). The reasons for the poor agricultural growth during the SAP period have been well discussed previously. The decline in cotton production and productivity may be due to several factors. For example, Agritrade (2013) indicates that in Tanzania, the system of contract farming central to its cotton sector reform was mired in disputes and has contributed to a 40% drop in the cotton harvest, with lower yields and a 26% reduction in the planted area. Agritrade (2013) also notes that while cotton production in Central and West Africa is experiencing a revival in recent time, cotton production in East Africa and Southern Africa fell sharply, as production dropped by 22% and the planted area by 17%. This was the consequence of tensions between growers and millers, as well as falling prices that turned growers away from cotton. These combined ef-

fects may explain the lower growth rate witnessed in cotton production between 2001 and 2010 in SSA.

Table 13: Trend in Cotton Output (tonne) in SSA (1961-2010)

	Post-Independence	SAP Era		Post-SAP	New Era
	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010
Year	Output	Output	Output	Output	Output
1	851,968	1,493,040	1,397,179	2,566,610	3,549,654
2	842,768	1,571,524	1,405,691	2,250,123	3,527,018
3	932,959	1,531,364	1,479,419	2,133,848	3,630,859
4	1,015,664	1,606,451	1,635,019	2,321,281	3,942,542
5	1,075,007	1,515,849	1,830,349	2,537,397	4,067,433
6	1,227,001	1,504,591	2,042,259	3,164,447	3,575,136
7	1,271,447	1,467,033	2,071,909	3,400,658	3,038,345
8	1,266,493	1,548,681	2,392,963	3,242,662	3,297,903
9	1,653,272	1,478,645	2,256,687	3,275,030	2,675,462
10	1,721,360	1,460,357	2,351,889	2,999,269	2,895,046
Mean	1,185,794	1,517,754	1,886,336	2,789,133	3,419,940
Growth Rate	9.8	-5.0	9.7	7.9	-7.1
Average Growth Rate for SAP era		9.5			
ANOVA F-Test	60.89**				

Source: FAOSTAT (2015). ** Significant at 1%

FAOSTAT (2015) shows that cotton export and value of export increased from 492,706 tonnes and 0.19 billion USD in 1961 to 1,007,162 tonnes and 1.92 billion USD in 2011, respectively, in SSA. The average cotton export and the value of export during the period amounted to 762,323 tonnes and 0.73 billion USD, respectively. Cotton export from SSA accounts for about 12% of global cotton export during the period. OECD (2006) has also confirmed that SSA is the world's third largest exporter with 13% of global cotton export, behind the USA (37%) and Central Asia (17%). Considering the amount of cotton export based on the prevailing policy regime it is revealed that cotton export during the SAP period was significantly lower than cotton export during other regimes under consideration (see table 14). This may be due to lower cotton production during the period as discussed previously. However, the value of cotton export increased consistently during all the policy regimes under consideration. The ANOVA test confirms that differ-

ences in the amount of cotton exports and values vary significantly during the different policy regimes in SSA. The growth rate analysis support the evidence that, though the rate of growth of the quantity of cotton export during the SAP period was the lowest (-9.3%), the value of cotton export grew by 8.7% during the SAP era. Price incentives associated with the SAPs may account for the increase in growth of the value of cotton exports. The decline in cotton production in East Africa and Southern Africa may account for the slow growth of cotton export during the SAP era. We also examined the influence of production on cotton export in Table 15.

Table 14: Trend in Cotton Export (tonne) and Value of Cotton Export (1000 USD) in SSA (1961-2010)

	Post-Independence	SAP Era	SAP Era	Post-SAP	New Era	Post-Independence	SAP Era	SAP Era	Post-SAP	New Era
	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010
Year	Export	Export	Export	Export	Export	Value	Value	Value	Value	Value
1	492,706	716,595	392,695	730,671	1,114,055	186,777	267,149	528,865	903,281	1,028,365
2	469,701	620,434	356,572	790,656	1,200,508	139,608	281,719	425,092	833,300	940,982
3	548,959	585,615	412,175	819,714	1,463,600	179,067	343,378	504,008	762,036	1,506,728
4	432,953	497,255	441,611	824,392	1,548,507	169,936	358,371	588,026	873,266	1,887,924
5	472,736	410,436	444,588	848,792	1,640,448	182,638	271,516	490,833	1,067,428	1,396,767
6	502230	423,024	554,495	975,566	1,377,190	193,011	392,403	472,078	1,186,730	1,330,584
7	506,308	377,498	640,416	1,071,974	1,348,756	195,806	409,474	592,788	1,262,848	1,356,829
8	489,675	365,373	615,417	1,257,413	1,053,125	205,328	370,901	691,196	1,343,249	1,335,579
9	677,671	360,197	782,083	1,164,213	967,269	233,295	467,001	858,527	1,140,707	1,063,369
10	785,469	388,052	735,665	1,275,857	899,979	264,987	519,783	961,865	1,001,794	1,120,932
Mean	537,840	474,448	537,572	975,925	1,261,344	195,045	368,170	611,328	1,037,464	1,296,806
Growth Rate	6.7	-9.3	9.6	9.7	-5.1	8.4	8.7	8.2	6.9	2
Average Growth Rate for SAP era		2.6					8.9			
ANOVA F-Test	37.35**					128.83**				

Source: FAOSTAT (2015). ** Significant at 1%

Since we do not have access to cotton yield data, we tested the relationship between cotton production and cotton export in SSA for the period under consideration. Annex 4 shows that there is a positive and significant correlation between the quantity of cotton produced and cotton exported from SSA in the period from 1961 to 2001. We went further to measure the degree of influence of cotton production on cotton export in SSA from 1961 to 2011, and the result is presented in Table 15. The table 15 reveals that there is a bi-directional causality between cotton production and cotton exports in SSA. This implies that an increase in cotton production can lead to an increase in cotton exports. It also suggests that the promotion of cotton exports will increase cotton production in SSA. This is possible if there is a technology feedback from importing countries back to the cotton-exporting countries. Such a type of technology feedback has been noted in the cotton sector. Agritrade (2013) reveals that Brazil has signed a USD 20 million partnership agreement with the WTO in 2012 to transfer knowledge and expertise in

cotton cultivation and trading to producers in developing countries, by providing technical assistance and "best practice" training. Similarly, India has allocated a budget of USD 5 million for the period 2012–14 to the Cotton Technical Assistance Programme for Africa (CTAPA), based in Ouagadougou. However, major feedbacks come from cotton/textile value chains in the form of production/product standards and technologies based on ecological/sustainability criteria.

Table 15: Granger Causality Test between Cotton Production and Export in SSA (1961-2011)

Null Hypothesis	F-Statistic	Probability
Cotton Production does not Granger Cause Cotton Export	10.56**	0.00
Cotton Export does not Granger Cause Cotton Production	4.94**	0. 01

Source: Computed From FAOSTAT (2015). ** Significant at 1%

4 IFAD and Agricultural Value Chain Development in SSA

The International Fund for Agricultural Development (IFAD) was established as an international financial institution in 1977 to support agricultural development. IFAD's main funding instrument is the provision of loans and grants to governments, which finance agricultural and rural development projects designed to reduce poverty. Most of these initiatives are managed by semi-autonomous Project Coordination Units (PCUs) established by the involved governments. IFAD also provides smaller grants directly to NGOs, research institutions and to some private partners, to increase knowledge-sharing and technical support for smallholder farmers and rural poor people. IFAD is dedicated to helping create the conditions for smallholder farms to thrive as small enterprises and for rural people to improve their livelihoods. By providing funds to local governments, it supports activities aimed at reducing production barriers (such as lack of infrastructure, equipment, community services, and marketing facilities) and building trust.

In the case of cocoa export in SSA, IFAD acts as a broker between local government, the private sector[7], and smallholders to build long-term profita-

[7] The role of the private sector is fundamental and involves ensuring technical assistance and support for cocoa production and processing. It also supports specific research on market needs; helping to access inputs and materials; ensuring quality control and traceability; and providing market access and funds. Thus, private-sector

ble partnerships for the development of the cocoa value chain (IFAD, 2014). During the period 2002-2012, in an effort to increase the number of partnerships involving the private sector to the benefit of smallholder farmers, IFAD financed 16 projects with components of cocoa value-chain development in 12 countries, of which included are Liberia, Madagascar, Sao Tome and Principe, and Sierra Leone. The total investment associated with these projects (which did not exclusively support cocoa value-chain development but included also support to other agricultural crops value chains, as well as to infrastructure development) amounted to USD 579 million, part of which was financed by national governments and other financial partners. IFAD contributed USD 349 million to the overall investment. With IFAD support, small-scale producers were able to overcome the constraints related to a lack of access to inputs, equipment and rural finance. In addition, training measures have strengthened the skills of smallholder farmers to allow them to better engage with other chain stakeholders and to be more market-compliant, as well as to improve their farming practices, such as the pruning of cocoa trees and the controlling of shade, and their post- harvest activities, such as the storing of crops and the accessing of markets. Box 2 elaborates on the example of partnerships between IFAD, the government of Sao Tome and Principe, local cooperatives of cocoa and coffee producers, and the private sector for sustainable cocoa and coffee value-chain development. The partnership has resulted in poverty reduction among the smallholders of the participating country.

In Sierra Leone, from the 2009/10 to the 2011/12 cropping seasons, the IFAD-supported Rehabilitation and Community-based Poverty Reduction Project (RCPRP) has rehabilitated 7,300 hectares of cocoa tree cultivation and has provided 573,200 high-quality cocoa seedlings to smallholder farmers. During the first three years of implementation, the three cooperatives supported by the projects developed two partnerships with two companies for the purchase of their produce. Bio United is currently buying cocoa directly from the producers and sells it in the international market. In 2011/12, 1,900 tonnes of cocoa were sold to Barry Calabout, one of the major buyers worldwide. Through a contract with Tachibana, the company that signed the second partnership agreement with the cocoa cooperatives, farm gate prices for cooperative members increased by 163 per cent due to improved quality and a larger quantity of the cooperatives' produce. In addition, SAMCERT (Strengthening Smallholders' Access to Markets for Certified Sustainable Products), a partnership between IFAD, the Sustainable Commodity Initiative (SCI), and the Institute for Ethical and Environmental Certification (ICEA),

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investment can contribute to pro-poor development by reducing poverty and strengthening food and nutrition security (IFAD, 2014).

is assisting Bio United and the farmers' cooperatives in obtaining Sustainable Organic and Fairtrade certification for their cocoa.

IFAD also has financed 18 projects with components on coffee value-chain development in 15 countries, which included Ethiopia, Liberia, Rwanda, Sao Tome and Principe, and Sierra Leone. The total investment associated with these projects (which did not exclusively support coffee value-chain development but included also support to other value chains, as well as to infrastructure development) amounted to USD 650 million, part of which was financed by the national governments and other financial partners. IFAD had contributed USD 390 million to the overall investment. IFAD's support for the coffee value-chain development has enabled smallholders to overcome issues and constraints such as water scarcity, drought, and limited access to information related to pests and diseases, and has promoted practical solutions to overcoming these problems. The negative impact of the volatility of the price of coffee has been softened in recent years through contract management. In Rwanda, where coffee and tea are the leading exports, IFAD was investing around USD 17 million through its Project for Rural Income through Exports (PRICE). Growers can secure better returns through higher marketed volumes and higher prices as a result of increased production and improved quality of fully washed coffee. In this project, which started in 2012, newly formed coffee cooperatives have established 50 coffee-washing stations, using both loans which were provided by participating financial institutions and a performance-based grant which was provided by the project. The marketing of fully washed coffee, produced by IFAD-supported cooperatives, is entrusted to MISOZI, which is a cooperatives-owned export and marketing company, composed of eight member cooperatives representing around 10,359 smallholders. MISOZI had signed a contract with Café Direct[8] for the export of coffee produced by its members in 2006.

In Sao Tome and Principe, the local government, the private French company Malongo (which imports organic coffee) and IFAD have signed a partnership agreement in March 2010. Since then, Malongo has been providing the coffee producers' cooperative CECAFEB (Cooperativa de exportação de Café biológico) with support and technical assistance with regard of matters such as coffee bean dimension, plantation management, pest control (in particular, coffee berry borer or *broca del cafeto*), and harvest and post-harvest activities. CECAFEB represents six associations, with membership of 230 smallholders, and controls 260 hectares under coffee cultivation. In 2012, 6.6 tonnes of Arabica coffee were produced and sold directly to

[8] See on the activities of Cafe Café Direct the website: http://www.cafedirect.co.uk/

Malongo. IFAD is supporting coffee value chain development in Sao Tome and Principe with an investment of USD 2.5 million (IFAD, 2014).

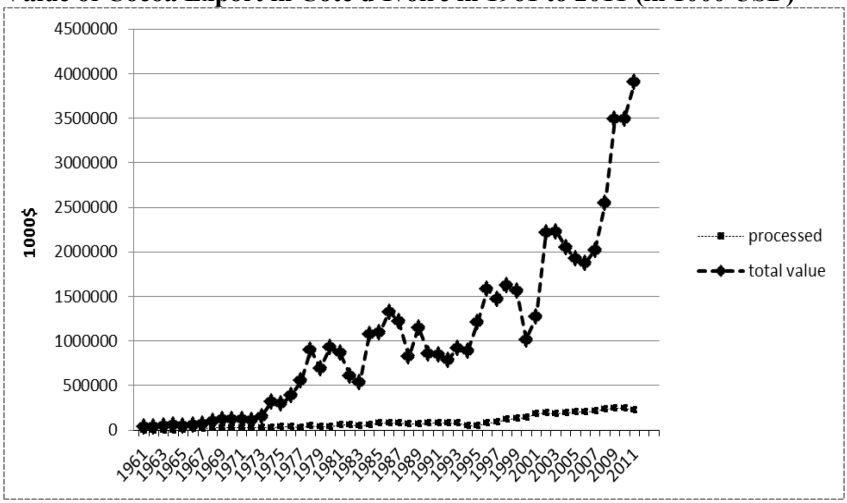
The important role of value chain development, as being played by IFAD, is timely and relevant in SSA because the majority of the agricultural products being exported from SSA are not processed. In the case of cocoa, in the period between 1961 to 2011 only about 14%, 9% and 6% of the total cocoa exports from Côte d'Ivoire, Ghana and Nigeria, respectively, are processed as presented in Table 16. The proportion of cocoa export in processed form averaged about 10%, which is far lower than the average of 29% for the world. The importance of processing for export is also portrayed in the table as it reveals that the price of unprocessed cocoa export is far lower than that of processed cocoa. The average price of unprocessed cocoa in the World is USD 1459/tonne compared with the average price of processed cocoa of USD 2253/tonne (as presented in table 16). Processing of cocoa will definitely increase the value of exports of cocoa products and the income earned from cocoa in SSA (see also figure 1 on the trends in the case of Côte d'Ivoire). Employment and skills will increase through processing activities, and the integration into the cocoa value chain will become deepened.

Table 16: Average Raw and Processed Cocoa Exported In Major Cocoa Export Countries in SSA (1961-2011)

Countries	Quantity of Cocoa Export (Tonnes)	Quantity of Processed Cocoa Exported (Tonnes)	% of Processed Cocoa Export	Price of Unprocessed Cocoa (USD/tonne)	Price of Processed Cocoa (USD/tonne)
Côte d'Ivoire	739,847.1	214,335.10	14.00	1,449.62	2,119.13
Ghana	360,439.1	32,528.10	9.10	1,533.55	1,733.41
Nigeria	197,470.0	12,395.30	6.44	1,439.65	2,202.25
Togo	20,005	8.90	0.03	1,353.91	-
Sao Tome & Principe	5,604.6	0.04	0.00	1,389.89	-
West Africa	1,205,955	131,054.5	10.27	1,465.25	1,939.40
Africa	1,351,557.0	147,801	10.45	2,901.05	3,920.08
World	2,587,149.0	841,709.6	29.28	1,459.09	2,253.10

Source: Computed From FAOSTAT (2015).

Fig. 1: Trends in Amount of Cocoa Processed, Total Cocoa Export, and Value of Cocoa Export in Côte d'Ivoire in 1961 to 2011 (in 1000 USD)



Source: Computed from FAOSTAT (2015)

Figure 1 indicates a positive trend in the amount of cocoa processed and the value of cocoa export in Côte d'Ivoire. Annex 5 confirms that a positive and significant relationship exists between the amount of cocoa processed and the amount of cocoa exported and the value of cocoa exports in Côte d'Ivoire. As this may not be sufficient to justify causality between the amount of cocoa processed and the amount of cocoa exported and the value of cocoa exports in Côte d'Ivoire, we tested for causality between them in Table 17. The table 17 reports only significant causality results and it shows that there is a bi-directional causality between the amount of cocoa processed for exports and the quantity and value of cocoa exports. This implies that Cote d´Ivoire may gain more by processing more of its cocoa for export, and that the money which is realised from cocoa processing can be used to increase cocoa production which can subsequently boost the export of more cocoa. This may be the case by technology transfers that are possible through exports (as processed cocoa demands higher standards and better technologies at the end markets). The country can so gain technologically by exporting more of its domestically produced commodities. Chocolate-consuming countries have been boosting cocoa production in SSA to ensure safe and regular supply of cocoa for their industries.

Table 17: Granger Causality between Cocoa Processed, Cocoa Export, and Value of Cocoa Export in Côte d'Ivoire (1961-2011)

Null Hypothesis	F-Statistic	Probability
Total Cocoa Export does not Granger Cause the Amount of Cocoa Processed for Export	3.52**	0.04
Amount of Cocoa Processed for Export does not Granger Cause the Value of Total Cocoa Export	3.38**	0.04
Total Cocoa Export does not Granger Cause the Value of Total Cocoa Export	12.12**	0.01

Source: Computed From FAOSTAT (2015).

The proportion of processed coffee exported from coffee-exporting countries in SSA is equally low. Table 18 shows the percentage of coffee processed for export from Burundi, Ethiopia, Rwanda, Uganda, and for the whole of East Africa region the percentage is less than 1% of total coffee exported from these countries. The average for the whole of Africa is about 1%, which is far lower than the global average of about 10% shown in table 18. The global coffee export stood at 4,794,791 metric tonnes between 1961 and 2011, and 460,438.60 metric tonnes out it were exported as processed, which translates to about 10% of the total global coffee export. This also supports the fact that the value addition efforts of IFAD in regard of coffee are working in the right direction.

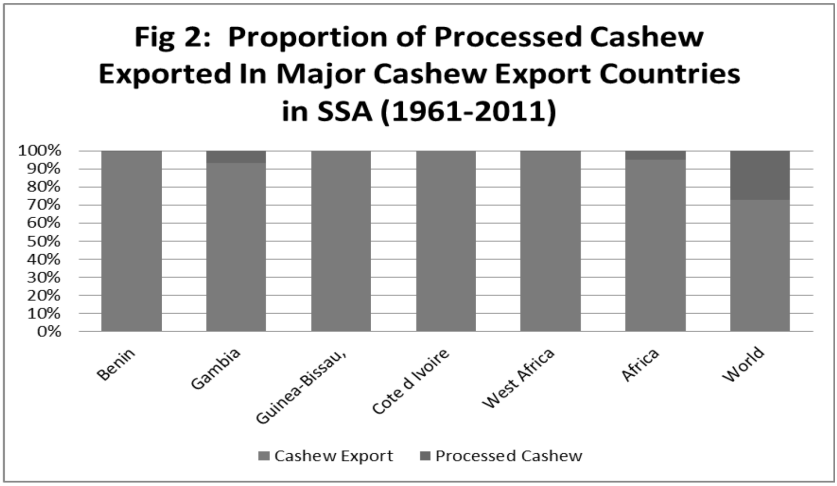
Table 18: Average Raw and Processed Coffee Exported In Major Coffee Export Countries in SSA (1961-2011)

Countries	Quantity of Coffee Export (tonnes)	Quantity of Processed Coffee Exported (tonnes)	% of Processed Coffee Export
Burundi	23,256.86	41.10	0.22
Ethiopia	132,030.80	18.47	0.02
Rwanda	20,528.24	62.04	0.35
Uganda	161,087.9	1,229.92	0.66
East Africa	461,947	998.67	0.21
Africa	885,674.0	11,184.31	1.39
World	4,794,791	460,438.60	9.60

Source: Computed From FAOSTAT (2015)

The need for IFAD to extend their value addition efforts to other export crops is evident in the case of cashew exports in SSA in Figure 2. The figure reveals that the proportion of cashew which is processed for export in Benin,

Côte d'Ivoire and Guinea-Bissau is very low[9]. However, about 7% of cashew exported in The Gambia is processed. The average share of processed cashew export is about 1% and 10% in West Africa and Africa, respectively, a share which is far below the global average of 41%. The fact that the farmers will not enjoy a competitive price if their products are not processed for export is also real in the case of cashew. For example, the average prices of processed cashew in West Africa, Africa and the World are USD 2841, USD 2384 and USD 3429/tonne, respectively, while the average prices of unprocessed cashew in West Africa, Africa and the World are USD 475, USD 499 and USD 588 USD/tonne, respectively. Globally, the price of unprocessed cashew is just about 17% of the price of processed cashew in the international market (FAOSTAT, 2015). The World Bank Cashew Project in SSA can be extended to value chain development instead of only policy development in cashew production (Aksoy and Yagci, 2012). Mitchell (2004) has also alluded to the fact that the quality of cashew being exported from Tanzania should be improved through processing so that the country can enjoy a price advantage in the international market.



Source: Computed From FAOSTAT (2015).

FAOSTAT (2015) also shows that none of the cotton exported from West Africa and Africa is processed. This will not only affect the quantity of cotton

[9] The story of SSA's cashew industries is on balance a disappointing one. SSA is the only major producing region in the world without a significant processing industry (Poulton, 2006).

exports but also the value of exports. This is a pointer that the value chain efforts of IFAD and other international organisations should be extended to the cotton subsector, whose production and export were declining in the recent time.

5 The World Trade Organization (WTO) and Agricultural Export Promotion (AEP) in SSA

The World Trade Organization (WTO), established in 1995, is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers to conduct their business rule-based (WTO, 2015). Located in Geneva, Switzerland, it has 160 member countries as at June, 2014. WTO is a preeminent global forum for trade, including negotiating and implementing trade rules, settling disputes, and supporting development through the integration of developing countries into the global trading system (WTO, 2013).

SSA's agricultural sector has faced challenges in international trade, particularly as a result of new imperatives in the new World Trade Order arising mainly from new multilateral trading arrangements. The new international trading arrangements affecting agriculture are mainly from the World Trade Organization (WTO) Agreement on Agriculture (AoA) and the new African, Caribbean and Pacific (ACP) – European Union (EU) Economic Partnership Agreements (EPAs) negotiations. WTO's AoA focuses on liberalization of international agricultural trade and its rules are built on three pillars, namely: market access, domestic support, and export competition. The ACP-EU EPA negotiations focus on regional integration of ACP countries under the EPAs for trade with EU countries under a liberalized trade regime but on a reciprocal and asymmetrical basis. These new World Order trading arrangements pose challenges for agricultural development in SSA which raise the key question as to what policy actions should SSA do to benefit from international agricultural trade liberalization processes (Nyangito, 2004a).

The new international trade agreements have led to substantial trade liberalization (reduction in tariffs and trade-distorting non-tariff barriers) in recent years. The main argument advanced to support trade liberalization is that free trade is beneficial because it leads to increased trade exploiting comparative advantages and therefore improved welfare of all those involved. Indeed, at the conclusion of the Uruguay Round in 1994, the United Nations Development Programme (UNDP) estimated that world income

would grow by USD 200-500 billion within six years (Nyangito, 2004b). However, most of the African countries have undertaken an autonomous liberalization of its agriculture markets. Hence, tariffs remain the only viable trade policy instrument to protect domestic production, while severe fiscal constraints limit the possibility for utilising export subsidies and domestic support in any comparable manner to developed economies (EU, USA, Japan). African countries' commitment to further domestic tariff reductions in agriculture will therefore be linked to a substantial and progressive reduction of domestic support and export subsidies in developed countries. Of critical importance to the SSA countries are provisions which identify non-trade concerns: special and differential (S&D) treatment; least developed countries (LDCs)' and net food-importing developing countries (NFIDCs)' trade concerns; and the establishment of a fair and market-oriented global agricultural trading system, all of which must be the guiding principles of the global reform process.

The significance of agriculture to SSA was highlighted by the African Group Joint Proposal on the World Trade Organization (WTO) negotiations on agriculture (WTO, 2001). The proposal noted that, while agriculture remained the single most important sector of African economies, the sector remains seriously underdeveloped which 'reinforces and perpetuates the low growth syndrome and pervasive poverty including high levels of food deprivation that characterize many African countries' (WTO, 2001, pg. 1, para 2). The proposal deals with issues of market access, export competition, and domestic support (Hodge and Charman, 2006).

On the issue of subsidy, the initial agreement provided enormous scope for SSA to provide domestic support for their agricultural sectors, despite registering low levels of actual aggregate measures of support (AMS). Not only was the *de minimis* level set at a high 10 per cent level of the value of production, but Article 6.2 provided special and differential (S&D) provisions for investment and input subsidies for resource–poor farmers. So SSA could also take advantage of the "Green Box" provisions for non-trade-distorting agricultural support. Of particular importance were credit and input subsidization (e.g., general fertilizer price subsidies and low interest loans), and price support (Hodge and Charman, 2006). Imports subsidized either through export subsidies or export credits however undermine the viability of SSA's agriculture and delay the prospect of making a break from the stranglehold of poverty and underdevelopment. In the light of the foregoing, the African Group proposes that export subsidies provided by developed countries should be substantially and progressively reduced, with a view to their eventual elimination. The SSA countries argue that their domestic producers are handicapped if they have to face imports whose prices are depressed

because of export subsidies, or if they face greater competition in their export markets for the same reason.

On export subsidies provided by developed countries, 25 WTO members can subsidize exports, but only for products on which they have commitments to reduce the subsidies. Those without such commitments cannot subsidize agricultural exports at all. Some among the 25 have decided to greatly reduce their subsidies or to drop them completely (WTO, 2015). In terms of tariffs to improve market access, SSA countries were allowed a once-off opportunity to bind all tariffs at a high ceiling rate that far exceeded their applied tariffs. Zimbabwe bound at 150 per cent, Malawi and Zambia at 125 per cent, Mauritius at 122 per cent, Mozambique at 100 per cent, and Angola and the DR of Congo at 55 per cent. It also provides them with the scope to increase actual tariffs in response to a perceived threat to their agricultural sector without breaking their WTO commitment (Hodge and Charman, 2006).

SSA's agricultural exports will also benefit from WTO efforts as some of SSA countries are members of the G33[10], and there have been at an increased level duty-free and quota-free (DFQF) market-access opportunities granted to them from both developed and developing countries, particularly India and China (WTO, 2010). Another initiative in which WTO is assisting agricultural exports in SSA is anchored in the Bali Declaration. The Trade Facilitation Agreement, which is part of the WTO rules-book, may reduce trade costs by up to 15% in developing countries. This is particularly important for SSA where the cost of customs procedures tend to be much higher than elsewhere, more than 30% higher than the global average (WTO, 2014). Moreover, this Agreement is also imperative for SSA because it supports efforts at regional integration in a very practical way. For the first time in the WTO's history, this Agreement states that assistance and support should be provided to help developing countries achieve the capacity to implement it (WTO, 2014). So, for those countries with less-developed customs infrastructure, the Agreement will mean a boost in the technical assistance that is available to them.

In order for Africa's cotton to realize its full potential, it is necessary to attend to all of the complimentary facets along the entire value chain. International Trade Centre's programme is designed to address those multiple facets

[10] The G33 is a group of developing countries that coordinate on trade and economic issues. It was created in order to help a group of countries that were all facing similar problems. The G33 has proposed special rules for developing countries at WTO negotiations, like allowing them to continue to restrict access to their agricultural markets. Despite the name, there are currently 46 member nations in this Group. The SSA countries among the G33 countries are Benin, Botswana, Côte d'Ivoire, Madagascar, Mozambique, Nigeria, Senegal, Tanzania, Uganda, Zambia, and Zimbabwe.

to bring forward a regional approach, along with capacity building measures. The African Cotton Development Initiative (ACDI), which aims at making Africa a stronger competitor in the international cotton trade, is one of the International Trade Centre (ITC) initiatives in Africa for cotton development. The initiative illustrates the ITC's approach for boosting competitiveness and establishing stronger links with cotton importers. The strategy includes activities aimed at capacity building in trade and marketing, and capacity building of farmers' and ginners' associations. The producers have also benefitted from sharing of expertise with cotton experts from China, India and Turkey. In addition, direct sales of African cotton to Asia have increased, with orders of up to US$10 million recorded (ITC, 2011). The outcome of these initiatives is so far of limited value, but the start was positive.

An expanded African regional market, with free movement of goods and services, gives African producers access to a large consumer base and presents new opportunities to build networks and to specialize along regional supply chains. Regional exporters acquire the skills necessary to meet quality standards and to manage supply chain operations, allowing them to achieve higher levels of competitiveness and to prepare for integration into the global economy. Evidence shows that strong regional business linkages are one of the most effective ways for firms to integrate, to grow and to secure footholds in emerging markets, and also to attract foreign direct investment (WTO, 2011). African regional integration offers significant potential for the continent’s economic diversification and its socio-economic growth. Africa's regional economic communities (RECs) have gone a long way in their regional integration agendas, by establishing free trade areas and harmonizing external tariffs. These policy and regulatory successes, however, do not yet translate fully into enhanced trade within and between regions (WTO, 2011). To mobilize the private sector to make use of this expanded market place, it is necessary to build up export competencies at enterprise level, encourage cross-border value chains, and bring down REC-internal barriers. Regional economic communities (RECs) can play a lead role in facilitating effective partnerships with trade support institutions at regional and national levels, to make practical export development services available to enterprises, as well as to engage the private sector in policy dialogue to achieve consensus on priorities. The Programme for Building African Capacity for Trade (PACT), developed by the International Trade Centre (ITC) as part of its corporate strategy for regional trade development, constitutes an innovative response to these challenges. It builds on a strategic partnership between ITC and selected regional economic communities (RECs), as the main counterpart organizations. The PACT was jointly implemented by the ITC and the Trade Facilitation Office Canada (TOFC). The programme aimed at expanding and diversifying exports in seven Sub-Saharan countries: Ethiopia, Ghana, Mali,

Mozambique, Senegal, South Africa, and Tanzania. By offering training, business mentoring, and access to exposure missions to small and medium-sized enterprises (SMEs), the programme was able to address countries' trade development priorities, enhance the export capacity of many SMEs, and strengthen the institutional infrastructure that supports export-led development (WTO, 2011). The results achieved benefitted directly African businesses. For example, 600 small farmers in Ghana exported 210 tonnes of fresh fruit and vegetables a week to customers in Europe; two South African cosmetics companies (Ikhala and Molo) exported their products to Canada; the Design Africa brand was successfully introduced in the area of home furnishing products, and Design Africa events facilitated significant export commitments to the European Union, United States, and Canadian markets (ITC, 2014).

A key opportunity in increasing coffee export lies in improving quality. Quality is the determining factor in the price of coffee beans. This was the impetus behind the Ethiopian Coffee Quality Improvement Project (ECQIP) which involved setting up seven quality-checking laboratories in rural areas to address the needs of smallholder farmers in Ethiopia (ITC, 2011a). The Ethiopian Coffee Quality Improvement Project (ECQIP) is a seven-year project that was implemented by the Ministry of Agriculture and Rural Development (MoAaRD) of Ethiopia with the assistance of the ITC. The Ethiopian Coffee Quality Improvement Project (ECQIP) was set up to improve the provision of quality control services and of training to farmers and traders. Strong political support at national level, the involvement of international buyers, and the complementary activities of donors were identified as crucial factors in the successful implementation of the project (ITC, 2011a).

With the objective of doubling the production in two sectors by 2015, Cameroon joined the Joint Integrated Technical Assistance Programme (JITAP). The Joint Integrated Technical Assistance Project (JITAP) has the objective of assisting African countries to benefit from the new multilateral trading system (MTS) based on the Uruguay Round and its subsequent World Trade Organization (WTO) Agreements. Under the programme, five groups have been identified to work for national positions in relation to the WTO Agreements. ITC provided assistance on the development of training activities for the main stakeholders and the drafting of two strategies that were subsequently incorporated in the Programme National de Développement des Racines et des Tubercules (PNDRT) and the Programme de Reconversion de la filière Banane Plantain (PREBAP).

In Cape Verde, the WTO accession process was a driving force for reform. The government committed to binding tariffs to an average of 19 percent. Because tariffs are primarily for the purpose to raise fiscal revenue, the country embarked on a programme to reform revenue collection. But the

reform programme went much beyond tariffs – and donor support in trade-related areas went much beyond the technical assistance of the WTO (OECD/WTO, 2011). The programme included improvements in fisheries management, infrastructure, telecommunications, airports and ports, as well as with regard of energy and some business regulation issues. Though much remains to yet to be done – particularly in business regulation, the results of policy reforms so far have contributed to an increase in foreign direct investment and, most importantly, to increases in income that have outpaced the rest of Africa in recent years (OECD/WTO, 2011).

6 Aid for Trade (AFT) and Agricultural Exports in SSA

The origins of the Aid for Trade (AFT) agenda lie in WTO negotiations and can be traced back to developing country concerns over the limited benefits reaped from increased market access to date and those likely to accrue to them from the Doha Development Round (DDR) unless their supply-side capacity constraints were addressed. Also, the purpose of the AFT agenda was also to compensate developing countries for adjustment costs associated with multilateral trade liberalisation, notably preference erosion and reduced trade-related fiscal revenues (IMF and World Bank, 2005). The Aid for Trade (AFT) initiative was launched at the Hong Kong Ministerial Conference in December 2005. In February 2006, the WTO established a Task Force with the aim of "operationalizing" AFT. The Task Force recommended in July 2006 that Aid for Trade (AFT) should focus on identifying the needs within recipient countries, responding to donors and acting as a bridge between donors and developing countries. It also recommended the establishment of a monitoring body in the WTO, which would undertake a periodic global review based on reports from a variety of stakeholders. The WTO works in cooperation with, and encourages coordination among, a number of key players in the AFT initiative to take forward the Task Force recommendations. Key players in the AFT arrangement include the: African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), Inter-American Development Bank (IADB), Islamic Development Bank (IDB), International Trade Centre (ITC), Organization for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Economic Commission for Africa (UNECA), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), United Nations Industrial Development Organization (UNIDO), World Bank,

World Customs Organization (WCO), the Enhanced Integrated Framework (EIF[11]), and the Standards and Trade Development Facility (STDF[12]).

As generally agreed, AFT[13] is needed because many of the poorest countries have struggled to benefit from market access opportunities due to their inability to produce or to export efficiently. While trading with other countries is fundamental to achieve high economic growth rates and poverty reduction targets, most of the African low- and middle-income developing countries and the totality of African LDCs have neither the diversity of exportable products nor the production capacity to take immediate advantage from improved market access opportunities. Thus, while it is argued that trade barriers are of concern to trade, poor supply-side conditions have often been a more important constraint on the export performance in various regions of Africa. Many African countries desperately need resources to upgrade ports, telecommunications, customs facilities, and trading institutions. If they cannot send goods in a competitive way to the world market, then the countries stand to gain little from any improved market access (UNECA, 2011). For instance, some studies have shown that improvements in transportation costs and infrastructure can lead to higher export performance (UNECA and AUC, 2011; OECD/WTO, 2011). They estimate that, with sound infrastructure, transport costs could be reduced by 40 per cent for coastal countries and by 60 per cent for land-locked countries. They also estimated the extent to which transport costs reduce trade volumes. An increase of 10% in transport costs has been estimated to result in a 20% reduction of trade volumes (Djankov et al., 2010). Djankov et al. (2010) have shown that anti-competitive practices in port services and in other transport services increase

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[11] This is a framework to support the trade of the LDCs; see the website: http://www.enhancedif.org/ .

[12] This is an initiative to prioritize on SPS investment for capacity-building based on MCDA (Multi-Criteria Decision Analysis); see the website: http://www.standardsfacility.org/ .

[13] AFT are meant for (i) *technical assistance for trade policy and regulations*: these aids will help countries to develop trade strategies, negotiate trade agreements, and implement their outcomes; (ii) *trade-related infrastructure*: these are the aids that are used for building roads, ports, and telecommunications networks to connect domestic markets to the global economy; (iii) *productive capacity building (including trade development)*: these aids are useful in supporting the private sector to exploit their comparative advantages and to diversify their exports; (iv) *trade-related adjustment measures*: helping developing countries with the costs associated with trade liberalization, such as tariff reductions, preference erosion, or declining terms of trade; and, (v) *other trade-related needs*: support if these are identified as trade-related development priorities in partner countries' national development strategies (OECD, 2015).

the unit shipping cost, and so are hampering the exports of countries. Some of these anti-competitive practices lead to severe time delays in exporting. OECD/WTO (2011) and Djankov et al. (2010) have further estimated the number of days it takes for the typical 20-foot container to reach the most accessible port. In Bangui, Central African Republic, it takes 116 days for such a container to be moved from a factory in the city to the nearest port in the Gulf of Guinea. It takes 71 days to move such container from Ouagadougou, Burkina Faso, to the nearest port. On the contrary, it takes five days from Copenhagen, 6 days from Berlin, and 20 days from Shanghai, Kuala Lumpur and Santiago de Chile to get the container to the next port (Djankov et al., 2010). OECD/WTO (2011) indicates that a delay of one day reduces trade by more than one per cent. In terms of trading impact, this has been equated to further distancing these countries by an additional 85 km. This is especially true for the land-locked countries. Land-locked countries have been found to trade less vis-à-vis coastal countries. They also have a lower growth rate on average compared to maritime countries (Limao and Venables, 2001). By some estimates, being land-locked reduces average growth by 1.5 per cent (WTO, 2010; Karingi and Leyaro, 2010; UNECA and AUC, 2011).

In evaluating the impact of AFT on SSA's agricultural exports, we need to know if there has been a significant increase in Official Development Assistance (ODA) to SSA that is related to Aid for Trade since the launch of the AFT initiative in 2005. From Table 19, it is evident that AFT funds allocated to SSA have increased from about 280 million USD in 2005 to about 498 million USD in 2006, and it has taken an upward trend since then. AFT has also been growing consistently with ODA flows to SSA. The ODA and AFT growth rates between 1995 and 2012 were 94% and 90% respectively, which translates into 5.2% and 5.0% annual growth rates for ODA and AFT respectively. OECDSTAT (2015) indicates that technical assistance for trade policy and regulations account for 25% and 4% of AFT in SSA and the whole of Africa. This may be due to the fact that SSA has a lot more to do in terms of trade policy and administrative management; trade facilitation; handling regional trade agreements; conducting beneficial multilateral trade negotiations; and supporting trade education/training compared to the rest of Africa.

Figure 3 elucidates more on the trend of AFT flows to SSA; the figures reveal that the AFT averaged 230.29 million USD and 517.38 million USD for the period 1998 to 2004 (before the launch of the AFT initiative) and 2006 to 2012 (after the launch of the AFT initiative), respectively. This suggests that there was an increase in the flow of AFT to SSA after the official launch of AFT. We went ahead to test for significant differences in AFT before and after the launch. The T-ratio calculated gave the value of 5.60 which is significant at 1% level of significance. This position has also been

reinforced by studies (see UNECA, 2011). Table 19 also reveals that AFT growth in SSA is lower than the average growth for the whole of Africa.

Table 19: ODA and AFT Flows to SSA in the period 1995 to 2012 in Constant Prices (2012 USD Millions)

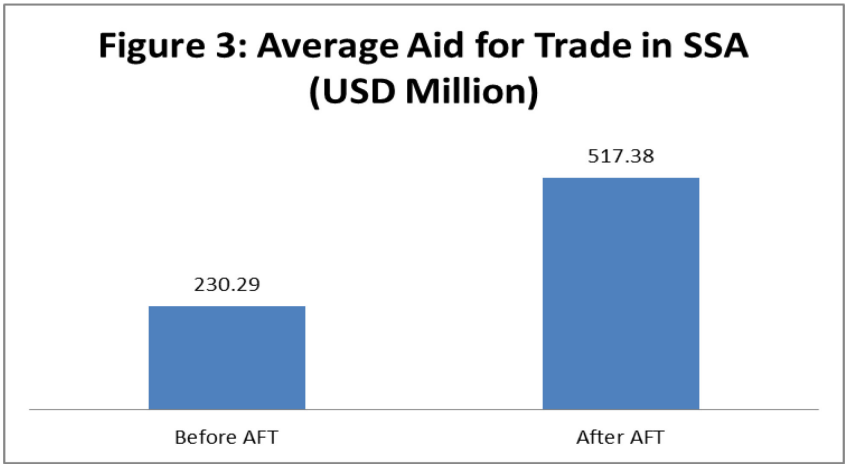
Period	SSA			Africa		
	Total ODA	AFT	Share of AFT in ODA (%)	Total ODA	AFT	Share of AFT in ODA (%)
1995	439.653	84.967	19	20,266	3,217.72	16
1996	725.347	56.513	08	20,435.7	3,796.09	19
1997	859.926	142.036	17	20,591.1	3,646.85	18
1998	775.595	162.950	21	26,843.9	5,100.51	19
1999	745.974	183.653	25	24,480	4,615.30	19
2000	954.007	205.417	22	31,817.7	4,278.60	13
2001	823.987	243.706	30	28,602.8	4,605.96	16
2002	1,254.97	142.371	11	34,824.4	4,952.32	14
2003	1,904.45	339.905	18	40,034.4	5,036.78	13
2004	1,689.55	334.010	20	41,125.1	4,715.91	11
2005	1,657.59	280.870	17	48,272.2	5,776.25	12
2006	2,340.45	497.075	21	59,533.7	5,458.36	09
2007	1,924.09	459.020	24	49,571.2	8,064.53	16
2008	1,827.75	430.424	24	56,576.7	10,710.49	19
2009	2,854.24	717.632	25	63,300.1	11,832.61	19
2010	2,314.42	324.824	14	57,548.9	12,852.35	22
2011	2,408.69	430.472	18	54,607.6	8,547.55	16
2012	2,976.86	762.218	26	64,880.1	15,384.48	24
Average	1,582.09	326.62	20	41,295.08	6,810.70	16
Growth Rate (%)	94	90	-	96	91	-

Source: Computed From OECDStat (2015)

Some other studies have indicated that the effect of AFT has been positive in SSA. According to OECD/WTO (2011), Aid for Trade (AFT) has contributed to enhance the capacity of negotiators to participate effectively in international trade negotiations, to understand the full legal implications of accords, and to implement them once agreed. Likewise, several donors, including UNDP and WTO**,** have supported Madagascar's trade capacity strengthening programme, beginning in 2003 (OECD/WTO, 2011). Similarly, WTO (2011) reports on the effects of AFT flows to Africa on the region's most binding trade constraints. WTO (2011) was able to demonstrate empirically that increases in AFT have in fact helped to address Africa's most binding trade constraints. It found that a 1 per cent increase in AFT would improve Africa's diversification index (an index which ranges between 1 and 0) by 0.04 per cent, a result that was attributed to investments in economic infra-

structure and productive capacity building. Additionally, WTO (2011) flows were found to have a positive impact on the region's competitiveness. The econometric evidence suggests that a one per cent increase in Aid for Trade (AFT) reduces the cost of exporting a 20-foot container by 0.11 per cent. Helble et al. (2009) also undertook an analysis, using gravity estimates from cross-country regressions and were focussing on the association with aid for trade (AFT). They examine the effects of trade development assistance (productive capacity building), trade policy assistance, and infrastructure assistance on bilateral trade flows. They conclude that aid for trade (AFT), which is targeted at trade policy and regulatory reform projects, produces a high rate of return.

Figure 3 reveals that there was a rapid increase of AFT funds to SSA after the official launch of the programme, but the figures do not show how AFT funds are distributed between the various purposes for which these funds are spent.



Source: Computed from OECDStat (2015)

The next question we addressed is the level of influence of AFT on agricultural exports in SSA. We went ahead to relate the AFT with agricultural exports of cocoa, coffee, cashew and cotton which are major export crops with a relative comparative advantage in SSA. The correlation matrix in Annex 6 suggests that exports of cocoa, coffee, cashew and cotton increased with the increase in AFT. Since positive correlation coefficients may not be sufficient to conclude on causality between the increase in AFT and the increase in exports of cocoa, coffee, cashew and cotton in SSA, we went ahead to estimate Granger Causality between exports of cocoa, coffee, cashew, cotton and

the flow of AFT funds, and the results that are significant are presented in Table 20. The table shows that AFT has significant influence on the export of cashew and cocoa, while total ODA has significantly influenced the exports of cashew, cocoa and coffee between 1995 and 2012 in SSA. Both AFT and ODA have no significant influence on the export of cotton. The implication of this finding is that an increase in AFT funds will promote exports of cashew and cocoa in SSA, but that total ODA has more influence on agricultural exports than AFT. This suggests that as much as it is necessary to increase AFT, the ODA that is related to other sectors, such as health, education and other economic infrastructure, is also of high importance to promote trade propensity in the agricultural sector. The fact that AFT has influence on some of the export crops also suggests that domestic and international assistance, which is related to trade policy/regulation and trade-related infrastructure, can be significant in promoting agricultural exports in SSA. The finding can also imply that more needs to be done in boosting cotton exports than increasing foreign aid and AFT. We have mentioned the need for value addition through value chain development by processing cotton to textiles to increase the competitiveness of cotton exports from SSA. We have also implicated the sharp fall in cotton production in East Africa and Southern Africa as one of the factors that affect cotton exports from SSA. It is so that value chain development may be helpful in these regions too.

ODI (2009) has shown that AFT can help to build the export potential of developing countries so that they are able to reap the benefits of global trade and so that it can help poor and excluded people to engage in domestic and international markets in a way that benefits them. It can do this by supporting improved market access, enterprise development, and employment creation. Through this range of entry points, AFT has the potential to contribute simultaneously to trade expansion and poverty reduction efforts through job creation and income generation.

It has been pointed out that two-thirds of cotton farmers are considered poor or near-poor and that poverty levels among the cotton farmers in Africa are higher than national averages (Tsimpo and Wodon, 2007). Moreover, incomes in the cotton sector are highly dependent on access to the international cotton market. This indicates that AFT support to African cotton farmers has the potential to impact significantly on poverty reduction. The cotton sector represents an important entry point for pro-poor AFT. The Cotton Made in Africa (CMiA) project is contributing towards ensuring a reliable income for the farmers, thus improving their living conditions and those of their families. The Cotton Made in Africa (CMiA) project is maintained by

the Aid by Trade Foundation (AbTF)[14]. The impact of this project on cotton yields and farmers is positive: for example, CMiA's programme in Zambia has supported several activities, including capacity building among farmers, and it saw an 85% increase in return on family labour in 2006/07 (ODI, 2009).

Table 20: Granger Causality between Total ODA, AFT and Export of Cocoa, Coffee, Cashew and Cotton (tonnes) in SSA

Null Hypothesis	F-Statistic	Probability
Aid for Trade does not Granger Cause Cashew Export	4.35*	0.05
Cashew Export does not Granger Cause Aid for Trade	5.12**	0.04
Aid for Trade does not Granger Cause Cocoa Export	4.39*	0.05
Cocoa Export does not Granger Cause Aid for Trade	3.05	0.10
Total ODA does not Granger Cause Cashew Export	3.19	0.09
Cashew Export does not Granger Cause ODA	0.99	0.33
ODA does not Granger Cause Cocoa Export	5.11*	0.04
Cocoa Export does not Granger Cause ODA	0.38	0.85
ODA does not Granger Cause Coffee Export	4.62*	0.05
Coffee Export does not Granger Cause ODA	6.98**	0.02

Source: Computed from OECDStat (2015) ** Significant at 1% * Significant at 5%

The project is clearly anchored in the frame of the trade development and building productive capacity AFT categories. The CMiA project promotes African cotton and has active programmes in Benin, Burkina Faso, Mozambique, and in Zambia. It is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and by the Aid by Trade Foundation (AbTF). Expanding retailer demand for CMiA cotton is necessary to

[14] See on the CMiA foundation, which is supported by the Aid by Trade Foundation for Sustainable Agriculture and Forestry (AbTF), the website: http://www.cottonmadeinafrica.org/de/ueber-uns/die-stiftung

secure a market for the African producers. The Aid by Trade Foundation (AbTF) links retailer demand for CMiA cotton to purchases from participating farmers. It has designed a 'track and trace system', enabling it to monitor the volumes of CMiA cotton passing through the supply chain and to verify the amount of CMiA cotton purchased by each company at each step (ODI, 2009). It also helps retailers joining the initiative to integrate CMiA cotton into their supply chain with minimal or no disruption to their existing logistical arrangements. It does this by working directly with commercial cotton ginneries. CMiA's projects in Burkina Faso, Benin, and Zambia involve approximately 100,000 farmers. In the 2007/08 growing season, these farmers produced around 32,000 tonnes of CMiA cotton lint. Meanwhile, approximately 2.5 million garments were sold with the CMiA label, requiring over 3,000 tons of CMiA cotton lint. This compares with a fair trade market of about 20 million garments sold in 2008 (ODI, 2009). In 2009, the Aid by Trade Foundation (AbTF) projects sales of approximately 6.5 million CMiA garments translate into sales of almost 10,000 tons of CMiA cotton lint. This compares with a global cotton production of approximately 24 million tonnes and 1.5 million tonnes in Africa. In other words, if the target of approximately 10,000 tonnes is reached, this will amount to approximately 0.04% of global cotton production and 0.6% of African cotton production (ODI, 2009). CMiA's programme in Zambia, which represents the bulk of CMiA cotton to date, has led to improved income for cotton growing households, while simultaneously contributing towards environmental sustainability. Gains have largely been made through productivity gains. ODI (2009) shows that in the 2005/06 and 2006/07 growing seasons, participating farmers in CMiA had significantly higher yields than non-participating farmers.

Another important AFT project in SSA is the Market-oriented Promotion of Certified Sustainable Cocoa Production in Côte d'Ivoire (PPDC) which was designed as a public-private partnership (PPP) between Kraft Foods and the cocoa trader Armajaro as private partners and the United States Agency for International Development (USAID) and the German Development Cooperation (GTZ) as public partners. The project was implemented from 2005-2009 onwards with the objective of improving the living conditions of the cocoa farmers. In order to establish environmentally friendly and socially as well as economically sustainable cocoa production, and to link small-scale farmers to the high value export markets of Côte d'Ivoire, the project introduced the Sustainable Agriculture Network (SAN) standard promoted by the Rainforest Alliance (RA). The standard looks at sustainability holistically, and guides farmers with respect to ten principles of sustainable agriculture. The cocoa farmers of six cooperatives in the main cocoa-growing areas of the country were trained by the National Agency for Rural Development, ANADER, in agronomic practices aiming to raise the quantity and quality of

the cocoa they produced. The RA's project coordinator provided additional training on the specific sustainability-related aspects of the standard. The cocoa was bought by Armajaro, in its capacity as an exporter, and sold to Kraft Foods. This company then used the Rainforest Alliance Certified seal on its Côte d'Or chocolate brand once a supply line had been established. At the beginning of the project a baseline survey was undertaken. In order to gauge the progress made, two impact assessments were conducted during the course of the project (Untied, 2007; Abel and Vogel, 2008 and 2009).

An evaluation of the economic dimension of the project revealed that farmers clearly experienced improved market access and also have seen their income increased (Vogel, 2009b). Establishing stable commercial relationships and being more attractive to customers enhanced their opportunities for making a better living from cocoa production. Kraft Foods now uses the certified cocoa they produce in its premium chocolate brands Cote d'Or and Suchard, which can be purchased in many countries in Europe and North America (Henson, 2010). In general, the project was the first to introduce sustainability standards to the cocoa produced by small farmers and bringing certification into mainstream cocoa production. Over three years, 5,600 farmers from six cooperatives were trained and, in turn, delivered some 6,000 tonnes of certified cocoa (Vogel, 2009b). The average cocoa production for farmers using sustainable practices was markedly higher at 761 kg/ha compared to 509 kg/ha for those using conventional methods. This corresponds to an increase in productivity of 49.5% (Vogel, 2009b). Furthermore, the farmers' improved bookkeeping practices facilitated the monitoring of their income, expenses and harvest. They could increase their income even more by stabilising the amount of certified cocoa delivered to their commercial partners, which guaranteed the payment of a premium. In addition, cocoa traders received a tax reduction for the certified cocoa they handled which was then passed on to the local farmers (GTZ, 2008). The introduction of integrated pest management methods reduced the number of cocoa pods affected by black pod disease, a severe challenge throughout the entire region, by 35.6% (Vogel, 2009b). The farmers also improved their methods of cocoa production in terms of crop management, tree pruning, raising seedlings in nurseries and agroforestry, as a whole (Vogel, 2009a). Ultimately, both the quantity and quality of the cocoa produced increased. More of the cocoa marketed was of a better grade and thus received a higher price, which in turn meant a higher income for the farmers (Abel and Vogel, 2009). Overall, more than 50% of the cocoa delivered was of first grade quality – i.e. in terms of its good flavour, colour, lack of foreign matter, low moisture content, and so forth (Abel and Vogel, 2009). The economic dimension of sustainability thus improved significantly. The good practices applied by the farmers and the cocoa traceability introduced impressed traders, creating trust in the coopera-

tives and leading to improved market access (Vogel, 2009a). However, the majority of farmers acknowledged that significantly greater efforts and higher costs were involved than before. After the project was launched, it was observed that wells were more often used in a correct manner. The statistics show that 75-90% of the farmers subsequently adjusted their behaviour, in keeping with the waste management methods disseminated via training (Abel and Vogel, 2009). However, the farmers hardly practiced composting because this requires much more physical effort and consistent follow-up. Production of certified sustainable cocoa continued to be viable after the project ended in 2008, despite some initial fragility. This development proved quite dynamic because farmers, traders and exporters were acting in a competitive environment to provide new opportunities for both farmers and traders, partly prompting a change in the relationships between cocoa sellers and cocoa buyers. In 2009, several cooperatives did not continue with certification because they opted to sell their output to traders that did not require certification and which also offered good prices. However, in the following year, 2010, when certification had become well-established in the international chocolate market, all re-applied for certification. Three of the cooperatives even obtained a second sustainability certificate on top of that issued by the Rainforest Alliance, hoping to expand the market for their output (WTO and OECD, 2011).

7 Some Selected Successful Trade Facilitation Programmes in SSA

According to UNECA (2013), the knowledge of the impact of trade facilitation is important for various reasons. First, as the existing literature unanimously argues that a decline in trade-related costs can significantly boost trade performance. Secondly, and as a corollary of the first point, knowledge of the sources of trade costs is critical in determining which precise trade facilitation instrument is likely to have the highest payoff. Thirdly, given that one of the controversial aspects of the proposed Trade Facilitation Agreements is whether or not it would disproportionately facilitate imports, it is important to assess the extent to which import and export costs are correlated and why. Fourthly, the pattern of trade-related costs across countries of origin or destination can clearly affect the overall impact of trade facilitation on regional integration. In this section we elaborate on some of the successful trade facilitation projects in SSA. Cameroon implemented a Risk Management System (RMS) with the help of the WTO in 2006. This measure was implemented for many reasons as part of a general Customs Reform Programme; pressure was exercised from the trade and international partners to

improve on the trade facilitation environment. It is part of Government policy to improve on the situation of trade facilitation in the country, which included the setting up of a Committee to Facilitate International Maritime Transport (FAL Committee). This is so because a study indicates that customs procedures in Cameroon were plagued by lengthy time release periods, and arbitrary and excessive controls (Neba, 2011). The reform measure was implemented as part of an overall reform programme undertaken by the Customs Administration (CA), which included the replacement of the semi-automated Customs Operating System (COS) with a fully automated programme (ASYCUDA++) and the purchase of a container scanner. The Risk Management System (RMS) has engendered numerous benefits for various stakeholders (Neba, 2011). These benefits include an increase in revenues; the rationalization of controls has enabled the Customs Administration (CA) to better manage its resources by concentrating controls on consignments which are identified as high risk by the system. This naturally leads to a greater efficiency in revenue collection and in the fulfilment of other missions of the Customs Administration (CA). The rationalization of Customs controls leads to a reduction of the time release periods and the cost of processing consignments through Customs. Gabon's latest Trade Policy Review, conducted in 2007, highlighted the need for a number of socio-economic reforms aimed at diversifying its economy, a process which essentially involves enhancing the business climate, rationalizing the management of resources, and improving governance criteria (Gabon, 2011). This, in turn, means strengthening the public-private dialogue, and calls for government policies designed to promote trade and to restructure the institutional support mechanism for the private sector. They include, in particular, measures to revive the activities of the National Trade Facilitation Committee (NTFC), the new work strategy of the Customs Administration (CA), and the introduction of a Special Economic Zone (SEZ) for the wood industry, through the facilitation of the importation of inputs and the re-exportation of semi-finished and finished products.

Created by decree No. 1101/PR/MCIRS of 29 July 1993 on the establishment of the National Committee for the Facilitation of Trade Procedures, the National Trade Facilitation Committee/NTFC (as it is now called) was a response to the need to create an efficient business environment by simplifying trade practices and procedures and by making the regulations governing international trade transactions in Gabon transparent. Its operation is covered by a budget entry under the Law on Finances and by contributions from interested enterprises and public service actors, and it has recently benefitted from expertise offered by its multilateral partners, such as the World Trade Organization (WTO), in the form of technical assistance. Technical assistance covered national and regional activities relating to trade facilitation, in particular a workshop on the self-assessment of needs and priorities in Ju-

ly 2008, which provided a comprehensive overview of the expectations and the real challenges involved. The output of the workshop was the determination of the roles of the different actors, the review of the actions undertaken, the list of further commitments, etc. It is this framework, born out of the momentum created by the last Trade Policy Review (TPR) and the determination to diversify the economy, which has prompted the various stakeholders to move towards policy and reform ownership. In this connection, the Trade Administration (TA) launched a far-reaching institutional and human capacity-building programme aimed first and foremost at ensuring a better understanding of the mechanisms of the multilateral trading system in order to help those concerned to participate more efficiently in the work of the National Trade Facilitation Committee (NTFC) and in the work during the trade negotiations (by training on the multilateral trading system with technical assistance from development partners). The Customs Administration (CA) undertook a comprehensive reform involving a work strategy designed to produce a fresh momentum (by capacity building, rational use of internal resources, structural reform targeting, efficiency and effectiveness, and intensification of efforts to identify and remove barriers to trade). Faced with an ever-changing economic environment shaped by the globalization of trade and the quest for efficiency and predictability, and in an effort to tackle the excessive bureaucracy, the Customs Administration (CA) has undertaken to move from the traditional transaction-based system to a modern system: by introduction of simplified clearance procedures and specific customs regimes adapted to the activities of enterprises (implementation at the national level of facilitation procedures to ensure consistency with the recommendations and objectives of the Revised Kyoto Convention adopted by the World Customs Organisation (WCO) Council as the blueprint for modern and efficient customs procedures in the 21st century). All of these measures, which are beneficial both to the importing/exporting companies and to the Customs and Trade Administrations, favour the private sector as a means of speeding up formalities and reducing the cost of customs transactions. Ultimately, anything that helps to facilitate trade will also optimize customs revenue and contribute to the competitiveness of economic operators (Gabon, 2011).

The Customs and Excise Division in Malawi has been undergoing reforms since 1994 and the current reforms are building on the previous reforms undertaken by the Malawi government. The reforms were driven by the International Monetary Fund (IMF), the Ministry of Finance, and other stakeholders. The reforms were co-financed by IMF, World Customs Organization (WCO), World Bank, USAID Southern Africa Trade Hub (SATH), COMESA, and SADC. They were undertaken to improve service delivery, to create an environment which is conducive for investors/traders, to simplify procedures, and to speed up the clearance process (to facilitate trade) in line

with the Revised Kyoto Convention/RKC (Phiri, 2011). The reforms were based on the findings of a Time Release Study (TRS). The study was undertaken with the help of the WCO. It was conducted at the major inland and border stations and it covered the key stakeholders. The time baselines were measured from the time a declaration is lodged to the time when a release order is issued. The study revealed inefficiencies and delays resulting from cumbersome procedures including multiple physical examinations without any basis or selection criteria. Several recommendations were made to analyse and to review processes and to adopt a targeted approach. Based on such recommendations, Customs had to continue to reform and to modernize the procedures by adopting modern practices in line with the WCO SAFE Framework of Standards[15] and the IMF recommendations on trade facilitation. This has triggered the establishment of a Risk Management Unit (RMU) and a Post Clearance Audit (PCA), which were built on previous reforms that established an Automated SYstem for CUstoms Data/ ASYCUDA ++, Direct Trader Input (DTI), a clearance database, and a stakeholder partnership. The benefits of the reforms in Malawi are related to reduced clearance times, automation of clearance processes and ongoing development of databases, introduction and extension of DTI to all automated stations, improved stakeholder partnership, facilitation of compliant traders using the green route concept, improved compliance, improved transparency, improved efficiency, and effectiveness above all revenue growth objectives (Phiri, 2011).

There are numerous inconveniences faced by landlocked countries like Rwanda, such as the burden of unnecessary delays of goods in transit routes which increase the transport cost of the goods on board, uncertainty of supplies which also hikes the cost of production, general lack of security for such goods, congestion of ports and borders due to cumbersome processes and procedures (Rwanda, 2011). The above factors prompted Rwanda to embark on a quick implementation of some measures on trade facilitation locally to eliminate Non-Tariff Barriers (NTBs) so as to avoid frustration of business and to create an enabling environment that attracts investors. The government helped to engage different donors to finance these initiatives. Some of the effects of the implementation of trade facilitation are that trade-related information, just like any other official information in Rwanda, is made public by official publication. It is a constitutional obligation to do this through the accessible government website.[16] Periodical official publications are made

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[15] See the website of the WCO SAFE framework: http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/safe_package.aspx

[16] Official Website of the Government of Rwanda: http://primature.gov.rw/index.php?id=97

available in the form of gazettes on this website, which are also printed and circulated to the public. In relation to trade legislations/policy updates these are also displayed on the East African Community website[17]. There are regional trade facilitation measures developed and implemented in the region as a whole to ease the movement of goods in transit along both corridors, measures that yielded remarkable results in facilitation of doing business in the region. Such projects include RADDEx (Revenue Authority Digital Data Exchange) system and ECTS/Electronic Cargo Tracking System (Rwanda, 2011). Other projects are actions to improve the efficiency in customs transit cargo clearance in the Rwandan Customs territory. In 2007 the government pronounced itself to start working 24h/7 days in the Customs Department (CD). This directive was to be implemented in a phased approach manner. The piloting started with four stations: at Gatuna/Katuna on the Rwanda/Uganda border, at Gisenyi border between DRC and Rwanda, at Rusizi/Bukavu on the Rwanda/DRC station, and at Gikondo inland port operating up to 10 pm. This arrangement so far has greatly reduced on congestions at border stations and has facilitated the clearance in land ports. Plans are underway to continue with such actions to other remaining stations in a prioritised approach. Other measures adopted are the border post automation; it is important to note that in Rwanda all entry and exit border stations are fully automated. This means that cargo in transit is monitored electronically through the ASYCUDA ++System (Rwanda, 2011). This system is currently being upgraded to ASYCUDA World[18]. This was achieved through solicited funds from DFID/TMEA developing partners[19]. Automation enabled the Rwanda Transit Bond authorities to execute the operations in a more simplified way, as guarantees were electronically installed and automatically acquitted or restored when transit goods have reached their destinations or exit posts. To avoid delays during network failure or power outages situations the department has procured powerful standby generators and engaged different network service providers. Since 2008 all transit /police check points and procedures of providing convoys or escorts for goods in transit were removed. The transit time so greatly improved, but nonetheless a sensitive consignment may be escorted on request from security organs, especially explosives used in industries and construction works. For the RADDEx (Revenue Authority Digital Data Exchange) system, in an effort to facilitate trade in East Africa, the Revenue Authorities throughout the region have introduced a modern computerized system and timely methods of ICT with

[17] East African Community website: http://www.eac.int/
[18] See more on the ASYCUDA system at: http://www.asycuda.org/
[19] See more on the Trade Mark East Africa (TMEA) initiative by the Department for International Development (DFID), UK: https://www.trademarkea.com/

great success; there are benefits to all stakeholders which use the system; this makes the work more efficient, productive and accurate (Rwanda, 2011). The benefit here is the use of advance information by clearing and forwarding agencies when starting with processing customs entries prior to arrival of transit trucks at the border posts. When trucks arrive they are cleared immediately since document formalities were already completed. Secondly, Rwanda Risk Management (RRM) teams began profiling importers and cargo well in advance. This communication channel has further reduced clearance time and the cost of cargo clearance at borders. This was financed by EAC revenue authorities in conjunction with USAID/Compete[20]. The Customs Department (CD) has decentralised its export entry processes to all exit border posts so as to reduce on the business transaction costs. The issuance of certificates of origin was simplified and also designated to customs officers at each border post to avoid unnecessary tedious movements of exporters to the Customs Head office. The Customs Services Department (CSD) procured for such inspection purposes three scanners using World Bank funding at the cost of about USD 6 million (Rwanda, 2011). The cargo which is scanned is immediately released without any other customs formalities undertaken. This is a free of charge service rendered to the business community, and it is used for expediting clearance of both homebound and transit goods. Through streamlined border procedures and laid down attributions of each government agency operating from border post it is usually possible to work from the same office. This kind of organization helped to reduce on uncalled for interventions on the movement of cargo in transit. All these undertakings greatly improved Rwanda's trading system across borders, being one of the indicators in the World Bank's Ease of Doing Business assessment that helped to improve on the country's overall ranking in 2011 and since up to 2015 as a top reformer in Africa (Rwanda, 2011, and World Bank 2014). The implementation of Trade Facilitation (TF) in Tanzania is part of the initiatives on which the Tanzania Revenue Authority (TRA) has been implementing since its establishment in July 1996, following the integration of the Customs and Excise, Sales Tax and Income Tax Departments with a view of transforming the departments into a modern Tax Administration (TA) (Mbunda, 2011). Formerly these departments were under the guidance of the Ministry of Finance (MoF) of Tanzania. In July 2009, TRA prepared for and adopted the Customs Modernization Strategies and Action Plan 2009/10-2012/13 which was subsequently incorporated into the TRA Third Corporate Plan 2008/8-2012/13. The strategies were built on successes and challenges on the previous customs reforms implemented since 2004, the World Customs Organiza-

[20] See on the COMPETE project the website:
https://www.linkedin.com/company/usaid-compete

tion (WCO) Framework of Standards, and the WTO Trade Facilitation initiatives (Mbunda, 2011). The main financial supporters are the Government of the United Republic of Tanzania, the Republic of Korea, the UK Department for International Development (DFID), and the Investment Climate Facility for Africa (ICF)[21]. The broad strategic objectives aim to provide a roadmap of transforming the Customs Administration (CA) to meet the challenges of the 21st Century as well as to support the Government of Tanzania's Economic and Social Policies, particularly the National Strategy for Growth and Reduction of Poverty (NSCRP), The Tanzania Development Vision (TDV) 2025, The Private Sector Development Strategy (PSDS), and the Private Sector Competitiveness Project/PSCP (Mbunda, 2011). These objectives are: facilitation of trade and reduction of cargo clearance times across ports; automation of customs processes and procedures; enhancement of human resource capacity and organization; strengthening enforcement capacity; and strengthening relations with stakeholders. The results and recommendations of the Time Release Study (TRS) conducted in 2009 and of The Tanzania Doing Business Report, 2010[22], prepared by the World Bank, provided the inputs and the baseline for the implementation of the Customs Modernization Strategies and Action Plan 2009/10-2012/13. All the major stakeholders, the government institutions and the business community in the cargo clearance industry, were involved in the preparation and administration of the Time Release Study (TRS) which was coordinated by Tanzania Revenue Authority/TRA (Mbunda, 2011). The scope of both, the Time Release Study and the Customs Modernization Strategies and Action Plan 2009/10-2012/13, go beyond customs operations and therefore they incorporate the improvement on procedures administered by Other Government Agencies (OGAs), Customs Licensed Operators/CLOs (such as: Agents, Transporters, Internal Containers Depot/ICD, Manufacturers Under Bond; Customs Bonded Warehouse), Banks, and Landing Contractors (LCs).

There are benefits which have accrued to both the government and the business community in the course of implementing Customs Reforms (CRs) in Tanzania, including: revenue growth and facilitation of foreign and local investments; enhanced transparency and predictability; improved cargo clearance time across ports; improved staff integrity, and increased traders' compliance level. The automation of the customs process through the Auto-

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[21] See on the projects supported in Tanzania:
http://www.icfafrica.org/country/tanzania

[22] See on the national Ease of Doing Business Report for Tanzania:
http://www.doingbusiness.org/data/exploreeconomies/tanzania/ , and for Doing Business Tanzania 2016 see: http://www.doingbusiness.org/reports/subnational-reports/~/media/giawb/doing%20business/documents/profiles/country/TZA.pdf

mated System for Customs Data (ASYCUDA++) with the Direct Trader Input (DTI) facility, the implementation of the E-payment System and the Roll Out Plan (ROP) to all Customs Stations (CSs) resulted in a dramatic impact on revenue growth of 212%, and improved cargo clearance time from 15 days in 2009 to 12 days in June 2011 (Mbunda, 2011). The implementation of Customs Reforms (CRs) has brought forward significant contributions to the implementation of the EAC Customs Union Protocols (CUPs), including a new EAC Customs Management Act, 2009.

It is generally accepted that trade is the engine of globalisation and that a large component of trade facilitation (TF) is based on customs modernisation (Nkamba, 2011). It is in recognition of the central role that customs procedures play as part of a trade facilitation programme (TFP) that the Government of the Republic of Zambia took a bold decision to embrace Customs in the overall national reform programme and to support its visibility in various activities, including that of a National Working Group on Trade Facilitation (NWGoTF). Overall, major trade and customs reforms can be traced from as far back as 1993 when the Government of the Republic of Zambia established the Zambia Revenue Authority (ZRA) as a corporate body (through Act No. 23 of 1993). Effectively, the ZRA became operational in April 1994, following the amalgamation of the then Income Tax and Customs and Excise Departments of the Ministry of Finance (Nkamba, 2011). Consolidating on modernization efforts that have been pursued since then, the Zambia Revenue Authority (ZRA) has incrementally continued with multiple pronged interventions aimed at enhancing operational efficiency and effectiveness with particular emphasis on trade facilitation (TF) mainly from a customs perspective. Customs reforms gained momentum in 2006 after Zambia acceded to the WCO Revised Kyoto Convention, which espouses the simplification and harmonization of customs legislation and procedures that regulate international trade (Nkamba, 2011). In relation to WTO Trade Facilitation (TF) initiatives, the reform programme embraced a broader approach, with some of the elements being co-financed. Building on the broader WCO-driven initiatives and programmes for customs reforms and modernization (Revised Kyoto Convention, SAFE Framework of Standards, Twenty First Century Customs and Coordinated Border Management[23], among others), the reform programmes were started. For the reforms to be enforceable, they have been incorporated in the national legislative framework. All Customs Reforms (CRs) have been incorporated in the national law. The formulation of the customs policy and the related legislation in Zambia is subject to an open and

[23] See on this WCO initiative: http://www.wcoomd.org/en/topics/research/activities-and-programmes/~/media/799443EF399B48C0B18DA2285B034F36.ashx

all-inclusive process. This process allows for an elaborate consultation process with stakeholders. Key customs reforms have been: (1) Automation of customs offices with the ASYCUDA system; (2) Introduction and implementation of the One Stop Border Post (OSBP) at the Chirundu border post; (3) Enhancing freedom of transit by piloting the implementation of a web-based transit data transfer module under COMESA; (3) Elimination of pre-shipment inspection, replacing it with destination inspection; (4) Benchmarking of procedures with the best practices regionally and internationally; (5) Strengthening inter- and intra-institutional agency linkages and partnerships with business and other stakeholders; (6) The review and modernization of business processes on a continuous basis, including staff capacity building; and (7) Application of risk management approaches in daily operations. The reforms have accrued benefits to the government, to the trade community, to the customs administration, and to the citizens. According to Nkamba (2011) some of the benefits derived from reforms, in combination with other measures, include: (i) Improved investor confidence; (ii) Improved trade and economic environment; (iii) Attraction of technical assistance and capacity building; (iv) Increased revenue yield (trade taxes contributed K3,912 billion in 2010, which was 4.1% above target); (v) Reduced cost of doing business; as, for instance, a truck that would take six days to go through customs formalities before the introduction of reforms now takes only one day what effectively means that there will be no demurrage charges to be incurred by the importer; (vi) Improved work environment, staff morale and productivity; (vii) Enhanced public-private sector collaboration; (viii) Enhanced compliance; (ix) Improved processing efficiency and service delivery, what means a reduction from an average of a two and half days processing time (Zambia, 2006, Time Reporting Study/TRS) to one of 0.7 days currently, being seen against ZRA's standard benchmark of 1.5 days; and (x) Enhanced transparency.

All these examples show that trade facilitation (TF) can bring a lot of advantages to the public revenue side, to the business community and to consumers and producers.

8 Conclusions and Policy Recommendations

The study shows that the agricultural export base of SSA is not diversified but rather concentrated on a few products. This lack of a diversified export base will make SSA exportation vulnerable to price shocks in the international market. Generally, the study reveals that production and productivity of cocoa, coffee, and of cashew have been consistently increasing during the different policy regimes, as the production and productivity figures of each

regime are significantly higher than the previous ones in most cases. The lowest annual growth rate in cocoa, coffee, cashew, and cotton production and productivity was witnessed during the SAP era (1971-1980, but also 1981-1990). The growth analysis reveals that during the SAP era there was an increase in the growth of the value of these exports but a decrease in the growth of the quantity of these exports in the period. Price and market incentives associated with SAPs account for the increase in the value of exports of these crops during the SAP era, while the devaluation of the currency and the liberalization of the market system have increased the input prices, with the consequence that productivity has declined during the SAP period. This is the most obvious reason for the negative export growth rates recorded during the SAP era in SSA. While the SAPs are important in explaining the downward trend in production and productivity of the export crops in SSA, other factors are of paramount importance, too. For instance, political events and civil unrest (such as in Côte d'Ivoire in 2004) have also contributed to the declines of cocoa yields. Referring to coffee, the decline in the production of coffee is also attributable to structural factors of ageing coffee trees, lack of innovation in the coffee subsector, as well as the regional conflicts affecting the coffee-producing countries in SSA. The decline in cashew production, from high-producing countries such as Tanzania and Mozambique (due to a combination of policy neglect in both countries and civil conflict in Mozambique), has been attributed to the overall low supply of cashew from SSA to international market. The recent decline in cotton supply in SSA is due to the shortfall from Southern and East Africa region in recent times. Nevertheless, the declines in the productive efficiency of these export crops are one of the major reasons for SSA's loss of market shares at the agricultural international market.

The causality test for cocoa, coffee, and cashew indicate that production and productivity have a significant influence on cocoa, coffee, and cashew exports in SSA, but their exports do not influence their productive efficiency significantly, which implies that the promotion of productivity of these crops can significantly boost their exports but there is no significant technology transfer and feedback from cocoa, coffee, cashew international marketing to SSA during the period under consideration. The recent development in such a feedback is the Sanitary and Phytosanitary Standards (SPS) Capacity Building project in Africa to mitigate the harmful effects of pesticide residues in cocoa and to maintain market access of Côte d'Ivoire, Ghana, Cameroon, Nigeria and Togo, a project supported with an investment of USD 5,458,709 by the European Union (EU) and the World Trade Organisation (WTO). Such a type of technology feedback as observed in the cotton sector is the USD 20 million partnership agreement between Brazil and the WTO in 2012 to transfer knowledge and expertise in cotton cultivation and trading to pro-

ducers in developing countries by providing technical assistance and best practice training. Similarly, India has allocated a budget of USD 5 million for the period 2012–14 to the Cotton Technical Assistance Programme for Africa (CTAPA), based in Ouagadougou/Burkina Faso.

One of the ways how SSA can maximize its agricultural potential is adding value to its agricultural exports. However, our study has observed that the value addition to agricultural exports is very low. For instance, in the period 1961 to 2011 only about 14%, 9% and 6% of total cocoa exports from Côte d´Ivoire, Ghana and Nigeria, respectively, were in a processed form, compared to a share of 29% seen globally. The price difference between processed and unprocessed cocoa exports accounts for a 35% erosion from the economic advantage SSA would gain from international marketing of cocoa if all the cocoa exported from SSA were in processed form. This is so because the prices of cocoa for unprocessed and processed cocoa export in the international market vary from USD 1459/tonne to USD 2253/tonne, respectively. And the same applies to other commodities. Less than 1% of the coffee exported from SSA is processed compared with the global average of 8%. The average processed cashew exports were about 1% and 10% of total cashew exports of West Africa and Africa, respectively. This is far below the global average of 41%. The price disadvantage of exporting unprocessed cashew is evident because at the international market the price of unprocessed cashew is just about 17% of the price of processed cashew. World prices for roasted coffee are also about twice those for green coffee, so that much more effort is needed to go for processed products.

Our study also reveals that IFAD has been making efforts to improve price competitiveness of agricultural exports from SSA through value chain development. In addition, with IFAD support, small-scale cocoa producers were able to overcome the constraints related to a lack of access to inputs, equipment, and rural finance. The training which the farmers go through increase the support, strengthen their skills, and allow them to better engage with other value chain stakeholders and to be more market-compliant. Furthermore, it improves their farming practices, such as the pruning of cocoa trees and the controlling of shade, and their post- harvest activities, such as the storing of crops and the accessing of markets. Through the intervention of IFAD in Sierra Leone the cocoa farm gate prices for cooperatives members have increased by 163%, mainly due to improved quality and because of the larger quantity of the cooperatives' produce. IFAD's support for coffee value-chain development has also enabled smallholders to overcome situations such as water scarcity, drought, and the limited access to information related to pests and diseases, and has definitely promoted solutions to overcoming these problems.

The examination of the role of the WTO on agricultural exports from SSA shows that these exports will benefit from WTO efforts as some of SSA countries are members of the G33 which was pressuring for better market access and as there have been increased duty-free and quota-free (DFQF) market-access opportunities granted from both developed and developing countries, particularly India and China. Another initiative in which WTO is assisting agricultural exports in SSA is anchored in the Bali Declaration[24]. It is estimated that the agreement contained in the Bali Declaration will reduce trade costs by up to 15% in developing countries. This is particularly important for SSA where the cost of customs procedures tends to be even much higher, estimated to be more than 30% higher than the global average. Trade facilitation is of enormous importance for SSA countries, and WTO is pursuing increasingly coherent action in this regard.

The analysis of Aid for Trade (AFT) suggests that the amount of AFT increased significantly after the official launch of AFT in 2005. However, the share of AFT flows to SSA is lower when compared with the average for the rest of Africa. Only 5% of the AFT flows of about USD 6,811 Million for Africa went to SSA; this brought to fore the fact that the flow of AFT to SSA is disproportionately lower when compared with the average of AFT for the whole of Africa. Our study also reveals that AFT has significant influence on the exports of cashew and cocoa, while total ODA has significantly influenced the exports of cashew, cocoa, and of coffee between 1995 and 2012 in SSA. Obviously, both AFT and ODA have no significant influence on the export of cotton. The implication of this finding is that the increase in AFT will promote the exports of cashew and cocoa in SSA, but that total ODA has in general terms more influence on the agricultural exports than AFT. This suggests that as much as it is necessary to increase AFT, the ODA which is related to other sectors, such as health, education, and other economic infrastructure, is also of high importance to promote trade in products of the agricultural sector. The finding also implies that much more needs to be done in boosting cotton export than accelerating foreign aid, especially in the area of value addition and processing through value chain development. We particularly mentioned the need for value addition through the processing of cotton to textiles so as to increase the competitiveness of cotton exports from SSA. We have also implicated the sharp fall in cotton production in East Africa and Southern Africa as one of the factors that affect cotton exports from SSA. It is necessary to develop new business models for cotton to textiles value chain development.

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[24] See on the Bali Package the WTO website:
https://www.wto.org/english/thewto_e/minist_e/mc9_e/balipackage_e.htm

There is urgent need to increase the export base of agricultural exports in SSA. SSA needs to study more of the "exotic" and non-traditional products which are in high demand in the exporting countries; producers should be enabled to harness resources to produce these new products. There is a need to develop competitive advantages in these crops, although currently there are severe constraints to expand production and exports. The governments in SSA countries, the producers and traders, and the international organisations should work together to improve some indigenous crops and fruits which may be exportable in SSA. Devaluation of the currency may not be able to promote agricultural exports in SSA as it leads to an increase in the prices of inputs and imports, eroding the price advantages. Much broader development packages are therefore needed, and should be based on the value chain development approach. Therefore, trade and agricultural policies, programmes, efforts and aid should be anchored on the ways to encourage production and productivity by the governments in SSA countries, by the private producers and traders, and by international organisations. Productivity increases should be encouraged to scale up agricultural exports by promoting agricultural innovation and technology adoption in SSA. Therefore, the Agricultural Development Programmes (ADPs) of the World Bank and of other international organisations for SSA countries should be reinvigorated and resuscitated, even in those countries where they were scrapped in the past. In order to improve the productivity of SSA's agriculture there is a need for the increased use of improved inputs, such as fertilizers and seeds. This implies that the finance constraints of the farmers should be addressed by using domestic financial means and foreign assistance.

Since civil and political unrest is increasing in SSA and, as the study shows, as it affects the production of export crops, not only in Côte d'Ivoire and Mozambique, mitigation and resolution of these conflicts should be part of the agenda of international agricultural financing organisations so as to promote production and export of these crops.

The feedback technology transfer from importing countries to SSA agricultural exports, such as in the form of the Sanitary and Phytosanitary Standards (SPS) Capacity Building in Africa for Cocoa and the Knowledge Transfer Partnership (KTP) Agreement between Brazil and the WTO for Cotton Cultivation and Trading, should be extended to other crops of export importance for SSA. However, also the private sector in Africa should itself be involved in reacting more quickly to the feedback technology transfers emanating from the importing countries.

Another important area where international organisations and global private businesses can be of assistance to SSA's agricultural exports is the area of value addition in the context of value chain development. For example, since world prices for roasted coffee are about twice those for green

coffee, SSA countries would be better off by exploring market opportunities for roasted coffee through partnerships with new marketing partners, thereby increasing coffee exports. Processed cocoa, coffee and cashew attract more value than unprocessed cocoa, coffee and cashew at the international market; therefore, IFAD and other organisations should extend their value chain development activities to cashew and to other export crops being of importance for SSA.

Also, the WTO can be of immense benefit to SSA, if SSA countries continue to unite their positions on subsidy removal on agricultural products originating from developed countries. The WTO can also assist SSA's agricultural exporters by encouraging the governments of SSA countries to give more support to domestic agricultural production and to export via private sector development and value chain development. The WTO position as a key player in the AFT context should be exploited by the SSA countries so as to canvass for a higher proportion of AFT flows being directed to SSA. The unbalanced situation where SSA with 87% (0.94 billion) of the population of Africa (1.11 billion) received only 5% of the AFT flows to Africa has to be corrected, by using the opportunities of the World Bank (WB), the United Nations Economic Commission for Africa (UNECA), and the African Development Bank (AfDB) in the up-scaling of the AFT arrangements. Increases in the flows of domestic and international finance towards trade policy/regulation and trade-related infrastructure can be significant in promoting agricultural exports in SSA.

In conclusion, adequate national and international support is critical to enable SSA to increase its capacity to trade by addressing both market access and supply-side impediments with a view to increasing the productivity, quality, volume, and the value of their export trade. Specifically, new business models for value chain development and for accessing new markets with new partners are requested; also more resources are needed, including initiatives such as Aid for Trade (AFT), Trade Facilitation (TF), Adapting to International Standards (AIS), etc., so as to enable SSA countries to deal with the many trade impediments.

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Annexes

Annex 1: Correlation Matrix between Cocoa Production, Yield and Export in SSA (1961-2011)

Cocoa	Production	Yield	Export
Production	1	0.88**	0.97**
Yield	0.88**	1	0.85**
Export	0.97**	0.88**	1

Source: Computed from FAOSTAT (2015) ** Significant at 1%

Annex 2 : Correlation Matrix between Coffee Production, Yield and Export in SSA (1961-2011)

Coffee	Production	Yield	Export
Production	1	0.08	0.82**
Yield	0.08	1	-0.34*
Export	0.82**	-0.34*	1

Source: Computed from FAOSTAT (2015) ** Significant at 1% * Significant at 5%

Annex 3: Correlation Matrix between Cashew Production, Yield and Export in SSA (1961-2011)

Cashew	Production	Yield	Export
Production	1	0.79**	0.96**
Yield	0.79**	1	0.74**
Export	0.96**	0.74**	1

Source: Computed from FAOSTAT (2015) ** Significant at 1%

Annex 4: Correlation Matrix between Cotton Production and Export in SSA (1961-2011)

Cashew	Production	Export
Production	1	0.92**
Export	0.92**	1

Source: Computed from FAOSTAT (2015) ** Significant at 1%

Annex 5: Correlation Matrix between Cocoa Processed, Cocoa Export and Value of Cocoa Export in Côte d'Ivoire (1961-2011)

	Processed Cocoa (tonne)	Total Cocoa Export (tonnes)	Value of Cocoa Export (USD Million)
Processed Cocoa (tonne)	1	0.88**	0.92**
Total Cocoa Export (tonnes)	0.88**	1	0.84**
Value of Cocoa Export (USD Million)	0.92**	0.84**	1

Source: Computed from FAOSTAT (2015) ** Significant at 1%

Annex 6: Correlation Matrix between Total ODA, AFT and Export of Cocoa, Coffee, Cashew and Cotton (tonnes) in SSA

ODA	Cocoa	Coffee	Cashew	Cotton
Total ODA to SSA	0.78**	0.71**	0.90**	0.39
Aid for Trade (AFT) to SSA	0.66**	0.69**	0.86**	0.55*

Source: Computed from FAOSTAT (2015) ** Significant at 1% *Significant at 5%

A revived breadbasket strategy for Sudan – Are there potentials for export diversification?

Dirk Hansohm[1]

1 Introduction

Sudan is an agriculture-based poor country in North-East Africa. Having become independent ahead of all other sub-Saharan African countries in 1956, it was the continent's biggest country in land size, but broke up in 2011, when its South became independent as South Sudan. The country has been in crisis mode for most of its history of independence, but the country has more than doubled its per capita income after mineral oil was discovered and exploited in the last decade.

However, the country is in economic crisis following the loss of most of its oil resources in the wake of the secession of South Sudan. This deepens the longer term structural problems of the country and intensifies the need for economic diversification. In the search for viable alternatives a concept of the 1970s - the 'breadbasket strategy' - is rediscovered and presently intensively discussed. This strategy aims to combine Arab capital, Western technology, and Sudanese land and labour to transform Sudan into a major food producer primarily for the Arab countries.

Manifold lessons can be drawn from the largely failed strategy of the 1970s. This article asks how far these lessons are still valid and if they have been taken on board in the current plans[2]. This article starts by briefly presenting the strategy of the 1970s (section 2). The section 3 sets out the current approach. The main section 4 discusses the prospects and challenges of this plan on the basis of Sudan's current economic situation and how it came there. The article concludes in section 5 with a summary of key findings and recommendations for a viable breadbasket strategy for Sudan.

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[1] Dirk Hansohm, Economic and Trade Advisor, Economic Policy Advisory Services, Nairobi, E-mail: dirk@hansohm.com. The chapter is based on past and current work of the author as economic and trade advisor of the European Union (EU) in Sudan.

[2] The article is based on the author's work during his participation in the Sudan Economy Working Group at the University of Bremen (1984-1991), and as economic and trade advisor to the European Union in Sudan (2013-2016).

2 The breadbasket strategy of the 1970s

In the 1970s Sudan's government initiated an ambitious development programme – the 'Breadbasket Strategy'. This strategy involved a massive restructuring of Sudan's production and trade structure. This was to take advantage of an Arab division of labour and to achieve a higher degree of Arab regional self-sufficiency: Sudan was envisaged to provide food to the oil-rich Arab states, based on their investments, and applying Western technology. Supplying grains, sugar, oilseeds, fruit, vegetables, and meat to the Arab countries was expected to overcome Sudan's export dependence on cotton, groundnuts, sesame, and Gum Arabic destined for the world market.

The Six-Year-Plan (1977/78-1982/83) seemed to reflect the need to overcome the traditional economic structure. Its objectives included: balanced growth (regionally and socially), development of the 'traditional' (mainly subsistence) sector, and self-sufficiency in food. However, these priorities were not reflected in the actual allocation of resources. So, emphasis on the modern sectors and concentration on the privileged East-central region were maintained. Large investments went into mechanised farming. Government subsidised a type of production that was hardly economically feasible, directed to short-term profits, accepting high ecological costs, worsening income inequality, and displacing the original producers – it was firmly anti-poor. The huge overall investments becoming necessary for the strategy resulted in new distortions and imbalances, between public revenues and expenditure, investments and savings, exports and imports, while the debt structure had worsened. While the 1970s turned around the negative growth of the 1960s, these imbalances were unsustainable.

In the end, the concept of a Pan-Arab Cooperation on which the strategy was based, did not hold: while the Arab states were willing to invest in projects, they were not prepared to give Sudan the necessary balance of payments aid for the time up to the completion of projects. Instead, they made payments conditional on IMF agreements. A shift from long-term to short-term loans and from project to balance of payment loans led to a vicious cycle, reducing government's options increasingly. Overoptimistic planning assumptions, lack of coordination, high capital and import dependence, lack of infrastructure, shortage of skilled labour, neglect of the traditional sector, neglect of existing projects, and falling terms of trade led to increasing inflation, debt, a falling production and to declining exports.

From a longer term perspective, reviewing 50 years of Sudan's post-colonial economic policy, the breadbasket strategy had in common with all other strategic approaches a number of shortcomings (Hansohm 2007):

- insufficient information and analytic basis for strategies;

- lack of realism, prioritization, and sequencing;
- reduced conception of deep structural constraints to 'financing gaps';
- little attention to implementation, management, and coordination;
- a reduced understanding of institutional capacity development;
- no systematic private sector development;
- blueprints of international 'best practice' calculated at cost of local context;
- Overestimation of the role of external actors.

The fourth section will analyse if these strategic mistakes have been overcome in recent policies and their implementation.

3 The new attempt: plan and practice

A revived Breadbasket Strategy (i.e. a plan to attract Arab investment for food production for Arab countries) was presented by Sudan's president to an Arab League (AL) meeting in 2014 (see Ali 2015 for the following). The plan was welcomed by the AL members in general terms, but is still to be worked out in detail. Basis is the large and rising gap between food production and demand in the AL countries. The gap is estimated to increase from US$ 20 bn (2000) to US$ 35 bn (2015) and it is expected to reach US$ 50 bn in 2025, due to population increase, income and price increases, and competition for land by bio-fuels (Ali 2015).

The AL countries are expected to finance related infrastructure in Sudan through expansion and modernization (irrigation, energy, transport, roads, storage, ports), besides investing in agricultural projects. The Kenana and Rahad irrigation schemes are planned to be expanded through irrigation canals from Roseires, Merowe Upper Atbara, and Setet dams (2.1 million hectares). In Nubia, irrigated land is to be expanded through groundwater (2.5 million hectares). The existing irrigation schemes are to be modernised (1.7 million hectares). The Gash and Tokar deltas in East Sudan are also to be expanded. Energy capacity is to be raised to 10,000 MW.

For its part, Sudan's government is ready to provide a climate being conducive for investment, in particular by simplifying investment procedures and improving the financial incentive system (in particular concerning customs duties and taxes). Furthermore, it is to reform land tenure systems so as to enable the acquisition of both agricultural and industrial land. It also commits itself to strengthen macroeconomic policies: reducing and stabilizing inflation, stabilizing the exchange rates, and aligning policies to achieve growth. A main role is to be given to the private sector. It is expected to play

the driving force of the strategy. For this, 'principles of fair partnership business relations' are to be applied.

Aim of the strategy is to achieve self-sufficiency of the Arab world and an export surplus. The strategy is to be implemented over a period of 8-10 years. Targeted areas include agricultural production, agro-industrial processing, and trade of Sudan's main food commodities - food grain crops (wheat, rice, maize), oilseed crops (peanut, sunflower, sesame, and cottonseed), sugar, and animal products (meat, milk, dairy). It is too early to evaluate the new breadbasket strategy, as it is still to be concretely planned and to be implemented. However, Arab investments in Sudan's food production sector have a history and its experiences can be summarised.

Key problems which private sector investors (from Sudan and from Arab countries) in food production have faced include (El Magboul 2015, Mahgoub 2015):

- lengthy procedures and conflicts between federal and state governments;
- disagreements between central and regional authorities: generally, and specifically within the National Investment Authority (NIA);
- conflicts between the NIA and customs authorities in terms of concessions implementation;
- inefficient and ineffective public institutions with declining quality of services (as the National Agency of Exports/NAoE);
- investment requirements are not necessarily approved;
- difficulties to secure finance;
- difficulties and delays in obtaining licenses for foreign skilled labour;
- problems in access to land: difficulties in land allocation, very high prices, or lack of basic services in allocated lands;
- unreliability and instability of investment policies;
- multi-window administrative procedures for each process and sometimes in different locations;
- high national trade barriers, exacerbated by difficulties due to US sanctions;
- high transport costs;
- lack of standardisation;
- low skills due to declining education standards;
- fluctuating exchange rates; and
- high labour costs.

Overall, government policies and administrations are seen more as hindrances to investment than as facilitating factors.

4 Sudan's readiness for the breadbasket strategy

This section looks at the experiences and the current state of Sudan with respect to the preconditions of the breadbasket strategy and the problems as spelt out in the previous section. The analysis and discussion starts with a review of macroeconomic development, followed by reviews of economic governance, business environment, and the role of the private sector. Further, foreign trade and trade policy, and the agricultural sector are considered.

4.1 Macroeconomic development

Sudan has achieved a phenomenal per capita growth in the first decade of this millennium, due to the discovery and subsequent export of mineral oil: by almost five times, from $ 357 per capita in 2000 to $ 1753 per capita in 2013 (World Bank 2015c). However, the country lost more than two thirds of the oil income due to the secession of South Sudan in 2011. As a result, per capita GDP growth became negative (see the figure 2).

The following figure 1 shows the structural changes of the Sudanese economy over the long term (since 1960). The contribution of the agricultural sector declined considerably, from more than half to less than a third. However, most of the labour force is still employed in agriculture. The mining sector, which includes oil, only gained importance since 2000, but its overall importance remains much more limited than in classical oil-producing countries. The manufacturing sector which includes small, informal and traditional industries, has doubled its importance, but still only contributes one tenth of the GDP. Despite the current building boom, the building and construction sector was relatively larger in earlier years. Commerce and transport have become less important as well. Government services have expanded greatly in recent years. The services sector as a whole has grown from 29% in 1960 to 45.7% of the GDP in 2010.

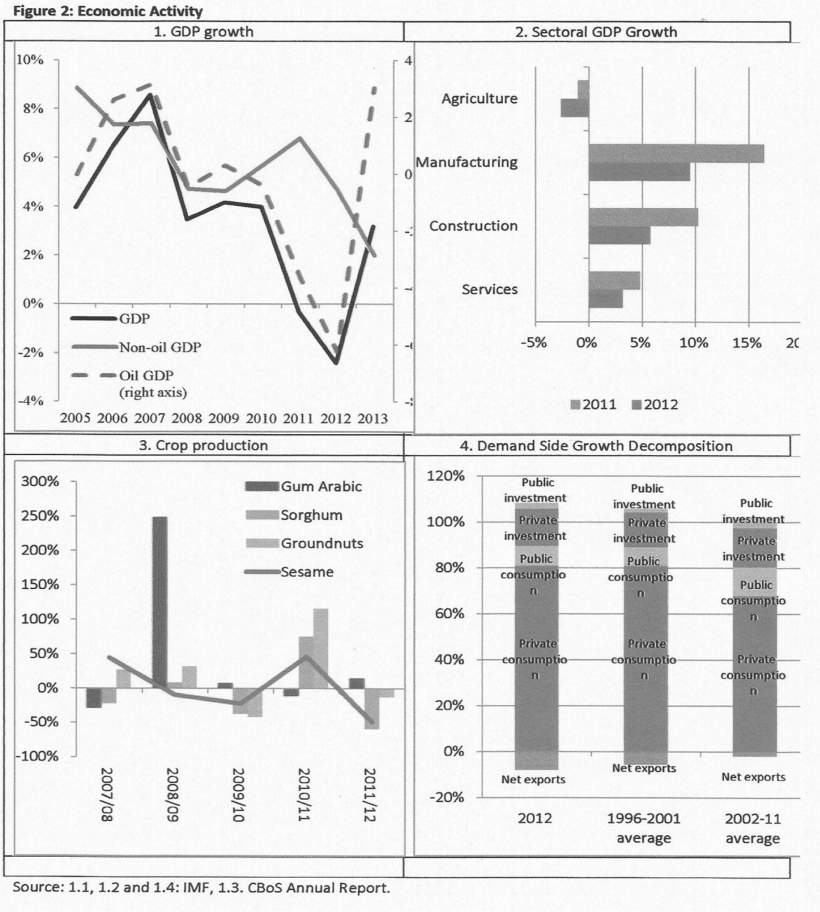
Figure 1: Structural Changes of the Sudanese economy (1960-2010)

	Agriculture	Mining and Quarrying	Manufacturing & Handicrafts	Building & Construction	Commerce, Restaurants & Hotels	Transport & Communication	Finance, Insurance, Real Estate & Business Services	Government Services
1960	52.6	0.1	4.3	5.7	6.2	6.8	3.2	7.1
1965	43.2	0.1	5.4	4.6	13.3	6.4	3.4	9.4
1970/71	34.4	0.3	9.5	3.6	17.7	8.0	3.6	18.6
1975/76	34.0	0.3	8.4	4.8	17.1	10.4	7.5	9.3
1980/81	32.1	0.1	8.0	5.4	14.4	11.4	10.5	10.0
1985/86	31.1	0.0	8.0	5.0	21.6	7.0	12.0	7.0
1990/91	41.3	0.1	5.2	5.2	21.2	7.7	8.6	4.0
1994/95	44.4	0.3	6.8	4.2	18.0	11.5	5.6	2.3
2000	35.8	7.1	6.8	3.4	16.9	11.6	8.3	4.1
2003	37.5	8.0	5.6	4.0	17.5	9.0	9.4	3.7
2008	31.0	7.5	10.6	3.1	7.9	9.6	12.0	14.1
2010	31.3	7.7	11.0	3.3	7.9	9.8	11.7	13.0

Source: CBS/Central Bureau of Statistics, National Accounts, various reports

The following figure 2 provides an extended overview of economic activity over the past years: GDP growth shows deteriorating growth for the entire GDP and also the oil-GDP, with a negative low point in 2012 and since then a rising trend for oil-GDP, contrasting it with the continuously declining non-oil GDP. This is a worrying trend, as it shows the failure to date in diversifying the economy. The sectoral distribution of GDP shows decreasing growth of all sectors, and increasingly negative growth of agriculture. This is also a worrying trend, as agriculture would be best suited as a basis for broad-based development. The figures on crop production confirm the negative growth trend of agriculture. A look at the demand side of the growth decomposition shows that, after the secession of South Sudan with its impacts on oil revenues, private consumption is resuming its role as a driver of the economy.

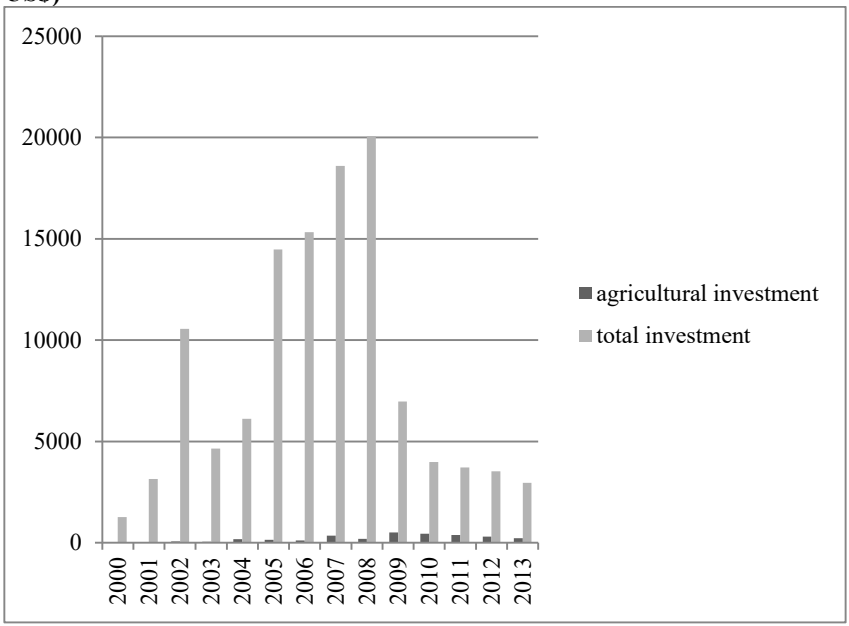
Figure 2: Economic activity



Source: World Bank 2014: p. 15

These worrying trends of agricultural development are paralleled by the investment pattern (figure 3 below). Investment in Sudan has been highly concentrated on the oil sector in the last decade, while investment in agriculture remained negligible.

Figure 3: Investment in Sudan (2000-13, total and in agriculture, million US$)

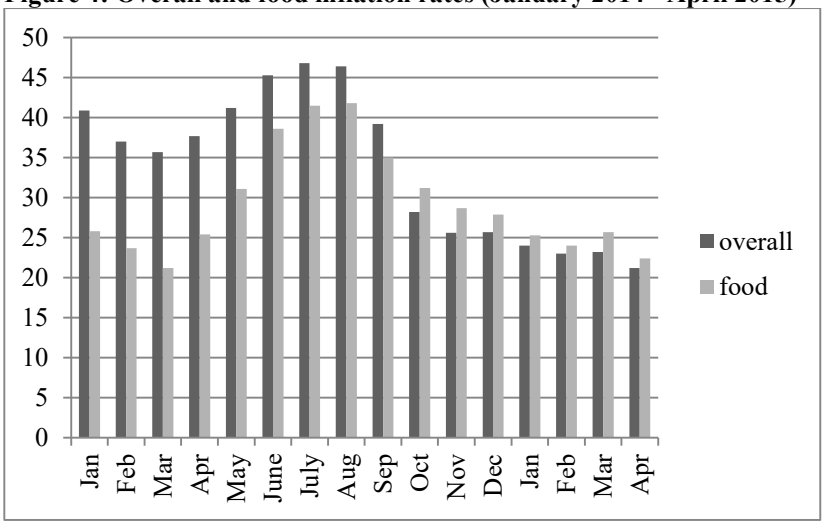


Source: Ali (2015)

Stable and low inflation have been identified as one of the preconditions of a basis being conducive for agricultural investment. However, inflation has been higher than 40% only last year. Inflation rates for food products are even higher, hitting especially the poor, who spend most of their income on food (the average Sudanese spends 52.9% of income on food). According to latest figures (April 2015), Sudan has been able to reduce the rate to 21.2%, as a result of stabilisation policies that were part of an IMF-supported Staff Monitored Programme (SMP)[3] covering January to December 2014 (see figure 4 below).

[3] IMF, 2014, Staff Monitored Program, Washington D.C., Web Access: https://www.imf.org/external/pubs/ft/scr/2014/cr14203.pdf

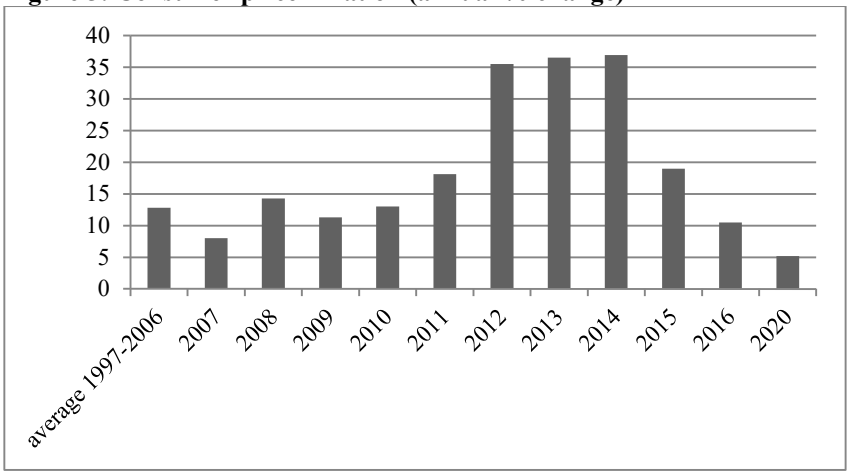
Figure 4: Overall and food inflation rates (January 2014 - April 2015)



Source: CBoS/Central Bank of Sudan, Website: http://www.cbos.gov.sd/en

It remains doubtful whether Sudan will manage to further reduce inflation, as inflationary pressures emanating from the pervasive supply constraints which the economy faces will remain high. Without more energetic structural economic reforms a sustainable reduction of inflation will hardly be possible. In fact, there is a risk that inflation will shoot up even higher in a climate of political and economic uncertainty. Thus, the highly optimistic projections of the IMF expecting a steady inflation decline of down to 5% in 2020 (see figure 5 below) look unrealistic. Already the expectations of a reduction of inflation below 20% at the end of the most recent SMP (December 2014) were missed.

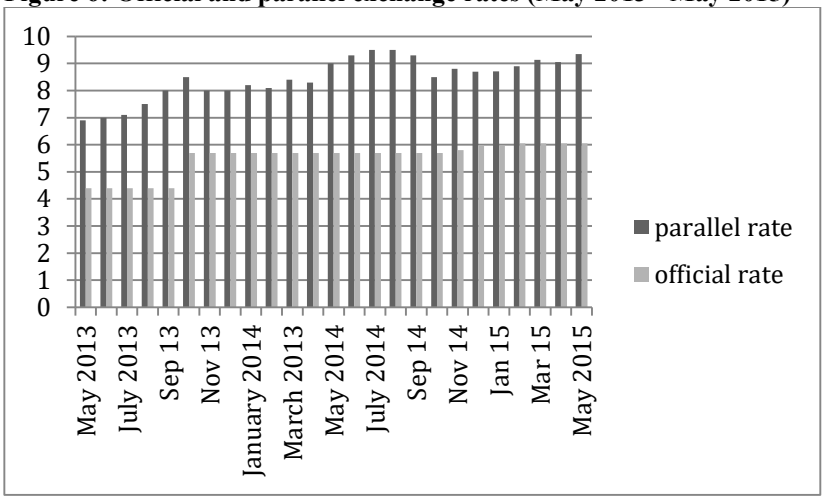
Figure 5: Consumer price inflation (annual % change)



Source: IMF, 2015

The parallel exchange rate of the SDG (Sudanese Pound) to US$ rose to an average of 9.35 SDG per US$ by mid May 2015 (see figure 6 below). This compares to an average of 9.05 SDG per US$ in the previous month (the lowest figure was 8.7).

Figure 6: Official and parallel exchange rates (May 2013 - May 2015)

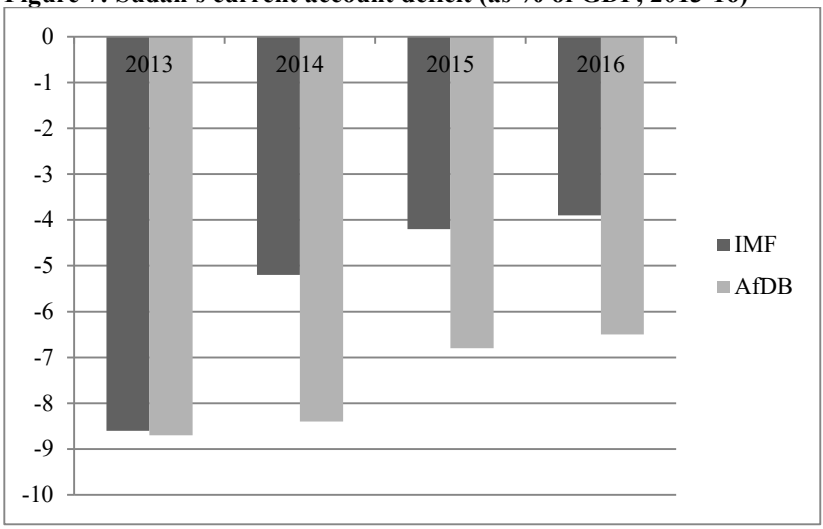


Source: CBoS/Central Bank of Sudan, Website: http://www.cbos.gov.sd/en
Note: May value of 21 May, 2015

The indicative official rate remained unchanged since last December at SDG 6.05 per US$. This resulted in an expanding gap between the two rates, i.e. an overvaluation of the SDG by 54.5%. Despite the economic cost of this distortion, exchange rate liberalisation is unpopular and government will be cautious in this process. In any case, exchange rate liberalisation (it was supposed to be achieved at the end of the 2014 SMP) will remain a contentious issue in the negotiations on a new SMP. Both the trends of a declining value of the SDG and its volatility are reflections of the foreign exchange scarcity.

Sudan has a persistent current account deficit, a trend exacerbated since the loss of revenues from South Sudan's oil. The projections of the current account deficit by the African Development Bank (AfDB) are less optimistic than the one by the IMF (AfDB et al. 2015). The AfDB estimates a figure of -6.8% of GDP for 2015 (as compared to IMF's projection of -4.2%). The following figure 7 compares the two projections. While the IMF projections are based on the SMP (i.e., agreed targets between Sudan's government and the IMF), the AfDB estimates are more realistic as they take into account the manifold constraints to an economic policy change in Sudan.

Figure 7: Sudan's current account deficit (as % of GDP, 2013-16)

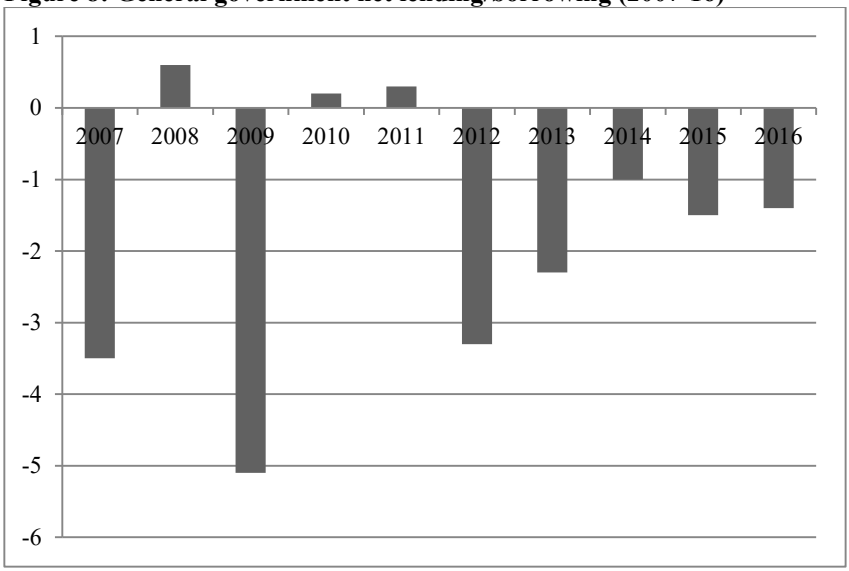


Sources: IMF, 2015; AfDB et al., 2015

In any case, the success in reducing the current account deficit depends to a high degree on the pace of policy reform in Sudan. As reported, government has shied away from approaching genuine structural reforms. Another important determining factor of deficits in Sudan is the level of oil production in

South Sudan, as the fiscal balance in Sudan is affected by the inflow of oil transfer fees from South Sudan. As a result of the conflict in South Sudan since December 2013, oil production has declined considerably, and a restoration to former levels of production is currently not in sight (see figure 8 on the general government net lending/borrowing 2007-2016).
Overall, the lack of external finance and its unsustainable debt burden continue to obstruct the prospects for sustainable and broad-based growth. Sudan sent a high-level delegation to the IMF/World Bank Spring meeting in order to bring the debt relief agenda forward, but no progress was achieved.

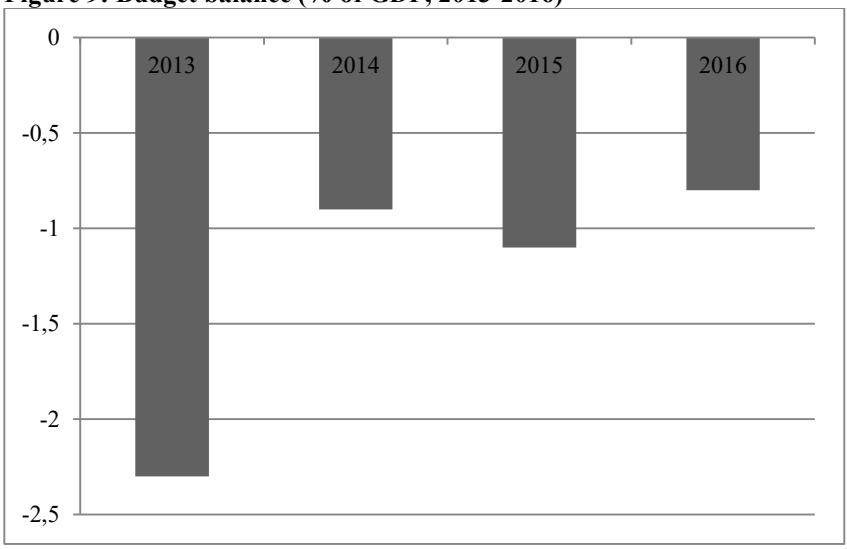
Figure 8: General government net lending/borrowing (2007-16)



Source: IMF, 2015

The African Development Bank (AfDB) estimates in its just released African Economic Outlook for 2015 (AfDB et al. 2015) that Sudan will have a slightly higher budget deficit (1.1% as compared to 0.9% of GDP in the previous year), but that its efforts to fiscal consolidation will succeed and result in a lower deficit of 0,8% in 2016 (see figure 9 below).

Figure 9: Budget balance (% of GDP, 2013-2016)



Source: African Development Bank (AfDB) et al., African Economic Outlook 2015, Country Note Sudan, Web Access of short and full country note: http://www.africaneconomicoutlook.org/en/country-notes/east-africa/sudan/ and http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Sudan_GB_2015.pdf
Notes: 2014 estimate, 2015-16 projected

Projected revenues and expenditure for the current year are budgeted as follows (see the tables 1 and 2 below) and seem to be very optimistic.

Table 1: Projected revenues 2015 (compared with budgeted 2014)

Item	2014	2015	% difference
Taxes	**27,974**	**39,277**	**40,4**
Income tax	1,773	3,028	70,8
Property tax	87	118	35,6
VAT + sales tax	19,085	26,958	41,3
Trade tax	6,941	9,158	31,9
Other revenue	**15,701**	**19,861**	**26,5**
Property income	1,515	2,139	41,2
Petroleum sales	7,355	8,475	15,2
Total revenue and foreign donations	**46,206**	**61,350**	**32,8**

Source: MoFaNE/Ministry of Finance and National Economy, 2015

Although no increases in tax rates are planned (as promised), a 40% increase in taxes is projected (what is highly optimistic), based mainly on VAT taxes.

Notable is also the increase in taxes on trade (exacerbating the trend from a closed economy to a more open economy).

Table 2: Projected expenditure 2015 (compared with budgeted 2014)

Item	2014	2015	% difference
Salaries + pensions	16,013	18,686	17
Commodity + services purchasing	4,919	6,907	40
Subsidies strategic commodities	6,500	10,200	57
o/w fuel	5,000	7,800	56
o/w wheat	1,500	2,400	60
Cost of finance	4,061	3,809	-6
Donations	59	80	36
Social welfare	1,473	1,906	29
Transfers to states	12,439	16,565	33
Total expenditure	**45,844**	**59,822**	**30**

Source: MoFaNE/Ministry of Finance and National Economy, 2015

The modest planned increase of the salaries (of 17%; see table 2 above) indicates a further decline in living standards of public employees, as it is below expected inflation. The increase in subsidies for wheat and oil only matches the actual expenditures that have been made in 2014. This increase is a huge burden for the economy. The increasing transfers to the states are of concern, as they undermine the necessary efforts at revenue mobilisation at the state level.

The following table 3 shows the development budget. Even though agriculture is not mentioned as a priority in the five year plan (as discussed above), a 50% higher expenditure volume is allocated to the sector (see table 3 below). Similarly, infrastructure and social development will be given a boost. This contrasts with the very limited increases of expenditures for industry and energy & mining.

Table 3: Development budget 2015

Item	2014	2015	% difference
Agriculture	920	1,380	50
Industry	276	299	8.3
Roads & bridges	1,039	1,577	51.8
Energy & mining	2,387	2,461	3,1
Social development	763	1,122	47,1
Total	5,854	7,419	26,7

Source: MoFaNE/Ministry of Finance and National Economy, 2015

The following table 4 shows the changes in budget allocation among ministries between the federal budgets of last and the present year. It is noticeable

that the expenditure of the producing sectors, such as agriculture and industry, are below average. Positively seen, the expenditure for transport infrastructure has risen. Interpreting these figures, it has to be kept in mind that the figures below do not reflect all the public expenditures - only the federal level. An overall picture is therefore not available.

Table 4: Public expenditure by sector (SDG million, budgets 2014 and 2015)

Sector	2014	2015	% change
Agriculture sector	244,020	294,018	+20.4
Energy and mining and petrol	84,905	62,204	-26.7
Transport and roads and bridges	8,875	15,535	+75.0
Industries	13,714	17,543	+27.9
Sovereign ministries & bodies	2,067,056	2,632,470	+27.4
Defence and security and police	11,366,824	13,657,055	+20.1
Administrative and financial sector	681,242	895,174	+31.4
Culture and communication	50,042	149,605	+199.0
Health	673,583	749,140	+11.2
Education	788,021	929,249	+17.9
Social welfare	1,070,292	1,140,397	+6.6
Various sectors	16,355,937	22,714,721	+38.9
States' governments transfers	12,439,400	16,565,000	+33.2
Total of sectors	**45,843,911**	**59,822,111**	+30.5

Source: MoFaNE/Ministry of Finance and National Economy, 2015
Note: Sovereign Agencies (Ministries and administrative bodies) include foreign affairs and justice ministries, parliament, constitutional court, and others.

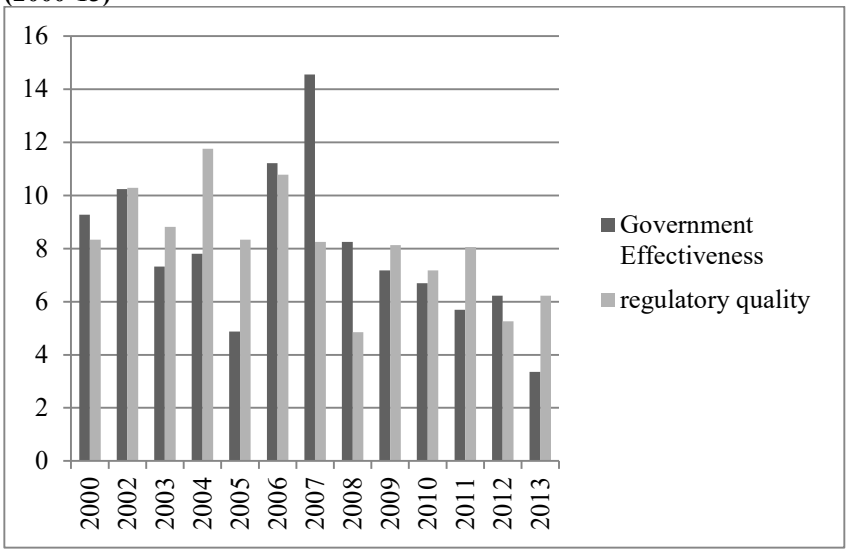
In sum, Sudan's macroeconomic indicators are not in line with the expectations of a favourable environment for the envisaged Arab investments. While the IMF-guided stabilisation policies have shown a remarkable success in narrowing the fiscal gaps and bringing down inflation, the necessary structural reforms for a sustainable economic broadening of the economy and for accelerating growth have not been undertaken.

4.2 Economic governance, business environment, and the private sector

The importance of economic governance, in particular the quality of institutions, is by now widely recognised. The following discussion presents some useful indicators to measure the quality of institutions and its development in Sudan.

The success of government's economic policy is largely based on its institutional effectiveness**.** The World Governance Indices provide relevant information. The government effectiveness index reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The following figures show the development trends of Sudan since 2000. The difference between Sudan and its neighbours is stark. Except for South Sudan, all the neighbours have much higher government effectiveness indices. Over the years, and despite of the high per capita income rises due to oil boom and the peace dividend in the first decade of the century, the situation in this regard deteriorated. Even South Sudan, only in existence for four years and with practically no background in many areas of institutional development, has already surpassed Sudan in some indices.

Figure 10: Sudan's government effectiveness and regulatory quality (2000-13)



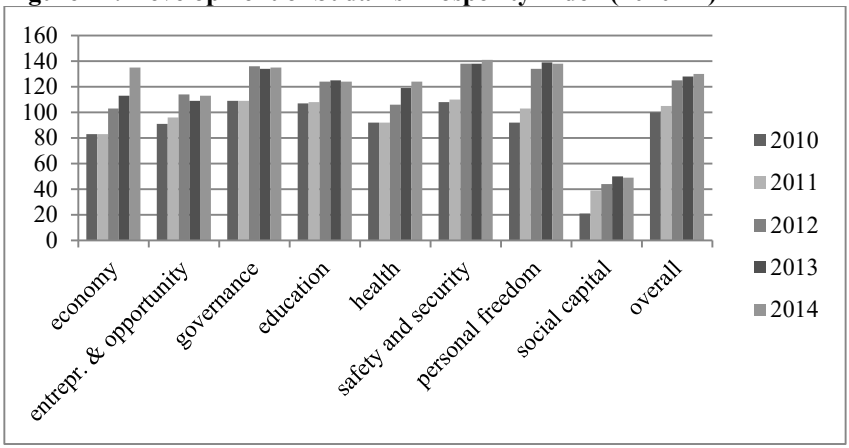
Source: World Bank, 2014d; World Governance Indicators (Interactive), Web Access: www.govindicators.org

A key element causing the difficult business environment in Sudan is the low quality of its regulations (see figure 10 above). The indicator is based on a secondary data analysis of a multitude of primary data. It reflects perceptions of the ability of the government to formulate and to implement sound policies and regulations which permit the working of private enterprises and which promote private sector development. The figure 10 shows development trends since 2000. Except for South Sudan, all the neighbours have a much higher regulatory quality, and (except for Egypt) they have it increasingly so. Sudan's high income rise over the past decade, due to oil exploration and also due to the peace agreement, was not accompanied by any administrative improvements. Slight improvements in the first decade of this century were followed by a slump in the following years. Without substantial and accelerating improvements, no significant success in attracting investment to non-oil industries can be expected.

The result of growth and investment is prosperity. The Legatum Institute's “prosperity index”, calculated annually, provides a more comprehensive view than the traditional figures on growth and investment. It offers an insight into how prosperity is forming and changing across the world. It defines “prosperity” as a combination of wealth and wellbeing. It analyses 8 sub-indices (which are interrelated): economy, entrepreneurship & opportunity, governance, education, health, safety & security, personal freedom, and social capital (Legatum Institute, 2015, Prosperity Index; Web Access 2015: www.li.com).

The figure 11 below presents the development of “prosperity” in Sudan over the past five years. The eight sub-indices are built on 89 variables. Countries are ranked from most to least prosperous (the lower the rank, the more prosperous the country is).

Figure 11: Development of Sudan's Prosperity Index (2010-14)



Source: Prosperity Index, Legatum Institute, 2015, Web Access: www.li.com

The figure 11 shows a clear downward trend for Sudan: in all categories the ranking is considerably worse in 2014 than in 2010. In most cases there was a continuous deterioration from year to year. This was the case in economy: from a mid-field position of rank 83 in 2010 Sudan slid to rank 135 (out of 142 countries). For the overall index, Sudan was in position 130 (compared to a rank of 100 in 2010). This should be an alarming sign to policy-makers and its development partners, showing the limits of development assistance, advice and international support. The figures also confirm that Sudan has not managed so far the transformation from an oil-based economy to a more diversified and skills-based economy.

The World Bank's regularly undertaken Country and Policy Institutional Assessments (CPIA) of countries that are eligible for support from the International Development Association (IDA), the concessional financing arm of the World Bank, illustrate the constraints which the business environment poses for enterprises being active in Sudan. The CPIA consists of 16 criteria, grouped in four equally weighted clusters (see table 5 below). Comparative data for sub-Saharan Africa are provided to set the Sudan data in perspective (right column).

For each of the 16 criteria countries are rated on a scale of 1 (low) to 6 (high). As the table 5 shows, the quality of Sudan's economic policies and institutions are all way below those of an average sub-Saharan African (SSA) low income country. It also scores significantly worse than the average fragile country.

The standard policy response in Sudan to pass a new law or regulation or to set up a new institution has only exacerbated these deep-seated problems. In fact, the gap between Sudan and its comparative peers has only widened over time, as a comparison with the 2007 data shows.

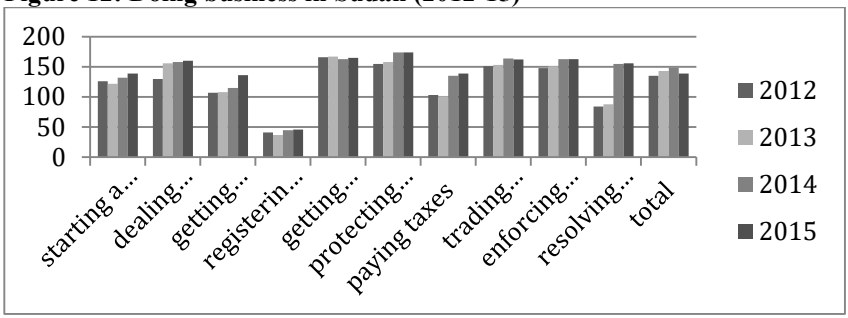
Table 5: Country and Policy Institutional Assessment 2013

Indicator	Sudan	SSA IDA average
Economic management	2.2	3.4
Structural policies	2.7	3.2
Policies for social inclusion and equity	2.4	3.2
Public sector, management and institutions	2.2	2.9

Source: World Bank, CPIA, 2014

The World Bank's 'doing business' index provides good insights on the different aspects of ease - or difficulty – of doing business in Sudan (see figure 12). The index is based on interviews with business people and covers ten sub-indices. Countries are ranked according to the ease of doing business. The lower the ranking (among countries), the easier it is to do business in the respective country.

Figure 12: Doing business in Sudan (2012-15)



Source: World Bank, 2015a; Web Access: www.doingbusiness.com

As the figure 12 above confirms, doing business has become more difficult in Sudan over the past years, even though there has been a slight overall improvement in 2015 as compared to the previous year (but it is still more difficult to do business in Sudan than four years ago). Starting a business and dealing with construction permits has become more difficult. Notably, despite the addition of new electricity sources (as the installations of the Merowe dam), getting electricity has become a more severe constraint. The two

criteria "access to credit" and "investment protection" remain the most important missing elements of a more conducive business environment.

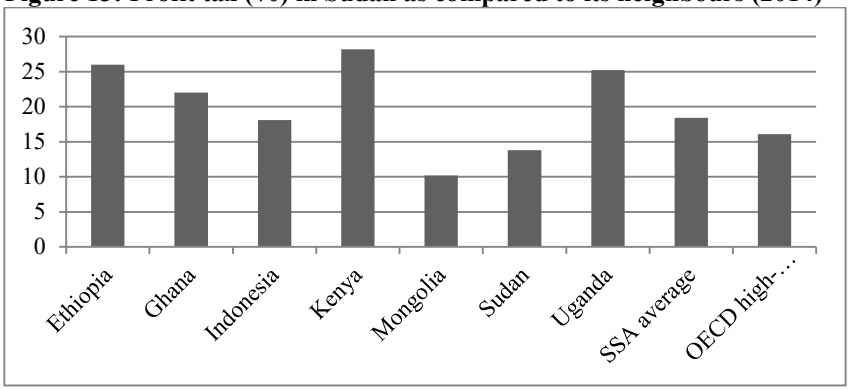
The following table 6 compares Sudan with its neighbours and with its regional trade partners. Overall, Sudan is the most difficult place for doing business. If Sudan wants to implement its plans for non-oil based and broad-based growth, it will be indispensable to improve these conditions.

Table 6: Ease of doing business rank in regional comparison (2014)

	Ease of doing business	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts
Sudan	149	157	108	155	154
Egypt	128	147	148	83	156
Ethiopia	125	157	109	166	44
Kenya	129	98	166	156	151
Tanzania	145	98	141	139	42
Uganda	132	115	98	164	117
Turkey	69	34	71	86	38
Saudi Arabia	26	22	3	69	127
United Arab Emirates	23	98	1	4	100
Kuwait	104	80	11	112	119

Source: World Bank, 2015a; Web Access: www.doingbusiness.org

Figure 13: Profit tax (%) in Sudan as compared to its neighbours (2014)



Source: World Bank, 2014, p. 23

The multiple constraints to making business in Sudan are well documented and acknowledged. However, according to findings of the Diagnostic Trade Integration Study (DTIS, World Bank 2014), in contrast to indicators on the

ease of doing business, Sudan's tax regime is relatively favourable. It compares well with its neighbours (see following figure 13).

Since the time when the previous Diagnostic Trade Integration Study/DTIS was prepared (2008), a new tax law has reduced the tax burden on business by reducing the corporate tax rate by an average of 15% and the capital gains tax rate by 5% on average. In addition, the tax on labour had been abolished. However, corporate tax rates differ, depending on the business activities of the company undertaken. This factor effectively discriminates the sectors with the relatively higher tax rates and distorts the allocation of investment.

Meanwhile, there is little sign that the difficult business conditions are improving. The new logistics performance index (LPI) figures again demonstrate some of the main problems affecting business in Sudan (see table 7 below).

Table 7: Logistics performance index of Sudan (2014)

Key dimension	Score
Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs	1.87
Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology)	1.90
Ease of arranging competitively priced shipments	2.23
Competence and quality of logistics services (e.g., transport operators, customs brokers)	2.18
Ability to track and trace consignments	2.42
Timeliness of shipments in reaching destination within the scheduled or expected delivery time	2.33
Overall logistics performance index	2.16

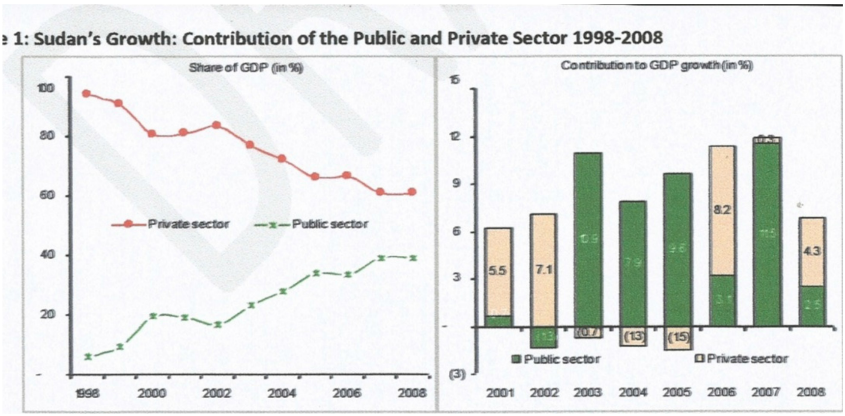
Source: World Bank, 2015b; Web Access: www.lpi.worldbank.org
Note: The scorecards demonstrate comparative performance—the dimensions show on a scale (lowest score to highest score) from 1 to 5 the relation to the possible comparison groups—of all countries (world), regions and income groups.

Overall, Sudan is ranked as number 153, i.e. 152 countries are overall better ranked in their logistics performance. Particular problems are in the clearance process by border control agencies and in trade and transport infrastructure.

As noted above in section 3, the new breadbasket strategy emphasises private sector development. However, in light of the evidence just reported, it is not surprising that despite a long history of similar policy pronouncements, the development of the private sector has not been positive. The World Bank's 2014 DTIS did report that the private sector has considerably shrunk over the last decade, while the public sector has expanded. In parallel, in half of the years between 2001 and 2008, the public sector's contribution to GDP growth was overwhelmingly large (see figure 14 below). This tendency is of

concern because in Sudan, as in most countries elsewhere, private firms operate much more efficiently and effectively than public enterprises.

Figure 14: Sudan's growth: contribution of the public and private sector 1998-2008



Source: World Bank, 2014: p. 13

In addition to this, privatisation in Sudan has not been accompanied with an effective competition policy. As a result, in many sectors effective competition is missing and often price cartels are setting high prices. Public monopolies have been replaced by private monopolies or oligopolies (markets with few suppliers which are able to fix their prices above market level).

Effective relations between the public and the private sectors are therefore vital for a successful breadbasket strategy, as recognised by policymakers and as emphasised by business. However, despite declarations of intent, past experiences of an effective influence of business on policymaking are at best disillusioning (Abutalib 2013, Omer 2013, Eltayeb 2013). Information gaps, unclear mandates of communication and cooperation bodies, frequent changes in membership and weak participation, incomplete representation of the business community in its bodies, and limited technical competences of members are the key constraints.

Nevertheless, substantial investments in land have taken place in Sudan, particularly by Arab investors. These investments are driven both by the expanding market for food and other agricultural goods in Arab countries and by the promise of highly underused land in Sudan. For instance, Sudan's Investment Authority (SIA) reported in 2013 to have allocated 800,000 hectare for agricultural projects for investors from Egypt, Saudi Arabia, UAE, Bahrain, Qatar, and Lebanon. Similar reports appear regularly in the press.

However, this apparently good news has to be qualified because of several factors. First, intentions to invest and memoranda of understanding are not equal to actual money flows. At best, long time lags are usual. Second, conflicts on land rights between federal and state governments are frequent. These frustrate execution of numerous planned investments. Third, managers of operating agricultural projects report about a multitude of constraints that usually result in actual production being a fraction of potential and expected output.

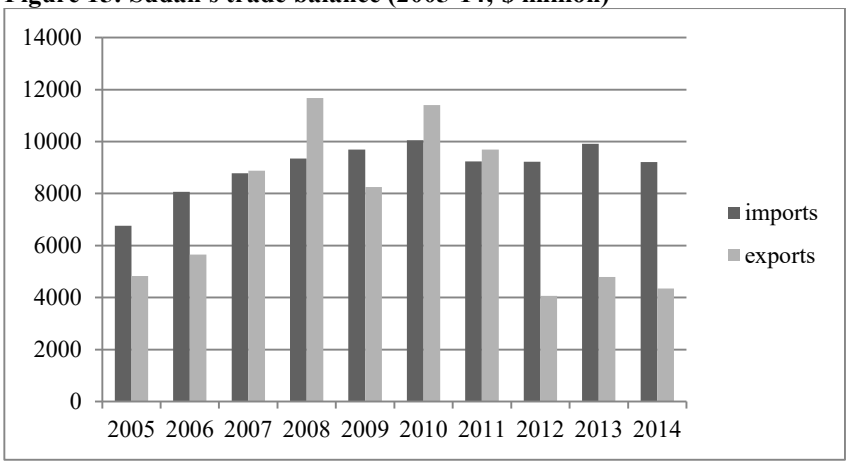
A key constraint is low and insufficient quality of locally produced seeds, fertilizers and pesticides. Locally produced agricultural machinery is also often found inadequate. The following section reports about the problems of importing those inputs. Another one is labour. Managers regularly report about a too low quality of skilled labour and too high cost for both skilled and unskilled labour. In many cases unskilled labour is imported from East and South Asia. Many of the problems are amplified by the US sanctions that have made it increasingly difficult to import agricultural inputs.

In sum, despite the increases of exports of agricultural products, particularly to Arab countries, these still remain far below their potential and below the planned quantities. Furthermore, they have been unable to close the import-export gap created by the loss of South Sudan's oil. The foreign trade regime provides important reasons for this state of affairs.

4.3 Foreign trade and trade policy

Latest trade figures, covering the entire year of 2014, show that Sudan has not managed to compensate in any way the fall of oil exports in the wake of South Sudan's secession in 2011 (see the following figure 15). While exports exceeded imports in 2011 and the year before, they fell to less than half the value in the subsequent years. Despite some measures of economic reform, exports in 2014 fell further below the values of the preceding year. However, the trade balance shrank because of a higher fall in the value of imports.

Figure 15: Sudan's trade balance (2005-14; $ million)



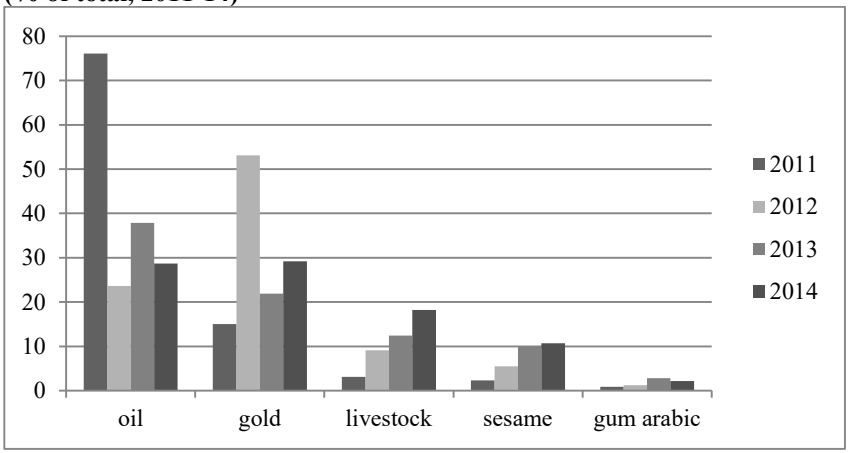
Source: CBoS/Central Bank of Sudan, various reports

As the following figure 16 indicates, gold, as another raw material, is the most important export product, exceeding the value of oil exports in 2014. Livestock is next to these two products. While it has shown consistent and high expansion, it remains still below potential. Sesame, which always has been one of Sudan's traditional exports, comes third. The export of Gum Arabic was in the fourth position. Despite its strategic importance on the world market and for the producers in Sudan, today's exports are way below former years.

The following two tables 8 and 9 look closer at the developments of Sudan's exports to Arab countries, in general and specifically at the exports of agricultural goods.

Agricultural exports have increased significantly over the past decade, being 3 times as high in 2014 as in 2005 (see table 8). Those to Arab countries increased even fourfold over the same period (see table 8). While these exports came to 37% of all agricultural exports in 2005, they were more than half (52%) in 2014. The overwhelming importance of Saudi Arabia as a market for Sudan's agricultural exports has increased over time: while they were three quarters (74%) in 2005, they increased to 83% in 2014.

Figure 16: Sudan's export composition: Share of most important exports (% of total, 2011-14)



Source: CBoS/Central Bank of Sudan, Economic and Financial Review Dec. 2014
Note: The figures for 2014 are provisional.

Table 8: Agricultural Exports to Arab countries (2005-15), in '000 US dollars

	2005	2008	2011	2012	2013	2014	2015
Bahrain	0	28	25	427	11	293	56
Iraq	0	80	0	0	66	88	90
Jordan	2710	2742	7033	20312	19733	21540	16710
Kuwait	1524	1421	1554	2697	958	14161	5059
Lebanon	13304	14256	8620	27677	24788	28399	30948
Libya	804	0	0	0	0	0	0
Oman	0	29	229	769	1240	2499	27
Qatar	358	3	900	2845	2730	468	13755
Saudi Arabia	134211	72985	212094	276068	351697	601338	470079
Syria	25194	12922	16699	13014	8382	59530	8701
UAE	3179	7313	1826	19773	48978	38832	19825
Yemen	267	13486	0	149	2317	3512	1063
Others	0	12608	0	0	0	0	0
All Arab Countries	181551	137873	248980	363731	460900	770660	566313
Total Agricultural Exports	490037	315774	678162	756109	1470491	1471510	1169425

Source: CBoS/Central Bank of Sudan, various years
Note: Figures for 2015 cover the first three quarters of the year.

The following table 9 looks at the eight significant goods among those that are shown in the foreign trade statistics directed to Arab countries. Cotton, formerly the core of Sudan's exports, has lost its significance (2.5% of agricultural exports in 2015, compared to 22% ten years before). None of it is exported to Arab countries. Gum Arabic belongs to Sudan's traditional export

crops. Sudan is one of the major producers. The country's inability to provide the demanded quantity led to other countries to eat into its export share. Sesame has become by far the most important export crop, covering 31.5 of all agricultural exports and 15.2% of all exports. Its value increased threefold over the decade reflected in the table 9. The export share to Arab countries decreased slightly from 35% to 29%. Groundnuts, also formerly one of Sudan's key exports goods, are not any more a substantial export good.

Table 9: Exports of agricultural goods to Arab countries by product (2005-2015), in '000 US dollars

	2005	2008	2011	2012	2013	2014	2015
Cotton to Arab countries	102	575	0	0	0	0	0
All cotton	107286	61823	27030	11769	102736	34028	28293
Gum Arabic to Arab countries	0	11188	0	631	683	1279	1731
All gum Arabic	107556	60909	81780	67102	134773	96976	83885
Sesame to Arab countries	42193	61306	49455	76254	90030	124102	106541
All sesame	118575	141846	223270	223540	472363	466338	367823
Groundnuts to Arab countries	8	108	476	390	6404	2020	1285
All groundnuts	2014	503	990	3400	42837	6123	2598
Cake & meal to Arab countries	0	344	406	196	8171	6985	0
All cake & meal	0	991	4010	3670	35721	11737	14880
Livestock to Arab countries	102227	46020	192603	293252	331527	618811	404704
All livestock	114875	46044	294402	371493	593959	792958	581787
Meat to Arab countries	16929	22	4572	14154	3113	1647	38208
All meat	18158	449	7010	38106	15500	19840	62968
Hides & skins to Arab countries	5073	1016	1468	8010	20972	18839	13844
All hides & skins	21573	3209	39670	37029	72602	43510	27191

Source: CBoS/Central Bank of Sudan, various years
Note: Figures for 2015 cover the first three quarters of the year.

Livestock has become by far Sudan's most important agricultural export (half of them in 2015), and in 2015 it has even surpassed oil and gold (coming to 24%). Livestock exports increased fivefold between 2005 and 2015; 70% of livestock were exported to Arab countries, as compared to 89% ten years

before. The value of meat exports is only 11% of that of livestock on the hoof exports in 2015, as compared to 16% ten years before. 60% of the exported meat went to the Arab countries in 2015. Another promising processed good based on livestock is hides and skins and leather products. Shoes and leather goods are produced for the home market, but are unimportant as export item (1.1%). The value of hides & skins export was double as high in 2014 as ten years before (2005), but is subject to high variations. An increasing %age of this product goes to Arab countries (about half in 2015).

Food production in Sudan for the Arab countries definitely needs a favourable trade regime. How did Sudan's degree of global trade integration develop over time, and how does it compare to the degree of other countries? The basic indicator for this is the value of total trade (goods and services) as a %age of GDP.

The following table 10 shows the development of this indicator since 1960. Sudan has only shown an increasing degree of global trade integration until the year 1980. Then the degree of global trade integration dramatically declined to half and less in the 1980s, only to slowly recover later. The figures also show a great volatility. Today, Sudan is less integrated than 55 years ago.

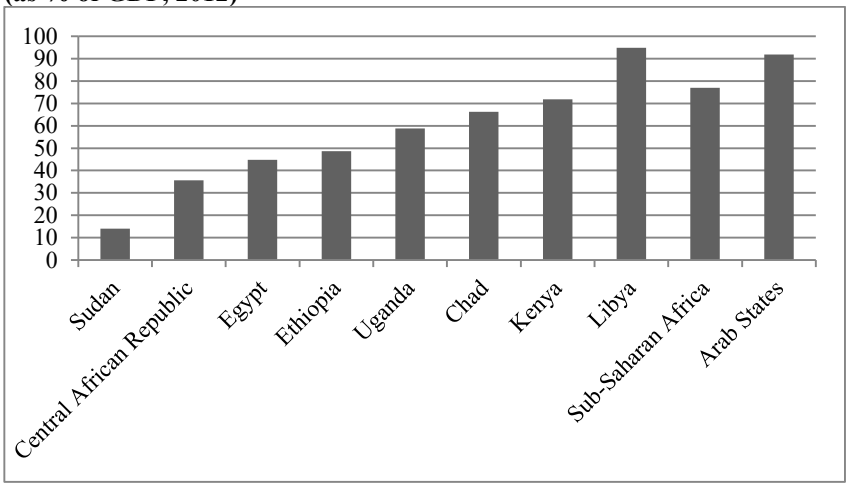
Table 10: Development of Sudan's trade integration (trade as % of GDP, 1960-2007)

Year	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2012	2013
Exp.(X)	14.6	14.2	16.3	12.1	10.6	5.7	4.0	5.0	15.6	19.2	19.7	9.9	9.6
Imp.(M)	13.0	15.0	16.4	22.7	23.1	11.9	7.1	9.8	13.4	28.4	17.2	16.7	16.1
X+M	27.6	19.2	32.7	34.8	33.7	17.6	11.1	14.8	29.0	47.6	36.9	26.6	23.7

Source: World Bank, 2015c; see World Bank data base online (http://data.worldbank.org/indicator), accessed 13/4/15

According to the latest internationally comparable figures, despite of all the declarations and announcements presented over the past decade, Sudan still remains a comparatively closed economy (see figure 17 below). Its share of foreign trade in relation to its GDP, the most common measure of trade openness, is lower than that of all its neighbours, even of those which have no access to the sea. Trade openness is also less than half of the average of both Sub-Saharan Africa and of the Arab states.

Figure 17: Importance of foreign trade in comparison with neighbours (as % of GDP, 2012)



Source: UNDP, 2014

The analysis of the 2014 DTIS (World Bank, 2014) confirms the picture of continuing high levels of protection. As the following table 11 shows, only 16% of the imports are imported duty free, while 19.1% were taxed by tariffs at the highest rate of 40% (there is one tariff line at 50% which is reserved for personal imports). In Sudan, 5,222 tariff lines are prevailing.

Table 10: Sudan's tariff structure (2014)

Tariff (%)	No. of tariff lines	% tariff bands	2012 imports (US$ million)	2012 imports (%)
Zero	414	7.9	1,396	16.0
3	978	18.7	899	10.3
10	1041	19.9	3,226	37.0
25	859	16.5	1,532	17.6
40	1929	36.9	1,661	19.1
50	1	-	-	-
Total	5222	100		

Source: World Bank, 2014: 39; derived from Sudan Customs ASYCUDA database and COMTRADE database.

At the same time there is a widespread use of exemptions: In 2012 the average listed ex ante tariff was more than twice as high as the tariff according to the actual duty collected. While the average tariff in 2012 was 16% (which would have yielded $1.39 m. in customs revenues), the actual customs duty

collected was only $568 m., representing only a tariff level of 6.5%. Despite the trade reforms undertaken in Sudan since the early 1990s, Sudan's average weighted Most Favoured Nation (MFN) tariff was still 16.1% in 2006-08, being among the highest in the world and high also in comparison with averages in Africa and elsewhere, including the averages of Sudan's immediate neighbours. Agricultural imports face higher average tariffs than those of non-agricultural products, at 30.6% and 18.5%, respectively (2006 simple averages). There is a considerable variation across industries and stages of production with regard of tariffs. A considerable rationalization of the tariff regime is needed. Of particular concern are tariffs on imported inputs in view of the already high production costs in Sudan. High tariffs on such inputs raise further the cost of production, and reduce the competitiveness of the processed products (Konandreas 2009).

While the trade reforms of the 1990s had abolished export and import licensing requirements and gradually eliminated agricultural export taxes, many government agencies at federal and state levels impose taxes and other levies. These have exactly the same adverse effects on the competitiveness of Sudan's producers as do export taxes, and the importing countries' tariffs. A good example of these perverse effects is Gum Arabic which is produced and transported from North Kordofan to Port Sudan. Some 37 types of taxes and fees are levied, representing some 20% of the floor prices of Gum Arabic and about 15% of the export prices (Konandreas 2009).

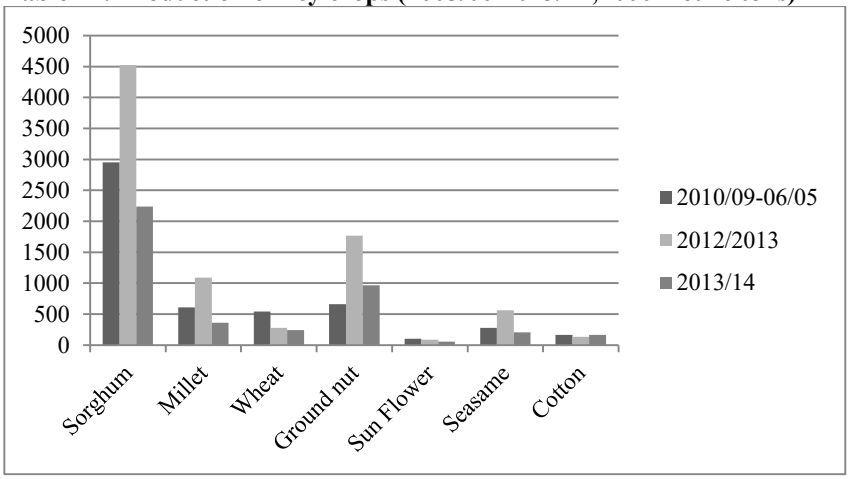
Access to finance is constrained by the uneven geographical distribution of banking institutions in Sudan and the even more uneven distribution in regard of lending operations, especially for agriculture. Its share in bank finance had declined from about 22% in 1999 to as low as 6.8% in 2007. Much of the bank lending has gone to more profitable sectors: oil, construction, and services, especially so during the boom years in the recent past. The distribution within agriculture is also worrying. For example, out of the total finance provided by the Agricultural Bank of Sudan (ABoS), the rain-fed semi-mechanized farming system received the lion's share of over 50%, compared with some 10% of the rain-fed traditional system, a distribution in reverse relationship to the farming population supported by these farming systems.

4.4 Agriculture

Agriculture remains the backbone of Sudan's economy and the key income source for the rural poor. The following table 12 shows that, despite the official policy of agricultural development (the 'green renaissance') and intentions at economic diversification into agriculture, there is no consistent trend of an increasing agricultural production. In fact, for the most important grain

crops (sorghum and millet) the production is lower in the 2013/14 season than three years before. For wheat the trend is consistently declining and this in face of the high consumption by the urban population, and consequently high costs and subsidies for imported wheat. Only for groundnuts, one of the traditional cash crops, there is an upward trend.

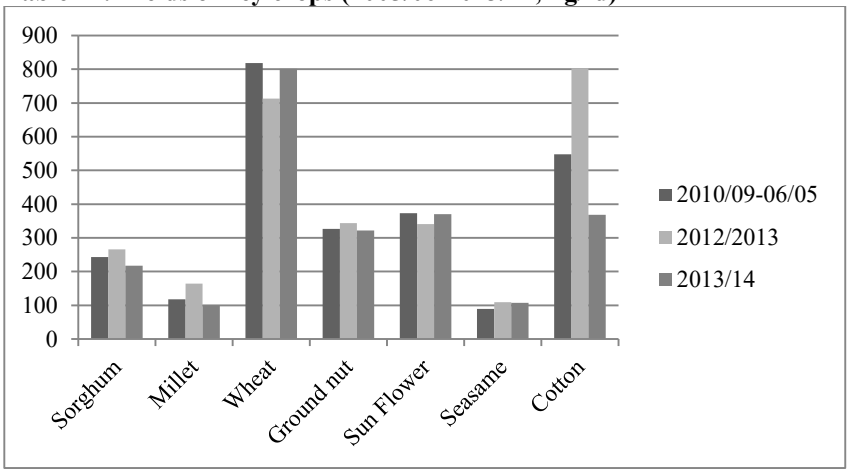
Table 11: Production of key crops (2005/06-2013/14; '000 metric tons)



Source: MoA/Ministry of Agriculture, internal data

The same disappointing picture is given by figures on yields for the same crops (see the following table 13). Although there are substantial potentials for yield increases for all these crops, no such trends can be discerned. These trends are on the one hand a reflection of the difficult business conditions which have been consistently reported and which are quite entrenched. Secondly, they reflect the persistent neglect of agriculture and rural development. In many areas in the East and the West of the country insecurity also hampers agricultural development.

Table 12: Yields of key crops (2005/06-2013/14; kg/fd)



Source: MoA/Ministry of Agriculture, internal data

The agricultural sector can be divided into five sub-sectors (see table 14 below).

Table 13: Agricultural sub-sectors (share in agricultural GDP, 2006-09)

	2006	2007	2008	2009	average
irrigated	29.3	29.6	28.9	29.5	29.3
mechanised rain-fed	3.5	2.6	2.7	2.7	2.8
traditional rain-fed	13.7	13.0	15.0	15.3	14.3
livestock	47.4	47.0	46.9	46.2	46.9
forestry	6.4	6.5	6.1	6.1	6.3

Source: MoFaNE/Ministry of Finance and National Economy, CBS/Central Bureau of Statistics (World Bank 2014: p. 96)

Traditional rain-fed agriculture, mainly subsistence farming, contributes only 14.3 to the overall sector, but still employs two thirds of its labour force and remains the dominant type of agriculture within Sudan. It occupies more than 60 percent of the total cultivated land (about 9.2 million hectare). It is characterized by low productivity and the absence of new technology and of modern farming practices. Private small- scale farms dominate, with access to considerable communal grazing areas, which support extensive livestock production. This farming system is mainly located in western states such as Kordofan and Darfur, in addition to White Nile and Blue Nile states. Main

products are sorghum, sesame, millet, and livestock. The traditional rain-fed sector has received only very few support services, such as credit, research and extension. Public investments in basic infrastructure for rural and agricultural development are also negligible (World Bank, 2014).

The irrigated farming systems have a significant potential for growth as well as for diversification into higher value vegetables and into livestock. Current production concentrates on wheat, cotton, sorghum, and groundnuts. Almost 5 million feddan (1 feddan is equal to 0.42 hectare) are irrigated. Gezira (2.1 million feddan), Rahad, Suki and New Halfa schemes (1 million feddan) are managed by central government, but some areas in Gezira are privatised, and others are scheduled for privatisation. Agricultural services are provided and supported by the government, through facilitation of credit, input supply, and extension services. The government-owned estates are characterized by management inefficiencies, poor water management, low productivity, and large debt burdens (World Bank, 2014: p. 96).

Sudan became a net importer of cereals in the beginning of the 1980s. Its self-sufficiency ratio declined then from 90% to 81% during the period 2000-09. A substantial part of imports are in the form of food aid (as much as 20-25% of total cereal imports in recent years). Production of cereal crops is highly variable and yields are generally low, both compared to sub-Saharan Africa (SSA) and to other developing countries - and representing only a fraction of the yields in developed countries. Natural resource degradation from expansion of cultivated areas into marginal lands and mono-cropping practices may be considered the causes of the declining yields in rain-fed farming areas (Konandreas 2009).

The main staple crop, the most important crop for food security of most of the people, is sorghum. The average area under sorghum cultivation was about 21.2 million feddan (about 40 percent of the total cultivated area), with an average production of 3.4 million tons and an average yield of 233 kilograms per feddan during 2007/08-2013/14. The irrigated farming system produced 20 percent of total output of sorghum in Sudan, while the mechanized rain-fed system and the traditional farming system produced 80 percent of total sorghum output in Sudan. The production of the sorghum crop experienced continued fluctuations in area and yield, due to the dependence on unpredictable rains, pest infestation, and price changes (World Bank 2014, DTIS: p. 104). It is the main crop in the national strategic food reserve which is managed by the Strategic Reserve Corporation (SRCO). Target of the strategic reserve is 600,000 MT of grain, but at present the actual reserve is only a fraction of that. This is partly due to the lack of storage facilities of adequate quality. Konandreas (2009) advises to be careful when gauging the scale of the SRCO operations; in this context the positive role of private trade should not be marginalized. Sorghum is also important as a feedstock for

fattening cattle (13% during the period 2000-09). It competes with use as human food, but could play a stabilizing role in the market (depending on relative price elasticities).

Wheat is generally not favoured by the climatic conditions in Sudan. The agronomic conditions also limit its expansion. Nevertheless, a strategic choice was made to replace large areas of cotton production by wheat (in particular in the Gezira irrigation scheme), so as to replace imports. Yields have varied widely, but are some 25-30% below the average of developing countries.

Oilseeds are also important crops. Main oilseeds crops are groundnuts, sesame and, more recently, sunflower. The production of groundnuts, the largest oilseeds crop, shows a great variability. From the 1980s onwards its yields have been consistently below average of Sub-Saharan Africa (SSA): This was due to the low and variable yields under rain-fed conditions, while irrigated yields were 3-5 times higher, less variable, and increasing. Sesame witnessed a sharp trend decline of yields - current yields are only one-fourth or on-fifth of those in the early 1960s, and yields are below the SSA average. Most of the output increases came from area increases (Konandreas 2009). Nevertheless, sesame production is profitable (World Bank, 2014: p. 99). Sudan exports about two thirds of its sesame production. This makes it one of the main sesame exporters worldwide. Most edible oil produced is now destined to the domestic market. Overall, Sudan continues to be an exporter of oilseeds, but the gap between aggregate supply and demand narrows.

Almost all cotton comes from the irrigated sector, mainly for fibre production. Its yields are also variable, but more or less a steady long-term average is maintained, like elsewhere in sub-Saharan Africa (SSA). But its area was reduced considerably over time.

Sugar became over the recent years more integrated with the energy sector (for ethanol production), and this determines its future prospects. Sudan has gone from being a net sugar exporter in the 1990s to a large net importer as domestic policies discriminate against local producers. Sudan is a relatively low cost producer of sugar and has the potential to expand production to supply both the domestic market as well as to expand exports by access into the preferential GAFTA, COMESA and EU (under EBA) markets. However, both domestic and international policies have undermined this potential and have resulted in the domestic industry experiencing severe short term losses.

Domestic producers face a tax burden of $126/per ton as compared to imported sugar. Following a record surge in commodity prices in the 2000s, the global price of sugar has subsequently declined by 45% in US $ prices in the four year period ending July 31, 2014. Sudan had introduced significant tax changes in June 2012 when the import tariff of 40%, the excise duty of

17%, the VAT of 17%, and a Business Profit Tax (BPT) of 1% were all reduced to zero on imports. Excise duty, VAT, and BPT continue to apply to domestic producers who also have to pay state taxes and a surcharge for the White Nile Project. In sum, this leaves domestic producers with a tax burden of $126/ton (2013/14). The overvaluation of the exchange rate has further exacerbated the challenges facing the domestic sector (World Bank 2014: p. 105).

The growing divergence between import prices and officially agreed domestic prices are crowding out sales of domestic sugar. The decline in the international price of sugar, coupled with a significant decline in the landed price (Khartoum) of sugar, has not been matched by a comparable reduction in the final price of sugar paid by consumers. Attempts to maintain the officially agreed domestic price to consumers in local currency and also the margin between the ex-factory price and the consumer price have resulted in increasing volumes of imported sugar being sold below the agreed fixed prices. Indeed in 2014 sales of imported sugar virtually drove domestically produced sugar from the market.

Expanding the Sudanese sugar industry and exporting sugar to Arab countries require a competitive exchange rate and the implementation of tax neutrality between domestic production and imported sugar (this would require at 2013/14 prices a levy on imports of $126/ton). In the longer term a consideration has to be given to environmental sustainability, given sugar's heavy water use for production. Consumer prices would benefit from abolishing the official price, and from the removal of the excise duty, subject to ensuring it being revenue-neutral. Other important changes needed include reducing government involvement in the major sugar companies, and developing incentives for the delivery of services (health, education) to local communities through introducing tax credits.

As shown in table 14 above, the most important agricultural sub-sector is livestock (for the most important livestock exports see table 15 below). Due to the remoteness of main livestock-producing areas, marketing channels for domestic and for export destinations are fairly complex, involving many intermediaries and high costs. In case of live animal for export, transportation to Port Sudan, whether trekking or trucking, is a main constraint - including costs for herding, trekking, watering, and feeding. Furthermore, there are numerous taxes and fees, long delays for collection of fees, inspection and certification, losses due to diseases, mortality, and weight loss, further shipping delays at Port Sudan, and considerable profit margins of numerous intermediate traders and brokers, all leading to a reduced competitiveness at the final destination (Konandreas 2009).

Table 14: Livestock export value ($ million) and sub-sector share (%, 2008-2014)

Year	Sheep %	Goats %	Camels %	Cattle %	Meat %	Hides & skins %	Total ($ m.)
2008	90.0	1.2	1.2	0	1.0	6.5	49.2
2009	72.4	2.6	12.1	1.6	4.6	8.2	202.1
2010	60.5	2.7	6.6	1.4	22.8	7.3	190.9
2011	69.8	2.3	11.6	1.5	5.0	11.1	357.8
2012	66.1	2.1	14.4	3.3	8.8	8.5	432.0
2013	70.0	1.5	14.4	1.1	2.2	10.6	681.9
2014	58.6	2.2	29.9	1.1	2.8	5.2	413.0

Source: CBoS/Central Bank of Sudan, different reports
Note: Data for 2014 cover only the first six months.

A value chain analysis shows numerous taxes, fees and other charges levied along the way to the port - and also in Port Sudan itself. These charges are between 30 and 80% of total assembly and logistics costs (Konandreas 2009: 64).

In sum, the factors affecting competitiveness of agricultural exports include (World Bank, 2014: pp. 106-7):

- Availability and access to agricultural inputs (seeds, chemicals, machinery, post-harvest materials, like packaging) at competitive prices is a main factor which is affecting productivity, profitability, and competitiveness of agricultural production. Agricultural inputs are (supposed to be) exempt from both customs duties and the use of the official exchange rate for their imports. However, according to the Agricultural Bank of Sudan (ABoS) imported agricultural inputs are not duty free: there is a tariff for imported fertilizers and seeds of 3%, for insecticides and pesticides on small containers of 10% plus 13% development tax (however, large containers of insecticides and pesticides of 200 litres are zero rated).
- Most of the local seeds are marketed without any quality control. Improved seeds are concentrated in the irrigated sector; a minimal use is in improved seeds on the rain-fed firms, notably in Blue Nile State. Local seed, either kept from the previous year or bought from local markets, is the main seed source throughout Sudan. These seeds, comprising second generations of improved varieties, are marketed without quality control other than local knowledge of source.
- Agricultural input supply faces many constraints. These include: 1. distorted agricultural inputs market; 2. deferred payments increase the cost; 3. shortage of storage capacity and of unspecialized input stores; 4. low local production of inputs, as for example the local production of seeds

covers only 10 percent of the domestic needs; 5. lack of hard currency, and 6. delay of inputs supply, lack of substitutes, and high insurance cost. Most recently, there has a shortage of labour supply emerged, with increased daily wage rates due to the return of internally displaced persons (IDPs) to the South, more attractive non-agricultural work opportunities in the fast-growing urban centres and in the gold fields, and the large increase in harvestable area.

- Cumbersome regulations, technically weak public agencies, and restrictions on private sector involvement undermine the availability of agricultural inputs. All agricultural inputs require an SSMO (Sudanese Standards and Metrology Organisation) certificate, and restricted products require additional certificates and letters of permission from the appropriate regulatory body. Pesticides require a letter from the National Pesticide Council (NPC). Seeds require a germination certificate from the Ministry of Agriculture (MoA, Seed Unit), and certificates from both the Plant Quarantine Department (PQD) and the Plant Protection Department (PPD). The National Seed Administration (NSA) is responsible, under the Seed Law of 2010, for certifying and monitoring the production, release and utilization of all seeds. The NSA has limited technical and financial resources and is currently receiving technical assistance through an IFAD project. The government Agricultural Research Corporation (ARC) has a program for seed multiplication for registered and certified seeds. There is virtually no effective competition from private sector seeds companies.
- Government delivery of Livestock and Fishery extension services does not appear to be contributing to significant increases in productivity. Extension services remain weak and more attention needs to be given to using 'tried and tested' approaches with well-trained professionals-this includes the private sector.

Overall, the many factors impeding agricultural production have severe effects on the expansion potential and affect heavily the sector's overall competitiveness. All this means that the situation is not better than it was at the times of the first breadbasket planning in the 1970s.

5 Conclusions and Outlook: Towards a viable breadbasket strategy

The new breadbasket strategy, initiated in 2014, takes up all the features of its predecessor from the 1970s. It aims at alleviating Arab food shortages by putting to use Sudan's land resources with its labour and modern Western technologies. On the surface, this looks very reasonable, and it is even more

timely now than it was 40 years ago in the light of the country's need to diversify its economy in the wake of its loss of most of its mineral oil resources to South Sudan.

Unfortunately, the concept and actual practice also share the very same shortcomings of the first breadbasket strategy:

- It is not based on sufficient information and analysis. In particular, it has not learnt the lessons that could be taken from past development planning.
- It does not address the problems identified in any systematic way. Rather, it simply names all the right labels in an additive manner.

- The deep structural economic constraints to development and growth in Sudan are still reduced to financing gaps. No new and promising approaches are given to address the deep regional and sectoral imbalances.
- The macroeconomic indicators are not favourable and at best coherent and continuing economic reform measures will manage to stabilize the economy - rather than reforming it.
- The economic governance and business climate indicators all point to a further deterioration, which increases the riskiness of agricultural investments, which are by nature long term.
- Sudan continues to have one of the most restrictive trade regimes, while the variety of taxes applied at all levels deters production and trade. Despite the pressure for reform, no steps have been taken for effective reform.
- Little attention is given to implementation, management, and coordination. The many pertinent studies that have been done on Sudan's agriculture and the necessary steps of reform by national and international experts (e.g. Konandreas 2009) have rarely been used in a practical way.
- No new approaches to incorporating the private sector are envisaged. In order to overcome obstacles to investment and to business operations entrepreneurs and managers use informal ways.
- No necessary attention is given to institutional capacity development. At best, foreign advisors and business managers are employed as gap fillers.
- No attention is given to the local context of agricultural production and trade.
- The deep regional imbalances in Sudan are not addressed.
- It is assumed (or hoped) that the Arab League members will invest because of solidarity and/or for strategic and political reasons. However, past and recent events have shown and continue to show that Arab investors base their decisions mainly on long term profit expectations.

In order to create a more investment-conducive environment, a bundle of reform measures would need to be implemented. Besides the general issues of economic governance discussed above, such measures include specifically (Konandreas 2009):

- reforming macro-economic and trade policies,
- strengthening physical and institutional capacities at all levels (producing, grading, storing, transforming, transporting, marketing, certifying, promoting, and exporting),
- pursuing land reform policy, leading to more clarity about land ownership,
- addressing the issue of high costs of production faced by Sudanese farmers, by, as for example, selective time-bound "market-smart" subsidies on key inputs to production,
- abandoning certain long-standing practices penalising agricultural production and trade, especially in the area of taxes, duties, and regulations,
- streamlining government regulatory institutional frameworks affecting trade,
- mobilizing and empowering the private sector, and
- strengthening policy-making and trade-promoting institutions.

The first step to become internationally competitive is to become able to compete in the domestic market. It is urgent to lift the heavy burden of taxing agriculture, considering the damage it causes to the sector (and the insignificant budgetary implications it may entail). This is imperative to reverse investment trends to agriculture, considering its pivot role in sustaining livelihoods and poverty alleviation. Again the danger is great that the idea of the Breadbasket is revived but not brought to real life in Sudan.

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Unit 2: New Investment Policies in Africa for Structural Change

New Investment Policies in Africa for Structural Change

Oyebanke Oyelaran-Oyeyinka[1]
Karl Wohlmuth[2]

1 The Issues

1.1 Foreign Direct Investment in Africa

Foreign Direct Investment (FDI) holds many promises and opportunities for Africa and has become an important contributor to economic development over the past two decades[3]. Direct and indirect effects of FDI to African economies include knowledge spillovers, increased tax revenues, and fostering technology transfers (United Nations Office of the Special Advisor on Africa et al. 2010). However, for FDI to deliver on its promises governments need to provide the right policy framework and the institutional environment to guide multinational corporations so as to fulfil not only own agendas but to promote socio-economic development within the host countries (Ola-David & Oyelaran-Oyeyinka, 2014). This is imperative as the United Nations Conference on Trade and Development (UNCTAD, 2014) notes that current orientations for investment policies are geared towards "investment promotion and liberalization", while investment "incentives mostly focus on economic performance objectives, [and] less on sustainable development" (UNCTAD, 2014, p. x). This Issues sub-section looks at the latest data and trends in FDI flows to and from Africa, the changes in FDI sectoral flows, and the potential role of FDI in improving sustainable development.

1.2 Trends in FDI Flows to and from Africa

FDI inflows have been growing across developing countries, including Africa. In 2013, FDI to Africa increased by 4 per cent from $55 billion to $57 billion (see Table 1 below), driven by international investments in infrastruc-

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[1] Researcher, PhD. Urban Planning, Columbia University, New York, USA; Dalberg Global Development Advisors in Lagos
[2] Professor Emeritus of Comparative Economic Systems, University of Bremen, Bremen, Germany
[3] This section draws heavily from UNCTAD's World Investment Report (2014).

ture, consumer-oriented industries, such as finance, food, information technologies and retail, as well as by extractive industries, manufacturing, other services, and growing intra-African flows (UNCTAD, 2014). FDI outflows also showed a slight increase from 2011 to 2012, but stayed constant between 2012 and 2013.

Yet, as a share of the world's FDI flows, Africa still has a small percentage of inflows (3.9 per cent in 2013)[4], and an even tinier one in outflows (0.9 per cent in 2013). In 2013, South Africa, Mozambique, Nigeria, Egypt and Morocco were the top 5 host countries respectively, while South Africa, Angola, Nigeria, Sudan and Liberia were the top 5 home countries (Ibid.)[5].

Table 1: African FDI Inflows and FDI outflows, 2011-2013

	FDI Inflows			FDI Outflows		
Value	2011	2012	2013	2011	2012	2013
Billions of dollars	48	55	57	7	12	12
% share in world FDI flows	2.8	4.1	3.9	0.4	0.9	0.9

Source: UNCTAD, 2014

The Northern and Western African regions specifically saw a decline in FDI inflows, while Eastern and Southern African regions accounted for the overall continental increase, with South Africa and Mozambique, and Ethiopia and Kenya, respectively, driving the increase in the sub-regions. Kenya, Nigeria and South Africa led the increase in inter-African investments (UNCTAD, 2014).

1.3 FDI in Africa's sectoral growth

Over the last 10 years, there have been some promising shifts in the sectoral concentration of FDI to Africa away from extractive industries. While the cumulative value of greenfield[6] investments in extractive industries in Africa

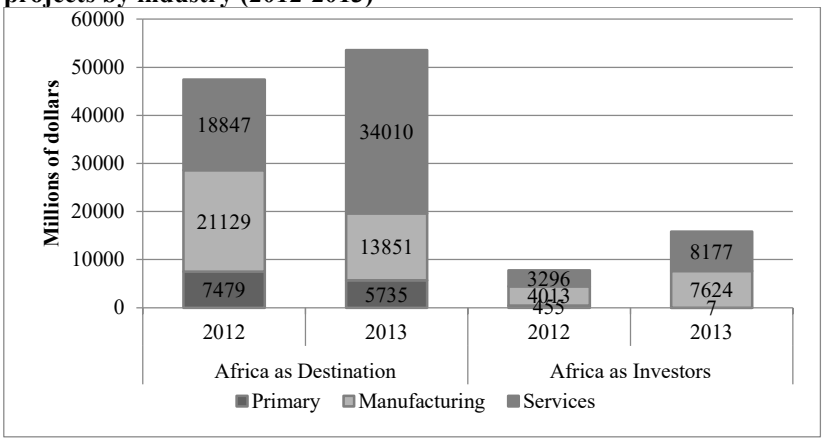
[4] In billions of dollars, the United States ($188), China ($124), Russian Federation ($79), Hong Kong ($77), and Brazil ($65) were the top host economies of FDI inflows (UNCTAD, 2014).

[5] Host countries are FDI recipients, while home countries give FDI.

[6] Greenfield investments are a "form of foreign direct investments where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees" (Investopedia, 2015a). They defer from brownfield investments where "a company or government entity purchases or leases existing production facilities to launch a new production activity" (Investopedia, 2015b).

is still high (26 per cent), the total number of projects has dropped by 8 per cent, and by 42 per cent from $44.52 million in 2012 to $25.84 million in 2013 as seen in Figure 1 below. This is a positive change as Africa's laudable economic growth has previously been characterized by a commodity-led growth process, which had little impact on employment and poverty alleviation (UNECA/United Nations Economic Commission for Africa; AU/Africa Union, 2012, 2013). Furthermore, if not properly guided, FDI to the extractive industries can lead to environmental pollution and to little socio-economic growth in the communities, as seen in Nigeria's Niger-Delta (Ola-David & Oyelaran-Oyeyinka, 2014).

Figure 1: Africa as FDI Destination and FDI Investors of Greenfield FDI projects by industry (2012-2013)



Source: UNCTAD, 2014

While Greenfield investments in Africa's extractive industries fell, Greenfield investments to services and manufacturing[7] in 2013 to and from Africa made up to 90 per cent of the total number of projects. FDI inflows to the agricultural sector have also been increasing, making $1,940 million in 2013 (UNCTAD, 2014). Notably, the international community is recognizing the importance of agriculture in Africa, and in 2012, noting that public sector

[7] Industry categorizations for Greenfield investments in figure 1 are as follows - primary comprises: *agriculture, hunting, forestry, and fisheries; mining, quarrying and petroleum. Manufacturing comprises: coke, petroleum products and nuclear fuel; *non-metallic mineral products; and motor vehicle and other transport equipment. Services comprises *electricity, gas and water; transport, storage and communications; finance; and business services. Largest contributor in 2013 asterisked.

investments were not enough to realize food security, the New Alliance for Food Security and Nutrition was launched to catalyse responsible private investments in attaining development goals, and "achieve sustained inclusive, agriculture-led growth in Africa" (New Alliance for Food Security and Nutrition), among other things.

Though FDI to the service sector is increasing faster than to the manufacturing sector, FDI should still be harnessed to develop Africa's industrial sector. Mauritius exemplifies an African country where FDI has generally been credited for playing the role of "transforming the country from a stagnant mono-crop economy to one with sustainable growth and development" (Soorea-Bheemul & Soorea, 2012, p. 119).

1.4 Leveraging FDI to achieve sustainable development in Africa

The Millennium Development Goals (MDGs) have given way to the Sustainable Development Goals (SDGs); as highlighted by UNCTAD's 2014 World Investment Report, FDI has a significant role to play in complementing deficits in public financing in Africa in reaching the Sustainable Development Goals (SDGs), particularly by investing in basic infrastructure, climate change adaptation and mitigation, education, food security, and health, which could be as high as $3.3 to $4.5 trillion per year in developing countries alone. To effectively leverage FDI for this, it would be important for policy makers to create the right balance between a policy framework which signals an environment conducive for foreign investment and a policy framework which is protecting the public interest. Policy-makers can learn from UNCTAD's proposed *Strategic Framework for Private Investment in the SDGs*, which addresses various challenges and available options related to:

(i) Guiding principles and global leadership to galvanize action for private investment;
(ii) Mobilizing funds for investment in sustainable development;
(iii) Channelling funds into investments in SDG sectors; and
(iv) Maximizing the sustainable development impact of private investment while minimizing the risks or drawbacks involved (UNCTAD, 2014, p. xi).

While FDI flows to and from Africa have increased, they still make up a minute percentage of total world flows. Inflows to the extractive industry have been reducing while they are rising in agriculture, manufacturing, and services. In the near future, FDI can play a huge role in facilitating sustainable development in Africa. In all, though investing in Africa is advantageous for investors, for the host countries there are also desirable outcomes. These would include that FDI is socially responsible and that it seeks to promote both short and long term socio-economic development objectives of the host countries (Ola-David & Oyelaran-Oyeyinka, 2014).

1.5 The role of induced investment through global value chains in Africa

Global Value Chains (GVCs) are increasingly important as a channel for investment, domestic as well as foreign, public as well as private. Integrating firms into global and regional value chains may induce investment by local firms which are directly connected with the chain but also investment by firms which are not directly linked to the chain but are benefitting from consumption spending and clustering of firms. As integration into global value chain demands better transport infrastructure and information and communication technologies, investments in such areas will increase in importance. Investment into various services sectors will also grow. Figures show that services are an important intermediate input, representing over 30 per cent of the total value added of manufactured goods (AfDB et al., 2014, p. 126). Investments are needed not only in transport, logistics and warehousing, but also in banking, insurance, business services, professional services and communication services. These services are relevant at all stages of the value chain. Also, beside of the manufacturing value chains which are demanding services as intermediate inputs, there is also a trend to create independent service value chains, for transport, communication, logistics, finance, etc. Additional investment can be generated in these areas (AfDB 2014, p. 126). Important sectors where investment takes place are banking, tourism, education and health services, information technology, and business processing services.

Africa's share in GVC participation as measured by global trade among supply chain actors has increased from 1.4% in 1995 to 2.0 % in 2011, but Africa's share of global imports in intermediate goods (a proxy for the role of Africa in manufacturing value chains) has remained unaffected with 2% since the 1990s (AfDB et al., p. 127). New technological developments like 3D printing and digital growth may also give new opportunities for manufacturing production in Africa, especially so in the remanufacturing of used products. These trends may impact on the manufacturing and IT services value chains in Africa (Wohlmuth 2015). In some African countries (South Africa, Kenya, Senegal, Tunisia) digital entrepreneurship is developing quite rapidly, giving a good base for new value chain participation business models. Important for Africa are specific trends which are related to GVC integration. It is not so much the endowment of countries which matters but the ability of domestic firms to take advantage of opportunities by linking to GVCs. Personal relations of entrepreneurs with trading and manufacturing companies, traditional trading linkages of firms as suppliers and customers, and specific production and management competences which are already available in

firms are the base for a beneficial participation in value chains. Also access to land which is suitable for producing high quality products for markets with demanding consumers, and access to government licenses may give such firms a lead in GVC participation. Also firms in small African countries can have such advantages as examples show.

Intermediate inputs of high quality play an important role in GVC participation. By securing such inputs from domestic production or via imports for manufacturing production, efficiency and quality can be increased at firm level, while productivity growth, structural change, and diversification can be enhanced at country level. A large share of intermediate inputs is imported into Africa, so that the import share is also an indicator of global competitiveness of the final products being exported by African countries. Productivity growth, structural change, diversification, and global competitiveness in African countries are also accelerated by other important factors. Standards and product specifications of lead firms play a great role as they are derived from the aspirations of consumers at sophisticated markets. Private standards of lead firms of GVCs became increasingly important, replacing to some extent the role of prices and of public trade standards (AfDB et al., 2014, p. 129). Private standards play a role in buyer-driven value chains (led by supermarket firms in developed countries, but also in some developing countries). These lead firms are under pressure from consumers to look at environmental and health standards, at quality standards, but also at labour standards. Price becomes for increasingly demanding consumers a second order criterion relative to privately enforced standards (AfDB, 2014, p. 129). Producer-driven value chains, like in the automotive sector, also see a growing role of private standards, but these are more embedded in the governance regime of the global production system. Such private standards link the economies of the countries where the suppliers are producing.

In case of an increasing number of such actors in African countries, the impact on economic structures and processes as well as on policies will be strong. However, the problem is that effects on productivity, diversification, competitiveness and structural change depend on the overall extent of GVC integration. In some cases the integration is too limited (in terms of the number of GVCs affecting a country and in terms of depth of the GVC integration) to affect the structure and the working of the economy. GVCs as global networks have also the advantage that African countries must not have all the capabilities (human skills, entrepreneurial skills and managing skills) and preconditions (such as infrastructure and logistics) as lead firms can bring in and develop capabilities and preconditions which are scarce in the domestic economy. However, the whole chain will collapse if key factors (such as transport capacity to bring fresh products in time to the overseas markets) cannot be sustainably and regularly provided in time. These key factors can

be developed by the lead firms themselves and/or by the public actors in African countries. Structural change and productivity growth also require that integration of domestic firms into the global value chains (GVCs) leads to an upgrading in terms of further product development and an increase of the domestic value added share of the exports. To capture a higher value added share of exports demands the accumulation of additional competences, like design, product development, management and marketing abilities, etc., but in many cases this accumulation is not taking place so that firms remain stuck with low end production.

There can be limits to domestic spillovers of GVC integration. If the relations between lead firms and domestic firms (or affiliates) in Africa are too tight, the opportunity for spillovers may be limited. Domestic firms (or affiliates) may not have incentives to sell their services and products also to other trading partners and trading areas. Linkages may not be forthcoming in such cases. Very close relations between suppliers and lead firms can prevent the broadening of the market base; dependence on one main customer is a danger as vulnerability is high. Resilience strategies should be sought by the local firms in Africa, what is sometimes possible by focussing on regional markets beside of overseas markets. Also, economic upgrading (by product development and a growing domestic value added share of exports) should be associated with social upgrading (by providing better wages and working conditions). However, this is not always the case, and if social upgrading does not occur, the prospects for structural change are limited as economic upgrading is not sustainable. Although 80% of the experts on African countries think that GVC integration creates plenty of opportunities for job creation from new activities (AfDB, 2014, p. 130), the situation is different from case to case, from sector to sector, from GVC to GVC. Such hopes are not always fulfilled as entering a value chain can also mean that some traditional activities are lost and only after some time successful upgrading of new activities leads to new jobs (what is implied in the "global value chain upgrading wave"; see AfDB 2014, p. 131).

In order to be successful along the "global value chain upgrading wave", it is necessary to invest into infrastructure development and the building of capabilities. Without building and deepening the GVC-related capabilities there is an increasing risk of downgrading, in the economic and in the social sense. It is necessary to overcome the threat of being locked into low value-added stages of GVCs (AfDB, 2014, p. 131). Industry policy has a role to play but has to be specific to a particular value chain; public investment, education and skills development policies, and infrastructure policies become very specific to support the integration of domestic firms into value chains. Cases show that industry policies are sector-specific; this can be assessed by the products and technology levels and measured by the foreign value added

share in exports. The foreign value added share in African exports is great in vehicle assembling, electrical machinery and metal products, mining and quarrying, also petroleum, chemical and non-metallic mineral products, while in agriculture the value chain participation is lowest (in terms of foreign inputs used for the production of export goods). In services there is a lead of finance and business sectors, with finance showing a strong regional integration effect in terms of foreign value added shares because of increasingly regional banking systems (AfDB, 2014, pp. 142-143).

A high and growing share of foreign value added in exports is associated with productivity growth, structural change and diversification, because of the role of world class inputs for export competitiveness (AfDB, 2014, p. 144-145). However, no such association exists between employment gains and GVC participation, but there is an obvious association between domestic value added creation through GVC integration and employment gains (AfDB, 2014, p. 148). Domestic value added as a share in exports has to grow, what will occur with economic and social upgrading successes. Employment gains are a major objective of GVC integration, but beside of offensive strategies of the firms the policies of the government have to be pro-active. Although export competitiveness and employment gains can be achieved by GVC participation, reaching social progress is even more difficult in Africa. Social progress through GVC participation is limited due to gender imbalances, skills deficits, increasing informal employment, and unequal power relationships within GVCs (AfDB, 2014, p. 148).

So, beside of sector-specific industry policies a social progress agenda is needed, affecting women's role in the society, the causes of skills shortages, and the reasons for increasing informal employment. As well, strategies to change the unequal power relations within GVCs are needed, but these depend on transparency along the whole value chain, a task which is not easily achieved. Trade unions, employers' associations, civil society organisations, and NGOs, but also various governmental agencies play a role in this effort. The social position of women is especially weak in agricultural value chains, and obviously the progress towards gender empowerment and reducing gender inequalities is quite limited. Value chains may benefit from this vulnerable position of women only in the short term, but in the long term gender equality and investment into women's empowerment and skills pay off for a higher sustainability of the GVCs (see the cases in Box 6.4 in: AfDB, 2014, pp. 149-150). Contrasted with classical trade and investment policies the policy agenda for GVCs is much more specific and complex. This is one of the reasons why African countries, especially in the Sub-Saharan Africa region, are not so advanced with their GVC participation.

1.6 Increasing the Capabilities for Integration into Global Value Chains

In order to be successful in integrating producers in Africa into global value chains, *various capabilities and preconditions matter*. Capabilities have to be developed and preconditions have to be created. A lot can be learned from Asian and Latin American countries how public and private sectors have collaborated to support the integration of their producers into global value chains. Six major capabilities are required to become an effective producer and partner within global value chains (see Banga 2013, Banga 2015). There is a need to improve simultaneously these six basic capabilities, in order to avoid that a weak link retards or prevents the effective integration into global value chains. First, "informed producers" are needed as only these producers, managers, and entrepreneurs will demand technical innovations and will produce new products. In order to generate technical innovations, skill development is needed, but without adequate infrastructure and finance skill development will not lead to value generation. Only appropriate institutions and domestic regulations will allow it that firms can appropriate value from the value chain interaction; otherwise other actors in the chain (foreign and larger firms) will generate the value. On the basis of these institutions and regulations, market orientation and market intelligence will lead to "informed producers".

This feedback system of six basic ingredients for an effective integration of local and small firms into global value chains has to be understood in order to design respective public policies. Only within such a feedback system is it possible to evaluate the reasons for the often unsatisfactory capacity in African countries to benefit from an integration of producers into global value chains (see Banga 2015 on this feedback system). Looking at African conditions, it is easily observed that immediate action is needed around all these six capabilities. However, some countries were more successful on this way and irrespective of the income level. Five countries stand out as particularly successful (Ethiopia, Kenya, Seychelles, South Africa, and Tanzania); these countries have increased the share of foreign value added in their exports by 5 or more per cent in the recent two decades (IMF 2015, p. 59). More than mentioning this mere statistical fact of increasing integration, most important is the observation that the sector expansion in these countries is going along Africa's comparative advantages (land, labour, natural resources, and beauty of nature).

Agriculture and agro-business benefitted in Ethiopia and Seychelles, (light) manufacturing in Tanzania, but also textiles, transport, and tourism have to be mentioned. These African countries have in this regard similar successes as Poland and Vietnam, countries which are cited as the success

cases of integration into global value chains (IMF 2015, p. 59). So, these five countries have managed to translate the comparative advantages into competitive advantages. Some success stories in Africa (such as horticulture and flowers in Kenya) are however to some extent artificial, as the absence of some of these six capabilities is compensated by an internalization strategy. Large producers (with capital and political connections) generate the capabilities within their industrial conglomerate (see Wohlmuth 2011 on this internal route to create capabilities in agribusiness). Such an internalization strategy may be costly and may limit the expansion of production. Public subsidies, exemptions and tax advantages for these ventures may affect other firms and especially smaller producers in the country. If the internalization route is not working, then all depends on national and local strategies to invest in these six capabilities.

A lot can be learned from Asian and Latin American countries how they supported their producers (see Banga 2015, pp. 47-52). In these countries, industrial associations and networks of small producers have contributed a lot to inform the entrepreneurs about product options and market niches, especially about international quality standards. A pro-active public sector role contributed to this progress. Technical innovations were promoted in a specific way, by linking producers and producer associations to extension services and public research. Important elements of the value chain, such as logistics and product development, were supported. Also, small producers got incentives to cooperate with large firms acting as lead firms, also in the form of joint ventures with foreign firms. Public research was related to improvements of the quality characteristics of the produce, and targeted subsidies played a role in various forms (for credits, inputs, logistics, market information, extension services, etc.). Skill development for strengthening the role of producers in global value chains is important. But specific skills are needed to strengthen the role of informed producers in the chain and to introduce technical innovations for adding value of the firm in the chain. A specific training infrastructure (training institutes, design studios, demonstration farms, extension agents, mentors and coaches, etc.) is needed but has to be related to the specific demand of the producers in the value chain. Regional collaboration in training can support producers in regional value chains (ECA/AU 2009). Africa is not exploiting the existing opportunities, neither the instruments of regional cooperation nor the public training institutions more fully (Wohlmuth 2011, 2015).

Infrastructure provision and adequate finance instruments are important for the integration of producers into global value chains. The capability to organise for these key inputs is crucial. Trade facilitation is an area of importance, as global value chains depend on logistics, communication, and across-the-border trade exchanges. The limited progress in Africa with regard

of integrating producers into global value chains (GVCs) has a lot to do with these two factors and the insufficient capability to overcome these constraints. Even in regional economic communities (RECs) in Africa cross-border trade and connections to ports are impeded by so many barriers. Obviously these logistics problems do more harm than non-tariff barriers which still exist in the RECs of Africa. Transport, logistics and telecommunications services play a key role for integrating producers into global value chains. Innovative approaches are needed to remove these bottlenecks. Lead firms in value chains and foreign investors can be helpful, but also targeted public investments play a role. Despite of ambitious infrastructural plans for connecting Africa regionally and globally (PIDA/Programme for Infrastructure Development in Africa), the results are so far insufficient. An internalization strategy of large African conglomerates may work in some cases, but is limited in effect; this strategy may also be economically costly (Wohlmuth 2011).

Finance is a crucial factor at all stages and levels of the global value chain, and integration of producers depends on removing this bottleneck by creating the respective capabilities. Innovative approaches are needed what requires that demand for working capital and investment finance is assessed at all stages of the value chain which are in the reach of the African producers. Case studies from agribusiness sectors in eight African countries show that this can be achieved (Wohlmuth/Kormawa/Devlin 2012), that innovative solutions could be implemented, also by public-private partnerships. Lead firms of value chains and specific funding windows of African governments and local banks can help in this situation. But, a new role of the African banking system towards supporting productive sectors and the integration of local producers into global value chains is needed. Examples show that central banks, development banks, and commercial banks in Africa can create such capabilities.

Two other basic ingredients matter: Appropriate institutions and domestic regulation and Market orientation and market intelligence (Banga 2015). Appropriate institutions in the context of global value chains (GVCs) are first of all those institutions which are responsible for product and process standards (in health, safety, quality, environment, resource-saving, etc.), and all those institutions which are needed to enforce these standards in production and sale (exports). The best way - as practised in Latin America and in Asia – is it to make the entrepreneurs develop their own standards by self-regulation; and the best way is it to develop standards which fit the many export markets, such as the Good Agricultural Practices (GAP) as developed by Chile. Such a GAP system allows the producers to meet the standards of USA, European and Asian markets at the same time. Although Africa has developed its own standardization organizations and the respective infrastruc-

ture, much has to be done with regard of harmonization and implementation as much is on paper and not made relevant for the producers (Wohlmuth 2015).

Also with regard of domestic regulations, their impact on integrating into GVCs is great. Countries in Asia and in Latin America have successfully managed to link in regulations FDI inflows with stronger backward linkages, technology transfers, local content, etc., but in flexible ways which were not discouraging the inward flows. Countries being more pro-active with regard of appropriate standards and regulations have better chances to be involved in GVC's operations. The problem in Africa is that even in the RECs the standards are not harmonized so that trade is impeded by various forms of behind the border barriers. Paradoxically, African countries may be more interested and capable in meeting global standards than standards of their neighbour countries. The same is with domestic regulations; African countries may be more flexible in their attitude to global FDI investors than to regional FDI investors. A change of this attitude is necessary.

The last factor of importance is market intelligence. How to inform the producers about market trends, market developments, market dynamics, new market niches, etc.? Some African countries, like Mauritius, have developed this capability since decades. The country became a famous case of adaptation to global market trends; and the capability to adapt to new market developments, new opportunities and new constraints was tested various times and has led to structural changes in industry (such as the electronics sector, the agro-industry sector, the textiles and clothing sector, the sugar sector, and various high tech sectors). But not many other success cases are known. Regrettably even the large companies in Africa have failed to develop such capabilities. Only few African companies have a global orientation; the so-called "African Challengers" with above average business returns are not that many, and are concentrated in few African countries, such as South Africa (Wohlmuth 2014). New technologies (mobile phone apps for price, labour market and weather information) and new institutions (such as the Warehouse Receipt Certificates/WRCs enabling the farmer to store staple crops after harvest so as to benefit from price cycles and to get finance on this basis in advance of finally selling the crop) allow it also small producers to react to price trends.

Market information is not only a problem at international markets (extra-regional trade); even in intra-regional trade market information is limited. However, even in the African RECs market opportunities and barriers are not known to local producers, and the situation is not so different between intra-regional and extra-regional trade. Market information needed is however different between these two destinations. While in extra-regional trade outside of Africa standards are the major problem, in intra-regional trade and

extra-regional African trade barriers of all types are prevailing (logistics and transport problems and inefficiencies, border delays, problems with rules of origin, non-tariff barriers, taxes and duties, etc.). Informing the African entrepreneurs about standards, market barriers, market niches and market trends is therefore a public good to be provided, and supplying this public good can be achieved best via a public-private collaboration strategy. RECs like ASEAN have much better worked in this regard, creating much earlier awareness about the opportunities of intra-regional trade and investment agreements and linking pro-actively market information to action (market penetration and market sharing). This factor is also important for linking, governing and upgrading the (regional and global) value chains (Banga 2015, p. 52).

Beside of these key capabilities for integrating producers into GVCs policy environment factors and structural characteristics of countries play a role. In order to make use of these capabilities and/or to develop these further certain policy and structural preconditions matter. Industrial policy plays a key role for GVC participation; industrial policy orientation can be leaned either towards increasing the share of domestic value added in particular industries or towards increasing the volume of GVC-related trade as measured by backward and forward linkages (see Banga 2015; OECD/Kowalski P. et al. 2015). This requests open markets so that industries can integrate into GVCs by a) exporting products with high domestic value added but using also substantial imported inputs and b) by exporting commodities and services within GVCs which are inputs to process goods in other countries for export (see Banga 2015 and OECD/Kowalski P. et al. 2015 on the relation between backward and forward linkages in GVCs in various regions).

Policy matters with regard of both types of linkages in GVCs – backward and forward linkages. To source foreign inputs for exports in the case of an African country can be as profitable as exporting commodities and inputs to foreign partners for their export production (not only commodities but also services, such as IT services, and certain tasks, like in the construction field, could benefit the country when contributing to the exports of the importing country). While the debate about import substitution versus export development centred on final products, the African countries can now deliberately make policy decisions with regard of these two types of linkages. Important is also the acknowledgement that structural characteristics matter in industrial policy design (OECD/Kowalski P. et al. 2015). Three structural variables matter most for participation in GVCs (size of the country, geographical location, and share of the manufacturing sector), but also the size of companies and the role of the informal sector play a role. So, African countries may benefit from two types of integration into GVCs.

Important is also how deep the African country is integrated regionally. Deep integration offers the possibility to benefit from linkages at the regional level, by integrating firms into regional and global value chains. The political steps towards deeper integration as discussed now (EPAs, TFTA, CFTA, and going beyond free trade agreements in the RECs) give new chances for a higher participation in GVCs because all these steps may help to eliminate cross-border barriers in RECs and between RECs in Africa. When these barriers (at the border and behind the border) are removed, the working of regional and global value chains is improved. But Africa's handicap is the low and even declining share of intra-regional GVC penetration, while Southeast Asia has a high and even increasing intra-regional share (OECD/Kowalski P. et al. 2015). A further determinant of GVC integration is openness toward inward foreign investment, but openness does not mean that foreign investment should not be regulated. In the contrary, openness means both that all the border barriers and behind the border barriers are removed which discourage foreign investors and that clear regulations and coherent policies guide the investors to sectors with market opportunities. Regrettably, most of the policy areas being of relevance for a deeper regional integration in Africa are not part of the current negotiations (this is true for TFTA, CFTA, the RECs, but also for the EPAs with EU). These key areas (trade facilitation and logistics performance, intellectual property protection, competition policies, rules of origin, services liberalization, quality of trade infrastructure and trade institutions, behind the border barriers, etc.) are not really part of the current negotiations; they are postponed. But these are the important areas for a deeper Regional Value Chain (RVC) and Global Value Chain (GVC) penetration in the RECs of Africa.

1.7 Capturing the Gains from Global Value Chains by pro-active Strategies and Policies

How to increase in Africa the gains from participation in global value chains (GVCs)? How to devise policies in African countries so as to maximise the advantages from value chain participation? How to support structural transformation via a deeper participation in GVCs? Global value chain participation can support structural transformation in Africa through various channels: first, competitive advantages can be developed by integrating domestic firms into global value chains; second, bottlenecks in infrastructure and institutions are becoming visible when lead investors of GVCs decide about selecting locations for production in Africa and about production expansion/reduction; third, industrial policies and other policies are reviewed in order to attract lead firms to particular countries and locations so that investments take place. Requirements for structural transformation are amplified by global value

chains as they are demanding in terms of policy consistency, logistics, infrastructure, and business environment (AfDB 2014, p. 182). In order to become attractive to international investors, the local supply-side bottlenecks in particular sectors and countries of potential interest to lead firms have to be identified and removed. The many bottlenecks in terms of infrastructure, skills, institutions and policies have to be overcome. If this is not done, the disadvantages of Africa relative to other players in the international competition for investors will cumulate. Upgrading in value chains will not be possible if such attempts are not getting priority in politics. "Low road strategies" will follow and will entail the risk of "races to the bottom" if preconditions and capabilities for upgrading are not met (AfDB 2014, p. 182). Various lessons have been learned so far from the experiences of countries with GVCs being active in these countries. Five key issues may guide the development policy (AfDB 2014, Chapter 8, pp. 181-198).

First, it is necessary that development policy becomes value-chain specific. This is not easy to become reality as development policy has to be of advantage to all investors, to investors being already part of a particular value chain, to investors being interested to participate in a value chain, but also to other investors who are not related to value chains. Policies should be conceived in a way which does not damage the position of firms; a position of neutrality towards business is requested. Some general lessons have emerged from analysing cases of GVC participation. It is possible to identify the best options for the support of value chain integration by deep policy dialogues between government and business, also at the level of individual value chains. From such enlightened industrial policies which are both general and industry-specific, top-down and bottom-up, inclusive and sustainable, criteria for the support of firms entering global value chains in Africa can be derived. Such a p policy dialogue between government and business should not only include the few dominant large firms in most of the economic sub-sectors in Africa (see on their role: Gelb et al., 2014), but as well the many small and medium enterprises. It is necessary to provide the small and the medium firms with the necessary services to participate in GVCs, such as logistics, skills training, infrastructure, standards and measurement services, technological and business support services, collective institutions for cooperation and finance, etc. Enlightened industrial policies also matter for the large and dominant African firms as they need more competition and more trade and market openness to improve their efficiency and to learn to compete globally. The small and the large firms will benefit from new policies to facilitate GVC participation and upgrading. As a lot of value chain-related services are needed, such as logistics, skills training, finance, communication, standards and measurement services, soft and hard infrastructure, legal and policy insti-

tutions, etc., a more developmental state is requested to provide specific industry policies for all this.

Cases in Africa, where such value chain-specific prerequisites are in adequate supply, are rare. Mauritius, Kenya, Ghana, Tunisia, and South Africa are the countries which are quite often mentioned. Other countries have seen some promising entry of lead firms, but there are doubts about potentials for upgrading. An example is the Swedish clothing retailer H&M in Ethiopia (see: AfDB 2014, p. 161). Although the Ethiopian garment producers have seen employment and output growth, there are limits to upgrading into higher value-added stages of the value chain. There are possibilities to supply different customers with the same product and to source local textiles, but real upgrading with higher value addition seems to be difficult to achieve. Similar problems are seen with Chinese investors (lead firms) in Ethiopia (Bräutigam/Xiaoyang, 2011). Upgrading can be supported by specific government strategies for training, R&D, export marketing, etc. An example of functional and product upgrading is Blue Skies Limited in Ghana, exporting freshly cut and packaged fruits like pineapples via airfreight to retailers. The value addition of cutting the ripe fruit is considerable, and a whole system of quality assurance and traceability of each piece of fruit is available and works (AfDB, 2014, p. 164). Despite of such success cases of buyer-driven value chains, the integration of smallholder farmers remains also in Ghana a difficult task (AfDB, 2014, p. 165). By government strategies a broader process of upgrading can be initiated for the value chain, e. g. by specific land and agricultural development policies, extension and training policies, etc. South Africa's automotive sector is the case of producer-driven chain. Government policies can do a lot by specific policies to broaden the supplier chain, to increase manufacturing depth, to improve infrastructure, and to upgrade the skills of the workforce (AfDB, 2014, pp. 171-172).

Second, deciding on trade-offs is important so as to maximize the benefits from global value chain participation. As policies must be value-chain specific, decisions have to be made on prioritising. Questions arise: Should participation in new value chains be promoted or the deepening of participation in existing ones? Can policies on infrastructure, skills training, tax subsidies, and R&D funding for specific value chains be done without affecting negatively other value chains (already existing ones or newly established ones)? A ground rule is presented (AfDB 2014, p. 182) saying that all these value-chain specific support measures should be designed in such a manner that they do not harm other value chains, but maximize the benefits for the whole economy. This is a theoretical approach and in practice it is very difficult to pursue. Investments towards specific value chains need prioritising and targeting as public funds are allocated, but trade-offs occur and have to be solved by transparent decisions.

Such trade-offs matter, as examples show. A policy supporting commercial farmers may conflict with policies to support smallholders. Both groups of farmers can be integrated into global value chains, but the implications are different. There are successful value chains incorporating commercial farmers but also such ones with smallholders. Public investments for specific value chains have then to look at opportunities to realise inclusive growth conditions. If welfare is improved for a large number of smallholders while being integrated into effective value chains with competent global lead firms, such a value chain may have advantages over a value chain integrating commercial farmers. But all this needs assessments. Most severe are trade-offs when decisions are made on value chain integration versus value chain (economic and social) upgrading. Tax incentives may help to attract foreign investment and to integrate foreign affiliates and/or local firms into new value chains, but the loss of revenues may impede the strengthening of existing value chains by upgrading investments (through specific training, R&D, extension services, and infrastructure). Inappropriate investment laws, such as in Tunisia, may do harm as linkages are not created between export firms and domestic firms (AfDB et al., African Economic Outlook Country Note Tunisia, 2014).

Most severe may be the trade-offs with regard of special economic zones (SEZs) as they aim at the attraction of export-oriented firms but may prevent the establishment of linkages with the firms outside of the zone. Because of the high costs of such zones and the separation from the other firms the upgrading of the domestic economy and of outside value chains may be inhibited. A case in point is the virtual separation of an offshore sector which is privileged and export-oriented and an onshore sector which is highly protected and focussed on the domestic market. This separation is further strengthened by two other separations in Tunisia. The labour market is segmented into a small and protected formal sector and a large unprotected and informal sector. Another separation is the lack of linkages between a rather large public R&D system and the many industrial enterprises of different size (see World Bank, 2014). A new development model is needed, as these three separations prevent market linkages between the sector of the mostly foreign exporting firms and the sector of the local firms supplying the domestic market, and also the skills and technology upgrading of firms and value chains. Even the exporting sector uses low-skilled and low-wage labour and is not technologically upgrading products, components and processes (see AfDB et al., 2013).

The separation of offshore/onshore sectors has to do with inappropriate foreign investment regulation, with the effect of privileging some value chains being offshore at the expense of others, being onshore. But other forms of separation may be as well damaging, such as special economic

zones (SEZs). The evidence on the effects of such SEZs in Africa is mixed (see Farole 2011, comparing African SEZs with global ones; and Bräutigam/Xiaoyang 2011 on the Chinese SEZs in Africa). While SEZs may help to integrate some firms into global value chains, upgrading and deepening of other value chains may be a problem. Because of scarce public funds the support of SEZs can lead to disadvantages for other value chains, but also other transmission mechanisms can work in this direction. Ethiopia may derive some advantages from the H&M value chain, but what about the coffee value chain, the leather value chain, and the value chains of other local products. Measures of localisation requirements may force foreign investors to link up with domestic firms, but such requirements may prevent the creation of new links to GVCs in the country (AfDB 2014, pp. 182-183).

Third, an effective collaboration between public and private sectors is needed (AfDB, 2014, p. 183). Strong business associations are of importance to establish and to strengthen GVC participation in the country. Entrepreneurship is important, but the problem is that in Africa most economic sectors are dominated by a few large firms, while numerous formal and informal small firms coexist without strong support associations. In order to integrate not only the large, but also the small firms into GVCs there must be strong sector-wide business associations to work in the interest of both groups. This is difficult as the two groups of firms have different interests. While the large and dominant firms influence the government to reduce competition by cementing sector-entrance barriers, the small companies need support and protection for their ventures.

An agenda for the support of small firms has to distinguish between necessity-driven and opportunity-driven entrepreneurs and between survival firms and growth-oriented firms (Wohlmuth 2016). Domestic business associations have to adapt to the different characteristics of necessity-driven entrepreneurs and survival enterprises on the one side and opportunity-driven entrepreneurs and growth-oriented enterprises on the other side. Both groups of small companies can become integrated into GVCs but the terms are different. While growth-oriented firms need support in areas such as finance and training, the survival enterprises need basic infrastructure and basic services. Business associations are not there to support the survival firms and the necessity-driven entrepreneurs. The Ethiopian Textile and Garment Manufacturers Association (ETGAMA)[8] and the Kenyan Flower Council (KFC)[9] are mentioned as strong GVC-related business associations, but it may be that they represent only the larger firms in these two countries, and not the small-

[8] See the website on ETGAMA: http://www.etgama.com/
[9] See the website of KFC: http://kenyaflowercouncil.org/

er ones. Policies may be much more shaped in the direction of the business interests of the politically connected larger firms.

Fourth, it is necessary to know more about the ownership structure of global value chains so as to determine the pathways to increasing domestic value added (AfDB et al., 2014, p. 183). Governance structures differ from one GVC to the other, but fundamentally between buyer-driven and producer-driven value chains and also within these two groups. Five distinct GVC governance structures (market; modular; relational; captive; and hierarchy) are mentioned (AfDB 2014, pp. 159-160), and so all depends on the product which a country exports, although the development level, the logistics capabilities and the manufacturing capabilities also play a role. Cases show that knowledge too often is not available in African countries about the governance structures and about the options and possibilities to maximize the developmental benefits. Possible reactions would be to identify alternative and additional buyers of local produce and to adapt the product offers by product differentiation. However, upgrading possibilities depend on governance structures and characteristics. Capabilities matter for all these types of reactions and adaptations. A four step approach is proposed for formulating GVC-related development strategies, and in the first three steps various appraisals and analyses are requested, while in step four appropriate policies are to be developed (see on the four steps concept: AfDB, 2014, pp. 184-185). All this requires a close cooperation of so many ministries and offices, and this cross-sector work is not much practised in African countries so far. A precondition is some form of developmental governance.

Fifth, and most important, the GVC participation approach is helpful only if governments are able to avoid "low road strategies" which lead to "races to the bottom" if lead firms are attracted by privileges and concessions, but when the GVC sector is not related to the domestic economy by exploiting all relevant linkages and by pursuing broad productive capacity building. So GVC integration can be a chance for development but can also lead to a waste of public resources if the whole setting of the economy (structure, unemployment level, poverty level, and policy framework) is not envisaged.

It is interesting to note that the Capturing The Gains (CTG) programme[10] leads to a set of conclusions based on a wide range of case studies. The case studies for horticulture, apparel and tourism in Africa show that infrastructure deficits, skills deficiencies, and gender disparities explain a lot of the difficulties to get Africa better related to GVCs (see Goger et al. 2014). The most important advice given by the study is to find the right balance between general and specific policy measures to support successful GVC participation.

[10] See the website: http://www.capturingthegains.org

Also, it is necessary to maximize the opportunities offered by GVCs for an economy while creating the required environments in various fields. Although such conclusions are presented in general terms, the CTG researches reveal that enlightened policymakers are needed who like to coordinate important stakeholders to find optimum solutions. Four groups of recommendations (skills enhancement; infrastructure improvement; promoting measurable standards and enabling rights for labour; and Industrial and Trade Strategy) are mentioned as based on the CTG studies (see Box 3 in: Goger et al., 2014, p. 27). In order to realise not only economic but also social upgrading a list of actions is presented also for labour standards and labour rights. The measures proposed on labour show that both types of upgrading can be achieved only when the status of work in the GVCs is brought in. Also, a long-term view of the stakeholders is needed- of the governments, the business associations, the unions and NGOs as the group of other stakeholders, and the lead firms.

Also the CTG studies reveal that regional value chains (RVCs) are becoming real, as in South Africa and in Kenya regional lead firms are emerging in the three studied sectors (apparel, horticulture, and tourism). But, beside of this, regionalization can also have downgrading effects on social conditions. Because of trade liberalization and declining retail prices in Regional Economic Communities (RECs), informal working conditions are gaining weight if a country does not adopt appropriate labour standards. Informal working conditions proliferate in all the three sectors, so that GVC and RVC participation may lead to polarization between protected formal sector workers and unprotected informal sector workers. There may be social upgrading at the level of protected formal workers in GVCs and RVCs, but outright downgrading for the unprotected informal sector workers. A stronger position of the already strong lead firms resulting from trade liberalization may also imply a social downgrading process as the negotiating power of the workers and the small firms is weakened (Goger et al., 2014). Again, social upgrading can be the case for protected formal sector workers in the value chains. The answer is that at regional levels unionization, protection of labour rights and social upgrading measures have to be supported. A “race to the bottom” will follow within regions if not labour standards are protected everywhere.

2 The Contributions

Two papers deal with issues of foreign investment as a driver of structural change in Africa and two further papers deal with global value chain (GVC) participation as a driver of structural change. While classical direct investment is still of relevance in many sectors in Africa, especially so in com-

modities sectors, the importance of participating in RVCs and in GVCs is increasing, especially so in manufacturing and services sectors. But as we have discussed above, the governance structures of GVCs differ considerably and some forms overlap with classical direct investment transactions (see above). The four chapters cover countries such as Nigeria and Uganda on direct investment and Tunisia and The Gambia on global value chains. These four country cases are therefore reviewing the drivers of structural change for countries at different levels of development and with different structural characteristics. The chapters on Nigeria and Uganda have a lot to do with oil sectors (a current sector which is still dominating the economic structures and industrial policies in Nigeria, and a future sector which is already transforming the political scene and the industrial policies in Uganda since the oil explorations took place). The cases on Tunisia and The Gambia show the limits of exploiting the advantages of GVCs, but also show the potential in case of successfully creating capabilities and preconditions for participation in GVCs. While three countries have access to the sea, Uganda relies as a landlocked country on port systems in other countries. While Nigeria and The Gambia are members of ECOWAS and Uganda is a member of EAC, Tunisia is only loosely connected to RECs but strongly linked via a neighbourhood agreement and preferential trade to EU.

In the first chapter to the Unit 2 with the title "***Structural Transformation in Nigeria: Steering Foreign Direct Investment towards Inclusive Growth"*** the two authors ***Oyebanke Oyelaran-Oyeyinka and Oluyomi Ola-David*** discuss the role of foreign investment in Nigeria as a driver of structural transformation and as well the potential impact on inclusive growth. Nigeria has experienced notable growth rates in recent years, and the 2014 rebasing of its Gross Domestic Product (GDP) has made it the largest economy in Sub-Saharan Africa. In light of this significant growth, the question are is raised what the respective changes in sectoral contribution to GDP and in sectoral employment shares reveal, and which type of structural transformation has then occurred in Nigeria. So, first of all, the changes are analysed which the economy has undergone over time. The several sources and key drivers of structural change, such as changes in domestic consumption and investment, public sector involvement, export trade, and Foreign Direct Investment (FDI) are discussed step by step. But the relation of the oil sector to the non-oil sectors is still decisive for the economic prospects of Nigeria. It is also obvious that political regime changes and economic reforms have influenced the various drivers and sources of growth and structural change. The paper looks at the specific role of foreign investment as a source of Nigeria's structural change. In this context the role of FDI for overcoming the problems of growing poverty and inequality amidst relatively high GDP growth is discussed. The main question is how FDI can exert a double developmental

role of accelerating structural change and of alleviating poverty. So in the chapter the authors look at the conditions under which FDI can be steered to encourage inclusive growth in Nigeria. These are pertinent questions as foreign direct investment could contribute to poverty alleviation and to more equal participation in growth if FDI goes to sectors which employ many of the poor and the informal sector workers and those who are entering newly the labour force. FDI can however be of limited effect if FDI is directed mainly to sectors such as oil exploration and production as the backward and forward linkages are limited.

The authors use descriptive methods and s shift share analysis, and the data used span the thirty years from 1980 to 2010. The chapter notes that the Nigerian economy is undergoing structural change, and of a unique sort. In particular, it was found out that the contribution of industry to GDP has declined between 1980 and 2010, while the contributions of agriculture and services have increased over the same time period. However, while the percentages of those employed in the industrial and agricultural sectors were declining in more recent years, the services sector has been employing more people. Important are the repercussions on labour productivity growth. In order to identify sources of labour productivity growth, estimated are the Between Sectors Effect (structural transformation occurs in the form of Structural Change through transfers of labour from lower to higher productivity sectors) and the Within Sectors Effect (structural transformation occurs through capital accumulation, technological change, and internal labour reallocations). The results show important differences between industry and agriculture sectors on the one side (with a dominating Within Effect) and the services sector on the other side (with a high and increasing Between Sectors Effect). In the services sector, labour productivity growth is attributable to the structural change effect which has increased especially since the year 2000, and which has surpassed that due to within sector changes from 2005 to 2009. So the services sector plays a leading role in structural change in Nigeria. By the way, this sector has also been the one being responsible for the result of a rebasing of the GDP accounting, making Nigeria the number one economy in SSA.

What is then the role of FDI in Nigeria? The industrial sector received the greatest percentage of FDI over the years (mainly the oil sector), but the share has been declining in the past ten years while the share of the services sector was increasing. FDI to the agricultural sector has been minute, what is part of the poverty problem of Nigeria. So, FDI has been contributing to a service-sector led structural transformation. The neglect of agriculture and of modern manufacturing by government and also by investors (foreign and domestic) has severe consequences as investment into agriculture (the commercial and the smallholder segments) is vital for employment creation and

poverty alleviation. Successful participation in regional and global value chains is also dependent on developing agriculture and modern manufacturing. Thereby employment creation and poverty alleviation can be enhanced.

In the chapter the two authors make strong recommendations on policies, by proposing a strategic infrastructure development programme (SIDP), which will create an environment being conducive for large-scale domestic and foreign agricultural and manufacturing investments, and an inclusive policy support programme (IPSP) to protect and to promote smallholder agriculture and small-scale industry engagements. The Agricultural Transformation Agenda (ATA) of Nigeria can help to accelerate industrialisation, inclusive growth, and the integration into regional and global value chains. Integration of the poor into value chains can be important for poverty reduction, and agriculture is the key sector in this regard as it employs around of 70% of the labour force, mostly being in informal jobs and mostly being poor. As structural transformation has so far bypassed largely agriculture, also backward and forward linkages were foregone which are important for employment creation (see AfDB 2014, pp. 237-238). As it looks, in all six regions of Nigeria it is necessary to support more balanced development to overcome the rural-urban divide through job creation and social transformation, as uneven development is strong within and between the six regions of Nigeria (AfDB 2015, p. 273).

In the second chapter with the title "***Oil exploration and production in Uganda: Managing Foreign Investment and Public Revenues"*** the author ***Anne Mette Kjaer*** analyses the prospects of future oil revenues for direct investment, local economic development, and also for economic policies, especially so the industrial policies to be pursued for prosperity and diversification of the economy. Major questions are: Are Uganda's policymakers in the position to prevent the fate of many African oil producers which are suffering from resource curse, from Dutch disease, from increasing corruption, and from mismanagement? Will Uganda be able to design political strategies and economic policies to allocate in a transparent way the future oil revenues, by providing for current expenditures for priority sectors and productive investments, for steady fiscal expenditures in times of fluctuating oil prices and revenues, and for savings from the oil revenues for using the funds in the future – for the coming generations. Can Uganda learn the lessons from the other African oil producing countries how to balance the public investment expenditures - which are financed from oil revenues - between short-term, medium-term and long-term needs? Will Uganda be able to democratically control the revenues and the expenditures, by parliamentary committees, by audit authorities, by rule of law, and by effective evaluation and monitoring agencies? Will Uganda be able to develop environmental frameworks and policies so as to avoid damages to nature, as oil exploration will take place in

sensitive ecological areas? And, will Uganda be able to develop new industrial sectors with strong linkages so that more employment can be created on the basis of the expected oil revenues? Some of these pertinent questions are answered in the chapter by *Anne Mette Kjaer*.

The estimated 3.5 billion barrels of oil reserves in Uganda were upgraded in 2014 to about 6.5 billion barrels, out of which 1.4 billion (adjusted from 1.2 billion) are expected to be recoverable. The oil reservoirs, which are located in Western Uganda, mainly under the Lake Albert, are expected to bring in as much as 2 billion dollars a year at peak production levels, a revenue stream which is expected to last for 15 to 20 years, beginning in 2018. The oil reservoir had been discovered in Uganda's Western and Northwestern Albertine Graben, an ecologically sensitive area, and this discovery had raised high hopes for poverty reduction and wealth generation in the country. If oil revenues start flowing as planned (in 2018) this will mean significant changes, not only for government finance but also for Uganda's economy in general. The whole structure of development finance will change, and the structure of the economy will see large adjustments, as the oil sector and the non-oil sectors will compete for (scarce) resources. Oil revenues will bring new opportunities for carrying out more expansive policies that may promote a quicker structural transformation of the economy. As Uganda is in the process of structural transformation, the oil discoveries and the resulting revenues may bring with it opportunities but also threats in this regard.

A main question is if the macroeconomic stability, which was achieved in recent years, can be sustained, so that policies to approach the growth potential of 7% via structural transformation can be continued, in view of capacity constraints in public sector investment and management and considering the rather unfavourable investment climate in the country. Also, a further question is if the high oil revenues coming in will allow a continuation of the domestic revenue mobilisation efforts. These mobilisation efforts are important for all economic and social sectors, for sustainability of governance improvements, but also in order to increase the fiscal space of the country. The windfall gain of oil revenues may however change this positive development abruptly, as it was the case in many African oil-exporting countries. It is also a potential threat that oil exploration may widen regional disparities in the country as the North and the Northeast of Uganda lag behind. Will the Central and the Western regions of Uganda continue to go ahead in development acceleration because of the uneven promotion of socio-economic infrastructure, access to markets, health and educational facilities, and private sector investment (AfDB et al. 2014 and 2015).

Although poverty rates have declined in Uganda, the other human development indicators (education and health) show stagnation or even reversals.

This implies that multidimensional poverty is not declining as fast. Obviously the 2007 Peace, Recovery and Development Plan (PRDP) had brought some positive developments. It is therefore important to prevent any negative impact from oil discoveries; public spending on investment and education and health are important to consolidate this slightly positive development towards overcoming regional disparities. Also, global integration of non-oil sectors should not be affected negatively. Although Uganda has made some progress in participating in global value chains (GVCs), such as with fish, floricultural and horticultural products, the growth prospects for these products are limited and also the associated welfare effects (in terms of accelerating employment creation, further reducing the poverty rates, and reducing the regional disparities). It is hoped for that the global value chains (GVCs) may bring with them higher domestic value added. But, the prospects for deepening and upgrading are not so great.

Calls for the transparent use of oil funds for the public good are already made from various circles in Uganda. Especially NGOs are working on such an agenda. But many strong political and economic interest groups work in the other direction. The National Development Plan of the Ugandan government aims to use oil revenues for purposes of national development. Whether this will happen is, of course, another story, as execution of the plan targets is the main constraint. This chapter explores the issues of foreign investment in the oil and gas sector of Uganda and the prospects for a developmental use of Uganda's oil revenues. A developmental use is aimed at in principle, but it is important to realise by political consensus a steady growth of the non-oil sectors and a further improvement of the human indicators in the country. All depends on the impacts of the oil sector on governance and income distribution (in the vertical sense between the poor and the rich and in the horizontal sense between the regions and the ethnic groups in the country). In the chapter it is argued that under Uganda's current political settlement, the oil revenues might however contribute to the consolidation of the ruling coalition, while perhaps some resources will be channelled towards developmental purposes (although not necessarily towards neglected regions and sectors). However, the experiences until now with industrial policy formation and with the management of large resource flows in Uganda show that most of the oil revenue is not likely to be spent in a developmental fashion. Hence the likelihood that Uganda entirely avoids the resource curse is not high. There is only a small chance to address the major risks in the coming years. The "window of opportunities" to work in this direction is rather small.

In the third chapter with the title "***Tunisia's Progress in Integration into Global Value Chains: Achievements and Obstacles***" the author ***Hans-Heinrich Bass*** analyses the state of integration of Tunisia's industries into global value chains (GVCs). New steps in global integration are very urgent

as Tunisia has lost positions in recent years. Tunisia looks back on a fifty-year history of integration into the world economy. The country has gained in these five decades experience in penetrating global markets, in attracting foreign investors to Tunisia, and in partnering with EU firms and EU governments (becoming also a partner in EU's neighbourhood and accession policies). However, the economic model of Tunisia remained largely unchanged since the 1970s, and a prime task is it now to formulate a new development model from which coherent governance and economic reforms can be derived.

Tunisia has in the five years since the revolution of 2011 achieved a lot of change in the political structure, but now the country has to move to the much needed economic reforms and enterprise reforms. The real GDP growth is unsatisfactory and does not allow for significant welfare increases; in 2013 and 2014 growth was at 2.3% and 2.4% (AfDB et al. 2015, p. 287 and Country Note Tunisia 2015). The unsatisfactory growth performance has also to do with the political uncertainty, the security problems, low investment from private and public sources, and the lack of coherent structural reforms. The country and the economic mechanism have not seen effective governance and economic reforms since 2011, and weak growth in the Eurozone, the major trading partner of Tunisia, had contributed to the problems. Major problems have emerged since 2011 in the mining, oil and gas sector, thereby reducing growth by around 1% (estimated by the government of Tunisia). Difficulties in the non-manufacturing industrial output because of strikes, demonstrations, technical problems, and outdated machinery are mentioned as the causes (AfDB 2015, et al. p. 287 and Country Note Tunisia 2015). The phosphates, oil and natural gas sectors have seen production levels far below the expectations, and there is need for revitalising these sectors by domestic and foreign investment, but mainly by new corporate governance and management initiatives.

Worrisome are the still high unemployment rates (of 15.2% in 2014), and especially so the very high unemployment rates for graduates with 31.4% (AfDB et al. 2015). The graduate unemployment rate is a particular problem for Tunisia, and deeper integration in existing GVCs and participation in high technology GVCs can do a lot to solve the problem. But, in order to achieve this fundamental changes are needed in the tertiary education system, the vocational training system, the national innovation system (NIS) and the Science, Technology and Innovation (STI) strategy, but also with regard of corporate governance, enterprise financing and competition policies. All these reforms are necessary so as to give space for the growth of new firms in the country. Employment creation in general and especially so for the graduates depends on this multitude of effective reforms taking place as soon as possible. Another major problem is that the regional disparities are growing

further, leading to diminished economic opportunities in more and more regions of the country. Therefore, both is needed, success in realising employment creation and success in overcoming the regional disparities. The deeper participation in global value chains (GVCs) can contribute to both objectives of reformed economic policies.

Towards the end of the 20th century, Tunisian enterprises had managed to penetrate Global Value Chains (GVCs) in three industries: textiles, food, and electrical equipment. In 1995, Tunisia's backward integration in GVCs was among the highest in Africa: 27 per cent of its export consisted in foreign value added, reflecting a considerable degree of processing activity of raw materials or semi-processed commodities in the country. In 2011, backward participation in GVCs had even climbed to 30 per cent. Compared with the African average of backward integration, which had increased from 12 per cent to 20 per cent, Tunisia's processing activities are still high, but less dynamic. In the chapter also a critical examination of these data is presented. Also, foreign affiliates play an important role in Tunisia's GVC participation, both in terms of export value and employment, while domestic enterprises rarely participate from foreign investment. Investment and labour laws have effectively separated the offshore (export) and onshore (domestic) industry sectors, and the high protection of established domestic industries has prevented newcomers to start business. The labour market is divided between a large unprotected and widely informal labour market segment and a small and highly protected labour market segment. There is an incentive also in the offshore industry sector to hire cheap, less productive and unskilled labour. Another separation is between the science system and the enterprise system, so that new technologies and innovations are scarce in both sectors (onshore and offshore). A high concentration in trade on Europe as an export market limits Tunisia's global integration, as new partners have to be found for new export products. This turnaround also requests that these three separations (between export and domestic sectors, between protected and unprotected labour segments, and between science and enterprise systems) are overcome.

The role of GVC participation in the development of the country is additionally hindered by the fact that there is neither a further diversification in terms of industries (with the exemption of aeronautical supplies) nor in terms of the geographical location of production sites. Although such possibilities exist, along the development of agriculture and agro-industrial, IT and tourism value chains, progress in exploiting the potentials is very limited. One underlying cause for the poor dynamics in Tunisia's participation in GVCs can be seen in the fact that the majority of Tunisian firms do not have access to opportunities for technology development in spite of an oversized research and technology development sector. Not only the gap in R&D funding at public and private levels, but also the mismatch between the supply of and

the demand for skilled and semi-skilled labour play a role in explaining this unfavourable situation. The human skills gaps result from an educational system which is – at various levels - not well adapted to the needs of the industries. Also, restrictive regulations for foreign direct investment impede business links between foreign enterprises and Tunisian SMEs, but new investment laws are in the making and hopefully will bring a change in this regard. Last, but not least, infrastructure is poorly developed in the country's hinterland, a factor also leading to growing regional disparities.

The chapter not only analyses these issues in great detail, but also intends to present an agenda for action in the form of detailed policy recommendations.

In the fourth Chapter to Unit 2 of volume 19 of the African Development Perspectives Yearbook with the title "***Small Export Firms in Small African States: The Case of Radville Farms of The Gambia"*** the author ***Kalidu Bayo*** presents a case study of an internationally well-connected horticulture export firm. The author looks in detail at the vale chain, but is also reflecting on the structure and the policies of The Gambia. This is important as a background for the study of The Gambia's integration into global value chains (GVCs). The Gambia was severely affected in 2014 by the effects of the Ebola crisis on the tourism sector, by the effects of delayed rains on agricultural production, and by macroeconomic policy management problems (AfDB et al., 2015, p. 256 and Country Note The Gambia 2015). The decline in growth to about -0.7%, compared to an earlier projected rate of 7%, had handicapped the whole economic and social system. The Ebola crisis in the West African region had affected severely the tourism sector of The Gambia. The delayed and erratic rainfall had affected considerably crop production.

But macroeconomic management problems have complicated the situation for The Gambia. High fiscal deficits and a high debt burden (mostly by domestic borrowing) provide for unfavourable conditions for international and domestic investors. Domestic borrowing leads to high debt service, and the high interest payments out of the government revenues limit the public expenditures for key economic and social sectors. Net domestic borrowing has reached 12% of GDP in 2014 against less than 2.5% as projected earlier for the year, and such levels are clearly unsustainable (AfDB et al., 2015, p. 256). Such levels of government borrowing are crowding out private actors. Restructuring the energy sector is important for getting further emergency support from the IMF, although other sectors also need restructuring. As The Gambia is a very densely populated country, productive land is scarce as there are many competing uses, and there is also a quite limited supply of social services in the context of high population growth and unplanned urbanisation. Among the many other problems are income inequality, spatial inequality, rapid population growth, a high urbanisation rate associated with

unplanned urbanisation, environmental degradation, a widening rural-urban income gap, weak decentralisation and local development policies, inconsistent policies and slow implementation of strategies and policies. The space for development spending has to be re-established quickly (AfDB et al., 2015, p. 256, and AfDB et al., 2014, p. 220). Drastic measures would become necessary to achieve this turnaround.

The Gambia is to some limited extent integrated into GVCs – in the tourist sector and in the cashew nuts sector. There is potential to strengthen the established GVCs and to integrate into new ones. Eco-tourism and cultural tourism is a way to increase the domestic value added of the tourism value chain, while further processing and marketing of the cashew value chain has a potential for deeper integration, leading to upgrading, poverty reduction and employment creation. Also the horticulture value chain, which is presented by the author of this chapter, is a promising case, although such production is contributing to the land scarcity in The Gambia. All the three value chains may intensify land scarcity, making value creation and employment creation objectives the more important as contributions to the economy. The Radville Farms case study of horticultural production and export is interesting as the production for export takes place in an environment which is characterised by severe economic and social as well as management and governance problems. The value chain operates obviously in an environment of limited support from the side of the government of The Gambia.

Current research on global economic competitiveness is heavily skewed towards large, developed and powerful states while small developing states, especially so in Africa, receive scant attention owing largely to what researchers perceive as their narrow economic base, general fragility, and vulnerability to external shocks. The case of a horticulture GVC operating in The Gambia is therefore of great interest, to learn more about the particular problems and the opportunities in a small state and about the success factors for a small developing state in Africa to perform in a GVC. Consequently studies of small states focus more on policy measures to address their unique development challenges rather than on their effective participation in world affairs and business. Contrary to prevailing trends in small state scholarship, the principal objective of this chapter is to demonstrate that small states and their economic agents, producers and exporters, can be important players in world markets. In this context, the chapter examines the performance of Radville Farms Ltd., a leading horticultural export firm in The Gambia. The development of this venture in The Gambia is interesting, as it came in to the country rather on the basis of personal connections of individual businessmen than as a rational location decision by the state and firms.

Against the backdrop of The Gambia government's broad national development agenda and its sector policies for agricultural modernization and

trade promotion and development, an exploratory value chain approach was used to assess the operations of Radville Farms and its performance as an exporter of fresh fruits and of tropical vegetables to the high premium United Kingdom market. The chapter identifies a number of critical constraints at various stages of the Radville Farms' value chain as well as some key "value factors" or competitive weapons that could be a source of value addition and upgrading for the firm. Major policy conclusions follow on general economic policies, on infrastructural policies, on land use polices, and on other crucial areas of development. The horticulture sector development strategy can be improved by reviewing the experiences of the value chain in which Radville Farms is integrated. On the basis of the preliminary findings, recommendations are presented for action as part of the forward strategy for performance improvements at both the level of the firm or enterprise and at the level of the horticultural sector in general.

3 The Strategy

3.1 Accelerating structural transformation through foreign investment and global value chain participation requires coherent policies

Foreign direct investment (FDI) can stimulate structural transformation because of its effects on productivity, resource allocation, innovation and technology transfers, competitiveness, on the establishment and upgrading of value chains, and its impact on the country's economic policies. The classical FDI approach of isolated investments has impacts on specific sectors (agriculture, mining and oil and gas, manufacturing, and services), although the effects on the economy and the domestic enterprises may be limited. The GVC investment approach is more far-reaching as it involves domestic enterprises at specific points of the value chain (as suppliers, contract workers, etc.), but based on the global competence of lead firms. If a country adapts to the capabilities and prerequisites which are required for a successful participation and integration into global value chains, the potentials for economic and social upgrading may be great. However, evidence shows that there are great differences with regard of the functioning and the impacts of such GVCs between sectors (agriculture, manufacturing, and services), buyer- and producer-driven chains, and modes of governing the chains (see AfDB et al. 2014, pp. 155-179). It is therefore necessary to look at the matrix of a country's sector characteristics and of the distinct governance forms of GVCs.

FDI and GVCs may also be of importance for the reindustrialization of the African economies, by revitalizing the manufacturing sector and by developing other economic sectors. However, for most of Africa it is observed

that FDI and GVCs have not contributed that much to the process of structural transformation, neither in agriculture nor in manufacturing and services sectors. Rather, there was more impact on changes within sectors, such as in the services sector an increasing weight of finance and IT, than on structural change per se, as a contribution to the reallocation of resources from low-productivity to high-productivity sectors, especially from agriculture to manufacturing and services. Investment policies and investment incentives schemes were sometimes over-generous and limited to specific sectors and regions. By pro-active and integrated sector policies and by new industrial and innovation policies, which are aiming at structural transformation, a lot can be achieved. In order to stimulate the contribution of FDI flows and of GVC integration for structural transformation, coherent macro, meso and micro policies are requested. Coherent policies have to be built around assessments of the six pillars: "stage and diversity of manufacturing development", "economic complexity of production and sophistication of exports", "better use of existing capabilities and development of new capabilities", "learning from experiences with past horizontal and vertical industrial policies", "level of participation of industry business actors in policy-making", and "basing the policies on credible visions and development plans". As the case of Nigeria shows, such policies can lead to export diversification, structural transformation and reindustrialization.

3.2 Strengthening industrial policy formulation and implementation in resource-rich countries is a key factor for export diversification

For resource-rich countries in Africa the key imperative of industry policy formation is to ensure that economic diversification beyond the resource sectors becomes possible. This is also the case in potentially resource-rich countries like Uganda with huge discoveries of oil and gas reserves. These newcomer countries can even learn the lessons from already oil and gas-exporting countries. Such a diversification-oriented industry policy is not easy to undertake as many forces work against a productive use of resources from oil and gas and from mining. Although concepts like oil and gas revenue funds for future generations and for stabilization are available or in the making, weak governance mechanisms prevent the developmental application of such devices. Industry policy formulation has to be based on systems of incentives for investment and innovation which guarantee a certain level of neutrality between economic sectors and sizes of firms and which allow for a minimum level of spatial neutrality so that industrial development will benefit non-resource sectors and neglected regions of African countries. Experiences show that incentives are not neutral towards sectors and regions,

and we observe even increasing regional disparities in resource-rich African countries.

The resource-rich producing areas in these countries are not always benefitting from the resource extraction and development. Industry policy formulation has also to consider in resource-rich countries the trends in manufacturing, especially the trend of premature deindustrialization and the need for inclusive reindustrialization. The share of the manufacturing sector in relation to GDP and total employment is declining too early in Sub Saharan Africa and Middle East/North Africa, when compared with the developments in Europe, USA and Canada, Australia and New Zealand, Asia and Latin America. Industry policy has to look at ways to manage the deindustrialization process by protecting and developing core sectors and to bring forward a reindustrialization process which is inclusive in terms of employment generation, technological development and skills development. Reindustrialization is a key issue also for resource-rich countries, such as Nigeria, and refers to other industry sectors, like agriculture, manufacturing and services; to neglected regions with low manufacturing activity and integration into GVCs; to a deepening of integration into existing global value chains and integration into new GVCs; and to green growth policies so as to protect the natural resources by new industrial activities and technologies. Also, a new style of industrial policies is requested; bottom-up and top-down industry policies are needed as action is requested at all levels of industry policy, at macro, meso and micro levels. As in Africa in many industrial sectors some few large companies dominate the sector developments in alliance with specific government agencies, comprehensive empowerment policies for SMEs, more horizontal industry policies, and stricter competition policies are part of a new package for industrial development. A deeper and more transformative regional integration process may support such calls for more inclusive industrial policies.

3.3 Improved policies to maximise the advantages from participation in global value chains (GVCs) require holistic development strategies

In order to maximise the advantages from participation and integration in global value chains, holistic development strategies are requested. It is obvious that the general framework conditions of a country matter (openness in trade and foreign investment, macroeconomic stability, competition, etc.), but also very specific capabilities and preconditions for linking domestic firms to particular global value chains (GVCs). Successful integration and participation in GVCs requests that policy-makers intensify the dialogue with lead firms, local affiliates and local firms being part of the particular chain, but

also with services sector firms which are part of the logistical chain. Policy-makers can facilitate the building of specific capabilities and the creation of preconditions which have to be met to link with lead firms (either lead firms in buyer-driven chains or lead firms in producer-driven chains). Participation in GVCs can be supported by specific infrastructure policies, skills development programmes, innovation and investment platforms, but also by adapting foreign trade and investment policies, technological development and forecasting policies and instruments, labour market policies, regional development policies, etc. Most important is it to relate all these policies to the goal of maximizing the beneficial impacts on the domestic economy. This can only be achieved by dialogue forums incorporating lead firms, local firms, public authorities, public and private services providers, and R&D agencies. Spillovers to the domestic enterprises matter, in the form of economic upgrading (through productivity increases, export development and diversification, higher local value added, employment generation, and technology development) and in the form of social upgrading (through an improved employment status, increasing wages and salaries, a higher level of employment protection, and the integration of informal sector workers at more beneficial terms).

Empirical evidence shows that the conditions are highly different in agriculture, manufacturing, mining/oil/gas, and in services sectors. As well, the lead firm and the governance style of a particular GVC impact on potentially beneficial terms for the domestic economy. A case by case evaluation is needed, what can best be achieved by dialogue forums of all relevant stakeholders. A holistic concept requires that the trade-off between a deeper integration into established GVCs and the integration into new GVCs is considered, and that in a cost-benefit analysis the costs of creating capabilities and prerequisites are compared with the fiscal, competitiveness and employment benefits to the domestic economy. In a number of African countries, even in Tunisia, the investment and innovation policies are not readily adapted to these requirements. Investment laws too often have in mind the classical foreign investment case, not the GVC investment case. Investment incentives are too often restricted to particular firms, sectors and regions. More horizontal type investment policies are requested so as to cover more sectors, more regions, and more firms. Such policies will be more neutral in sector terms, spatial terms and in terms of firm size, thereby facilitating also a deeper integration in existing GVCs beside of facilitating the integration into new GVCs. Horizontal industrial policies require that emphasis is laid on macroeconomic stability (by getting the macroeconomic fundamentals right), on competitive exchange rates (in order to facilitate capital flows, imports of intermediary products, and exports), on providing an educated workforce (which can meet the current and future requirements of GVCs in terms of

capabilities), and on improving the business environment (also by dialogue forums with impact on economic policy-making). Coherence of macroeconomic policies with employment and social policies, trade and investment policies, technology and skills development policies matters. Such horizontal policies matter for structural transformation and sustainable growth. The failure of vertical ("picking the winner" type) industrial policies as in Tunisia leads to important lessons for policy-makers.

The coexistence in Tunisia of high levels of overall unemployment, unemployment of young people, and unemployment of tertiary education graduates and low levels of net employment creation by domestic firms over the life cycle is also the result of a limited number of firms which are benefitting from the current investment incentives. The case of the R&D policies in Tunisia with a relatively high spending level on R&D but a low innovation output in terms of patents also signifies that the innovation efficiency (innovation output/innovation input) matters and requests more links between domestic enterprises, universities and research institutions. Countries with vertical industrial policies, like Tunisia, have sector-specific and firm-specific regulations, relatively high trade protection, high regulatory costs, directed allocation of credit, subsidized interest rates, various forms of tax incentives, public procurement rules, etc. Also, the lack of discipline in enforcing performance criteria for targeted support measures (such as targets for export and value added upgrading, increased use of skilled labour, R&D and patent activity, etc.) leads to the accumulation and appropriation of rents, but not necessarily to increased industrial performance and structural transformation.

3.4 Pushing for higher value addition, employment creation and environmental protection in Agricultural GVCs is crucial for land-scarce and resource-poor economies

Although the agricultural sector presents many opportunities for value chain development, the possibilities for value addition, employment creation, foreign exchange earnings, generating tax revenues, and export diversification through product differentiation and innovation are largely not used. A prerequisite for all this is a coherent agricultural sector policy which supports highly competitive products and avoids a subsidization of uncompetitive products (measured by domestic resource cost). Also, the linkages to suppliers and customers in manufacturing and services sectors are very important. Some African countries, like Tunisia, still subsidize via support of prices and inputs uncompetitive products, what is the result of misconceived food self-sufficiency policies instead of pursuing a food security policy by relying on competitive exports and on imports of products which cannot be produced

locally on competitive terms. In land-scarce and resource-poor economies, like The Gambia, but also in countries with plenty of available arable land agricultural value chains (AVCs) are not exhausting the opportunities by capturing higher value added through the processing of raw agricultural output. Most pressing is the situation in land-scarce and resource-poor economies as countries like The Gambia have to select carefully how to use the available land (either for agricultural value chains, or for touristic value chains, services value chains, and manufacturing value chains). And, environmental protection is needed to support future livelihood.

With regard of AVCs, Africa is weak in the production of primary agricultural inputs like fertilizers and equipment, in R&D, in ancillary services, in packaging and shipping, in distribution, in processing into higher value products, and in sales and marketing (AfDB et al. 2014, p. 163). Employment generation can result from adding value in all these neglected areas, as linkages with other sectors are exploited. Producer-driven agricultural value chains, such as coffee, cotton, cocoa, sugar, tea, and tobacco, require heavy processing and need much investment in product differentiation and quality upgrading, so that the chances to increase local value added are limited. The buyer-driven chains, such as for fresh products demanded by consumers in advanced countries, require less processing, such as preparing fruits vegetables, fish, and flowers for these overseas markets. However, there are opportunities for processing and for packaging with considerable employment effects. "Ready to sell" products, such as cut pineapples, mangoes, and other fruits, are in demand and push the processing and packaging upstream the value chain to the African producers. The case of horticultural production in The Gambia shows that potential is there, but there is a competition on scarce land because of various sectors using the land. Eco-tourism is an alternative. The local horticultural production is very sensitive to the assurance of international quality, health and safety standards, and so large firms with strong lead firms can better comply with these market requirements. New forms of connecting smallholders to these large firms with international connections are partly successful. However, national policies have to make sure that inclusive development objectives are met by implementing holistic policies. Only national governments can realise these development objectives by pursuing rigorous cost-benefit analyses, balancing the risks of large lead firms operating in the economy with employment creation and value addition opportunities. Also, entrepreneurship development and environmental protection are objectives which require a dialogue between the AVC lead firms and the local business and policy actors.

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Structural Transformation in Nigeria: Steering Foreign Direct Investment towards Inclusive Growth

Oyebanke Oyelaran-Oyeyinka[*] and Oluyomi Ola-David[**]

1 Introduction

Over the past thirty years, African economies have undergone a process of structural transformation (UNCTAD, 2012). That is, a change that involves large-scale economic shifts, accompanied by significant reallocations in the relative contribution of different sectors – agriculture, manufacturing, and services –, as evidenced by production levels and factor use (Herrendorf, Rogerson & Valentinyi, 2013). From the academic literature there are known several sources and key drivers of structural change such as changes in domestic polices and trade policies, including policies on Foreign Direct Investment (FDI) among others. FDI can be a significant source of developmental revenue, generate employment, foster technology transfer, knowledge spillovers, labour and capital mobility, and as well raise the productivity of a particular sector, thus serving as a stimulant for structural transformation (de Freitas & Mamede, no date). Notably, Africa's laudable economic growth performance has been largely driven and characterized by a heavy dependence on the production and export of commodities, few backward and forward linkages, local industries that add little value, not much economic diversification (UNECA & AU, 2013); and doing so without generating the much-needed jobs or curbing poverty (UNECA & AU, 2012).

Several analysts have suggested that patterns of trade and FDI flows could help propel growth and it is in an attempt to contribute to this on-going debate that this paper takes a close look at the role of trade and FDI in Africa's structural transformation, using the particular case study of Nigeria. Nigeria ranks low in its ability to attract FDI in the manufacturing sector in contrast to a comparator country like South Africa, although it attracts a high

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[*] Researcher, PhD. Urban Planning, Columbia University, New York, USA; Dalberg Global Development Advisors in Lagos;

[**] Lecturer and Researcher, Covenant University, Ogun State, Nigeria;

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level of FDI in oil and gas. Total investment as a percentage of GDP averaged 23.8 per cent between 2004 and 2013, and 22.1 per cent and 22.6 per cent in 2012 and 2013 in particular (IMF, 2012, p. 94). The recent rebasing of the country's GDP to US$522.6 billion as at 2013 (World Bank, 2014a) has made Nigeria the 26th largest economy in the world and the biggest in Africa (Faul, 2014). Yet, despite high economic growth rates, significant investment inflows, and burgeoning service industries, the economy still faces structural, policy and institutional weaknesses that have made it impossible for Nigerian workers to benefit from the continuous growth in GDP. Nigeria ranks low on social and human development indicators while poverty incidence is high; the latter rising from 27.2 per cent in 1980 to 69.0 per cent in 2010. Subjective poverty measures show that 93.9 per cent of the populace perceived themselves to be poor in 2010 (NBS, 2012).

From the foregoing, we consider the following questions: what are the sources, nature and characteristics of the structural changes that have occurred in Nigeria's economic sectors over the past three decades? What sort of domestic and export policy changes are required to speed up the process of structural change? What is the role of the Nigerian State and its policies in this transformation process? What institutional mechanisms exist or need to be put in place to ensure that FDI leads to equitable outcomes in Nigeria? We argue that real structural transformation should be broad-based across sectors, and should proceed in ways that would improve the social conditions of citizens especially in job creation, economic inclusion and poverty reduction.

Using descriptive and shift-share analysis, we note that the Nigerian economy is undergoing a structural change, of a unique sort. In particular, we find that the contribution of industry to GDP has declined between 1980 and 2010, while that of agriculture and services increased over the same time period. However, while the percentage of those employed in the industrial and agricultural sectors have been reducing in more recent years, the service sector has been employing more people. In addition, labour productivity growth attributable to a structural change has increased over the past few years in the service sector, and surpassed that due to within-sector changes from 2005 to 2009.

Furthermore, the industrial sector, which received the greatest percentage of FDI over the years, has seen a decline in FDI inflows in the past ten years while that to the services sector has been increasing. FDI to the agricultural sector has been minute. We can therefore infer that FDI has been contributing to a services-sector led structural transformation.

The section 2 considers theoretical rationale behind the impact of FDI on structural transformation, while section 3 provides information on Nigeria and analyses the nature of the structural change that the country has undergone. Section 4 probes the impact of FDI on this change, while the Section 5

concludes the paper, provides policy recommendations and addresses how FDI can be steered towards inclusive growth in Nigeria.

2 Foreign Direct Investment (FDI) and Structural Transformation

An analysis of the historical pathways of successful developing economies indicate that structural transformation manifests itself distinctively in a decline of the agricultural sector's share in economic output and employment, increments in the share of urban economic activities in industry and services, rural-urban labour migration, as well as a demographic transition in birth and death rates (Timmer, 2007, 2012; Rodrik, 2013a). The process of structural transformation, which involves diversification of production, upgrading of production, and increasing labour productivity, is a progressive one and entails transference of resources from less productive activities to more productive ones (Usui, 2011). However, the mismatch between the rapid rates of economic growth in developing countries (especially in Africa) and the level of wellbeing has increased concerns for ascertaining determinants and measures of inclusive growth. An attempt at measuring inclusive growth reveals: structural transformation, modernization of manufacturing, globalization of services, engagement of information and communication technology, computing networks and diversified movements up the value chain are notable drivers of inclusive growth in emerging markets (Anand, Mishra & Peiris, 2013). These aforementioned factors drive inclusive growth by influencing macroeconomic stability, increasing connectivity and factor productivity, creating employment, stimulating domestic competitiveness, and fostering investments in infrastructure development (Timmer, 2012, p. 1).

2.1 On Theoretical Aspects of Structural Transformation

The underlying principles of the investment development path (IDP) hypothesis situate development outcomes as based on the interaction between the structure of an economy, foreign investment, and the role of the multinational enterprise (UNCTAD, 2006). Succinctly, the investment development path (IDP) framework specifies interaction among MNE-specific assets, domestic firm's specific assets, and host country specific assets. Theoretical and empirical studies, which have examined investment development path models for various contexts,[1] indicate that countries tend to follow an idiosyncratic pro-

[1] Examples include studies that examined the investment development path (IDP) in African countries (Bonaglia & Goldstein, 2006; Abdul-Malik, 2012), Brazil (Ellström & Engblad, 2009), China (Marton & McCarthy, 2007), India (Sathye, 2008), OECD

cess of structural changes which are a reflection of their specific resources, institutions, economic structure, political ideologies as well as socio-cultural frameworks (Mold, 2014, p. 27). The foregoing implies that FDI may not automatically deliver desirable structural changes, except when a set of appropriate FDI meets with requisite institutional mechanisms being necessary to generate required changes to the structure of an economy. Thus, for a country integrated in the international capital markets, the IDP hypothesis posits that the composition of its inward and outward investment changes in consonance with its economic development.

As countries move along the development path, from least developed to developed, they transit from being net recipients of FDI to being net sources of FDI. In the five-staged IDP framework, the outward and inward FDI position of a country relates systematically with its level and structure of economic development (UNCTAD, 2006). In the first stage, countries have few location-specific advantages (even though natural resource abundance may create exceptions)[2] that may be an attraction to FDI and there are minimal domestic firm advantages that could propel outward-looking investments. Inward FDI begins to rise in the second stage as a result of increases in per capita income and other location-specific assets, with minimal domestic firm assets and offshore investments. However, as local firms become more competitive at the third stage, a decline in the rate of growth of inward FDI and faster pace of growth in outward FDI is expected. By the fourth stage, with considerable improvements in the local and international competiveness of domestic firms, outward FDI stock is expected to have surpassed inward FDI stock. At the fifth stage, the net investment position of a country varies about zero, showing similar scales of inward and outward investment.[3] The IDP also provides insight on the structural composition of a country's inward and outward FDI over its development trajectory. At earlier stages, which characterise most low income and middle income developing countries,[4] inward and outward

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and Europe (Kottaridi, Filippaios & Papanastassiou, 2004; Kayam & Hisarcikilar, 2009; Narula & Guimón, 2010; Gorynia, Nowak & Wolniak, 2010; Stoian, 2013), Oil exporters (Vavilov, 2006), Poland (Gorynia, Nowak & Wolniak, 2007), Portugal (Buckley & Castro, 1998; Fonseca, Mendonça & Passos, 2007)

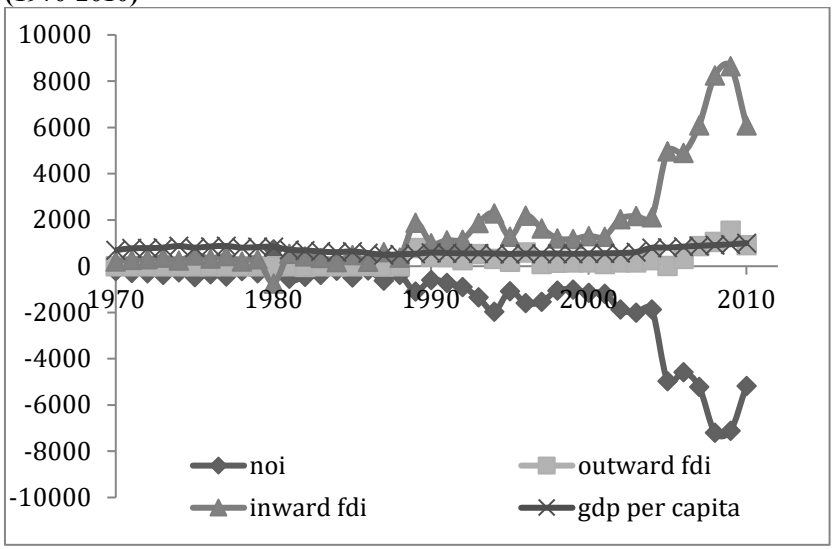
[2] Example is the case of Africa in African Development Bank (AfDB), OECD (Organisation for Economic Cooperation and Development), United Nations Development Programme (UNDP) & United Nations Economic Commission on Africa (UNECA), 2013.

[3] See more on the contribution of John H. Dunning and Rajneesh Narula to the Investment Development Path Hypothesis in UNCTAD, 2006.

[4] UNCTAD, 2006, p. 144, tested the IDP by plotting the net outward investment and GDP per capita for a sample of developed and developing countries (including Nigeria).

FDI is directed at low/medium knowledge-intensive or resource-based industries. Whereas at later stages of the IDP, inward and outward FDI are more efficiency-seeking and are directed towards high technology-intensive industries and high value-added activities (UNCTAD, 2006, p. 143-144).

Figure 1: Net Outward Investment and GDP Per Capita ($) - Nigeria (1970-2010)



Source: Authors' computation from UNCTAD statistics

While there are studies on other countries and regions on the IDP,[5] there is a dearth of empirical analysis on the case of Nigeria. Nigeria clearly, like most of its African counterparts, is still in the early stages of the investment development path, characterized by little outward investment (UNCTAD, 2006). As shown in Figure 1, its net outward investment (NOI) is in the negative, indicating an excess of inward investment over outward investment. However, it is noteworthy that Nigeria is one of the few African countries (including South Africa, Morocco, Liberia, and Egypt) contributing to the bulk of intra-African FDI. Even though the inflow of FDI to Nigeria has been meandering over time, there are evident leaps in inflows with increases in GDP per capita. There is a noticeable similar pattern in the flows of inward and outward investment from the late 1980s to the year 2010. Recent surveys on the sectoral composition of outward FDI show a preference for African destinations and a

[5] See footnote 1

sectoral concentration in the finance, insurance, real estate and business services sectors (see: Tumala, Ajibola, Omotosho, & Baruwa, 2013; Doguwa, Tumala, & Ajibola, 2014) in support of a services-led structural change.

It is necessary to look carefully at the dynamics of the net outward investment (NOI) position of Nigeria.

2.2 Empirics of FDI and Structural Transformation

FDI has been attributed of having contributed to the structural transformation of South East Asian economies (Thomsen, 1999), transition economies in the region of Central and Eastern Europe/CEE (Svetličič & Rojec, 1994; Inzelt, 2000; Pavlínek, 2004; de Freitas & Mamede, 2008; Ptáček, 2009; Kornecki, 2010; Conlon, 2013), China (Kueh, 1992; Lardy, 1995), Bangladesh (Khatun, 2013), Mauritius (Zafar, 2011; Sooreea-Bheemul & Sooreea, 2012), and of emerging economies. In the seminal study based on a Latin American economy, Blomström (1986) found that the entry of FDI impacts on technological structure and structural efficiency of host country industries. The increased competitive pressure as a result of the presence of foreign firms in the country was found to be the major source of spillover efficiency in the modern sectors. While changes in foreign participation in the country were measured against the structural changes within the studied periods, the findings give an indication that MNE operations could deepen the dualism of production structure in developing countries (Blomström, 1986). Blomström's study boosted further interests in examining the impact of MNE operations on investment, trade and the structure of economic growth in Organisation for Economic Cooperation and Development (OECD), European as well as developing countries. For instance, Barell and Pain found evidence that FDI plays a role in the diffusion of ideas and technologies (Barell & Pain, 1997). Owing to its increased global trade integration and an economic, political and regulatory environment favourable to the attraction of FDI, Bangladesh has been transformed from an aid-dependent country to a trade-dependent country (Khatun, 2013). Even though it is only a small share of total investment and employment in each economy of Southeast Asia, FDI has been a key driver of the region's export-led growth, transforming each of the economies from focusing on agriculture and exploitation of raw materials into being foremost producers and exporters of manufactured goods (Thomsen, 1999; Chow, 2008).

Besides the impressive growth rates across Africa, with about sixty per cent of African countries topping the charts of the fastest growing countries of the world (The Economist, 2013), questions still surround how competitive, diversified, stable, integrated and inclusive the continent and its growth rates have been. For instance, even though in the last two decades Africa has

witnessed the expansion of a services sector, countries such as Nigeria, which are oil-producing and oil exporters, are among the least diversified economies, with a very insignificant manufacturing sector contribution to the total output in the economy (AfDB, undated; The Economist, 2014). As a potential emerging market and global growth pole (Ogunleye, 2011), Africa's participation in global investment and trade is considered pivotal to its sustainable development (AfDB, undated). Thus, against the backdrop of its relative economic and technological backwardness, Africa's imperative of structural transformation entails industrialization, diversification and competitiveness (Badiane, Ulimwengu & Badibanga, 2012; Rodrik, 2013b; ACET, 2014). This is pertinent as most sectors accounting for its GDP growth are less employment-generating and value-adding, hence contributing to non-inclusive growth.

There is therefore a growing body of empirical research that studies the separate and combined phenomena of globalization, structural change and productivity growth in Africa, Asia and Latin America. Notably, McMillan & Rodrik have identified determinants of the occurrence of and the extent to which structural change contributes to total productivity growth – determinants such as export composition, competitive versus undervalued exchange rates, and labour market flexibility. The findings of the study show that, whereas large shares of natural resource exports resulted in growth-reducing structural change, competitive exchange rate regimes and labour market flexibility contributed to growth-enhancing structural change (McMillan & Rodrik, 2011). In a recent extension to the study by McMillan & Rodrik, the Africa Sector Database (ASD) has been used to examine the structural transformation implications for productivity growth in eleven Sub-Saharan countries over a period of fifty years, 1960-2010 (de Vries, Timmer & de Vries, 2013). Similar to the finding by McMillan and Rodrik, the study noted that patterns of static productivity gains in Africa are similar to those of Latin America, however different from the Asian experience. While Asian countries transformed through low-wage manufacturing, dependent on resource endowments and labour skills among other factors, Sub-Saharan African countries[6] may transform through low-wage manufacturing, services or the agricultural sector (IMF, 2012).

In Africa, the Mauritian case presents a successful model of the crucial role that FDI plays in structural transformation. By creating a platform, propelled by its policies on export processing zones (EPZs), FDI in labour-

[6] As well as Latin American countries, see McMillan & Rodrik, 2011.

intensive manufacturing was stimulated.[7] In other contexts, like Ghana, Kenya, Lesotho and Madagascar, FDI in special economic zones (SEZs) have aided structural transformation. Complementary to development aid, FDI is also much sought after in post-conflict societies for the purpose of new capital injection and new business development towards promoting economic reconstruction, competitiveness and linkages to global markets (Mold, 2014). In this manner, the Rwandan economy (by providing a framework for the safety of investments and ease of doing business) is gradually being transformed into a regional hub for foreign investment (Dawson, 2010). In consonance, using the Tanzanian case, Ngowi accentuates the theoretical role of FDI in structural transformation, domestic capacity building and the implications for poverty reduction (Ngowi, 2012).

Even though there are studies on other countries and regions on the IDP, there is a dearth of empirical analysis on the case of Nigeria. We hope to add to the existing body of literature in this regard. In the next section we probe whether Nigeria has undergone a structural transformation, and if it has, what has been the nature of this transformation? In particular, what are the sectoral contributions of the agricultural, industrial and service sectors to GDP and employment? Furthermore, how has structural transformation influenced living standards measured in terms of human development indicators, given global concern about growing inequalities amidst increasing wealth accumulation in countries?

3 Structural Transformation in Nigeria

3.1 Socio-Economic Conditions

As at 2013, Nigeria, the "Giant of Africa" was both Africa's most populous country with an estimated population of 173.6 million (World Bank, 2014a), as well as its largest economy. In the past decade, the country has experienced relatively rapid economic growth, with an average growth in GDP from 2005 to 2010 of 6.59 per cent and 5.6 per cent from 2010 to 2013.[8] While economic growth indicators have been good, those reflecting human development show that a large percentage of the population still live in poverty. In 2010, an estimated 112.47 million (69 per cent) of the population

[7] See on the cases: Lall & Vignaraja, 1998, p. 111-112; Sooreea-Bheemul & Sooreea, 2012; Kingombe & te Velde, 2013; Mauritius ranks as a high level human development country in the Human Development Index; see UNDP, 2014.

[8] World Bank 2014a: GDP growth rates from 2005 to 2013 were 3.44, 8.21, 6.82, 6.27, 6.93, 7.84, 4.89, 4.28 and 5.39 respectively.

lived in relative poverty (NBS, 2012). Furthermore, the country's GDP per capita in 2013 was 3005.5 while South Africa's almost doubled it at 6617.9 (World Bank, 2014a).

In 2012, the country's Human Development Index (HDI), which measures development in terms of health, education and living standard indicators, was 0.471, with a position of 153 out of 187 countries, placing it in the low human development category. The inequality-adjusted human development index (IHDI) was even lower at 0.276 (UNDP, 2013). However, between 2005 and 2012 the HDI increased from 0.434 to 0.471, making the country's 2012 HDI lower than the average for SSA (0.475), but higher than countries in the low human development category (0.466). Three HDI components within the country - life expectancy at birth (45.5 to 52.3 years), expected years of schooling (6.6. to 9.0 years), and GNI per capita ($1,571 to $2,102) – also show improvements of 6.8 years, 2.4 years and 34 per cent respectively between 1980 and 2012, while mean years of schooling improved by 0.2 years from 5 to 5.2 years from 2005 to 2012.

When considering the multidimensional poverty index (MPI), a relatively expanded and new data set (Alkire & Foster, 2009), which comprises ten indicators that correspond to the three dimensions[9] of the HDI, though wider in scope, Nigeria's MPI as at 2008 was 0.31. This gives the country a ranking of 85 out of 104 countries (UNDP, 2013).[10] The MPI uses household level data that "captures a set of direct deprivations that batter a person at the same time" (Alkire & Santos, 2010, p. 1), and therefore gives a more holistic view of poverty than income poverty measures. For example, eight of its ten indicators relate to the Millennium Development Goals (MDGs), while the remaining two – electricity and flooring – are conceivably related (ibid.).

Unemployment and inequality figures are also dismal. Unemployment rates have been on the rise, with national unemployment rates - between the period 2006 to 2010 - reaching 12.3, 12.7, 14.9, 19.7, and 21.4 per cent. Unemployment is also highest at 41.6 per cent among those aged 15 to 24 (NBS, 2010). Between 1986 and 1996, the Gini Index[11] rose from 38.68 to 44.95 and 46.5 in 1992 and 1996 respectively. It dropped by 7.68 per cent in 2004

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[9] MPI Indicators: Health – child mortality and nutrition. Education: years of schooling and child enrolment. Standard of living: Electricity, drinking water, sanitation, flooring, cooking fuel, and assets.

[10] MPI is measured on a scale of 0 (low) to 1 (high). Among 104 countries reported by Alkire and Santos, 2010 the country that was most MPI-poor had an index of 0.642.

[11] The "Gini Index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution… [A] Gini Index of 0 represents perfect equality, while an index of 100 implies perfect inequality." (World Bank, 2014b, para. 1)

to 42.93, but then rose again by 13.74 per cent to 48.83 in 2010 (World Bank, 2014b); reflecting one of the highest levels in the world (UNDP, 2008-2009), and that with the exception of the slight drop in the Gini Index between 1996 and 2004, income distribution in the country has been growing more unequal over the years.

Like many developing countries, we also find increasing urbanization in Nigeria, with an annual urban population growth of approximately 4.8 per cent from 2001 to 2010. In particular, the percentage of the total population considered urban in 1960, 1970, 1980, 1990, 2000 and in 2010 were 15.41, 17.76, 21.97, 29.68, 34.84 and 43.48 respectively (World Bank, 2014a).

In light of these statistics, it becomes crucial to examine what is responsible for Nigeria's rising poverty rates and inequality and to probe how to make Nigeria's growth more inclusive. In particular, the question is what sectors are contributing to the economy's GDP and employment, if there have been changes over time, and if FDI has contributed to this change.

3.2 Methodology and Data

Data for this analysis is drawn from the ASD, which gives data looking at the ten main sectors of the economy and includes the contribution to gross value added and the percentage of people engaged in each sector. The sectors are divided into the three overarching categories - Agriculture, Industry (mining, manufacturing, construction, and public utilities) and Services (transport services, business services, financial services, government services, and personal services).[12] We were also guided by a paper (de Vries, Timmer & de Vries, 2013) based on this dataset, which was part of the 'Structural Change and Productivity Growth in Africa' project. Similar to the paper, we also used a "shift share analysis" to decompose labour productivity growth, accounting for the changes that have occurred within each sector and that which was due to structural change[13]. The Bai-Perron break point test (not used in this study) is one which is used to check structural breaks in an economy and it can be used to complement the Shift-Share analysis (Naiya & Manap, 2013).[14] The ASD enables the analysis of labour productivity as it contains value added

[12] Africa Sector Database (ASD), access: http://www.rug.nl/research/ggdc/data/africa-sector-database (highlighted above)

[13] Shift share analysis (ShShA) enables the calculation of changes that occur to an economic variable, such as employment, demography, and firm growth, within a statistical region. In this paper, this analysis is used to check the change in labour productivity within each sector of the Nigerian economy.

[14] The analysis shows structural breaks in 1974, 1984 and 1995 in Nigeria; see also Table 2.

per worker for the aforementioned sectors; this employment data set was previously limited for many Sub-Saharan African countries.[15] Sectoral composition of FDI and GDP were retrieved from the 2011 (CBN, 2011) and 2010 (CBN, 2010) Statistical Bulletin of the Central Bank of Nigeria (CBN) respectively. Basic descriptive analysis was used to understand the structural trends in the economy from 1980 to 2010, as well as the impact on FDI on the country's structural transformation.

3.3 Structural Change

Over the past years, there has been evidence showing a diversification of the country's economy. Though agriculture has remained the top contributor to GDP, much growth has been attributed to the non-oil sector of the economy (Guièze, 2012). In particular there has been a significant emergence and contribution of industries within the services sector, including information technology, telecommunications, airlines, music, the film industry ("Nollywood"), online retail outlets (Faul, 2014), and finance and banking to the economy.

As Hansen (2013, para. 3) puts it: "Nigeria's economy has achieved consistently high growth of about 6 per cent a year over the last decade, largely driven by a fast-growing non-oil sector. In fact, non-oil sector has quietly grown at a rate of up to 8 per cent a year in spite of the much-publicized woes of the oil industry and a myriad of political, operational and infrastructural challenges. Paradoxically, slow oil sector growth has entailed a gradual diversification of the economy, albeit one that is consumer-based and remains vulnerable to volatility in global oil prices." However, there are those who question if Nigeria has really undergone structural transformation. Ariyo (2014), for example, places Nigeria in a comparative light with Malaysia and Indonesia, and also sets it against the various initiatives and policies that the government has initiated, and concludes that there has not been a structural transformation in the country. On the other hand, Naiya and Manap (2013) considering approximately four decades till 2009 use an autoregressive distributed lag technique to examine the interrelationship between structural transformation, inequality and poverty in Nigeria. Using GDP as a proxy for structural change on output, they find that structural transformation in Nigeria has been very slow and progressing at a very low rate, albeit there existed long-run relationships among the study's variables, including poverty incidence, GDP per capita, structural change index, and the Gini Coefficient Index (GCI). However, employment was not used as a measure for structural

[15] See de Vries, K., de Vries, G., Gouma, R. & Timmer, M. (2013) for more details on how ASD compares to extant international datasets.

transformation.

A recent study nonetheless identified the occurrence of structural changes in Nigeria over the period 1996 to 2009, with labour shifts from low productivity agriculture and low value-added trade activities into manufacturing, transportation, and services (Adeyinka, Salau & Vollrath, 2013). The study drew more attention to the implications for agricultural labour productivity. While the work featured an explicit analysis of factors driving structural change in the Nigerian economy, it failed to tease out FDI's role in the structural change. This present study, using the ASD, extends the analysis carried out by Adeyinka, Salau & Vollrath, and examines the role of FDI in the structural transformation of Nigeria over three decades. The time period of analysis provides an overview of the investment and economic development path for Nigeria. Also, in light of previous studies, which only amplify specific components of structural transformation, like productivity, exports, employment, income, this study provides evidence on the various components of structural transformation.

Given the crucial role of the informal sector to the economy of a developing country, a close consideration of the dynamic and structural properties of Nigeria, in light of the sheer size of the unorganized informal sector and its vast contribution to GDP and employment, is most imperative (Onyebueke & Geyer, 2011). The economy is made up of a relatively small, organized private sector and a larger informal sector, which accounts for an estimated 70 – 80 per cent of employment and is as well a source of capital formation (Mordi, Englama & Adebusuyi, 2011). In a recent job creation survey by select Nigerian government agencies, informal jobs were depicted as businesses employing less than 10 employees or those "operating with little or no structures". In particular, they constituted "mainly peasant or small-holder farmers, wholesale and retail trading, household manufacturing and individual services." In the fourth quarter of 2014, the sector accounted for more than 53.5 per cent of the new jobs while the formal and public sectors contributed 37.9 and 8.5 per cents respectively (National Bureau of Statistics/NBS & The Federal Republic of Nigeria/FRN, 2014, p. 8, 71). Even though the informal sector is characterised by a large and fragmented structure and shows low levels of education, training and technical know-how of its operators, it continues to be a cheap source of low-level technical manpower to the organized private sector (ibid.).

Moreover, across the country there are several industrial clusters, that is geographical agglomerations of firms around a particular sector, that have varying levels of industrial dynamism, technological spill-overs and learning, and are attenuating unemployment and poverty. Some of these clusters include the Otigba Information and Communications Technology cluster, the Nnewi automotive SME cluster, the Kano leather cluster, the Aba micro,

small and medium leather and footwear cluster, the Aba fashion and garments cluster, and the Abeokuta and Oshogbo tie and dye industry.[16]

Interestingly, the role of the informal sector and its size has not changed much over the country's development path.[17] Nigeria's economic crisis of the 1980s as well as the then following structural adjustment policies (of currency devaluation, wage restraint, and waves of retrenchments which have increased the rates of open unemployment) led, amongst other things, to a further expansion of the informal sector. Ogbuabor and Malaolu (2013), for instance, found a direct relationship between the rate of unemployment and the size of the informal sector.[18] Informal sector activities were estimated to have increased from approximately 50 per cent of the urban workforce in the late 1970s to about 65 per cent by the late 1980s. It is pertinent to note that even amidst the oil boom era of the 1970s, rising urban wages accompanied by rural-urban migration caused a continual rise in informal sector growth (Meagher & Yunusa, 1996). The informal sector still waxes strong today, in accounting for over 57 per cent of Nigeria's rebased GDP, and being indeed the giant of Africa's informal activity sector (Nwachukwu, 2014).

Drawing from data to assess the structure of the economy, we find that the contribution of agriculture to GDP has increased from 20.61 to 40.84 over the past 30 years, as seen in figure 2 below. Similarly, the services sector's contribution to GDP, after an initial major decline, has increased from 35.08 to 36.08 per cent, including wholesale and retail trade which constitute a large percentage of services. Wholesale and retail trade's contribution to total GDP decreased from 20.03 per cent to 18.70 per cent between 1980 and 2010.

The industrial sector's contribution to GDP on the other hand has decreased by about 41 per cent over the same time period from 34.2 to 20.36 per cent. Notably, the oil sector, comprising crude petroleum and natural gas, has made the largest contribution to the industrial sector's contribution to GDP, with a share of 61.84, 86.7, 87.74, and 77.87 per cent in the sector in 1980, 1990, 2000 and 2010 respectively. The extractive industry has not been known to have the best pathway for human development, particularly in Nigeria where there has been an absence of necessary institutions that mitigate its negative consequences on the economy (Odoemene, 2011; Ola-David & Oyelaran-Oyeyinka, 2014). Furthermore, it tends to employ few people, and

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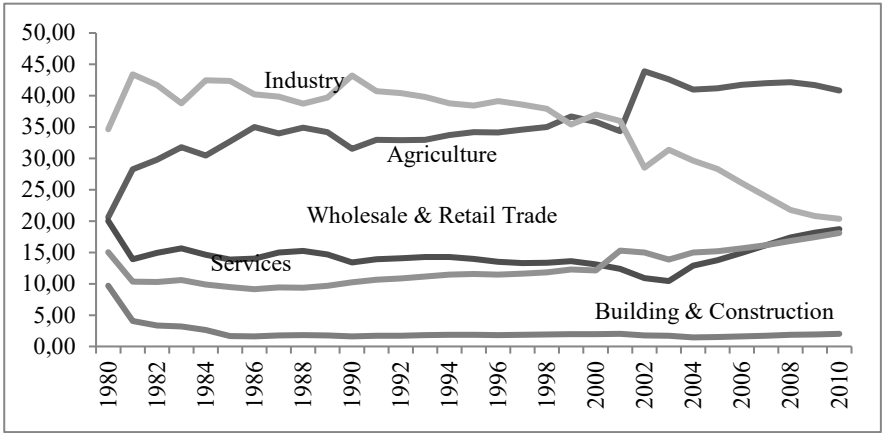
[16] See Oyelaran-Oyeyinka, Adelaja & Abiola, 2007; Adebowale & Oyelaran-Oyeyinka, 2012; and Oyelaran-Oyeyinka, O., forthcoming.

[17] A study by Ogbuabor & Malaolu (2013) shows that the size of the informal economy in Nigeria has hovered between 53.6 per cent and 77.2 per cent of GDP since 1970, giving an average size of about 64.6 per cent of GDP.

[18] Ibid, see also Ekpo & Umoh, n.d.

to have few spillovers and linkages to the economy.[19] Meanwhile, manufacturing comprised only 31.9, 12.72, 11.46, and 20.44 of the industrial sector's contribution in these years. However, while manufacturing in general has been increasing over the past ten years it still falls far below the rule of thumb that specifies 25 per cent for meeting the condition of industrialization (UNIDO, 1975; Xinhua; 2013) – it contributed only 11.05, 5.5, 4.24 and 4.16 per cent to total GDP in 1980, 1990, 2000 and 2010.

Figure 2: Structure of the Nigerian Economy, Sectoral contribution to GDP (1980-2010) [20]



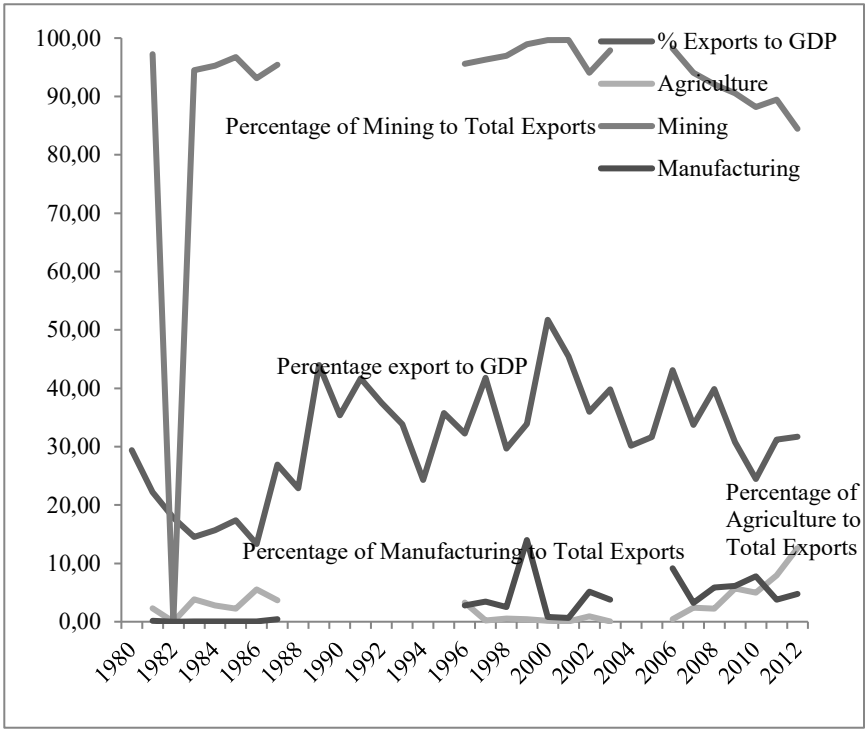
Source: CBN/Central Bank of Nigeria, 2011 (industry includes building and construction; services includes wholesale and retail trade)

Despite the role of agriculture to the economy's GDP, it has failed to become a major exporting sector. However, in 2010, we see in figure 3 that this has begun to change, with the sector also overtaking manufacturing in the export share to GDP. Mining, which has dominated GDP, has also begun to decline.

[19] See Oyelaran-Oyeyinka, B., 2014

[20] Though separated in Figure 2, industry includes building and construction while services include wholesale and retail trade.

Figure 3: Percentage of Exports to GDP and Sectoral Contributions to Total Exports (1980-2012)

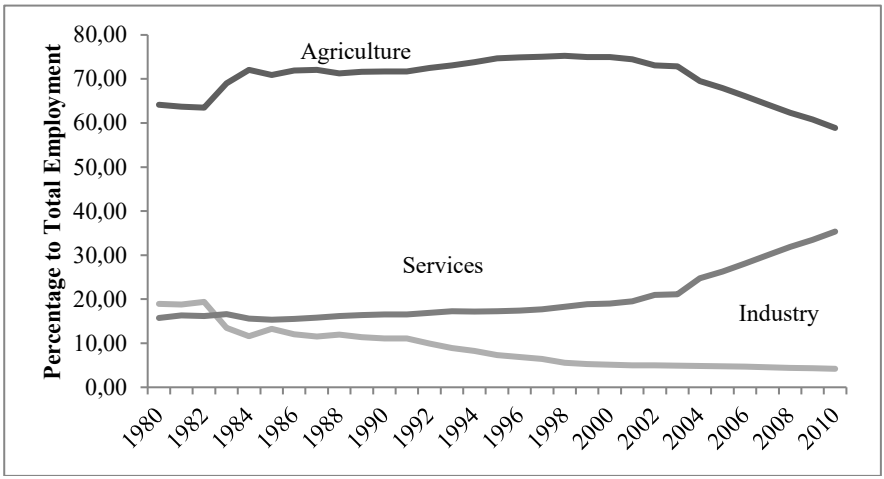


Source: Calculation from World Bank, 2014a, World Development Indicators (WDI)[21]

In terms of employment, agriculture still employs the largest percentage of the population, as seen in figure 4 below. However, the total share has declined by approximately 8 per cent from 64.18 per cent in 1980 to 58.88 per cent in 2010, while the contribution of the services sector rose by about 125 per cent from 15.59 to 35.11 per cent during the same period. The industrial sector on the other hand employed 20.23 per cent of the population in 1980, but the employment share declined by approximately 70 per cent to 6.01 per cent in 2010.

[21] Some data points from WDI were zero, which could be due to missing data.

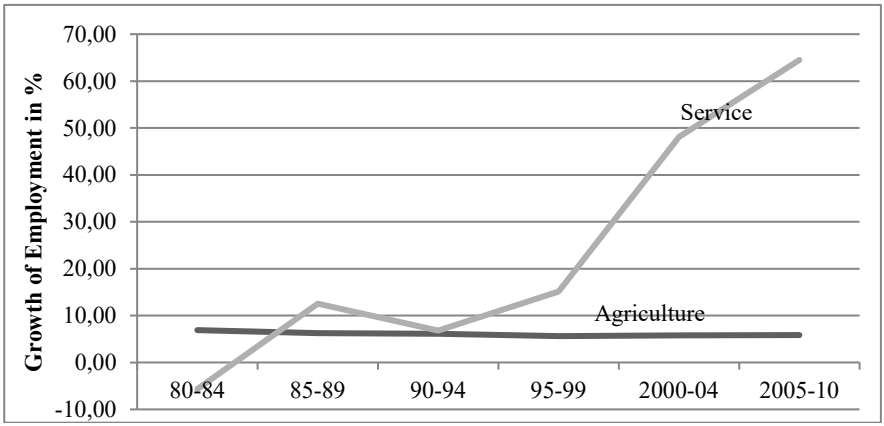
Figure 4: Structure of Employment (1980-2010)



Source: Africa Sector Database (ASD); see de Vries/de Vries/Gouma/Timmer, 2013

Taking a closer look at the services and agricultural sectors, we find that the percentage growth in employment in the services sector far supersedes that of the agricultural sector from the early 1990s onwards as seen in figure 5 below. This figure suggests that Nigeria is on a right path of development, inducing more employment opportunities in non-traditional sectors.

Figure 5: Growth of Employment in Services and Agricultural Sectors during 1980-2010



Source: Authors' calculation from ASD (see de Vries/de Vries/Gouma/Timmer, 2013)

Next, we analyse labour productivity growth over the thirty years. In an economy growth in labour productivity can occur in two ways – first, through growth "*within* economic sectors through capital accumulation, technological change, or improved allocation of resources across plants" and secondly, through labour's movement "*across* sectors—from those with low productivity to those with high productivity—and thereby increase overall labour productivity in the economy" (McMillan, 2012, p. 3).[22] Movement across sectors is seen as the "contribution of structural change to overall productivity growth. The contribution is positive (or, productivity-enhancing) if labour primarily migrates from lower to higher productivity sectors. It is considered negative (or, productivity-reducing) otherwise."[23]

In the following tables 1-3, the results of the shift-share analysis, which was used to calculate the total labour productivity growth in each of the sectors, are presented. The tables highlight *within* sector changes (column 3) and *across* sector changes what is growth due to structural change (column 4); as well the percentage contributions are presented (columns 5 and 6). We find that across all sectors labour productivity growth was low between 1980 and 1984, and that it has declined between 1990 and 1994, while afterwards it steadily was increasing till 2010.

For the agricultural sector in particular, as seen in table 1, we find that the share of the contribution of structural change to the sector's labour productivity decline or growth is much less than that attributable to changes within the sector. This is corroborated by the fact that the structure of employment in the economy as a whole witnessed very little change.

Table 1: Contribution of Structural Change in Employment to Labour Productivity in Agriculture, 1980-2010

Period	Total Labour Productivity Growth	Within Effect	Structural Change Effect	Share of Within Effect	Share of Structural Change Effect
1980-84	-9.62	-10.28	0.66	-106.89	6.89
1985-89	23.46	21.99	1.47	93.73	6.27
1990-94	11.33	10.63	0.69	93.87	6.13
1995-99	18.88	17.82	1.06	94.38	5.62
2000-04	23.11	21.78	1.34	94.21	5.79
2005-10	37.08	34.91	2.17	94.15	5.85

Source: Author's calculation from ASD data base

Similarly, productivity in the industrial sector also fell between 1980 and 1984 and between 1990 and 1994. On the other hand, for the industrial sec-

[22] Emphasis is given by the author.
[23] McMillan, 2012

tor, table 2 shows an increasing contribution of structural change to labour productivity growth between 2000 and 2010.

Table 2: Contribution of Structural Change in Employment to Labour Productivity in Industry, 1980-2010

Period	Total Labour Productivity Growth	Within Effect	Structural Change Effect	Share of Within Effect	Share of Structural Change Effect
1980-84	-23.60	-22.46	-1.14	95.17	4.83
1985-89	17.20	16.31	0.89	94.83	5.17
1990-94	1.37	1.33	0.04	96.92	3.08
1995-99	10.20	9.67	0.53	94.80	5.20
2000-04	29.98	25.76	4.23	85.90	14.10
2005-10	27.92	21.74	6.18	77.86	22.14

Source: Author's calculation from ASD data base

From table 3 below, we find that for the services sector, the share of the contribution attributable to structural change is higher in the latter period compared to within sector changes. This is substantiated by the fact that the structure of employment in the services sector witnessed a major change between 2000 and 2010.

Table 3: Contribution of Structural Change in Employment to Labour Productivity in Services, 1980 - 2010

Period	Total Labour Productivity Growth	Within Effect	Structural Change Effect	Share of Within Effect	Share of Structural Change Effect
1980-84	4.61	4.88	-0.26	105.65	-5.65
1985-89	27.39	23.96	3.43	87.48	12.52
1990-94	11.71	10.91	0.80	93.17	6.83
1995-99	13.22	11.23	2.00	84.91	15.09
2000-04	49.21	25.53	23.68	51.88	48.12
2005-10	74.05	26.28	47.76	35.50	64.50

Source: Author's calculation from ASD data base

While the share of the Within Effect in agriculture and industry sectors is

overwhelmingly higher than the share of the Structural Change Effect, in the services sector the share of the Structural Change Effect has increased sharply since 2000. The share of the Structural Change component in industry is increasing since 2000, but is reaching much lower levels. Structural Transformation in Nigeria is services sector-led, and to a much smaller degree it is industry sector-led. The share of the Structural Change Effect in agriculture has even remained stagnant at very low level. Structural Transformation in Nigeria is not at all influenced by the agriculture sector.

4 FDI, Structural Transformation and Poverty Alleviation in Nigeria: Towards Inclusive Growth

Nigeria is one of the top recipients of FDI in SSA, and in 2011 and 2012 it was the leading recipient of FDI in SSA (Orya, 2014). The influence of FDI in Nigeria's economy has however to be understood within the political-economic background in which it took place. In the first wave of privatization, foreign investors "were excluded from bidding in all sectors except oil". In the second wave, "[a]lmost 100 enterprises were targeted for privatization or commercialization in three phases", including banks, hotels, insurance companies, electric power, and telecommunications (UNCTAD, 2009, p. 10-11). The privatization of the telecommunications sector in particular and the reforms of the banking sector have been beneficial to the growth of both sectors.

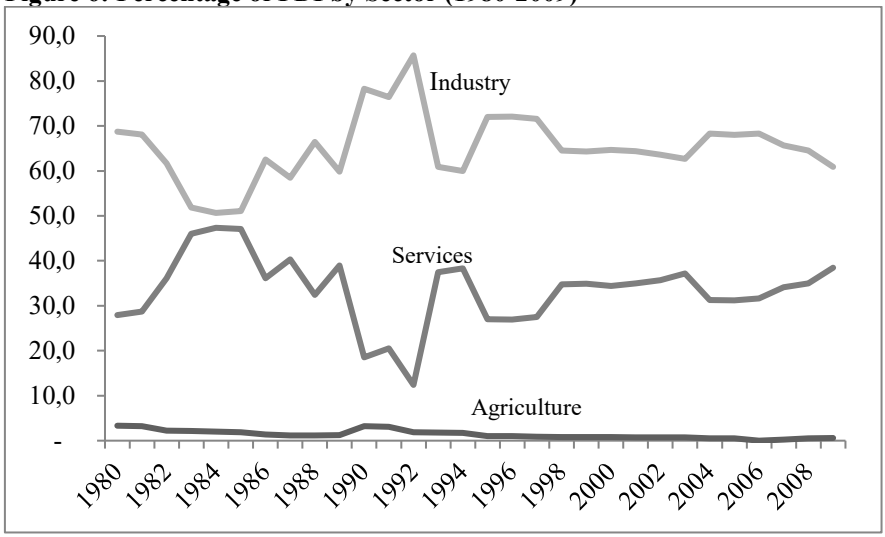
However, studies show that FDI has not had any significant effect on the Nigerian economy. Olokoyo, using an ordinary least squares regression estimation, finds that FDI "though not unimportant, ha[d] no relevant effect on the Nigerian economy" and was not significant in explaining growth in real GDP between 1970 and 2007 (Olokoyo, 2012, p. 24). Similarly Ugochukwu, Okore and Onoh (2013) found a positive, yet insignificant impact of FDI on the growth of the Nigerian economy in the period 1981 to 2009. Why might this be the case, and how can FDI be properly directed to encourage inclusive growth in the future?

Over the years, we find that the agricultural sector, which was the largest contributor to GDP and employment, has received a negligent percentage of FDI. Between 1962 and 2008, the percentage of FDI to agriculture ranged between 0.2 and 4.1 per cent with an average of 1.5 per cent over the time period. Similarly, Idowu and Ying (2013) found that FDI had no significant impact on agricultural output between 1980 and 2007. Industry on the other hand had a range of 50.7 and 85.7 per cent, with an average of 67.3, while the services sector's FDI receipts ranged between a low of 12.4 and a high of 47.3 per cent and an average of 31.2 per cent over the same time period, as

seen in figure 6 below.

We can therefore conclude that since 1980, FDI has not been put in the sector (agriculture) that would have impacted the largest number of Nigeria's working population. However, since 2000, we see the share of FDI in industry dropping while that of the service sector has been increasing. Within the three sectors comprising the industrial sector, manufacturing and processing received the largest share of FDI between 1980 and 1992, and between 2004 and 2009, while mining and quarrying received the largest share from 1993 to 2003. Building and construction as the third subsector of industry has received the least amount over the years.

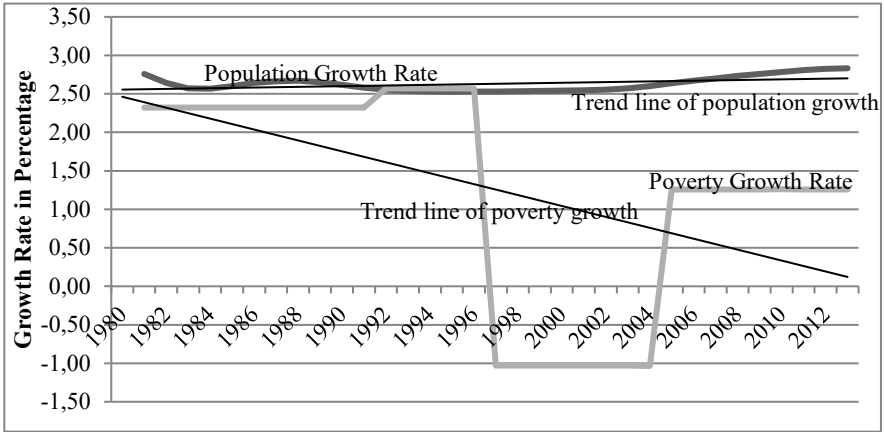
Figure 6: Percentage of FDI by Sector (1980-2009)



Source: Based on data provided by the CBN/Central Bank of Nigeria, 2009

Additionally, while we acknowledge that there are many factors that affect rural and urban poverty including low agricultural productivity, poor market access, poor infrastructure, "informality among small businesses", "limited social safety nets", high costs of living, and a "lack of permanent hiring by large businesses" (McKinsey, 2014, p. 19-20), we find that population growth is negating the effect of structural change on poverty to some extent. Specifically, the Compound Annual Growth Rate (CAGR) of the population has been 2.60 while that of poverty has grown at the rate of 1.04. Figure 7 below shows that the trend-line of poverty growth is negative with a very high rate of decline, while the population trend line on the other hand has a positive slope.

Figure 7: Population Growth and Poverty Reduction (1980-2012)



Source: Calculated from data from National Bureau of Statistics/NBS and World Bank/WDI

FDI has a potential role for growth, structural transformation and poverty reduction in Nigeria, especially if FDI to manufacturing and processing increase in the coming years.

5 Conclusions and Policy Recommendations

This paper set about to address three main questions: Is Nigeria experiencing a structural transformation? What is FDI's contribution to this structural transformation? And the last question, to be addressed in this section - how can FDI be steered towards inclusive growth?

In a previous write-up (Ola-David & Oyelaran-Oyeyinka, 2014), an institutional approach was presented to consider how FDI can be made effective so as to meet human security imperatives. While FDI "holds the promise of positive externalities, there is the tendency that FDI may induce negative externalities that could cause pervasive damage to the development prospects of the host country, thus resulting in fundamental economic insecurities and damages" (Ola-David & Oyelaran-Oyeyinka, 2014, p. 179), as to be seen in the Niger-Delta region. It is therefore necessary to push FDI-recipient countries to put in place proper institutions to guide the actions of both international and national actors, ensuring that FDI produces both, economic gains and inclusive growth, and that it is used as a means to improve the living standards.

Following from the above analysis, however, structural transformation implies undertaking a sector-based analysis. Therefore the findings in this study are used to see how the different sectors are affected by FDI. However, it is noted that, though FDI is not the panacea to Nigeria's inclusive growth situation, with proper social policy innovations and institutions it can be a step towards enhancing it.

Data show that the Nigerian economy is undergoing a structural change, of a unique sort. In particular, it came out of the analysis that the contribution of industry to GDP has declined between 1980 and 2010, while that of agriculture and services has increased over the same time period. However, while the percentages of those employed in the industrial and agricultural sectors have been declining in the more recent years, the services sector has been employing more people. Labour productivity growth across all sectors grew over the years, except from 1980 to 1984 and 1990 to 1994. However, for the services sector, the share of the growth attributable to structural change increased in the past 10 years and surpassed that attributed to within sector changes between 2005 and 2010.

Furthermore, the industrial sector received the greatest percentage of FDI over the years, but this percentage has been declining in the past ten years, while that of the services sector has been increasing. FDI to the agricultural sector has been minute. It can therefore be inferred that FDI has been contributing to a services-sector led structural transformation process.

The analysis shows that the agricultural sector has been a major contributor to GDP and employment through the years, though there are minimal transitions to high productivity agro-industry, which is a significant contributor to manufacturing exports in other emerging economies, such as Brazil. This can be explained by the fact that most agricultural engagements in Nigeria are still at the subsistence and small-scale production levels targeted at supplying the local market, with little scale-efficiency to support exports. Data from McKinsey's study corroborates this assertion in its observation that smallholder farms (with plots of less than 2 hectares) account for about 75 per cent of cultivated land in Nigeria (McKinsey & Company, 2014, p. 17). Also, much of the ground-breaking agricultural research which is churned out by research institutions has found little industry application.

Moreover, the record of low FDI flows to the agricultural sector, in spite of its huge investment potential, indicates that the current institutional infrastructure is not supportive of sustainable large-scale agriculture being necessary for creating a competitive and comparative advantage.[24] This therefore lays an imperative for inclusive land reforms and agricultural policies, which

[24] This may not be far-fetched given the deadlock on land policy reforms in the country.

will prioritize protection of local rights, livelihoods and welfare (APP/Africa Progress Panel, 2014), as well as provide support for an innovative system of transforming outcomes of agricultural research to viable products. Notably, incentivizing large-scale domestic and direct foreign investments in agriculture is advantageous to generate desirable crop yields and to stimulate economic growth. However, for growth to be inclusive, policies that prioritize support for smallholder agriculture and facilitate access by farmers to improved farm inputs, implements and extension services are essential. In addition, the fact that the traditional agricultural sector accounts for a high percentage of rural employment points to the imperative for agricultural development as a precursor to inclusive growth in Nigeria.

While the historical experience of most industrialised countries shows the transition from low productivity agrarian economies through intensive manufacturing development to the development of the services sectors, along with increased employment and a larger value added productivity contribution in such industries, the experience of Nigeria mirrors an occurrence of *premature de-industrialisation*. This is a situation whereby structural transformation does not translate into industrialisation (Rodrik 2014); instead changes in the employment share of agriculture are informing about the swelling of the services sectors of the economy.[25] Furthermore, micro, small and medium enterprises (MSMEs) and the informal economy continue to contribute to low-income, low-skills, and non-dynamic manufacturing. In 2010 for example, MSMEs contributed 46.54 per cent to the country's GDP (National Bureau of Statistics/NBS & Small and Medium Enterprises Development Agency of Nigeria/SMEDAN, 2012). This early de-industrialization in Nigeria's economic development process can be attributed to the effects of economic globalization and increased trade openness lying alongside the country's low supporting infrastructure and globally uncompetitive manufacturing capabilities.[26] Thus, services sectors are generating more employment than manufacturing factories are.

Certainly and well documented in the literature are institutional and governance issues including political instability, corruption, SAPs/structural adjustment programs, traditional over-dependence on the oil sector, unfavourable business climate, and poor infrastructure which have contributed to the dismal socio-economic outcomes, the negligible manufacturing sector and the poverty in Nigeria over the past decades.[27] Naiya and Manap, for

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[25] See for the case of India Amirapu & Subramanian, 2014

[26] See Dasgupta & Singh, 2006

[27] See Oyelaran-Oyeyinka, B., Laditan, Kajogbola & Akinbinu, 1997 (failure of large-scale industrial public enterprises); Oyelaran-Oyeyinka, B., 2014 (paradox of growth

example, show that there were structural breaks in 1974, 1984, and 1995 in Nigeria and they attribute these breaks to the 1974 oil price shock, the 1983 military coup, the subsequent application of austerity measures in 1984, and the departure from SAPs/structural adjustment policies in 1995 by the military government (Naiya and Manap, 2013).

In any case, there are dangers that a services-sector led structural change poses to Nigeria's economy, given that it limits the capacity of the manufacturing sector's labour productivity to converge to the frontier of developed countries (Rodrik, 2013a). Another implication of a services-sector led structural change is poor technological development, given that most technological change and innovation emanates from the manufacturing sector, before diffusing to other economic sectors such as the services sector.[28] Thus, one opportunity cost of a services-sector led transformation is the forgone opportunity for technological improvements as a result of slow development of the manufacturing sector. Similarly, backward and forward linkages (Hirschman, 1958), to be gotten from diverse industrial manufacturing related to industries such as steel, machine tools, petrochemical processing, and high technology manufacturing, would be lost. Consequently, structural underemployment and unemployment might ensue as graduates of industrial engineering as well as science and technology institutes are left with limited opportunities to engage skills acquired in industry (due to the proliferation of low productivity services sector activities), thereby resulting in and increased motivation for international mobility. Manufacturing sector development is therefore very crucial if Nigeria will transit like East Asian exemplars through different technological development phases such as learning by doing, designing, and production, thereby building local technological capabilities and improving the speed of adapting foreign technologies to local conditions and needs; and there are opportunities to do this through encouraging present industrial, and largely non-formal clusters that exist in the country.

Presently, while clustering is seen as a viable solution to enable the manufacturing sector's growth and performance, and proposals to establish enterprise zones "targeted at scaling up the informal sector to the Organized Private Sector (OPS)" are presented,[29] extant and spontaneous (i.e. not formed by policy, like export processing zones, industrial parks, and special economic zones) clusters which are already making these contributions are not taking a central enough position in the policy discourse. Concomitantly, policies that

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and poverty in Nigeria); and Oyelaran-Oyeyinka, O., 2014 (historical review of industrial sector failures, industrial clusters, poverty and institutions).

[28] See Rosenberg, 1982; Nelson & Winter, 1982

[29] Vision 2020, NTWG/National Technical Working Group on Manufacturing Thematic Area, 2009

emphasise the development of social infrastructure, small business development, and a favourable business climate, which make the Nigerian manufacturing sector attractive to domestic as well as foreign investment, are necessary to improve domestic capacity in manufacturing and to channel labour movements from low productivity productive agriculture towards high productivity manufacturing.

Additionally, low domestic manufacturing capacity, as it is the experience of a number of resource-rich African countries like Nigeria, in which cases structural transformation is led by productivity changes in the services sector, can lead to unfavourable terms of trade.[30] Instead of being manufacturing-independent, such countries rely on massive importation of both manufactured consumer goods and intermediate industrial inputs, with most of their foreign exchange earnings accruing from sales of low value added agricultural commodities and extractive raw materials. Going forward, Nigeria can draw lessons from South Korea and Mauritius, both of which industrialized through the workings of a vibrant export sector. Mauritius, an African success story, transformed from being a resource-dependent to a vibrant export-led economy, by creating incentives which attracted manufacturing FDI to its EPZs. The gains from FDI in manufacturing and a thriving export economy have been useful in improving living standards in Mauritius, in such a manner that the country ranks as a high human development country in the 2014 UNDP Human Development Index. Alongside a vibrant FDI-led export manufacturing sector, services sectors such as tourism and financial intermediation continue to contribute to the progress of Mauritius. Table 4 below highlights some of the conclusions from this paper, proposed interventions, and effects that FDI within a good institutional framework can lead to.

There is a glimpse of hope for Nigeria, as data show that the manufacturing sector has experienced some improvements. Besides this, FDI to Nigeria's services sectors can be said to be inclusive through its influence on macroeconomic stability, connectivity and labour productivity, employment creation, domestic competitiveness, and infrastructure development. Notwithstanding, perceptible gains from services-sector induced development can be harnessed for human development as in the case of Mauritius. Though, positioning for enhanced services sector delivery requires, as Rodrik puts it, a "steady and broad-based accumulation of capabilities in human capital, institutions and governance" (Rodrik, 2014, p. 44). Furthermore, given the overarching importance of strong manufacturing to put Nigeria on a path of sustainable economic growth, the drive for manufacturing investment promotion must never cease. By facilitating improvements in energy infrastructure and social infrastructure Nigeria will be strategically positioned to

[30] See Amirapu & Subramanian, 2014

magnetise manufacturing FDI which are seeking alternative input sources (amidst rising labour costs in China, the world's manufacturing factory), thereby providing skill development opportunities for its youthful population. In pursuit of inclusive growth, a set of policies which lower inequality of opportunity as much as poverty is of essence (Naiya & Manap, 2013).

Table 4: FDI, Structural Transformation and Inclusive Growth in Nigeria

Sector	Current situation	Proposed Interventions	Effects
Agriculture	Little amount of FDI over the years; major contributor to GDP and employment over the years, though contribution to the latter has been decreasing in the past decade	Promote institutional infrastructure – inclusive land reforms, protection of local rights – and FDI that encourage sustainable large-scale infrastructural facilities by domestic farmers	Encourage rural development, export-oriented/non-subsistence based farming
Industry	Biggest recipient of FDI over the years; declining in the past decade; declining overall contribution to GDP	Direct FDI to build country's manufacturing base; encourage informal industrial clusters	Skills upgrade; knowledge transfer; forward and backward linkages; employment; reduction in resource/commodity-based production
Services	2nd biggest recipient over the years with increasing shares in the past decade; increasing contribution to GDP and employment	Encourage infrastructure development; institute clear labour protection policies	Employment; social protection; reduction in resource/commodity-based production

Source: Authors' Compilation

It is pertinent to note that, since there have been several proposed innovative initiatives towards agricultural development, poverty reduction, and industrialisation in the past, the government in Nigeria must now move beyond planning to effective implementation, while engaging a critical and objective evaluation of progress. This will necessitate impact evaluation research on past and on-going policies and programme implementation, such as the agricultural transformation agenda (ATA). Such policy evaluation researches are a crucial feedback to the planning process, for instance to ascertain what will work for high productivity agriculture, agro-industry development, and job-

creating manufacturing engagements and what may not work. In addition, in the wake of current concerns with regard to trends in premature de-industrialisation experiences of most developing countries, further studies can empirically examine possible economic, social and political consequences of premature de-industrialization for SSA countries vis-à-vis other emerging economies in Asia and Latin America.

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Oil exploration and production in Uganda: Managing Foreign Investment and Public Revenues

Anne Mette Kjær[1]

1 Introduction

Since the Ugandan government allowed oil explorations to start in 2006, hopes have been high among Ugandans that revenues from oil production will eradicate poverty and put Uganda on the path to becoming a middle-income and prospering economy.[2] Indeed an estimated 3.5 billion barrels of oil reserves was in 2014 upgraded to about 6.5 billion barrels, out of which 1.4 billion (adjusted from 1.2) are expected to be recoverable (The Independent, 2014). The oil reservoirs, which are located in western Uganda, mainly under Lake Albert, are expected to bring in as much as 2 billion dollars a year at peak production, which is expected to last 15 to 20 years beginning in 2018 (Shepherd, 2013; World Bank, 2010).[3] Such an income flow is relatively modest, compared to other oil rich countries. It will place Uganda among the medium-sized African oil producers such as Gabon, the DRC, or Chad (Shepherd, 2013). However, if realized, the oil revenues have the potential to make Uganda independent of aid, which in 2010 was at 1 billion out of 4.3 billion US dollars in total public revenue (RoU, 2013).

Oil revenues also have the potential to finance promotion of Uganda's productive sectors and reduce poverty. The Ugandan government officially commits itself to spending the revenue from oil to promote national development and argues in the new National Development Plan/NDP that 'Exploitation of (newly found oil) will provide vital resources needed to further make a dent in the country's levels of poverty as well as fund the backlog of infrastructure investments.' Further, the NDP states that 'in order to avoid the "resource curse", it is imperative for government to strengthen the institutions responsible for the negotiation of contracts and management of natural resource rents, and increase the transparency with which these are handled'

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[1] Associate Professor and Director of Studies, Department of Political Science, University of Aarhus, email: MKJAER@ps.au.dk.

[2] See, for example *New Vision,* November 12, 2007, 'Uganda has high hopes in oil'; *The Guardian,* May 12, 2104. 'Will Kenya or Uganda be East Africa's first oil producer?'; or CSCO (2012).

[3] Some estimates say up to 3 billion dollars a year at peak production (Global Witness, 2014).

(RoU, 2014: 59-60). In the plan, the government wants to 'Articulate a transparent and development-oriented policy framework for the minerals sector, to retain a higher portion of natural resource rents and to utilize the proceeds towards achieving economic diversification and structural transformation' (RoU, 2014).

In spite of the government's official declarations, however, civil society and the media have been expressing concerns with the lack of transparency in the government's management of the oil resources, and critical voices worry that the oil revenues are not likely to benefit Ugandans at large (CSCO, 2010). In this paper, the question is addressed of whether Uganda can indeed avoid the 'natural resource curse'. Since oil is not yet being pumped, this overall question is addressed by asking six sub-questions:

(i) What is the size and nature of FDI in the oil sector in Uganda?

(ii) What is the status of the debate on the natural resource curse in academia as well as in Uganda? (iii) Is the local economy in a position to benefit from the presence of the oil industry?

(iv) Is the institutional framework and capacity for raising local revenue in place in Uganda?

(v) Given the current political settlement, will the government be capable of carrying out industrial policy so as to benefit from investments in oil directly and indirectly?

(vi) What does previous experience with industry policy and management of large resource funds tell the policymakers?

2 FDI in Extractives in Uganda

FDI into Uganda grew over the 1990s, facilitated by a liberalized economic regime and stabilized political conditions. Foreign direct investment grew from near zero in 1990 to about 3.25 per cent of GDP in 2006, accounting for a fifth of total capital accumulation in Uganda (Rasiah and Tamale 2004). FDI had contributed to some extent to growth in manufacture since it had gone mainly into beverage and food processing, such as the Coca Cola and Pepsi companies, or the Madvhani group that has invested in sugar processing, among other things. The service sector has also been the recipient of FDI, especially telecommunications and banks. FDI was at about 5 percent in 2008 and then dropped somewhat probably because of the global financial crisis (RoU, 2010).

Since oil was discovered in Uganda's Albertine Graben in 2006, the mining sector, particularly the oil and gas sector, has taken up increasing shares of total FDI (RoU, 2011), but in some years more than in others, as can be seen from table 1 below (ITC/International Trade Centre, 2013).

Table 1: Sectoral Composition of FDI Inflows into Uganda (US $mill.)

	2008	2009	2010	2011
TOTAL (US $mill.)	1,292	1,156	595	405
Transport, Storage and Communications	525	59	25	7
Unspecified Secondary Sector	279	620	195	67
Business Activities	276	200	97	145
Wholesale and Retail Trade	85	15	9	11
Mining and Quarrying	60	7	100	5
Agriculture and Hunting	48	76	110	79
Construction	9	42	43	21
Electricity, Gas and Water	7	90	12.5	71
Community, Social, and Personal Services	0.6	48	4	1

Source: ITC/International Trade Centre, 2013 (Web Access at: http://www.intracen.org/)

As Table 1 shows, FDI declined between 2008 and 2011, and extractives took up varying shares of it. Most recently, however, there has been a renewed increase in FDI driven by extractives, mainly oil (UNCTAD, 2013). In fact, Uganda's foreign direct investment nearly doubled from 2011 to 2012, an increase driven largely by higher investment in the oil sector. Mining of various metals does occur but to a limited extent. Investments in oil exploration has, however, increased, and the British Tullow Oil, which was responsible for the major part of exploration activities, has in all invested about 1 billion US $.[4] The three companies that operate in Uganda, British Tullow, French Total, and Chinese state-owned CNOOC have explored 88 drillings and have found oil in 76 of them. In all, investments in oil sector exploration are estimated to have amounted to around 1.7 billion US dollars since exploration started in 1998 and until 2013 (Wall Street Journal, March 25, 2013). The investments are still coming in, though, and in September 2013 it was announced that CNOOC had won the 2 billion US$ license to produce oil from Uganda's Kingfisher Bay.[5] The Uganda manager of Tullow Oil recently estimated the total amount of investments required to develop Uganda's oil sector at around 15-20 billion US dollars, but the final investment decisions by three major oil companies have not yet been made (East African Business Week, September 14, 2014). These decisions will, among other factors, depend on trends in oil prices.

[4] World Bank sources estimated an amount of 2 billion US$ from Tullow Oil, but our interviews confirmed 1 billion.

[5] 'China's CNOOC wins $2bn Uganda oil field contract, BBC News, September 26, 2013, accessed at: http://www.bbc.com/news/business-24279582 in February, 2015.

These levels of oil investments are considered to be a potential game changer in Uganda. The whole sector now takes up about 0.3 percent of GDP, but it is considered to have potential and the oil sector takes up space in the public debates and on the political agenda (RoU, 2013). The exact size of the Ugandan oil reserves has yet to be finally determined, but in September 2012 the Ugandan government officially adjusted the estimated number of barrels from 2 billion to 3.5 billion barrels (Global Witness, 2010; Reuters, 2012). It is also not known how much of the 3.5 billion barrels will be effectively recoverable (The Independent, 2014). However, estimates are at about 150,000 to 200,000 barrels a day during peak production, which is thought to last for about 20 years, and with production to start in about 2016. This would place Uganda among the middle range African oil producers such as Gabon, the Democratic Republic of Congo, or Chad (Shepherd, 2013). There are ten sites of the explorations in Western Uganda, but not all of them are yet licensed[6]. But there are a number of challenges to be met before production starts. Ugandan oil is not easy to recover, to refine, and to transport because of its very greasy nature and the fact that it is contained in low-pressure reservoirs (World Bank, 2010). A combined project for a refinery in Uganda and a pipeline through Kenya to the shore has finally been agreed both between the involved countries' governments of Uganda and Kenya and between the Ugandan government and the oil companies. A Russian led conglomerate has won the contract to build and to operate the 2.5 billion dollar refinery (Reuters, 2015), but there is still a long way to go before production can begin.

When the pumping of oil begins, this would raise government revenues by about 1.5 to 2 billion dollars annually (Shepherd, 2013; World Bank, 2010), an amount which equals the size of the total ODA/Official Development Assistance to Uganda in 2010. That year, Uganda's total government revenue, including grants, was about 4.3 billion US dollars, of which grants and loans were about 1 billion (RoU, 2013). So, the future oil revenues have the potential of removing Uganda's dependence on foreign aid, at least during the period of peak production. This potential has sparked a debate in Uganda, a debate inspired by the controversially assessed implications of the existence of extractive resources like oil.

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[6] Source: Environmental Information Network/EIN Uganda Clearinghouse, accessed at: http://chein.nemaug.org/wp/ ; referring to the PEPD/Petroleum Exploration and Production Department, Kampala, MoEaMD/Ministry of Energy and Mineral Development, 2014, accessed at: http://csco.ug/files/downloads/PEPD%20%20Presentation%20to%20CSCO%20Hoima%20july%202014.pdf

3 The Status of the Debate on the Natural Resource Curse and the Discussion in Uganda

The question of whether the existence of 'point' natural resources, such as oil or minerals, in a country will be a "curse" or a "blessing" has been debated widely (Atkinson and Hamilton, 2003). The arguments that extractive natural resources have a number of negative economic and political effects have some empirical support. Nigeria is often used as a typical illustration of a case in which oil has not contributed to sustainable growth or economic transformation, and where the existence of oil may even have adversely affected a democratic transition. However, recently, the resource curse literature has been challenged theoretically and empirically (Buur, Therkildsen, Hansen, and Kjær, 2013).

Theoretically, it has been argued that the relationship between the existence of extractive natural resource and poor development outcomes is not automatic (Rosser, 2006). Much of the resource curse literature, for example, notes a correlation between natural resource abundance and poor development outcomes, and then assumes that the poor outcomes are caused by natural resources. However, it may be the case that the poor outcomes are in fact outcomes of weak institutions, or the lack of domestic pressure for reform. Hence the literature has been criticized, for example, for assuming that because citizens are not taxed, they are not willing to attempt to influence government policy. However one can not *a priory* assume that social pressure for transparent spending decisions do not exist for the only reason that citizens are not taxed (Kjær and Ulriksen, 2013). Secondly, weak institutions may not be a consequence of the existence of natural resources, but may rather be a cause why natural resources are not managed well. Hence, it is the way in which the resource rents are managed rather than the rents in themselves that create problems for resource-rich countries (Buur, Therkildsen, Hansen, and Kjær, 2013: 15; UNCTAD, 2013).

These arguments refute the implicit determinism in much of the resource curse literature and point to mediating factors, such as class alignment and social or political forces as being important. Hence, not all resource-rich developing countries have gone down the poor development path. Malaysia, Indonesia, and Botswana are examples of countries which have managed the resource rents to the benefit of the larger population (Rosser, 2006). In Malaysia, for example, early industrial policy included state-owned industries and moderate protection, which later was replaced by a more subtle interventionism based on a more thorough analysis of industry needs. Strategies became more selective and included the provision of training, technological support, finance, quality improvement, and the facilitation of research and development/R&D (Lall, 1995). The Suharto government in Indonesia quite

efficiently channelled oil resources to, among other things, promoting rice production through the state rice board named Bulog (Thomas and Grindle, 1990; Lewis, 2007). There were major efforts at increasing domestic rice production through, among other things, better technology, rural infrastructure, and irrigation. Even if there were contradictory policies, and even if some resources were channelled as patronage to allies of the ruling elite, and if there were on occasions symptoms of the Dutch disease, oil windfalls allowed the government to pursue an industrial policy, such as channelling investments into e.g. petrochemicals, pulp and paper, and cement, and to support an agricultural upgrading strategy (Lewis, 2007: 109). For example, as a result, rice production grew rapidly and made Indonesia self-sufficient in rice.

The cases of Indonesia and Malaysia show us that resource rents can be used to diversify the economy and promote economic transformation through industrial policy. More generally, a consensus among heterodox economists is that industrial policy may be necessary for the least developed countries if they are to be able to close the large technology gap between them and the developed economies (Lauridsen, 2010, 2013). The least developed countries are generally characterized by low productivity in agriculture and industry, by large informal subsistence agricultural sectors, and the use of simple technologies and non-skilled labour (Whitfield, Therkildsen, Buur, and Kjær, 2015). In order to promote a structural transformation process towards a more balanced and interlinked industrial structure which can not only make use of investments in natural resources directly through subcontractors, but can also broadly create jobs and raise incomes, coherent industrial policies are necessary for this purpose. It takes considerable policy inputs and investments to upgrade a specific sector, be it sugar, palm oil, or dairy production. But not only does it take investments in technology, it also requires investments in learning, which means that firms will likely be operating with a short term loss. Hence, government target support strategies for specific sectors will be needed. This support is not to be mistaken with the often quite crude import substitution strategies of the 1960s and 1970s; they are generally less interventionist and take the form of loan guarantees or of government subsidized research carried out in the form of public-private partnerships (Whitfield et. al., 2015).

Even if the government is committed to carrying out industrial policy in order to benefit from natural resource revenues, it also needs to be politically able to do so. In the least developed countries, political will does not necessarily entail political feasibility. Ruling elites need to be able to implement socially contested policies over the long term. For industrial policy to succeed there needs to be a certain degree of cooperation and mutual interest in a sector's promotion between industry actors (be it farms or firms) and ruling

elites. This means that ruling elites must think that promoting a sector will help them to stay in power and to be funded by the sector revenues, while the productive entrepreneurs in a sector must press strongly for government support (Whitfield et al., 2015; Buur, et. al., 2013). Also, industrial companies receive higher government support when the design and the implementation of industrial policies is carried out by competent bureaucrats. In the least developed countries, it may not be possible to build a state bureaucracy that is equally efficient in all sectors; however, even in a context where patron-client relations predominate, it is possible to build 'pockets of efficiency' that enjoy sustained political support and protection and therefore have enough autonomy and capacity to implement policies toward a certain sector (Evans, 1995; Khan, 2012; Whitfield, et.al., 2015). These industrial policy agencies also have to have practical, even technical, knowledge about the economic activities they seek to promote. In other words, the conditions for successful industrial policy are not easily obtained, as they require quite specific relations between ruling elites, bureaucrats, and industry actors.

The nature of the political settlement, i.e. the balance of power between interest groups and institutions, will affect the extent to which conditions for industrial policy emerge, and hence the ability of the government to carry out policies to promote growth (Khan, 2012). In many developing countries, political settlements are patronage-based and therefore rest on patron-client relations. The more interest groups that contend for power, and the more these groups compete, the harder it is to carry out industrial policy consistently, because there is a constant pressure to use resources to keep the coalition together, i.e. for short term patronage purposes (Whitfield et al., 2015). Introducing an initiative to set up institutions and policies that promote growth will involve re-allocating scarce resources, be it in terms of positions or money. If such reallocation hurts powerful factions benefitting from the status quo, the initiative will have high political costs and may even threaten the stability of the ruling coalition, i.e. the ruling elite and the factions supporting them (Khan, 2010). In Nigeria, for example, a fragmented ruling coalition and the distribution of patronage-based advantages among different factions have undermined economic performance and the pursuit of industrial policy (Lewis, 2007: 131).

The scepticism invoked by the resource curse literature has gradually been replaced by a cautious optimism arguing that the effects of natural resource abundance are to become politically mediated. Country-specific institutional and political economy contexts matter and decide as to whether natural resource rents are detrimental to national development or not. A country's political settlement and governance system will determine the extent to which the resource rents can be used for industrial policy. The more vulnerable the

ruling elite is, and the more fragmented the coalition is, the less likely is it that the government will be able to promote industrial sectors.

In Uganda, civil society actors, members of parliament, and international donors have observed the growing degree of high level corruption cases in general, and they have raised concerns as to the transparency and the proper use of the income from oil sales. On the other hand, the Ugandan government expresses the intention to use the oil resources for the benefit of all, but argues that the donors and the civil society actors have teamed up with overly critical attitudes toward the government. On the side of the civil society, a number of groups have been vocal, the most important ones being the Oil Watch Network Uganda[7] and the Civil Society Coalition on Oil and Gas[8], both are networks of NGOs who are interested in monitoring the generation and use of oil funds. They have become increasingly vocal and have raised a host of issues ranging from transparency in the management of oil funds to environmental issues and challenges of forced replacement of citizens in the oil region. Just to mention a few issues, the lack of transparency (with regard to the use of so-called signature bonuses/SBs[9]) and the high degree of confidentiality (with regard to Production Sharing Agreements/PSAs with the companies) have been raised. In addition, a number of civil society actors (supported by donors) encouraged parliamentarians to form the Parliamentary Forum on Oil and Gas (PFoOaG), a pressure group of legislators advocating for a greater transparency in the oil sector (Hickey and Izama, 2015).

On the government side, the president is a key actor who has taken a personal interest in the sector (Hickey and Izama, 2015). The president has it made clear that the government is committed to optimize resource intakes from the oil sector and to spend it for the benefit of the local economy.[10] He has also worked towards supporting the development of an efficient agency to manage the oil resources, as discussed below. The president has responded to civil society concerns about transparency by calling them largely unfounded, and he also has it made public that he perceives the cooperation between foreign donors and NGOs as detrimental to the government's efforts to man-

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[7] Web Access: http://www.publishwhatyoupay.org/resources/key-oil-governance-issues-uganda-need-urgent-attention-parliament

[8] Web Access: http://www.csco.ug/

[9] A signature bonus is a onetime fee for the assignment and securing of a license, irrespective of economic successes, but not all states use such bonuses, and governments may charge a minor fee for handling applications (Wikipedia: Petroleum Fiscal Regime).

[10] See 'President Museveni addressing the Parliament on the Oil Debate', speech given to parliament at 27 February, 2012; can be downloaded at http://www.statehouse.go.ug/media/audio/president-museveni-addressing-parliament-oil-debate, and was accessed February, 2015.

age properly the oil exploration and production. For example, the president refers to the "nefarious and mendacious campaign of the foreign interests, using NGOs and some Members of Parliament to try and cripple or disorient the development of the oil sector".[11] Referring to the Parliamentary Forum on Oil and Gas (PFoOaG) and its criticism of the authority of the Minister, the president says that "the malignment by internal saboteurs working on behalf of external parasitic interests must be stopped by legal, political and media actions by the NRM[12] and Government leaders". Other key actors on the government side are the Ministry of Finance and Economic Planning (MoFaEP), the Uganda Revenue Authority (URA), and last but not least the Ministry of Energy and Mineral Development (MoEaMD), and specifically its Department of Petroleum Exploration and Production (to be discussed in more detail below).

In the following section 4, Uganda's industrial base is discussed with a view to find out whether the Ugandan economy can benefit from linkages with activities in oil exploration and production. Then, the subsequent section 5 will look deeper into the capacity and the legislative framework to manage FDI in the oil and gas sector.

4 Is the Local Economy of Uganda in a position to benefit from the presence of the International Oil Industry?

Uganda's economy has experienced considerable growth since the early 1990s, with an average annual growth rate of about 7 percent over the two decades from 1992 to 2012, although in recent years growth has declined somewhat, partly due to a drought and partly due to stagnating foreign inflows, the global recession, and an unpredictable supply of public infrastructure services, particularly with regard to power supply (RoU, 2014; World Bank, 2014). Extractive resources have constituted a very small share of the Ugandan GDP until very recently, and the main driver of growth has been the area expansion in agriculture, primarily in coffee, largely due to the peace dividend emerging after the civil war ended in 1986. However, the stable macro-economic environment that was established in the early 1990s with the support of the international financial institutions (Kuteesa et.al. 2010) has also contributed to this growth. Coffee price increases have also helped, and aid has also contributed to growth, but primarily through public services sector expansion since the mid-1990s (see figure 1 on GDP sector shares).

[11] President Museveni's speech to parliament was given on December 13, 2012
[12] The NRM/National Resistance Movement is close to President Museveni.

Finally, increased foreign direct investments and remittances have contributed to increased economic activity (Whitfield et al. 2015).

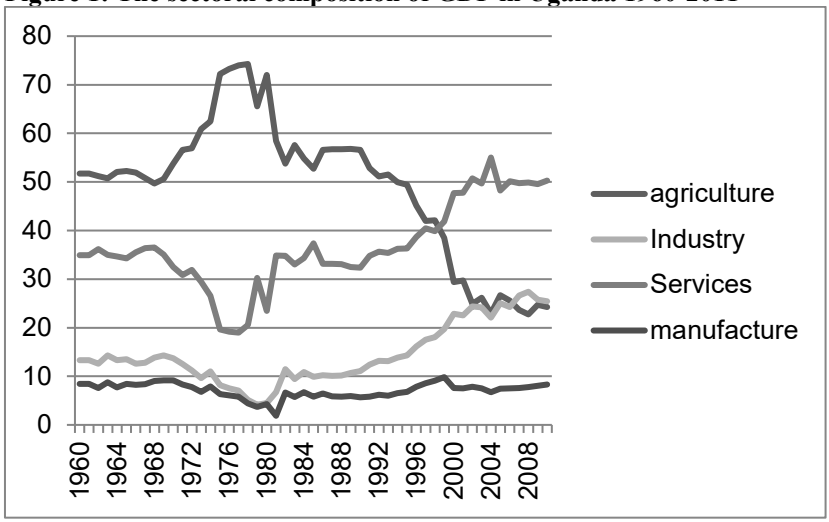
However, in spite of the high growth rates, Uganda remains primarily an agricultural economy and structural transformation is slow. The sectoral composition of GDP has changed, as indicated in figure 1, so that services now constitute more than half of the GDP, industry 20 percent, and for agriculture the rest (Kjær and Katusiimeh, 2012). But industry is mostly comprised of construction and some mining, whereas there has been hardly any growth in production of manufactures, a sub-sector which comprises unchanged nine percent of the GDP such as at independence. Manufacturing is overwhelmingly characterized by informal small enterprises with less than five employees (Kalema, 2008) and with low capacity utilization (RoU, 2014). These enterprises face huge constraints with regard to upgrading technologies and technological and organizational learning, so that there are limits to the extent to which these informal enterprises can contribute to a structural transformation. Productivity in agriculture has not risen significantly, and farming is still done without modern technologies and with a hand-held hoe. For example, only 1 per cent of the farmers is estimated to use fertilizer (RoU, 2010: 35), and they face enormous challenges with regard to marketing their produce because of inadequate rural infrastructure. There are no accurate data on agricultural production, but according to the Uganda Bureau of Statistics (UBoS), real growth in agricultural output has been declining in the 2000s from 7.9 per cent in 2000/01 to 0.9 percent in 2010/11, and has since then has remained below 2 percent (RoU, 2014: 25). Finally, the level of savings and investments in Uganda remains low, and is much lower than it was in the East Asian economies at the time when they experienced rapid growth in the 1960s (Selassie, 2008).

The slow process of economic transformation means that there is a big gap between the kind of goods and services the big oil companies demand and what Ugandan domestic firms are able to supply. So, at the moment it is difficult for Ugandan companies to benefit from the presence of oil exploration and production companies. We explored the extent to which companies have been able to link up with the exploration activities.[13] Linkages to Foreign Direct Investments in natural resources may be vertical or horizontal. Horizontal linkages are linkages between the foreign investors and other extractive companies in the same industry, e.g. technology agreements with

[13] This section builds upon research carried out in the ReCom/Danida supported research on natural resource extractives, published by this author as a DIIS working paper http://www.diis.dk/files/publications/WP2013/WP2013-24_ReCom_Uganda-Oil-Sector_A-M-Kjaer_lbu_web.pdf

local or international natural resource firms, or joint venture collaborations with local companies. Vertical linkages are linkages between the extractive companies and companies that are not engaged in oil extraction. Vertical linkages may be collaborations with suppliers of equipment, suppliers of raw materials, or with suppliers of semi-manufactured components. It can also be providers of services, such as security services, transport and logistics services, maintenance services, engineering services, etc.

Figure 1: The sectoral composition of GDP in Uganda 1960-2011



Source: World Bank, WDI indicators databank

In Uganda the three main oil exploration and production companies are the French owned Total, the Chinese state-owned CNOOC and the British Tullow Oil. There are no horizontal linkages with these companies, simply because no Ugandan company at that level exists. However, some of the international sub-contractors have entered into a limited number of joint ventures with Ugandan companies. For example, one company visited was a local Ugandan company (Mineral Services Ltd.) which exists since the 1990s when oil exploration started; this company provides services and especially logistics services for exploration companies. In 2011, Mineral Services Ltd joined up with Norsea Group, a Norwegian company which is also engaged with logistics services.

There are no accessible figures of the number of such joint ventures in the sub-contracting industry, but according to the Ugandan Chamber of

Mines (UChoM), most of the major sub-contractors are foreign companies.[14] During this author's research, government representatives and multinationals or local companies' representatives were unanimous in arguing that there is a lack of local capacity in Uganda, and that it will be very difficult to implement specific policy requirements for local content and local equity. Such specific requirements for local content are difficult to be administered, and for local equity there could be a rule of a fifty percent share, an issue which had been raised in parliament and was debated but not enacted. So, the extent of horizontal linkages, as based on the interviews and documents read is rather limited.

With regard to vertical linkages, there are a number of local companies in the supply chain of the multinationals. However, not many Ugandan companies have the capacity to deliver very specialized services, and the multinational corporations (MNCs) feel that local suppliers can rarely meet the very high standards which they require (Interviews; RoU, 2011b). Hence, it is necessary to go further down the supply chain in order to find companies that are entirely Ugandan. These may be security companies, firms that deal with catering, or transport. However, also among these, there may be an issue of lacking capacity and ability to live up to standards required, which means that the oil companies would prefer an international sub-contractor to coordinate many of the services they need.[15] That sub-contractor may in turn be able to use or to cooperate with Ugandan suppliers. The most important sub-contractor is Halliburton, a big international oilfield service provider that works for Total and Tullow. Halliburton has contracts with the Ugandan Hima Cement Ltd for deliveries, but also this company is 70% owned by the French company LaFarge.[16] This company has about 40 persons as local staff. One of the worlds' largest oilfield services suppliers, Baker Hughes, also operates in Uganda and employs about 50 Ugandans, some of them being engineers or technicians, for whom training is provided. Schlumberger, the world's largest oilfield service provider, also operates in Uganda. In cooperation with the Ministry of Energy and Mineral Development (MoEaMD) and Makerere University, it supports the university's geosciences programs. Tullow Oil has reported a total of 550 Ugandan suppliers of goods and services to its operations (RoU, 2011b: 19). A recent industrial baseline survey commissioned by the three big oil companies in Uganda concluded

[14] Interviewed June, 2013

[15] In order to uncover the exact level and quality of local supply, Total had initiated an "Industrial Baseline Survey". This survey was expected to document a significant gap between what was demanded by the oil companies and what Uganda was able to supply.

[16] Interview, Total, June, 2013; www.oilinuganda.org

that there is a potential in Uganda as regards the less complex parts of the oil supply chain. These parts could be the production of work safety products, furniture manufacturing, hazardous waste management, or mechanical construction services. However, Ugandan companies are not assessed to be in a position to take on these tasks just right away. Other parts of the oil production input requirements, such as machinery and heavy equipment manufactures or pipe installations, are thought to be infeasible for Ugandan companies.[17] Some observers, it should be noted, believe that the oil companies tend to exaggerate the lack of a local supply capacity. They point out that Uganda has a potential to link up to the foreign extractive companies and that this potential in some instances could be underestimated.

The number of Ugandan jobs created as a result of foreign investments in the petroleum sector is quite limited. Although the estimates vary significantly, depending on the source, there appears to be a consensus that at peak production, 10,000-15,000 jobs could be created if all jobs along the oil value chain are included. It should be considered that most of these are temporary jobs and would disappear, once e.g. the refinery was built or the oil itself has been uncovered. One estimate says that there will be about 1,700 permanent jobs in the oil sector only (RoU 2011b). To compare, the big sugar factory in Uganda (owned by the Madhvani group) employs several thousand people with much smaller investments than the oil industry investments are reaching.[18] The biggest dairy company in Uganda, Sameer Agriculture and Livestock Ltd., employs a staff of 515 people and buys milk from a large number of out-growers. This testifies to the fact that oil is not at all a very labor-intensive sector, and that the oil revenues should be used to invest wisely in productivity enhancement in the Ugandan economy in general, in order to have a really significant and sustained impact on job creation. However, before turning to the issue whether oil revenues are likely to be used for a progressive industrial policy, it is relevant to first address the question of whether the Ugandan government is in a position to extract large shares of revenue from the oil sector at all.

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[17] The industrial baseline survey is confidential, but its main conclusions were presented at a public meeting in 2013.

[18] Madhvani's sugar factory, the Kakira Sugar Works, employs 7,500 permanent workers, another 4,500 contract workers, and about 8,500 out-growers, according to *The New African,* "Kakira: Uganda's King of Sugar", October 2nd, 2012.

5 Uganda's Capacity and Legislative Framework for Managing FDI in the Oil and Gas Sector

5.1 General investment climate and legislative framework

In general, Uganda has quite favourable policies towards Foreign Direct Investment (FDI), and Uganda is among the fifteen countries in Africa being most open to FDI (US Government, 2014). However, a number of structural obstacles remain that make investment difficult, including unclear land laws; a general lack of reliable power supply; and inadequate road infrastructure. The general investment climate is considered to have deteriorated during recent years. For example, the ranking in terms of Transparency International's Corruption Perception Index (TICPI) has declined from rank number 127 (out of 178 countries ranked in 2010) to rank number 142 (out of 175 countries ranked in 2014)[19]. In addition, Uganda's rating on the Heritage Foundation's Economic Freedom Index (HFEFI) considerably deteriorated between 2010 and 2014[20]. In 2014, Uganda's Investment Authority (UIA) introduced an online one-stop shop for investors in order to ease the way for them[21]. Uganda offers investment incentives for investors in four "priority" sectors: information and communication technology; tourism; value-added agriculture; and value-added investments in mineral extraction. Particularly with regard to the latter, for petroleum and minerals a legislative framework has been put in place.

The Ugandan President Yoweri Museveni regularly refers to the Ugandan government's foresight in handling an oil industry referring to the long preparations since the time when oil was first discovered in the 1990s in Uganda. Instead of urging its production, the government sent Ugandan students abroad to get educated so as to have twenty years later the capacity to deal with the oil Business (AfDB/African Development Bank, 2009). Whether this self-praise by the president is justified or not, it is in fact the case that Uganda has looked carefully to countries such as Norway or Botswana to get inspiration as to how to build a local capacity to negotiate with the oil companies and in general to manage oil better. A Petroleum Exploration and Production Department (PEPD) had been built within the Ministry of Energy and Mineral Development (MoEaMD), and it had been supported with technical advice from Norway[22]. In addition, it has quite capable staff and it has been allowed resources high enough to pay decent salaries and to have ade-

[19] See the rankings in: www.transparency.org
[20] See the rankings in: http://www.heritage.org/index/country/uganda
[21] See more information at: http://www.ugandainvest.go.ug/
[22] More information at: http://www.energyandminerals.go.ug/

quate equipment and tools to fill out its functions. A Norwegian evaluation of its support to the PEPD noted that it is today a "competent institution with a number of highly experienced and focused directors and staff" (NORAD, 2010). They have expertise with regard to data management; negotiating the contracts; setting up the legal framework; and dealing with the issue of the refinery.[23] Expertise with regard to revenue management is not as strong as with regard to geology and exploration; however there has been a strong focus on it and capacity has been gradually built up. PEPD has been able to negotiate production sharing agreements with the oil companies which are relatively favourable to Uganda, also in comparison to other African countries, such as e.g. Ghana (Global Witness, 2014). Global Witness analysis shows that "government take, which is the percentage of incoming revenues that the government will collect, appears to be high by global standards in both the pre-2008 and 2012 contracts, ranging from 80% to well over 90% depending on circumstances" (ibid: 22). In fact, the report points out that even if the pre-2008 contracts were favourable to the Ugandan government, the 2012 contract is even more so, because it adds a new royalty-based income on cumulative production. This testifies to the bargaining power of the government, and is confirmed by an oil company source who pointed out to this author that many observers tended to underestimate the ability of the Ugandan negotiators (esp. from PEPD) to get a good deal (Oil company source, June, 2013). In other words, the PEPD emerges, by indicators of performance and organizational characteristics, as a 'pocket of efficiency', and the question of whether the Ugandan government is able to get considerable shares of revenue from oil production should be answered in the affirmative. The major risk factor seems to be the extent to which all the discovered oil is recoverable and in addition, whether the oil companies will continue to find its extraction profitable. If not, the situation can become serious for Uganda. This will happen if oil prices decline over the long term (Global Witness, 2014).

Hence, the ability to ensure incomes from oil production is likely to be less of a challenge than the ability to spend the oil revenue properly for development purposes. The next sub-section therefore explores how strong the Ugandan government's existing capacity for industrial policy is, based on previous experiences from initiatives to promote production as well as previous experiences with regard of the use of major funds.

[23] Personal communication with Sam Hickey, from Manchester

5.2 Is there capacity of the Ugandan government to design and implement an industrial policy?

Uganda's political settlements since independence have not been stable; they have rested on a great number of ethno-regional, economic, religious, and social cleavages. It has not been easy for post-independence leaders to build stable coalitions, because they have had to accommodate a variety of competing factions. The Buganda kingdom has been one strong faction with which all post-independence governments have had to deal. The current National Resistance Movement (NRM) regime originally was built upon an alliance between President Museveni's south western Ankole and the south-central Buganda region (established already before winning the civil war in 1986), and the NRM ruling coalition has so far been the most stable in Uganda since independence.

However, the alliance has gradually fallen apart due to deep-set disagreements over especially land issues, but also the status of the kingdom and the issue of federalism (Lindemann, 2011; Goodfellow & Lindemann, 2012). Factions from the southwest of Uganda that used to belong to the NRM have also broken away over the years, including some important military officers. This means that a larger number of relatively powerful political factions are now excluded from the ruling coalition, which is now more narrowly based. This does not necessarily imply that the government is seriously threatened in power, because the opposition to the regime is relatively weak. It does mean, however, that the ruling coalition of elites is now more vulnerable, than this was the case in prior periods, to the breaking away of important factions. The coalition of ruling elites has also become more vulnerable as competition among factions *within* the coalition has increased. There is now more resistance against President Museveni and the group around him, also from within the NRM party, particularly from younger party members who were not part of the bush war and are therefore not among the "historical figures".

Moreover, with the start of regular elections since 1996 under the "movement system" and 2006 under a multi-party system, lower level factions in the ruling coalition have grown stronger because they are necessary in order to mobilize voters (Kjær and Therkildsen, 2013). Especially the local council chairmen at the district and sub-county level, who are mainly part of the Movement, and the local party chairmen play important roles prior to elections and they are able to block or to support the implementation of policies at the local level. At the same time as the ruling coalition has become more fragmented and to some extent more vulnerable, it is depending more on its top leadership and the president's ability to control the military and to persuade the most powerful factions to remain within the coalition. Winning elections with a considerable margin is important too, because the regime

needs to demonstrate that the opposition does not offer a viable alternative (Kjær and Therkildsen, 2013). Both the juggling of factions and election campaigns are costly, and hence, the costs of staying in power have been increasing (Barkan, 2011; Kjær and Katusiimeh, 2012). This has led to extra-budgetary allocations, and to the IMF warning to the Ugandan government of the macro-economic situation resulting from such political manoeuvers. Finally, during the years 2012-2014, donors have started to effect cuts on aid and on budget support due to a series of corruption scandals and due to Uganda's controversial anti-homosexuality bill.

In all, the situation is such that incomes from alternative sources, such as oil revenues, are highly welcome to a cash-strapped government that wishes to remain in power. It also leads to the prioritization in general for short term political purposes rather than for long term economic objectives, and this in itself is not conducive for using oil revenues for industrial policy purposes. Since oil is not yet flowing, focus is on two aspects here, first: previous experiences with industrial policy, and second, previous experiences with the management of other types of public funds.

The NRM was focused on industrializing the economy and modernizing agriculture after it came to power in 1986. However, the first years were mainly focused on post-conflict reconstruction, on re-establishing basic government functions, and on re-building infrastructure. The structural adjustment programmes (SAPs) that were carried out since the early 1990s entailed liberalization and privatization, and basically they helped to build a capable Ministry of Finance and Economic Planning (MoFaEP) that could provide macro-economic stability, a necessary condition for subsequent growth. However, targeted initiatives to promote production were very few and the ones taken were often not implemented. A few of these initiatives are addressed here:

In a speech in the late 1980s, president Museveni expressed the government's desire to achieve economic transformation: *Our economic programme hinges on reviving and diversifying production, both in the agricultural and industrial sectors, with a view to creating a well-integrated, self-sustaining economy... this particularly involves restoring traditional export crops, and also expanding non-traditional crops such as beans or sim-sim* (Museveni, 1992: 45). However, the main approach to the economy remained primarily one of adjusting the macro-economic framework through economic and institutional reform on a general level (Bibangambah, 2001; Reinikka and Collier, 2001; Kuteesa, Tumusiime-Mutebile, Whitworth, and Williamson, 2010).

Industrial policy is not to be understood as only aimed at industrialization. It can be aimed at increasing productivity in all productive sectors, including agriculture by supporting agro-processing and agro-industries. Two major initiatives that were much debated in the 1990s were a big Micro-

Credit Scheme and the large Livestock Services Project. The Micro-Credit Scheme was evaluated as unsuccessful, with repayment rates below 50 per cent and with no real production increase (Bibangambah, 2001: 86). A reading through of the debate in the media on the micro credit scheme being in existence prior to the 1996 elections, the so-called *Entandikwa* scheme, confirms this observation. For example, observers (see the *Crusader* Dec.17-19, 1996) criticized the programme for being badly administered and say that "*the government failed to educate the beneficiaries of the scheme on how to invest the money profitably and, instead, hurried to "dish it out*". Similarly, it was stated (by *The Monitor*, Feb. 4, 1997) that while NGO's give credit at modest interest rates, "*Entandikwa money came interest free, and dangled mostly as a political gift*". In August 1997, a Regional District Commissioner said in an interview that she was "*stunned when she was told that it was the movement cadres, the LCs, who gave themselves Entandikwa loans and failed to pay them back*" (*The Monitor*, August 19, 1997). In other words, the credit scheme, as other schemes before it, had been used as patronage to buy votes in the 1996 elections. Nothing emerged, under the heading of industrial policy, in terms of productivity increase and further processing.

The Livestock Services Project was a major intervention, initiated in the late 1980s and scheduled to end in 1998, with the dual purpose of (i) reversing the decline in livestock numbers through disease control, and (ii) improving services for livestock development, including water provision. The project became infamous for its failure to deliver, being cited in World Bank reviews, in public debate, and by a Parliamentary Committee probing into implementation failures. For example, 100 small valley tanks were planned, but only a few were constructed at costs many times above budgeted amounts. This failure can be explained not by a lack of adequate funding, but by a combination of low capacity and patronage politics, and not least by collusion between engineers in the Ministry of Agriculture, Animal Industry & Fisheries (MAAIF) and particular Members of Parliament. The Parliamentary Committee concluded in 1999: "*There were many causes for the failure of this project, most of which had something to do with management, lack of political and technical supervision, and outright theft of funds. Equipment was diverted to do work on private farms using government fuel, staff and time.*" (Hansard, March, 1999: 19) Nothing has emerged with regard of livestock development and/or further processing activities.

During the election campaigns in 2001, two major initiatives were launched; one was a big Plan for Modernization of Agriculture, the other was a Strategic Exports Initiative. Both were rather high profiled and none of them proved to be successfully implemented. The Strategic Exports Initiative was a special Presidential Initiative to promote exports in selected sectors, such as coffee, fish, cotton, livestock, and tea (Booth et. al., 2003). However,

none of the envisioned sectors really took off. In fact, coffee production saw an overall decline between 2000 and 2010, mainly because the main type of raw coffee, the Robusta coffee beans, experienced stagnation, and Uganda's fish exports declined after 2006 due to overfishing problems in Lake Victoria (Kjær et al., 2012). The plan to promote fish farming also did not take off.

The Plan for Modernization of Agriculture was also strongly supported by the government and was aimed at increasing the well-being of poor farmers. The Plan was conceived as cross-sectoral in that it aimed at reforming extension services, strengthening research, expanding rural infrastructure, and providing credit to farmers, among others, simultaneously. However, only the extension and research components in effect were implemented, and the extension program was, after a few years of implementation, altered in such a way so as to fit the political agenda of the NRM ruling elites, as is widely accounted elsewhere (Joughin and Kjær, 2010). As a result, productivity in agriculture has not increased, and extension advice has not improved in coverage or in quality (RoU, 2014).

One initiative that did prove successful was the promotion of Uganda's dairy sector. The southwestern area of Uganda received government support in the late 1980s for rehabilitating cooling infrastructure, which meant that the southwestern dairy farmers were able to benefit from the liberalization of the sector in 1992 and hence increased milk production and trade. As a result, Uganda became self-sufficient in fresh milk instead of having to rely on imported powdered milk (Kjær et.al, 2012). However, the dairy sector actors were in a quite unique position because they had good ties with the ruling elite, and because of promoting the sector was seen by the elite as a way to strengthen its supportive coalition. And, the whole value chain of milk processing in Uganda still needs to be improved and better integrated (what is an important industrial policy task).

In sum, the fragmentation of the ruling coalition has in general impeded initiatives to promote production, such as attempts to modernize agriculture and to promote agro-industries. Only in a few instances, where political support from sector actors was important and was indeed given, did industrial policy get implemented (at least to a reasonable degree).

5.3 Previous Experiences with managing funds for special purposes and the Oil Revenue Equity and Development Funds

A final way to assess the feasibility of the use of oil funds for national development is to take stock of previous use of special purpose funds. The National Oil and Gas Policy (RoU, 2012) proposes to establish a Petroleum Fund in the Bank of Uganda in order to "provide an easy and transparent way to present and manage the stocks and flows of oil revenues and the anticipated

challenges that management of these revenues pose, the resources must be managed under a transparent and segregated arrangement distinct from the Consolidated Fund, into which all revenues directly attributed to petroleum activities are deposited" (RoU, 2012: 29).

Oil Funds are often proposed as being a way to make sure that the funds are spent wisely, that inter-generational equity is ensured, and that Dutch disease symptoms are avoided. Funds have consequently been set up in a number of resource-rich countries ranging from Kuwait and Chile to Norway or Nigeria. Research has shown that whether such funds succeed along the stated purpose depends to a very large degree on contextual issues such as the ability to uphold strong fiscal discipline, sound macroeconomic management, and a strong institutional set-up that ensures transparency and accountability in government operations and communication among government institutions and with the public about improvements (Mawejje and Bategeka, 2013). Because of a concern that these features are lacking, Ugandan civil society organizations (CSOs) worry that the management of the Ugandan Petroleum Fund (UPF) might not be transparent. For example, one concern is that the Minister of Finance has too much power, because in the proposed Public Finance Bill there is a clause under which the minister can give directions to the Bank of Uganda (BoU). Also, the Bill proposes an independent Investment Committee (IC) to manage the oil resources; however, this committee has no representatives from civil society or from parliament. Finally, there is no provision for an independent audit or an independent supervisory committee as in, for example, the Norwegian model (CSCO, 2012b)[24].

While special arrangements for the Ugandan Petroleum Fund (UPF) might improve transparency, a look at uses of other large funds in Uganda does not bode well for the Petroleum Fund. In 2005 and 2006, money from the global fund to fight malaria, tuberculosis and HIV/AIDS was used primarily to fund election campaigns of Movement candidates (Tripp, 2010; Tangri and Mwenda, 2013). A judicial commission of inquiry found that approximately 47 million dollars had been allocated to NGOs seemingly for the purpose of combating diseases but in reality they were misused by high-ranking members of the National Resistance Movement (NRM) in order to secure the funding of the party's campaign prior to the 2006 elections. In 2007, money that had been allocated to the hosting of the Commonwealth meeting in Kampala was used to benefit individual NRM elite members, and the then vice-president, known to be very loyal to the NRM, was subsequently sued, although he was far from the only one involved. The National Social

[24] See more on the Civil Society Coalition on Oil and Gas (CSCO): http://www.csco.ug/

Security Fund (NSSF) has also been known to lose money to party elites through e.g. land deals (New Vision, 2012).

The independence of the Bank of Uganda (BoU) in which the Petroleum Fund will be located, has been breached several times by political interventions. For example, prior to the 2011 elections, the president ordered that the BoU compensates a big Movement benefactor with the amount of 70 million dollars for the losses he had allegedly made on the city market (Tangri and Mwenda, 2013: 167; *The Monitor*, 2011). The same year, prior to the 2011 elections, the Bank of Uganda (BoU) was directed by the president to release funds for buying to presidential jets, although the funds released by far exceed the cost of the jets (Tangri and Mwenda, 2013). The mentioned examples are but a few of the many similar cases of the channelling of funds to the ruling elite. There are, however, no well-known examples of large funds being channelled successfully to promote productive sectors.

Finally, Uganda is known to channel a considerable proportion of the national funds through to the local governments. Uganda's oil and gas management policy provides a mechanism by which 7 percent of the oil revenue is supposed to be distributed among local governments through block grants. This could potentially be good for local development. However, the capacity of the local governments to make good use of the funds may be questioned. Since 2006, a large number of new districts have been created. The establishment of so many small local government units has had the consequence that their capacity to deliver services to the local communities has, according to many observers, been gradually eroded.

Upon independence, Uganda consisted of fewer and larger local government units than it is now the case. In 1962, there were 16 districts. Under Idi Amin in the 1970s, Uganda was re-organized into ten provinces. In 1980, when Obote came back to power, he split the ten provinces into 33 districts, named after the major towns. Since the NRM-led government came to power, this has changed in the direction of more and more local units, and especially since the late 1990s, there is a proliferation, as Table 2 indicates.

Table 2: Number of districts in Uganda: selected years

1990	1993	1996	2000	2005	2008	2011
33	39	45	53	70	80	112

Sources: Background to the Budget, various years, Therkildsen, 2001; New Vision, August 8, 2005; Singiza et al., 2011.

Table 2 shows that the number of districts has more than tripled (from 33 to 112) since decentralization took off in the early 1990s. The increasing number of districts has as a consequence that it severely affects the capacity of the local authorities to deliver services and to implement policies that benefit

local communities. The effect was highlighted by the Ugandan Constitutional Review Commission (UCRC) in 2003, where it was recommended (without specifying a specific number) to set limits on the number of districts arguing that many of the new districts are not viable or lack the capacity to effectively exercise their power (UCRC, 2003: 110; Green, 2010). The new districts (former counties with no prior administrative staff available locally) experience difficulties attracting qualified staff, while the older (long established) districts lose staff. Many small government units lack more than half of the staff they need to function (LGFC, 2008, see also Kjær and Katusiimeh, 2012). The recent experiences with the multiplication of the number districts are widely analyzed to be politically-driven, and they also give reason for concern about the use of oil funds at the local level.

All in all, the history of using specific purpose funds in Uganda shows that optimism is not at all justified concerning the future use of oil revenues.

6 Conclusions - Can Uganda avoid a Resource Curse?

There appears to be a growing consensus in the Natural Resource Curse (NRC) literature that the curse, in the form of increased corruption, weak institutions, lack of development of productive sectors, and in general lack of economic and social development, does not emerge automatically just because there is an abundance of natural resources. The outcome of an abundance of resources will depend on the context-specific political mechanisms at play in each country. Understanding the political settlement in the country and the nature of the ruling coalition that exists, in combination with knowledge about how previous funds were used and how industrial policy was managed, helps to shed light on whether Uganda will be able to avoid the resource curse. As the ruling elite in Uganda functions by balancing carefully between many competing factions, implementing long term industrial policy will be difficult. As the ruling coalition never is stable, such a rational policy approach is utopian.

A “pocket of efficiency” has emerged in the PEPD/Petroleum Exploration and Production Department, because it is in the interest of the ruling elite to be able to negotiate advantageous production sharing agreements (PSAs) and to get as large a share of the oil incomes as possible. The Department is politically well connected and protected and is well-staffed. However, the institutionalization of its autonomy and capacity to work sustainably is still not satisfactorily advanced, as it still depends on the ruling elite. For now and for the future, however, the big challenge is not the ability to collect revenues from oil production but rather the ability to use it properly for development purposes. The management of the Ugandan Petroleum Fund (UPF) within the

Bank of Uganda (BoU), where the oil revenue will be posited, is thus crucial. Given previous experiences with the management of special purpose resources, such as the National Social Security Fund (NSSF) or the Global Fund (GF) money, it is not at all clear that oil revenues will be well managed. The scenario envisaged in the second National Development Plan (NDP), in which all oil revenue is invested in promoting economic and social sectors, is not likely to emerge what one can see when looking at previous attempts to manage industrial policy. The NRM ruling coalition is becoming more, not less, fragmented, so that the conditions for an effective industrial policy have not improved, but on the contrary have deteriorated.

Oil revenues may have the potential effect of enabling the ruling elite to maintain its coalition and its power base more easily than this has been the case so far. Readily available resources will mean that the rising costs of maintaining the ruling coalition through patronage can be covered, and this may also make some industrial policy advances possible. In other words, Uganda may, at least for a while, resemble Indonesia in the 1970s where oil windfalls were spent on both, on administrative and military elites in order to maintain the power of the ruling coalition, and at the same time on industrial policy projects so as to push for more agricultural and industrial production (Lewis, 2007). This scenario would make Uganda resemble to some extent Rwanda or Ethiopia where the ruling party is funded primarily through companies owned by the party, and this may enable the ruling elite also to spend public resources for development purposes (Booth and Golooba-Mutebi, 2012).

However, given the breakaway tendencies of factions, the increased competition between them and the increasing costs of winning elections, the oil resources may also strengthen the ability of the government to maintain power through repression. In other words, a trend may emerge and escalate to keep excluded factions outside of the ruling coalition through the use of force. This would then create an unstable situation in which armed groups might challenge the government. Such a situation would not bode well for the implementation of any industrial policy.

The brief answer to the initial question of this paper is that, based on an analysis of the past and present political economy of Uganda, the country is potentially in a good position to benefit from the FDI in the petroleum sector. However, whether the oil revenue being collected will be used for a broad development in the country is doubtful.

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Tunisia's Progress in Integration into Global Value Chains: Achievements and Obstacles

Hans-Heinrich Bass*

1 Introduction

Tunisia is a prominent example of African economies successfully integrating into the world economy with Tunisian enterprises finding niches in various global value chains (GVCs). They are, however, still far from being able to reap all the benefits of GVC-participation, such as access to key technologies, high value addition segments, research facilities, or chain governance – all of which would guarantee more substantial spill-overs to the economy as a whole. Adopting the classic three-stages approach to develop economic policies as formulated by Tinbergen (Tinbergen, 1962), this article starts with an evaluation (diagnosis) of Tunisia's current integration into GVCs (section 2), then turns to a prognosis (section 3), and finally concludes by offering policy recommendations to improve the level of Tunisia's participation in global value chains (section 4).

2 Evaluation (Diagnosis)

Tunisia looks back on a fifty-year history of integration into the world economy. This was an obvious choice. Given the small size of the internal market, the scope for the diversification of the domestic production structure was limited and substantial foreign trade was imperative. In 2008, Tunisia's export of goods and services (including a high share of tourism services) had reached a volume equivalent to 56 % of the country's GDP. Even though this ratio recently dropped to 49 % (2012) as a result of the Global Financial Crisis, the Eurozone Crisis, and the economic turmoil in the aftermath of the Arab Spring movement, Tunisia is still one of the most export-oriented African economies.

The integration into the international division of labour according to a

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* The author is Professor of International Economics at the City University for Applied Sciences Bremen. Professor Bass wishes to thank the volume editor, Professor Karl Wohlmuth, for his valuable comments on a previous version of this contribution.

country's static comparative advantages has its own merits. However, it is the complexity of a country's exports and the favourable integration of its enterprises into global value chains and international production networks which today play the decisive roles in the catching-up processes of open economies.

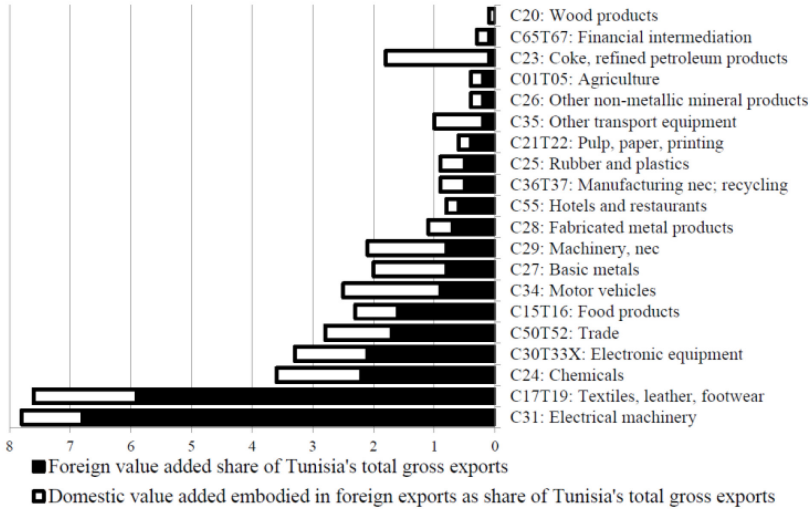
Export structures may be compared with regard to two perspectives (Hausmann, Hidalgo, et al., 2011): the *diversity* of the exported products and their *uniqueness*. An economy producing and exporting products which many other economies also produce (i.e. ubiquitous products) cannot be considered to have the highly specialized knowledge which is the foundation for future economic growth and favourable structural change. In contrast, an economy producing and exporting products which only few other countries can produce is presumed to use sophisticated knowledge – provided that the uniqueness of the export is not a result of the fact that the product is simply rarely found in other countries. Therefore, it is necessary to simultaneously take into account the diversity of a country's export structure. The reason behind this is that producing only one or a few unique products (such as a rare mineral), while not producing many other products at the same time, points to the fact that this economy lacks the knowledge relevant for the production of highly sophisticated products. Both dimensions are recorded in the "economic complexity index" (ECI). Tunisia displayed the highest ECI value of all African economies in 2008 (with +0.29 and the 47th rank). Recently Tunisia lost this position. In 2013, South Africa was ranked 45th, while Tunisia was ranked 57th (OEC, 2015).

The integration of a country's enterprises into global value chains (GVCs) includes backward and forward linkages (AfDB et al., 2014: 139): *Backward* integration into global value chains implies the use of imported raw material or semi-processed commodities in a country's production for export. *Forward* integration implies the further processing of a country's exported commodities in foreign countries for subsequent export to world markets. Imports of intermediate goods can be a means for firms to access more efficient inputs (AfDB et al., 2014, p. 129).

For countries challenged with the task of catching-up industrialization, increasing backward integration into GVCs tends to lead to a greater specialization in specific segments of value chains, higher productivity and faster growth (Conceiçao et al., 2014). Backward integration can be measured by the share of foreign value added incorporated in a country's exports. Tunisia's backward linkages within global value chains are relatively strong: The foreign value added share of gross exports is 32.4 % (2011; OECD.Stat, TiVA database, 2015). This figure certainly reflects the small size of the economy, which requires more intermediate products to be imported as a precondition for domestic production than in larger and hence more

diversified economies. However, the ratio also reflects the fact that serving two global value chains has gained high importance in Tunisia's export production: textiles and electrical machinery (for details see Figure 1, which measures backward and forward linkages relative to the importance of the sector in the country's export portfolio). Tunisia's present backward integration lies well above the African average, but it has not increased as dynamically as in other African economies: Whereas, according to the UNCTAD-EORA GVC database (which applies a measurement slightly different from the OECD's TiVA database), between 1995 and 2011 the African average increased from 0.12 to 0.20, Tunisia's backward integration increased from 0.27 to 0.30.[†]

Figure 1: Backward and forward linkages of main industries, Tunisia, 2011



Note: Author's own graph; data source: OECD.Stat, TiVA database [retrieved 12/20/2015]

Forward integration into GVCs is generally considered less positive. It can have a negative impact on structural change and diversification, if it only reflects the dependency on the export of raw materials (Conceiçao et al., 2014). The domestic value added embodied in exports of intermediates or,

[†] Source: AfDB et al., African Economic Outlook (2014), Calculations from UNDTAD-EORA GVC database, http://dx.doi.org/10.1787/888933033365 , and http://dx.doi.org/10.1787/888933033384

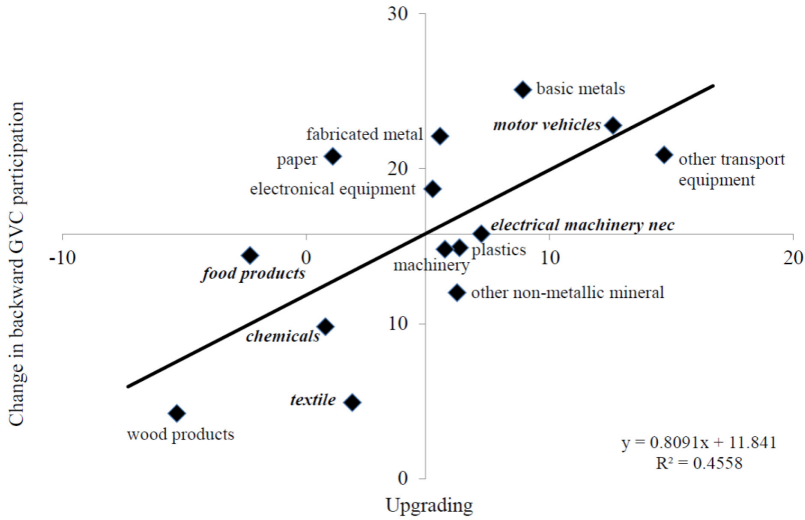
alternatively, the domestic value added embodied in the partner countries' exports as a ratio of the domestic exports, serve as measures for forward linkages. In Tunisia, forward linkages are less pronounced than backward linkages to GVCs: Domestic value added embodied in foreign exports as share of gross exports is 18.3 % (2011; OECD.Stat 2015, TiVA database), which is a moderate ratio in comparison to OECD countries and selected emerging economies. In addition, with regard to domestic value added, there has been a decreasing importance of final products and an increasing importance of intermediate products in exports. Domestic value added in exports of final products decreased from 42 % (1995) to 30 % (2011), while domestic value added in exports of intermediate products as a share of total gross exports increased from 33 % (1995) to 37 % (2011) (computed with data from OECD.Stat 2015, TiVA database).

For a country to fully reap the benefits of GVC integration, its enterprises need to dynamically upgrade their position in a given chain and to develop linkages to domestic producers by local sourcing which will help to distribute knowledge and innovations across the domestic economy and thus broaden the basis for economic development (AfDB et al., 2014). To measure the upgrading of participation in a value chain, the growth rate of the domestic value added (DVA) content in gross exports of an industry in relation to an industry's gross output can be applied as an indicator.

Figure 2 shows this indicator in comparison to an indicator for the change in backward integration into GVCs: the growth rate of the foreign value added content of gross exports. Upgrading and participation in GVCs are positively correlated. There are, however, important differences between the various GVCs. Integration dynamics were relatively strong in the transport equipment and motor vehicles industries. Both industries also show considerable progress in upgrading. On the other hand, the Tunisian textiles industry, the most important one in terms of employment, could only marginally improve its position. In the food industry value chain, the position of Tunisian enterprises has even deteriorated. This development is challenging, as both industries are important also for exports (see Table 1).

Foreign affiliates play an important role in Tunisia's GVC-participation. The reasons to invest in Tunisia are multi-fold: Regulation of foreign business activity is fairly lenient, which is reflected in a high ranking in the World Bank's Ease of Doing Business Index (World Bank, 2014). The workforce includes a large share of semi-skilled and skilled labour based on a lower secondary school completion rate of nearly 80 %. On the other hand, the country's high unemployment rate leads to low wages. Both factors combined result in low unit labour costs. In addition, due to its closeness to the European Union (EU), the country is considered well suited as an export platform to one of the world's largest unified markets.

Figure 2: Backward integration and upgrading in GVCs, Tunisia, 2000-2009/11



Note: Author's own computations; data source: OECD.Stat, TiVA database [retrieved 12/20/2015]
Change in upgrading: Domestic value added content in gross exports (% of industry's gross output, 2000-2009/11), Compound annual growth rate; Change in backward GVC participation: foreign value added content of gross exports (2000-2009/11), Compound annual growth rate.

Table 1: Export performance, main manufacturing sub-sectors, Tunisia, 2011

Industry / Indicator	Gross exports	o/w intermediate products	DVA-content of industry's gross exports	Industry's DVA-contribution to total gross exports
	USD, mill.	Percentage	Percentage	Percentage
Textiles, textile products, leather, footwear	2788.91	30.61	54.86	7.23
Electrical machinery, n.e.c.	2637.01	66.35	45.73	5.70
Food products, beverages, tobacco	1009.95	33.94	67.46	3.22
Chemicals, chemical products	931.94	70.87	50.46	2.22
Motor vehicles, trailers	372.90	37.52	50.59	0.89

Note: Author's own computation; data source: OECD.Stat, TiVA database [retrieved 12/20/2015; DVA for Domestic Value Added; n.e.c. for not elsewhere classified

Tunisia's promotional policies for foreign direct investment (FDI) date back to the 1990s. The Investment Code (last version of 2009) gives priority to sectors with high employment potential and export-orientation. In view of the low level of physical infrastructure and economic development in the western and southern regions of Tunisia reducing regional economic disparities has been made an additional goal (US DoS, 2014). A further objective is the protection of local industrial development cores in spite of a general open-doors policy towards capital imports. For this purpose, investment was divided into two categories: "off shore" investment, with more than 70 % of final production destined for exports, and "on shore" investment, which to a substantial part aims at the internal market. Incentives for these two categories have been very different. In addition, certain segments of the economy have been discouraged or even excluded from foreign investment, such as restaurants, real estate, and the acquisition of agricultural land.

Investment incentives include (see US DoS, 2014; RoT, 2014): a tax exemption for profits from investment in priority development areas, tax-free imports of raw materials, and an investment subsidy of 8-25 % of the total value of the investment (up to USD 230,000 in general, and USD 715,000 in priority regional development areas). In addition, the government will assume up to 16 % of social security costs for the first seven to ten years of the investment for the employment of new college graduates. Training costs are also partly covered. Large investments with high job creation potential may benefit from the free use of state-owned land. Additional incentives are available to promote investment in designated regional investment zones in economically depressed areas and in particular sectors, including health,

education, training, transportation, environmental protection, waste treatment, and R&D.

The most important subsectors in manufacturing receiving foreign funds were the chemical and rubber industry and the electrical and electronics industry (FIPA, 2014). Today, more than 3,000 foreign funded or joint capital companies are operational in Tunisia (see Table 2). They produce around one third of the country's exports and provide around one fifth of its total employment (US DoS, 2014). Foreign investments include those by *Alcatel* and *Siemens* in telecommunications, *Sanofi Aventis* and *Pfizer* in pharmaceuticals, *Nestlé* in food processing, *Toyota* and *Pirelli* in automotive industry, and *Zodiac Aerospace* in aircraft industry (US DoS, 2014).

Table 2: Foreign-funded companies per sector and their employment, Tunisia, 2013

(Sub-)Sector	Companies	Employment
Manufacturing industries	2,496	282,859
o/w textiles and clothing	1,096	123,179
o/w electric and electronic	272	70,013
o/w mechanical, metallurgy	329	19,871
o/w leather and footwear	143	19,416
o/w agri-business	166	14,323
Services	438	32,583
o/w call centres	50	14,078
o/w telecommunications	7	10,021
Agriculture	80	2,539
Tourism	148	15,968
o/w lodging	94	14,965
Total	3,162	333,949

Note: Author's own computation; data source: FIPA, 2014; o/w for Of Which

Foreign-funded enterprises in Tunisia usually produce labour-intensively, and products are mainly low-end components. *Zodiac*, for instance, produces relatively simple airplane interiors and electrical installation. *Sanofis'* main activity (under the name *Winthrop*) is a laboratory for generic medications, which means that R&D activity is hardly important in the Tunisian affiliate.

In addition, domestic enterprises rarely participate in GVCs. A survey among German enterprises producing in Tunisia (AHK Tunesien, 2014) showed that only half of them buy from local markets and industries – and predominantly these are low value added commodities: carton packaging, general packaging material, and labels. A lack of quality and reliability is quoted as the main impediment for an increase in sourcing from local

markets and industries. The upgrading of domestic small and medium-sized enterprises to enable them to participate in GVCs is hindered, inter alia, by their difficulties in accessing credits from banks. Although government regulations hold down lending rates, non-interest costs for borrowing are high, including massive collateral requirements (US DoS, 2014).

The role of GVC participation in the development of Tunisia is further hindered by the fact that in recent years there has been very little further diversification in terms of geographical location of production sites of foreign-funded enterprises. On the contrary, as infrastructure is poorly developed in the country's hinterland, there is a high concentration of FDI in the Greater Tunis region and the North East and Central East regions with roughly one third of employment being created by foreign funded enterprises in each of these regions (FIPA, 2014).

3 Prognosis

Today, the GDP per capita in Tunisia amounts to 9,900 USD (Purchasing Power Parity, 2013) Assuming future annual growth rates equal to their previous ten year average, it would take Tunisia 60 years to catch up with the EU average (34,240 USD, PPP, 2013). Thus, in view of the prevailing high unemployment and the rapid population growth, spurring economic growth becomes imperative in Tunisia.

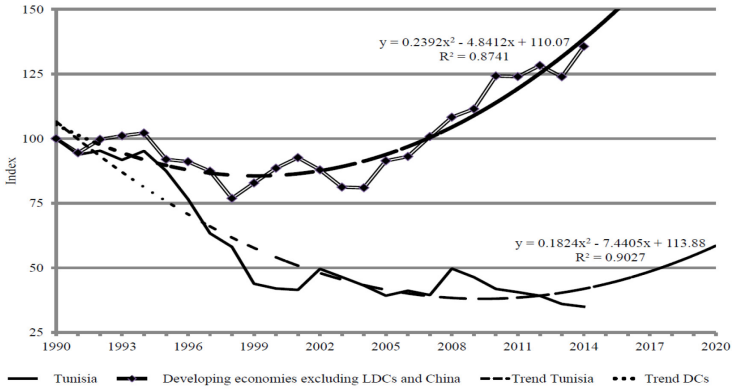
In an inter-country comparison, Tunisia's relatively high economic complexity is not reflected in a similarly high income per capita. Adopting a method developed by the UNDP (UNDP, 2015) to compare economic performance with human development performance, we compared the difference between the ECI rank (57; 2013; OEC 2015) and the GNI per capita rank (97; 2014; UNDP, 2015). As more complex economies, or in simple terms: economies with a highly diversified industry, usually enjoy a higher income per capita, this divergence of 40 positions indicates considerable catching-up potential for Tunisia's economy.

However, the contribution of industry to GDP has declined, even if only slightly, since the onset of the Global Financial Crisis (data from World Bank, 2016): Industry value added as a percentage of GDP dropped from a pre-crisis high of 34 % (2008) to 29 % (2014). Manufacturing value added as a percentage of GDP dropped from 20 % (2008) to 17 % (2014). This data point to an insidious de-industrialization, hence to below potential structural change and growth impulses in Tunisia.

Furthermore, foreign direct investment (FDI) in Tunisia is losing momentum. Despite a rather lenient regulation of foreign business activity and the participation of foreign firms in the privatization process, the

country's share in the world's total stocks continues to decline (see Figure 3). Inflows of FDI to Tunisia have been seriously affected by the political and economic turbulences since 2009 (see Figure 4). As long as these conditions prevail, FDI inflows can be expected to further decrease as other parts of the developing world increase their competitiveness and reduce instability.

Figure 3: Share of FDI stocks in the world's total: Tunisia and developing countries (excl. China and LDCs), 1990 to 2020 (prognosis), Indices

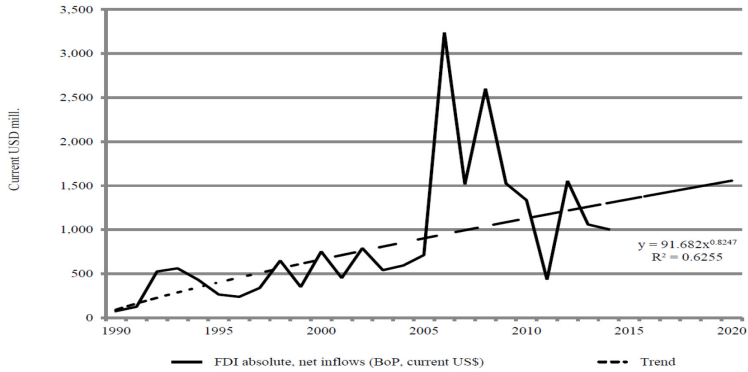


Note: Author's own graph; Data source: UNCTADstat Database, 2016

The biggest threat associated with GVC integration is also for Tunisia to be locked into low value-added stages of GVCs (AfDB et al. 2014, p. 132). And, foreign-funded enterprises may continue to fail to establish backward and forward linkages to the local economy, which are necessary for spillover effects to marginalized regions and traditional economic sectors. The reason is that foreign-funded enterprises tend to import most of their inputs in order to guarantee the high product quality being necessary for the output to meet the quality requirements of global value chains (GVCs).

The poor dynamics in Tunisia's participation in GVCs can be expected to continue if Tunisian firms – in spite of a rather oversized research and development sector – continue to be cut off from access to technology development. Furthermore, restrictive regulations for foreign direct investment may impede business links between foreign enterprises and Tunisian SMEs.

Figure 4: Net inflows of FDI, Tunisia, 1990 to 2020 (prognosis)



Note: Author's own graph; Data source: World Bank, World Data Bank 2016 [retrieved 01/15/2016]

When it comes to employment perspectives, the mismatch between the supply of and the demand for skilled and semi-skilled labour, resulting from an educational system not well adapted to the needs of the industries, cannot be expected to be overcome without substantial reforms. In addition, the employment effects of FDI cannot be taken for granted (Conceiçao et al., 2014; for an overview on potential causal chains for employment effects of technical upgrading or innovation see Vivarelli, 2012). FDI may result in a gross creation of jobs; however, less competitive but more labour-intensive local producers may be crowded out.

4 Conclusions and Policy Recommendations

Different camps in economic policy advise different approaches to promote economic diversification and growth in emerging economies. Basically, a market-optimistic "functional approach" and a state-optimistic "selective approach" (Lall, 2000) can be discerned. While the "functional approach" seeks to strengthen the working of institutions and markets and argues in favour of a general openness of an economy, the "selective approach" seeks to directly influence the structure of an economy.

However, the impartiality of the public administration system and the use of tools for a careful benefit-cost-analysis of selective interventions are indispensable prerequisites when applying this approach. In the situation of a catching-up industrialization, when many traits of the future economy can be

envisaged on the basis of past structural changes of more advanced economies, the argument can be made in favour of the selective approach.

Given, however, the fact that information is missing with respect to designing appropriate industrial policies and to evaluating the benefits and costs of selective interventions, a mixture of "functional" and "selective" industrial policies may be recommended, along with a continuous adjustment and improvement of incentives, infrastructural preconditions and governance mechanisms. All this seems necessary to maintain the present advantages in terms of attractiveness for foreign direct investment (Ezzine, 2014).

Any increase in the participation in GVC requires low barriers to importing intermediate goods, efficient logistics, reliable energy provision, and a sufficient supply of workers with the appropriate skills (AfDB et al., 2014, p. 132; UNCTAD, 2013). The key to GVC integration are often FDI policies. One reason is that the country's low savings and investment rate need to be supplemented by capital imports (Bass, 2015). A second reason lies in the contribution of FDI to improve the quality of economic growth. In particular, FDI can be instrumental in maintaining an already relatively high economic complexity level in Tunisia. Therefore, an increase in the promotional endeavours of FDI is important.

Given the prevalent high structural unemployment, however, Tunisia's government will have to balance the impact of FDI on technical progress and human capital formation with its impact on employment creation. Therefore, specific policies need to be additionally applied to promote social spillovers and social upgrading of GVC integration in developing countries. This is possible, for example, by allowing for the local transformation of products which are usually exported in unprocessed form, such as agricultural products, and by creating niche products with high value added from traditional sectors, such as technical textiles (AfDB et al., 2014).

The creation of an environment conducive for the small and medium-sized enterprises, i.e. the potential employment-generating growth engines, and the creation of the basic conditions for the absorption of modern technology in domestic enterprises can be seen to be instrumental for inclusive growth (Wohlmuth, 2015).

Presently, a new Investment Promotion Code is being formulated by the Tunisian government (The World Bank, 2013). Challenges for Tunisia's FDI-promoting policies are to create a more regionally and socially balanced growth pattern and to secure the natural resources for future generations. It is imperative to involve local enterprises, to end the duality of the Tunisian economy, and to allow for more inclusive growth, including greater equality in territorial development (Trape and Chauvin, 2015).

Furthermore, it is necessary to reform the education sector to adapt the

work force to the industry's needs and to improve the logistical infrastructure, as well as to increase the effectiveness of promotional activities by technical centres and business incubators (Trape and Chauvin, 2015).

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Small Export Firms in Small African States: The Case of Radville Farms of The Gambia

Kalidu Bayo[1]

1 Introduction

In spite of the large number of developing small states in the world today, the obsession with giant and powerful nations has made the major industrialized countries the central focus of much of recent scholarly work on issues of international trade and competitiveness in global markets. In other words, even a cursory review of the literature on international trade and global competiveness would reveal that the focus on small states is clearly the exception rather than the rule. The reason for this state of affairs is in part a function of the way how small developing states are perceived. They are generally seen as states lacking in some of the fundamental requirements necessary for success in the global economic system. As a result, scholars have tended to focus more on the fragility and vulnerability of small states and their weak position in world markets.[2]

With the publication of Peter Katzenstein's path-breaking and stimulating book *Small States in World Markets*[3] three decades ago, it was hoped that a new path was set for the study of small states in international affairs, and more seriously than ever before. This seminal work analysed how some small European states effectively responded to changes in world markets as compared to the response patterns of advanced industrial states, thus providing some important new insights for a greater understanding of the importance of small states in global competition. Unfortunately, however, the research agenda of Katzenstein's work had inspired researchers in some academic quarters, but appeared to have had a limited influence on the broad field of small states scholarship. Instead, the focus has been on the examination and analysis of the vulnerabilities rather than the potentialities of small states, particularly those in the developing world and especially so in Africa.

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[1] Senior Researcher and International Consultant; Former Presidential Affairs Minister, Banjul, The Gambia

[2] For a discussion of the characteristics and plight of Small and Island States in global affairs see Commonwealth Secretariat/World Bank Joint Task Force, 2000; Keohane, 1969; and Clapham, 1996.

[3] Katzenstein, 1985

Conventionally defined as countries with a population of less than two million people, small states of the developing world share certain basic characteristics that define the magnitude of their development challenges. According to the joint Commonwealth Secretariat/World Bank Task Force report on Small States[4], these characteristics include small markets and income volatilities, limited diversification in their production and exports, and limited institutional capacity in both the public and private sectors among other constraining attributes. On account of these constraints, much of the attention given to these countries has centred on concerns over and calls for special policy measures to address their development challenges and to support them in adapting to changing world trade arrangements[5]. Predictably, small export firms in small states face even greater challenges to compete in global markets, in part because they do not have brand name recognition nor the financial, technological, and too often not the human resources to have any firm foothold in foreign markets.

Nevertheless, while they may be more crisis-prone and more vulnerable to external shocks, small states are important actors in the global economy, and small and medium enterprises as well as small export firms in these countries are key drivers of economic growth and poverty reduction[6]. Characteristically, small states also possess certain other systemic features that give them unique advantages in adapting to turbulence in the external environment. Given their small size, cohesive and stable political systems, and the relatively homogenous character of their small populations, policy making processes in many small states tend to be simple and streamlined[7]. Such systemic attributes are the basis of the consensus-building capabilities of small states which enable them to effectively respond to opportunities and risks in the external environment much more than some larger states. These assumptions have in recent years been substantiated by the performance record of small African states with low levels of ethnic fragmentation in their societies. In their study of the growth trends in African small states in comparison to those in larger sub-Saharan countries, Dömeland and Sander (2007) found that the average GDP growth rate in African small states exceeded the sub-Saharan as well as the overall small states average: "Between 1970 and 2005, real GDP growth of African small states amounted

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[4] Commonwealth Secretariat/World Bank Task Force, 2000, op. cit

[5] See Putzel, M. & DiJohn, 2012.

[6] For an analysis of the contributions of small and medium- sized firms to employment creation and national development see Kruja, Alba Demneri 2013; Frimpong, Charles Yeboah 2013; OECD 2004; and Harvie, Charles and Boon-Chye Lee 2002.

[7] See Skilling, 2013; Donna & Smith 2010.

to 4.1 percent, being substantially above the sub-Saharan African GDP growth of 3.2 percent and the small states average of 3.5 percent ... That high growth of African small states is largely the result of strong growth performance of Equatorial Guinea in the second half of the 1990s and the first half of 2000, as well as Botswana's persistent high real GDP growth of on average 7.5 percent. Eliminating these two countries reduces the average growth rate of African small states during this period to 3.8 percent, which is still above the sub-Saharan African average"[8].

Like much of the rest of Africa, the majority of the small states of the region did not escape the disruptive impact of the global economic and financial crisis of 2008[9], contrary to some expert predictions that Africa might be spared the adverse impact of the crisis[10]. According to African Development Bank (AfDB) estimates[11], Africa's growth rate of 3.2% in 2009 was significantly below the 5.7% recorded for the previous year and it represented a loss of 3 percentage points when compared to the 6.07% rate for 2007[12]. This loss affected all categories of African countries. However, and in line with the findings of Dömeland and Sander (2007) on the performance record of small African states, the 4.5% growth rate of the fragile or small states for 2009 was not only higher than the growth rate for the region as a whole but also those estimated for both the middle income countries (3.03%) and the oil exporting countries (2.9%) for the same year[13]. This positive growth trend continued for a number of small states, including Botswana, Rwanda, and Seychelles whose growth rates averaged 6.3%, 7.7%, and 5.5%, respectively, from 2010- 2012[14].

On account of the relatively impressive performance record of small African states over the years, the neglect of the efforts and the role of small states in the global economy is to ignore not only their positive systemic attributes but also their determined efforts in the face of overwhelming odds to grow their economies and to participate actively in world markets. This

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[8] Dömeland and Sander, 2007, p.10

[9] According to various studies, the mechanisms through which the global financial crisis affected Africa included a decline in export prices, a drop in foreign direct investments, a contraction in migrant worker remittances, and a possible cut in foreign aid. See Arieff et al. 2010; Ali 2009; Allen et al. 2011; and African Development Bank (AfDB), 2009.

[10] For an example of such predictions see Hawkins 2009.

[11] African Development Bank (AfDB), 2009.

[12] Ibid, p.7

[13] Ibid, p.14

[14] For Botswana and Seychelles data see World Bank 2014; for Rwanda data see African Economic Outlook, 2015.

chapter examines the export performance of Radville Farms Ltd. within the context of the politically stable and business-friendly investment climate and the broad development agenda of one of Africa's smallest states, The Gambia. The paper is organized as follows: after this introductory section 1 the section 2 focuses on an overview of The Gambian economy; section 3 contains an outline of the Government's policies on Agriculture and Trade. Section 4 sets out an exploratory value chain analysis of Radville Farms as a leading exporter of horticultural produce in The Gambia, followed finally in Section 5 by some basic conclusions and policy recommendations.

2 The Gambia: An Overview of the Economy

The Gambia is one of Africa's smallest countries and one of the region's United Nations-designated least developed countries. With a surface area of 11,300 km and a population of about 1.8 million multi-ethnic inhabitants, The Gambia shares borders with the Republic of Senegal on all sides except for its Atlantic coastline of approximately 80 kilometres. The serpentine shape of the Gambian territory is patterned on the meandering course of The Gambia River which flows through the middle of the country from, having its source in the watershed of north central Fouta Djallon highlands in Guinea and empties into the Atlantic Ocean to the west.

The Gambia's unique location in West Africa and its proximity to Europe (within five hours flight to Southern and Western Europe), its rich flora and fauna with a vast variety of bird and plant species, pleasant weather, attractive holiday resorts along the Atlantic coast, and its friendly people have earned it the name "The Smiling Coast of Africa", and the country is thus a major destination of choice for European tourists. Its navigable river providing easy access to the hinterland and its well-functioning sea port, its low tariffs and the liberalized trade regime have also contributed to strengthening the Gambia's position as an important regional commercial hub for many decades, following its independence from Great Britain in 1965. For decades, The Gambia's largely agrarian economy has been based on monoculture, the cultivation and export of a single cash crop, groundnuts. As the leading agricultural export crop for decades, the groundnut crop has traditionally been one of the primary sources of the country's foreign exchange earnings, although recently tourism has emerged as the principal revenue earner.

In the first decade after independence, the country's economy grew steadily as its re-export trade with the sub-region flourished, representing more than 70% of the country's merchandise trade. By the middle of the 1970s, however, the economy faced some major challenges, arising largely

from external shocks ─ the oil crisis of the early 1970s, and declining world market prices for the country's primary export commodity, groundnuts. As the economy continued to deteriorate under adverse terms of trade, the government resorted to extensive external borrowing towards the end of the decade. Against this background of its first major post-independence economic woes, the government had adopted two successive five-year development plans, aimed at diversifying the economy and promoting growth, particularly in agriculture. As the economy began to stabilize at the beginning of the second five-year plan (1981-1986), another major external shock, the world recession of the early 1980s that hit much of Sub-Saharan Africa, also meant depressed demand for exports, high import costs and uncertain aid flows from development partners.

To address these and associated challenges, the government with support from the World Bank (WB) and the International Monetary Fund (IMF) initiated and implemented a series of structural adjustment measures in 1986 under a highly publicized Economic Reform Programme (ERP). Through stringent public expenditure cuts (with their accompanying social hardships, particularly for the poor), elimination of subsidies, the adoption of market-based exchange rates, and the implementation of state-owned enterprise reforms, some macroeconomic stability and competitiveness were restored. As a result, the economy was partially stabilized and by 1988 economic growth averaged about 4% per annum. To consolidate these moderate gains and to pave the way for more sustained development over the medium term, a second wave of reforms began when the Government launched the Programme for Sustained Development (PSD) and other sectoral adjustments following the expiration of the ERP at the end of 1989. The combined effects of the ERP and the PSD led to some significant progress in the reduction of financial imbalances, the liberalization of the economy, and strengthening the basis for durable economic growth. By the middle of the 1990s, following a military coup in 1994, the cancellation of budgetary assistance by most of The Gambia's traditional donors and the substantial drop in tourist receipts had an adverse effect on the economy in the first two years of the new government. In 1996 following democratic elections, the economy began to recover gradually with growth rate averaging about 5%per annum. This positive trend continued up to 2010, despite the global economic downturn of 2008/2009, which the economy weathered with little disruptions. But, the severe drought of 2011/2012 stunted output in agriculture, resulting in a sharp contraction of the economy and a consequent fall of the GDP to not less than -4.3% in 2011[15]. For the succeeding three years (2012, 2013 and

[15] AfDB/African Development Bank, 2012.

2014), the economy rebounded strongly with GDP growth averaging about 6% per annum.[16]

For decades, the services sector has been contributing about 58% to GDP while agriculture and industry were each accounting for 30% and 12%, respectively. Although the tourism industry is relatively small, it is currently the fastest growing sector accounting for about 12% of GDP, and it is a major source of foreign exchange earnings. In addition, the sector provides significant employment opportunities for a large number of Gambians. Policymakers are also conscious of the sector's potential for creating strong linkages with the agricultural sector in terms of the supply of horticultural products to the hotels in the hospitality industry.

The government's current long term development agenda is outlined in its Vision 2020. This development blueprint, adopted in 1996, provides the broad framework for the transformation of The Gambia "into a dynamic middle income country" with special focus on the key sectors of agriculture, industry, trade, tourism, financial services, and human resource development. Within the broad framework of Vision 2020, the Government's new development strategy Programme for Accelerated Growth and Employment (PAGE) 2012-2015, which is now being implemented through the end of this year, has the principal objective of accelerating pro-poor growth and generating broad-based employment.

3 Agriculture and Trade Policies in The Gambia

3.1 Agriculture Policies

The Gambia's Agriculture and Natural Resources sector comprises crop production, horticulture, livestock, fisheries, and forestry. The sector represents the mainstay of The Gambia's economy and provides the greatest potential for promoting growth and enhancing the economic security of the majority of the population. Over 70% of the labour force is engaged in agriculture, and the sector contributes about 30% to gross national product (GDP).[17] In the crop subsector, groundnuts constitute the engine of the rural economy and as the principal export commodity, it had provided about 40% of the country's foreign exchange earnings for many years in the past. Cereal

[16] World Bank 2014, p. 101; MoFaEA/Ministry of Finance and Economic Affairs/"Budget Speech" 2014, p.8

[17] See Ministry of Agriculture (MoA) 2011; IFAD 2014

food grains, including rice, millet sorghum, corn and fonio or findi, are the main subsistence crops[18].

Declining groundnut yields due to unfavourable environmental conditions, longstanding under-investment in the sector as well as fluctuating world market prices for groundnuts, coupled with inadequate rural infrastructure, limited capacity of extension services, poor agricultural practices and inefficient agricultural marketing arrangements, have contributed to the generally low level of productivity of the sector in recent years. In an effort to reverse the declining trends in the production of groundnuts and in order to revitalize the agriculture sector as a whole, the Government has adopted ambitious policy measures and strategic plans for implementation in the short and medium term. Under the broad framework of the government's development blueprint, the Vision 2020, the Agricultural and Natural Resources Policy (2009-2015) and The Gambia National Agricultural Investment Plan (2011-2015) reflect the government's commitment to transform the Gambian agriculture from its predominantly subsistence-based character to a modern, commercialized and market-oriented system. The principal objectives of these policy measures are to enhance the sector's contribution to economic growth, poverty reduction, and food security through a wide range of strategic plans, programs and projects designed to dramatically improve the productivity and diversification of agriculture, through more efficient management of agricultural land and groundwater resources, the improvement of rural infrastructure to support market access for farmers, and the promotion of private sector investments and participation in agriculture[19]. These policy measures are also fully allied with international and regional development programs, including the Millennium Development Goals (MDGs), the Common Agricultural Policy (CAP) of the Economic Community of West African States (ECOWAS), and the African Union (AU)'s agricultural development programs, the Comprehensive Africa Agriculture Development Program (CAADP), which was established as part of the African Union's broad-based development initiative, the New Partnership for Africa's Development (NEPAD) in July 2003, with the primary objective of improving and promoting agriculture across Africa as a basis for eliminating hunger, expanding exports and bringing greater prosperity for the region. So, while the ambitions are great, what matters is the reality of progress. In this regard, more data about the real situation and about the implementation of programmes in the country would be helpful.

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[18] MoA/Ministry of Agriculture 2009

[19] Ministry of Agriculture (MA), Agricultural and Natural Resources Policy, 2009 p.23

Like many African countries, The Gambia is a net importer of food. In 2011 the value of food imports in The Gambia accounted for about 32.16% of total merchandise imports and much of that consisted of rice, the country's principal staple food. According to a recent National Agricultural Sample Survey[20] the annual rice imports in 2012-2013 were estimated at 137,000 metric tons, and the annual domestic consumption of the commodity amounted to 178,822 tons, indicating the country's heavy dependence on the import of its stable diet. To reverse this trend and to eliminate the country's heavy dependence on imported food, the President of the Republic, who is the most prominent farmer in the country, is now spearheading a campaign, calling on the Gambians to appreciate the glory of farming by returning to the land and by committing themselves to "grow what they eat, and eat what they grow". These slogans which have deep resonance throughout the country, and which strike a chord in the farming community in particular, have led to the recent lunching of Food Policy Vision 2016 which represents the government's medium term food policy designed to drastically reduce food imports by making The Gambia self-sufficient in rice and in other essential food items by the end of the year 2016. Within the broad framework of the government's agricultural mechanization and diversification strategy, and in order to eliminate the current heavy dependence on food imports, to reduce poverty and to enhance food security for the Gambians, the Vision 2016 specifically seeks to unlock the full potential for food production in The Gambia by promoting intensive and large-scale production of rice and of other food crops throughout the year. This would be accomplished through the more effective utilization of the vast arable land available in different regions of the country and through the application of modern techniques of irrigated farming using the available fresh water resources of The Gambia River[21].

Horticulture is one of the key components of The Gambia's agricultural sector, consisting of a wide variety of fruits and vegetables, and it currently accounts for 4% of the country's GDP[22]. The main fruits grown in the Gambia include mangoes, bananas, papaya, and avocados as well as citrus fruits, including lemons, limes, and oranges. Among the main vegetables crops grown in the country are onions, carrots, tomatoes, peppers, and a wide variety of leafy greens. The most popular products are exported, largely to the UK market, and these include chilies, green beans, Asian vegetables,

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[20] National Agricultural Sample Survey {Ministry of Agriculture/NASS, 2013), cited in the Point Newspaper, Banjul July 07, 2014, p. 1

[21] See The Point Newspaper, April 22, 2014

[22] Ministry of Agriculture, NHSMP, 2015, p. 39

mangoes, papaya, and citrus fruits. At present, however, cashew nuts constitute the leading horticultural export product.

The production of fruits and vegetables is undertaken by three main groups of growers: individual small-scale producers (including traditional village farms and gardens and small individual family gardens), medium- and small-scale village-based communal producers, often sponsored by Non-Governmental Organizations (NGOs), and relatively large scale commercial producers.[23]

In all these categories women form the vast majority of the work force, because vegetable production is a major source of household incomes in The Gambia, and women are well known for their contribution to the welfare of their families (in terms of the supply of basic agricultural produce for home consumption). Among the large-scale producers are Radville Farms, The Gambia Horticultural Enterprise (TGHE), and M. A. Kharafi and Sons. Radville Farms Ltd. is by far the leading exporter of fresh fruits and vegetables. The Gambia Horticultural Enterprise (GHE) also grows its own produce for both the local market and for export, but it specializes more in the sale of imported agricultural and horticultural inputs and implements, including seeds, fertilizers, agro-chemicals, machineries and tools. Finally, M. A. Kharafi and Sons is a private foreign farm established in The Gambia in 2002 as a construction company. Upon realizing the great potential of horticultural production in The Gambia, the company later branched into agriculture with special emphasis on the production of potatoes and onions for distribution in the local market and for export to neighbouring countries.

Since the middle of the 1980s, horticulture has been emerging as a major area for growth and expansion, largely as a result of The Gambia's suitable tropical climate, fertile soft soil texture, the availability of land and low cost labour supply, and continuing government support to the sector. In realization of the great potential of the horticulture subsector, the government introduced policies designed to create a more favourable environment for foreign and domestic investments in exploiting the potential of the subsector. In their pioneering study of Gambian horticulture, By Nagarajan, Geetha, et al. (1994) it was observed that some of the measures and incentives the Government put in place at the time included the exemption of horticultural producers and exporters from income and export taxes, improving access to land, and strengthening land ownership rights. "As a result, the share of horticultural products in total agricultural exports ...increased from a mere 0.2% in 1984/85 to 9.1 % in 1988/89. In addition, nearly 85 percent of the

[23] Ibid, p. 93 (In terms of production output and size of the labor force, the large-scale Gambian producers are small producers by international standards).

requirements for fresh fruits and vegetables for the growing tourist industry in The Gambia ... (were) successfully met".[24] This trend in the subsector was a welcome development as it occurred at a time when groundnut export was in sharp decline. So, the government policies had an element of determined industry policy. Policy support for the sector was since continued.

Originally considered as a non-traditional export subsector, horticulture is now seen as a priority area with great potential to generate foreign exchange and to contribute to The Gambia's competiveness in world trade. Therefore, as part of its broad performance enhancement measures in the agriculture sector, the government through the Ministry of Agriculture (MoA) has launched a major strategic twenty-year development plan for The Gambia's fruits and vegetable industry, the National Horticulture Sector Master Plan/NHSMP (2015-2035). The principal objective of this plan is to fully exploit the fast growing demand for horticultural products in both the domestic and international markets by improving the productivity of the sector and enhancing its contribution to the government's foreign exchange earnings. It also seeks to improve food and nutrition security for Gambian households by promoting the consumption of fruits and vegetables.[25]

For a long time, the Brikama area of the West Coast Region of The Gambia has been the main area that produces the bulk of the country's fruits and vegetables (F&V). Although this region remains the leader in F&V production, other regions of the country are also actively engaged in the industry at present, largely because more and more communities are beginning to appreciate the positive impact of horticultural production on household incomes and food security. As shown in table 1, out of the total of 78,926 metric tons of F&Vs produced in the country in 2013, 51,657 tons or about 65% were grown in the Brikama region alone, and this is the area where many of the medium and large-scale producers are concentrated, because of the region's favourable climatic conditions, the easy access to extensive urban markets for fruits and vegetables, and the growing number of hotels in the tourist industry.

As production of fruits and vegetables has been on the increase nationally, so has the export of horticultural products in recent years. As table 2 shows, the export of horticultural products has been increasing steadily between 2011 and 2014 with an average of 53,831,962.62 kilograms or 53,832 metric tons being exported per year, and this represents an average of 58% of F&V exports in total agricultural exports for the four year period as displayed in table 3.

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[24] Nagarajan, Geetha, et al. (1994), p. 1

[25] Ministry of Agriculture (MoA), NHSMP op, cit. p. 3

Table 1: Yields of Main Fruits and Vegetables in Metric Tons by Region in 2013 (in metric tons)

	Banjul	Kani-fing	Brika-ma	Mansa/ konko	Kerewan	Kuntau/ J'bureh	Basse	Total
Fruits	194	1,679	20,867	6,791	294	6,550	1,521	37,896
Vegetables	19	1,528	30,790	1,372	1,823	2,021	3,469	41,030
Total F&V	**213**	**3,207**	**51,657**	**8,163**	**2,125**	**8,571**	**4,990**	**78,926**

Source: FAO Survey Gambia, 2014 (Cited in MoA, NHSMP, p. 93)

Table 2: Total Horticultural Exports 2011-2014 (in USD and Kgs)

Year	CIF Value (In USD)	Volumes (In Kgs)
2011	1,332,464	29,371,316
2012	1,934,792	37,973,465.90
2013	4,074,545	66,508,259.54
2014	4,472,904	81,474,809.05
Total	11,814,705	215,327,850.49
Average	2,953,676	53,831,962.62

Source: Ministry of Finance (MoF), Gambia Revenue Authority (GRA), 2015

Table 2 reveals great variations in CIF value and volume. Also table 3 reveals great variations in the shares of the CIF value and the volume.

Table 3: Share of Horticultural Exports in Total Agricultural Exports (2011-2014)

Year	CIF Value	Volume of Exports
2011	39%	53%
2012	28%	36%
2013	66%	87%
2014	39%	58%

Source: Ministry of Finance (MoF), Gambia Revenue Authority (GRA), 2015

The transformation of the horticulture industry into a commercially viable market-oriented sector would also require addressing some of the fundamental constraints and challenges in the subsector, such as credit or finance constraints for small and medium-sized growers, low level of productivity of the subsector, and inadequate technical capacity of extension services. To address these and other constraints, six strategic pillars have

been identified to support the implementation of the Master Plan, with the private sector playing a leading role[26]. The first three pillars focus on some key priority issues in the horticulture sub-sector: Improving food and nutrition security, by increasing household food production and ensuring the adequate supply of fresh, safe and nutritious foods at all times; strengthening capacity building efforts to support planning and management in the subsector; and improving the productivity of both private and public sector operators in horticulture in order to expand the output of F&Vs for both the domestic and export markets. Protecting the horticultural sub-sector from the disruptive effects of environmental disasters, such as droughts, flash foods, pest infestations, global warming and soil degradation, by establishing early warning systems, provision of drought resistant crop varieties, and developing improved irrigation facilities among other measures is the primary task under pillar 4. The strategic actions under pillar 5 are directed at ensuring substantive improvements in the business environment in order to encourage greater private sector involvement in the production and marketing of F&Vs. Some of the specific measures envisaged in this regard include improving access to low cost microfinance or credit for SME producers, and establishing a development fund and a central information system for the horticulture subsector. Finally, Pillar 6 will seek to promote research and information-sharing as a basis for innovation and productivity enhancement in the subsector.

It is hoped that the combined impact of the strategic actions under the various pillars, if well executed, would significantly improve Gambian horticulture and its contribution to national economic development.

3.2 Trade Sector Policies and Strategies

In the context of international trade, The Gambia's small, but open economy, its unique geographical location, its long standing liberal trade regime, its tradition of political stability and sound macroeconomic management constitute the country’s unique comparative advantage vis a vis its neighbours in the West African sub-region. Since the introduction of wide-ranging economic reforms in the mid-1980s and the early 1990s, and since the country's membership in the WTO in 1996 there have been progressive reductions in tariffs and the elimination of export licenses. This has enabled the country to strengthen its trade links with its traditional partners within the Economic Community of West African States (ECOWAS), particularly with Senegal and Cote d’Ivoire as well as with the EU, the UK, USA, and more recently, China.

[26] Ibid, pp. 118-123

Groundnut is The Gambia's primary agricultural product and has also been the leading export commodity for several decades after independence. Recently, however, cashew nuts, fish and fisheries products have become significant domestic export products as depicted in table 4 below. The United Kingdom, Spain, the Netherlands and France are the major markets for The Gambia's domestic exports. Mali, Guinea, Guinea Bissau and Senegal within the ECOWAS region are the leading markets for the re-export of general merchandise, including textiles, wood, and articles of wood, machinery and mechanical appliances, while Asian markets are the principal destinations for the re-export of rough timber (mainly logs).

Fruits and Vegetables (F&Vs) still have a minor share of 2.7% in domestic exports, but important are the perspectives along the National Horticulture Sector Master Plan (NHSMP).

Table 4: Major Domestic Export Products in 2014 (in USD '000)

Products	FOB Value (USD'000)	As % of total Domestic exports
Raw Cashew Nuts	4,352	29.8
Fish and fishery products	1,814	12.4
Groundnut products (nuts and cake)	476	3.3
Fruits and Vegetables	388	2.7
Iron and steel	363	2.5

Source: MoT/Ministry of Trade, Information Centre 2015

Petroleum products, foodstuffs, machinery and general merchandise constitute The Gambia's main imports, as presented in table 5 below.

Table 5: Main Import Products in 2014 (in USD '000)

Products	CIF Value (USD'000)	As % of total Imports
Petroleum Products	81,241	21.7
Rice	44,395	11.9
Animal or vegetable fats and oils	27,052	7.2
Sugar and sugar confectionery	25,931	6.9
Other Cereals (mainly wheat)	24,598	6.6
Electrical machinery and equipment and parts	20,257	5.4
Vehicles and parts	20,039	5.4
Machinery and mechanical appliances	15,087	4.0
Cement and Related Products	13,119	3.5
Pharmaceutical products	7,827	2.1

Source: MoT/Ministry of Trade, Information Centre 2015

In 2013 and 2014, for example, Asia, ECOWAS and the EU were the main sources of Gambian imports (see table 6 below), and the bulk of the exports went to these same regions as depicted by table 7 below.

Table 6: Direction of Imports by Region in 2012 and 2013 ('000 USD)

Regions	2012	2013	% CHANGE
EU	49,320	58,129	17.86
Asia	81,750	82,182	0.53
ECOWAS	84,701	78,008	-7.90
Americas	27,592	35,487	28.61
Others	31,068	9,908	-68.11
Total Imports	**274,432**	**263,715**	**-3.91**

Source: Gambia Bureau of Statistics (GBoS), 2014

Overall, import trade was on the decline, especially so with ECOWAS countries and "Others" (see table 6). Export trade showed a slight increase (see table 7).

Table 7: Direction of Exports by Region in 2012 and 2013 ('000 USD)

Regions	2012	2013	% CHANGE
ECOWAS	68,115	71,201	4.53
EU	3,740	1,770	-52.67
Asia	7,755	6,625	-14.57
Americas	190	105	-45.01
Others	828	1,305	57.57
Total Exports	80,629	81,006	0.47

Source: Gambia Bureau of Statistics (GBoS), 2014

Cote d'Ivoire and Senegal continue to be the main sources of Gambian imports, which include mainly petroleum products and cement. These two countries account for 98.4% of the value of imports from ECOWAS and for 29.1% of the value of total imports in 2013. The Kingdom of Belgium, United Kingdom and France were the main sources of imports from the EU in 2013, representing 56.7% of the total value of imports from EU and 12.5% of the total imports of The Gambia. As far as Asia is concerned, China, Turkey and India are among The Gambia's principal trading partners, contributing 22.2%, 15.1% and 13.4% of The Gambia's imports, respectively, in 2013.

Clearly The Gambia, like many other Sub-Saharan African countries, imports more than it exports. As reflected in Table 8 below, the country's trade balance averaged about –193,795 US Dollars per year from 2011-2014.

Table 8: Summary of The Gambia's External Trade 2011-2014 (Values in USD '000)

Trade	2011	2012	2013	2014	Change %
Total Trade	283,388	355,061	344,722	420,685	22.0%
Imports	215,684	274,432	263,715	342,672	29.9%
Exports	19,995	12,561	9,078	13,973	53.9%
Re-export	47,708	68,069	71,928	78,014	8.5%
Total Exports	67,704	80,629	81,007	91,986	13.2%
Trade Balance	-147,980	-193,803	-182,708	-250,686	

Source: Ministry of Trade (MoT) Information Centre 2015, Web Access: http://www.gambiatradeinfo.org/external-trade

With its persistently negative trade balance, The Gambia's economy has for a long time relied heavily upon taxes from international trade which constituted about 60% of the domestic tax base. This has been made possible by two related factors: a) a flourishing re-export trade fuelled by the country's comparatively low import duties, and relatively efficient port and customs services, and b) the maximization of government revenue from trade taxes as a key element of trade policy since independence.[27]

Although The Gambia still has a comparative advantage as a gateway to sub-regional markets, some recent developments in the leading regional integration organizations in West Africa have posed serious challenges to the country as a trading hub. First, the introduction in 1998-2000 of the Common External Tariff (CET) in the French-speaking West African Economic and Monetary Union (WAEMU) resulted in significant reductions in trade taxes in some of The Gambia's traditional trade partner countries, notably Senegal and Guinea Bissau, both of which are members of WAEMU along with Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger and Togo. Second, when The Gambia decided to align its external tariffs to the ECOWAS Common External Tariff (CET) in 2006 it was obliged to accept some increases in its average import taxes and sales taxes. These developments had a combined erosive impact on The Gambia's competitive advantage as an entrepôt trader. To maintain The Gambia's longstanding position as an important gateway for

[27] Ministry of Trade, Regional Integration and Employment (MoTRIaE), 2011, The Gambia Trade Policy (GTP) document, p. 6

trade and to enhance its long term prospects for greater competitiveness, the government's response to these and similar challenges was to launch both, a national trade policy and a national export strategy, to guide action for the promotion and development of its trade in a more favourable investment environment.

The Gambia's Trade Policy (MoTRIaE/Ministry of Trade, Regional Integration and Employment, 2011) sets out broad goals and priorities for the immediate and long term development of The Gambia's trade. Within the framework of the government's Vision 2020 Development Agenda the policy seeks to improve the Gambia's import and export trade and the investment climate by focusing on productivity improvements in selected sectors as a basis for enhancing the country's competitiveness in world trade. These sectors include: Agriculture, tourism, fisheries, manufacturing, buttressed by a strong and expanding trade facilitation initiative, including transport and infrastructure services, air and seaport improvements, and expansion in line with its commitments to WTO provisions. Under the policy, greater efforts would be made to make more effective use of the market access opportunities made available by several developed countries under the General System of Trade Preferences as well as the EU's Everything But Arms (EBA) Initiative, the ECOWAS Trade Liberalization Scheme, and others, including preferential duty rates granted by some of The Gambia's other trading partners, such as Brazil, India and South Korea. To succeed in this effort, the government is committed to address supply side constraints, and to improve the quality of the Gambian export products. Also, adaptation to the ECOWAS Economic Partnership Agreement (EPA) with the EU will become a necessity.

As trade development is a multidisciplinary affair, multiple institutions or agencies in various economic sectors have some responsibility for trade promotion. This has in the past led to fragmented, incoherent and often overlapping policy-making processes and initiatives, thus making the management and coordination of trade-related policies and activities a major challenge. The principal institutions and agencies with some responsibility for trade include, first and foremost, the Ministry of Trade, Regional Integration and Employment (MoTRIaE), including its constituent agencies, particularly The Gambia Investment and Export Promotion Agency (GIEPA), being the institution responsible for formulating and coordinating the implementation of trade policy while the Ministry of Finance sets tariffs for internal trade. Other important agencies include The Gambia Revenue Authority (GRA) and The Gambia Bureau of Statistics (GBS) which generate and maintain trade statistics, while The Gambia Chamber of Commerce and Industry (GCCI) serves as the link between the private sector and the government on all matters relating to trade and investment in general. To

improve the coordination of this function, the Ministry of Trade (MoT) is taking action to ensure close collaboration among all institutions and stakeholders in trade promotion.

To complement the National Trade Policy (NTP), a National Export Strategy (NES) was formulated with broad goals of improving and sustaining export performance and promoting export-led economic growth, poverty reduction, and enhancing The Gambia's competiveness within the framework of the Vision 2020 and the Programme for Accelerated Growth and Employment (PAGE) 2012-2015. The Export Strategy Vision is defined as follows: "To become a world class exporting nation that is efficient and competitive leading to sustainable economic growth, wealth creation, and prosperity."[28]

Several priority sectors are the focus of attention for revitalization and development under the NES, including the groundnuts sub-sector, horticulture, cashew production, fisheries, tourism, manufacturing, and re-export trade.

Development in these areas would be supported by improvements in transport and trade facilitation, telecommunications, financial services, human resources development, and research and development. In addition, efforts would be made to further improve the investment climate through the work of The Gambia Investment and Export Promotion Agency (GIEPA), with particular reference to addressing the tax burden of businesses which has been an issue of concern to the private sector.

4 Analysing a Horticulture Value Chain: The Case of Radville Farms (Gambia Ltd.)

4.1 Background

Radville Farms Limited was founded in 1985 as a private limited liability company devoted to the production and export of fresh fruits and vegetables, the same year that the government of The Gambia introduced its comprehensive program of reforms for macroeconomic stabilization and economic recovery, and exactly two decades since the country gained its independence from Great Britain. This was also the time when horticulture began to emerge as a promising area within The Gambia's Agriculture and Natural Resources sector, with great potential for economic growth, poverty reduction, export diversification and competitiveness.

It was in the context of the growing prospects seen for Gambian horticulture and an environment of political stability and a friendly

[28] Ministry of Trade (MoT), 2013, National Export Strategy (NES), p. 3

investment climate in the country that Ratilal Jethalali Dhanani, an investor of Indian descent resident in Kenya, came to The Gambia to start a successful export enterprise called Radville Farms Ltd. The company Radville Farms was founded as a subsidiary of Dhanani's family-owned fresh fruits and vegetables import and distribution company, Wealmoor Ltd., based in the UK. Wealmoor was established in 1973 after Dhanani identified the great potential of the UK market for exotic tropical and subtropical fresh fruits and vegetables[29]. Dhanani came to The Gambia with extensive experience in the horticulture business in Kenya and with well-established connections in the high premium UK market. He made sure that Radville is one of the F&Vs firms operating in Africa that has met all the major consumer safety standards and certifications for the competitive European markets, including Good Agricultural Practices (EUREP-GAP), Global Good Agricultural Practices (Global GAP), British Retail Consortium (BRC) and Nature Choice (NC).

Within a few years after it started operations, Radville Farms became well established as the leading firm in the export of fresh fruits and vegetables to the high quality UK market. At present, the company has four farms but only two are under cultivation, namely first, the 300 hectare Tubakuta farm of which 200 ha are devoted to the production of mangoes and 100 ha for vegetables. The second active farm is at Nemakunku where the available 48 ha are also used for vegetables. The varieties of mangoes produced and exported by Radville Farms include Kent, Haden, Keith, and, more recently, Maya, a Brazilian variety that is produced in The Gambia only by Radville. The main vegetable crops produced for export by the company at present are beans, chilies, baby corn, and curry leaves. In the past, the company used to produce other crops, such as okra, butternut squash, carrots, onions, and yellow corn. These products were discontinued about five years ago due to heavy pilferage by workers. For this reason many Gambian firms involved in the horticulture export business, like Radville Farms, tend to concentrate more on crops that are not part of the staple food of the workers, rather than those crops that the local population consumes on a daily basis.

The management structure of Radville is headed by a managing director who is based at the Wealmoor headquarters in the UK and who is the majority shareholder of The Gambian registered subsidiary company. However, the day to day running of the company is in the hands of its Gambian Finance and Administrative Manager, based at the company's head office at Banjul International Airport, which is in the same region as the

[29] See the Wealmoor Ltd. Website at: http://www.wealmoor.co.uk/

company's fruits and vegetable farms. Other senior managers include two farm managers, two crop production managers (one for mangoes and the other for vegetables) as well as seven agronomists. Apart from the Finance and Administrative Manager, all the other managers and technical specialists are non-Gambians; from Brazil, India, the Philippines and Ethiopia. This is a potential source of disillusionment and feeling of low acceptance among qualified Gambians within the firm who may feel that the firm has not been making any serious efforts to recruit qualified Gambians for the top managerial and technical positions.

The size of the company's labour force is about 2,500 workers during the peak season (between January and early May) and about 1,000 during the off-season period when production is curtailed[30]. Most of these workers are wage or casual labourers, typical of the labour-intensive horticultural industry in Africa. Radville is now the largest exporter of horticultural produce in the Gambia, accounting for 75% of the exports of all fresh fruits and vegetables. On average, the company exports 1,500 tons of vegetables and about 700 tons of mangoes annually. The value (in USD) of the firm's exports to the UK for the period 2011-2013 is presented at table 9 below. It is estimated that about 50 percent of the 300 hectares of the company's farms are cultivated using organic farming techniques, which is increasingly more attractive to the consumers of tropical horticultural produce, particularly in the UK and EU markets. As a subsidiary of UK-based Wealmoor Ltd., Radville Farms exports all its produce to the parent company which is responsible for all costs relating to freight, insurance, and handling. Wealmoor is also responsible for the supply of all the necessary inputs and the local expenses for the operations carried out by Radville.

Table 9: Exports of Radville Farms' Products 2011-2013 (Values in USD)

Year	Beans	Chillies	Baby Corn	Curry Leaves	Mangoes
2011	85,106	44,681		6,383	808,510
2012	308,510	121,276	489,362	6,383	500,000
2013	521,276	276,596	291,489	10,638	595,745

Source: Radville Farms Management, 2014

With Radville's parent company well established as a leading supplier to UK retailers and to the food service and wholesale sectors, the company has a unique advantage over other suppliers of F&V products to the highly competitive UK market.

[30] Radville Farms Management, 2015

4.2 Value Chain Analysis

In this section we briefly describe, based on a simple value chain analysis, the sequence or chain of activities involved in Radville Farms' operations from the supply of inputs to production for export, pack-house operations, and marketing and distribution[31]. Each of these segments will be examined with special emphasis on the mode of operations in the particular segment and the constraints that the principal actors face at each stage of the value chain. In addition, we will look at the upgrading opportunities that exist for the company as it strives to continuously improve its operations and the quality of its export crops.

Inputs

The inputs for Radville Farms are supplied by the parent company, Wealmoor Ltd. Like any horticultural firm the key input supplies or in-bound logistics required for its operations, particularly at the farm level, are: seeds, fertilizers, agrochemicals (herbicides, fungicides and pesticides), as well as farm and irrigation equipment. At this stage of Radville's value chain, the inputs procurement cycle begins with the company's agronomists preparing a list of all required materials for the production in the coming season. This list is sent to Wealmoor in the UK for the purchase and delivery of the required inputs. In some cases, the local manager of the company purchases some chemicals from neighbouring Senegal. Upon delivery, the stock is kept in the company's warehouses for use as needed. Generally, tons of fertilizers and agrochemicals are required per cropping season. Pack-house materials are also supplied by Wealmoor from the UK. In the past, there have been cases of oversupply of farm inputs, particularly fertilizer and chemicals, indicating some weakness in the procurement planning process and poor coordination between the dual governing structures, namely a local management team in Banjul and a parent company in the UK which is exercising oversight responsibility over its subsidiary. This is an area where costs could be reduced through better planning for procurement. The supply of packaging materials such as cartons has also been an area where there have been difficulties. For instance, there was a time when orders for supplies were placed and deliveries were made, but in the interim, customers demanded alternative packaging standards which immediately caused the obsolescence of all previous orders before they were used.

[31] For the approach to value chain analysis used here, see Fernandez-Stark, K. et al 2011; Kaplinsky, R., et al 2000.

Production for Export

Although the company sub-contracts some of its requirements to local producers as the need arises, it grows most of its export crops by its own. As standard farming practice, and the fact that the company has adequate land for its current production needs, Radville Farms allows its land to lie fallow over the rainy season between June and September during which period Macuna perens are planted as a source of organic manure. At the end of the rainy season the macuna is plowed and sprinkled with sufficient water to allow for thorough decomposition. Weeds are not too much of a problem for Radville, thanks to an effective application of herbicides. The insect infestation scouts are also active on the farms for any early detection of the presence of insects and pests. Any signs of the presence of harmful insects are treated immediately with appropriate chemicals, together with concentrated liquid garlic which is added to water and sprayed to deter pest infestation. At each farm, the Farm and the Crop Production Managers supervise all production activities from planting, weeding, spraying, harvesting, and transportation of the produce to the processing plant.

Each active farm has adequate equipment for production-related activities, including drip irrigation systems, tractors, land harrowing and levelling equipment, grass cutting tools, and seed-sowing machines or seeders. However, a good number of this equipment have aged and some lack regular maintenance, especially the mobile coolers, tractors, and other vehicles. Adequate power supply to Radville Farms is a key infrastructural problem, because the electricity supply required for horticultural export production, ranging from the power to operate pumping and irrigation equipment and reliably run cold stores and refrigerated pack-houses, can be substantial. The cost of energy from the national Electricity and Water Company is high, and during occasional power outages, the company relies on its generators on the farms and in the pack-house, and the running cost of which could also be substantial.

Packing and Cold Storage

The road network between Radville's production farmlands and its agricultural processing plant or pack-house and the cold storage facilities at Banjul International Airport is fairly good and the distance is short. The available equipment at the pack-house is standard equipment, including a grading machine for mangoes, weighing scales, and other essential items. At this stage of the value chain the crop harvest, upon delivery at the processing centre, is washed, graded and packed in accordance with specifications required by the retailers and wholesalers in the UK. The packed products are then blast chilled and placed in cold storage ready for export.

The vast majority of pack-house workers are women hired as casual workers from surrounding villages or communities, and paid on piecework basis, without any health insurance coverage or other benefits. On average, the monthly salary of these workers is approximately equivalent to $32-$35, including over-time pay[32]. During peak production periods at least 350-400 workers are engaged in the pack-house. At this level, the critical constraint is the limited space available for the packing operations. As a result, management runs two shifts per day. Inadequate sanitary facilities and their misuse by workers from different backgrounds is also a recurrent problem at the pack-house, largely because of workers' unawareness of the standards required for the proper use of modern toilet facilities.

Freight

Perhaps the greatest challenge that Radville Farms faces has been the emergence of constraints on its outbound logistics, particularly the lack of cargo space for its exports, which sometimes forces the company to scale down its production. A few years ago, the beans harvest, which constitutes 75% of production, was all dumped due to lack of air cargo space. In 2004-2005, when the company began to realize that cargo space limitation was becoming a major impediment, the management decided to augment the production of mangoes and chilies which are less perishable than beans. For a brief period Wealmoor started chartered flights for their export cargo, but this was soon abandoned because of the high costs involved. This constraint on the all-important primary stage of outbound logistics has serious adverse effects on the overall performance of the value chain.

Distribution and Marketing

However, some relief finally came a few years ago when Brussels Airlines started its new scheduled flights to West Africa and Banjul, designated as a hub for their service. The airliner offered Radville a weekly payload of 40-50 tons, which encouraged the company to resume the production of beans for export. For the local management team of Radville Farms Gambia Ltd. the marketing and distribution segment of the value chain is virtually a "black box". The senior management of the company has very little knowledge of and has shown no keen interest in how the marketing and distribution services of the crop they produce are carried out in the UK. For them, their role ends with assembling and dispatching of the export of crops by air freight. The crucial function of receiving and distributing the produce in the

[32] Radville Farms Management, 2015; (In addition to payment of wages, management indicates that the company regularly provides a variety of services to the communities of its employees, in fulfillment of some of its corporate social responsibilities.)

UK market is wholly performed by the UK-based parent company, Wealmoor, from its headquarters in London, by ensuring that when Radville's products arrive they are immediately distributed to various channels in the UK market. It also manages and controls all the finances of the subsidiary firm. As a well-established fresh fruits and vegetables company with a global network of producers and suppliers, Wealmoor's traditional customers include leading retailers, wholesale markets, and the food catering service. On a regular basis, Wealmoor's sales teams work closely with its customers to ensure that their orders are delivered on time and that their specific requirements are fully met.

In 2010 Wealmoor was a recipient of the Waitrose Way award in recognition of its initiatives in the fresh fruits and vegetables business. The company was also recognized with the fresh produce industry award, the Re:fresh Overall Produce Business award of the Year[33].

Upgrading Options

What opportunities or options does Radville Farms have to upgrade any segment of its value chain? On the basis of the recent work of some leading scholars on value chain analysis, particularly in agriculture, upgrading may be defined as "... a process of improving the ability of a firm or an economy to move to more profitable and/or technologically sophisticated capital and skill-intensive economic niches" (Gereffi, 1999). Or it involves "the shift from lower- to higher-value economic activities by using local innovative capacities to make continuous improvements in processes, products and functions" (McDermott, 2007: 104)[34]. For Jurevicius (2013), Value Chain Analysis enables a firm to identify "its primary and support activities that add value to its final product and then analyse these activities to reduce costs or increase differentiation."[35] Similarly, according to Arline (2015), the value chain analysis approach helps companies to identify and eliminate bottlenecks in order to improve "productive capacity" and to achieve a better "bottom line in the long-run".[36] Based on these and similar definitions in the growing literature on value chain analysis, value chain upgrading in essence involves innovation in product development, improvements in process efficiencies, and making a transition into more technologically sophisticated and skilled activities or into new market systems.

From the preceding analysis of Radville Farms' operations and the constraints it faces at various level of its value chain, the prospects of

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[33] Wealmoor Website, Accessed at: http://www.wealmoor.co.uk/
[34] Cited in: Trienekens, 2011, p. 68
[35] Jurevicius, 2013, p.1
[36] Arline, Business News Daily, 2015, p. 1

upgrading any of its value segments are not too bright for the short term. However, two key value chain factors hold great promise for Radville Farms. First, the parent company's strong foothold in the UK market means that Radville Farms does not have to go through third party intermediaries to access the lucrative UK market. With the parent company physically "stationed" in the chosen market, it has the ability and market knowledge to broaden their sales and distribution networks which would have a positive impact on Radville Farms' production segment of the value chain. The second potential source of significant value addition is Radville Farms' commitment to expand the organic farming component of its production programme. Organic horticultural commodities are high quality niche products whose market is projected to accelerate in all major EU markets in the coming years. In the meantime, Radville Farms must find solutions to its current operational constraints, such as the needed improvement in pack-house management and the cargo space bottlenecks.

5 Conclusions and Policy Recommendations

Inadequate attention to small states and their economic agents in the study of global competitiveness has contributed to a limited understanding of the significant efforts some small states, such as the Gambia, are making in order to improve their prospects for greater participation in world markets. Those efforts are directed at growth, trade and investment promotion in an environment of macroeconomic stability. This paper was inspired by the need to focus on private export firms like Radville Farms which have the potential to contribute to the attainment of The Gambia government's objectives of export development, diversification and competitiveness.

An exploratory value chain analysis of Radville Farms, as a leading exporter of Gambian horticultural produce, has identified a number of critical constraints affecting the performance of the firm, including the shortage of trained manpower and outbound logistics constraints regarding limited air freight space for the export of the firm's products. Significant value addition or competitive factors, however, have also been identified as potential sources of upgrading some segments of the firm's value chain. These factors include a secure market, occasioned by the well established presence of the firm's parent company, Wealmoor Ltd., in the UK’s fresh fruits and vegetables market. The parent company is wholly responsible for all input supplies to Radville Farms and for all the distribution activities and the sale of its products to wholesalers, leading supermarkets, and other food service outlets in the UK. This arrangement clearly relieves Radville Farms of potentially high transaction costs associated with seeking market access on its

own or going through intermediaries for the delivery, marketing and distribution of its produce. Furthermore, this arrangement helps Radville Farms to concentrate more on production and process functions at the level of the firm. The second value addition factor concerns Radville Farms' plans to expand the production of organic vegetables for export. The lucrative market for organic products is growing not only in the UK but throughout the EU markets, and for horticulture as a buyer-driven value chain this focus on organic products can add value to Radville Farms' production and can significantly improve its export returns.

To fully exploit these opportunities, however, Radville Farms must first address some of the fundamental constraints currently affecting its overall performance. First, it is recommended that the firm prepares a comprehensive workforce development program which should include a relevant training plan for various levels of its workforce, particularly the pack-house and the farmland workers. As the horticultural industry is highly labour-intensive, improving labour productivity constitutes an important aspect of competitive advantage. Management has expressed interest in outsourcing some of its training requirements to the University of The Gambia (UoTG). This would be a positive development. In addition, however, the company should make efforts to recruit qualified Gambian nationals for some of its senior management and technical positions, as virtually all of these are currently occupied by foreign nationals. Regarding the firm's chronic cargo space problems, it should in collaboration with its parent company, Wealmoor Ltd., explore the possibility of securing cargo space with other airline companies in addition to Brussels Airways, such as the various tourist flights that come to The Gambia during the European winter period. Additionally, selective chartered flights should be considered during peak production periods.

On the policy front, a broad intervention framework for government's support to the producers and exporters of fresh fruits and vegetables is provided by the recently adopted National Horticultural Sector Master Plan (NHSMP). In the implementation of this Plan and associated initiatives for trade promotion, particularly the National Export Strategy (NES), it is recommended that policy-makers accord priority to a number of issues that are crucial for the growth and expansion of horticulture in The Gambia. A well-functioning physical infrastructure, road and transport networks, and reliable and affordable energy supply are essential for a growth-oriented horticultural industry. The National Horticultural Sector Master Plan (NHSMP) aims to address these issues together with the provision of cold storage facilities and the improvement of water management systems for the growers of horticultural products. The sooner these issues are addressed, by speeding up the implementation of projects and programmes, the better this would be for the growth of the sector.

Currently, the government does not levy any export duty for horticultural products. However, customs processing fees are charged as well as import duties on farm inputs and equipment. Many export firms, including Radville Farms, consider this as a burden and as a disincentive, especially given other pressing problems they face such as high energy and freight costs. As part of its trade promotion policies and strategies, the Ministry of Trade (MoT), in consultation with the Ministry of Finance (MoF) and with the participation of exporters, should review the application of these taxes with a view to bringing about some relief to these exporters, who are contributing to the attainment of the government's objectives of domestic trade promotion and development. Finally, there is an urgent need for the government to give support to exporters in their efforts at dealing with the chronic shortage of air cargo space for their exports. Government intervention in this regard could include, in the short term, providing direct professional and technical support to exporting firms in contract negotiations for charter flights and for expanding cargo space with existing commercial flights.

Overall, the horticulture sector is of interest for The Gambia's economic diversification and development plans. Also for the social development the sector is of relevance, as the contribution to employment, poverty reduction and living standards of the people could be increased.

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Unit 3: Book Reviews and Book Notes

Contents and Classification

1. Transformative Regional Integration in Africa

Dodson, Belinda and Jonathan Crush, 2015, *Migration Governance and Migrant Rights in the Southern African Development Community (SADC), Attempts at Harmonization in a Disharmonious Region*, UNRISD/United Nations Research Institute for Social Development, Research Paper 2015-3, October 2015, 27 pages, Web Access: http://www.unrisd.org/80256B3C005BCCF9/httpNetITFramePDF?ReadForm&parentunid=0CDF578939EEC5ACC1257EE300393CF1&parentdoype=paper&netitpath=80256B3C005BCCF9/%28httpAuxPages%29/0CDF578939EEC5ACC1257EE300393CF1/$file/Dodson%20and%20Crush.pdf

This research paper concludes that there is not much progress observable towards the vision of intra-regional free movement of people in SADC. Anti-migrant attitudes have even hardened in South Africa. Violations of migrants' rights are observed through SADC. There is also limited progress on migration governance. The SADC 2014 Employment and Labour Protocol gives some hope for progress, but decisive is what at the national level is done in terms of protecting labour rights and other human rights to non-citizens. Without this rights-based strengthening of migration governance, the paperwork at SADC level will remain irrelevant.

Karl Wohlmuth, Bremen

Piccolino, Giulia, 2016, *International Diffusion and the Puzzle of African Regionalism: Insights from West Africa*, UNU-CRIS Working Papers, W-2016/1, United Nations University- Institute on Comparative Regional Integration Studies, 32 pages, Web Access: http://cris.unu.edu/sites/cris.unu.edu/files/W-2016-1.pdf

The paper asks why African countries have adopted the EU model of regional integration for their sub-regional integration attempts, such as the Economic Community of the West African States (ECOWAS) and the Union Economique et Monétaire Ouest Africaine (UEMOA). Such an attitude to rely on the linear EU model of regional integration can also be found also elsewhere in Africa. Far too long the linear model of regional integration of the EU (starting with a preference zone, then moving to a free trade zone, a customs union, a common market, a monetary zone, and finally to a political union) was taken as a guideline for Africa's integration efforts. According to the author structural constraints and sociological institutionalist theory seem to be more appropriate to explain the mixed outcomes of regionalism in Afri-

ca. And, it is concluded that these challenges in Africa's regionalism seem to be less specifically "African" than usually thought. ECOWAS and UEMOA obviously had their major successes just in fields where they have least imitated the EU model.

The recent crisis of the EU and of the Euro might have stimulated a more critical way of thinking in Africa. It is also observed that African elites see the necessity to be more innovative in their regional integration, not just to take ownership of their regional integration process based on the EU model. But, a reflection is also requested on the side of the EU what is appropriate in their cooperation with African Regional Economic Communities (RECs). It is overdue that the EU learns from own deficiencies in economic and monetary cooperation in order to be able to revise their forms of cooperation with Africa. Good news is that Africa's elites are increasingly aware that they must find their own model of regional integration, not copying the EU one and not praising prematurely their own steps towards new milestones of regional integration as successes (as too many of these milestone treaties are on paper).

Karl Wohlmuth, Bremen

***Commodity exchange markets and their role in promoting regional value chains in eastern and southern Africa*, Taku Fundira, 2015, Stellenbosch: Trade Law Centre (tralac), trade brief, no. US15TB02/2015, pages: 18.**

Africa's economic prospects can be greatly improved through minerals processing, the expansion of manufacturing activities, and the production and export of non-traditional agricultural and industrial products. The United Nations Economic Commission for Africa (UNECA) (2010) notes that economic diversification in Africa can deliver the improved utilization of the continent's vast agricultural and mineral resources and the further development of services sectors such as tourism. To capitalize on these opportunities, however, African countries must become integrated into the world economy and develop stronger and more sophisticated export sectors in order to maintain and achieve sustained growth.

The paper states that the development of commodity exchanges as a means of expanding market space for trading commodities is regarded as one way of addressing some of the challenges to expanding intraregional trade. This is mainly because in the sub-region where exports are predominantly primary and unprocessed goods consisting of oil, minerals and agricultural goods. Thus, reliance on exports of such commodities by countries in the sub-region provides an opportunity for the development of commodity markets with the aim of triggering massive improvements in infrastructure and

financing arrangements of commodity value chains and competitiveness for international trade.

The objective of this paper is to explore the existing agricultural commodity exchange platforms in eastern and southern Africa and the manner in which they function. The author also highlights the challenges associated with these platforms and identifies areas that can be improved in order for the platforms to function effectively. Some chapters look at how a commodity exchange market operates. This is then followed by profiling the main commodity exchange platforms operating in eastern and southern Africa, with the aim of highlighting their strengths and weaknesses. A chapter at how commodity exchange markets promote both intraregional trade as well as the development of regional value chains follows. The paper concludes by proposing and exploring the idea of a regional commodities exchange.

Achim Gutowski, Bremen

***Monitoring Regional Integration in Southern Africa: Yearbook 2013/2014*, André du Pisani et al (eds.), 2014, Stellenbosch: Trade Law Centre (tralac), ISBN: 978-0-9922192-3-9, pages: iv + 223.**

Regional and especially economic integration holds potential and strong benefits for Africa. But this is true only if Africa could succeed in identifying a successful formula to counter challenges confronting the project of regional integration. According to existing and new evidence available, this will remain work in progress for the foreseeable future. Such challenges include capacity issues, financial and resources concerns, expertise, overlapping membership of Regional Economic Communities and, most importantly, the political will to succeed with the project.

The subject of regional integration and the topics it comprises are complex issues that need time to study and research. A platform to discuss and present findings of such work is necessary and always crucial, now more than ever. The "Monitoring Regional Integration Yearbook", now in its 13th edition, is therefore published. The Konrad Adenauer Foundation is involved with the yearly publication.

This 13th edition of the publication critically examines strengths and weaknesses in the development of southern Africa as a region. It also reveals interesting findings and data about issues confronting the region as it struggles to find its feet in the challenging process of regional integration.

Chapters include for example "Export taxes in the South African context", "A new approach to investment governance in southern Africa", "Terms of trade in agricultural trade" and chapters about the WTO laws and

trade agreements, the GATS perspective and The World Bank´s economic update for South Africa.

Achim Gutowski, Bremen

Keijzer, Niels, Mark Furnesss, Christine Hackenesch, and Svea Koch, 2015, *Towards a new partnership between the European Union and the African, Caribbean and Pacific countries after 2020*, Contribution of the German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE) to the EU public consultation, d.i.e (Deutsches Institut für Entwicklungspolitik/German Development Institute), December 2015, 16 pages, Web Access: http://www.die-gdi.de/uploads/media/DIE_contrib_ACPEUConsultation_211215f.pdf.

The paper follows the order of the questions of the official document version by the EU High Representative of the Union for Foreign Affairs and Security Policy as from 6 October 2015, which is accessible under: https://ec.europa.eu/europeaid/sites/devco/files/joint-consultation-paper-post-cotonou_en_0.pdf.

The many crucial policy areas of the partnership are reflected in the contribution from DIE, Bonn. It starts with the major theme "Shared Principles and Common Interests" (the "what"), First, there is a discussion on common global interests in a multipolar world; then, second, follows a discussion on human rights, democracy and rule of law, as well as good governance; the third sub-section is on peace and security, and the fight against terrorism and organised crime; the fourth is on sustainable and inclusive growth, investment and trade; the fifth is on human and social development; and the sixth sub-section is on migration and mobility. The next part deals with steps "Towards a More Effective Partnership" (the "how"). There is a discussion in the seventh sub-section on a stronger political partnership; the eighth is on coherence of geographical scope; the ninth is on cooperation tailored more towards groups of countries with a similar development level; the tenth is on strengthening the cooperation with key actors; the eleventh is on streamlining the institutional set-up and the functioning of the partnership; and finally, the twelfth sub-section is on introducing better adapted and more flexible cooperation tools and methods, The position paper by DIE to the EU Consultation brings to the centre of discussion important issues of a future (post-2020) post-Cotonou agreement between ACP and EU countries. But, the current issues of ACP-EPA negotiations and other current EU-Africa Cooperation issues are left out (purposively?) in this position paper.

Karl Wohlmuth, Bremen

2. South-South Cooperation and African Development

ITC/International Trade Centre, 2013, Improving Africa's Cotton Value Chain for Asian Markets, Technical Paper, Geneva: ITC, ix, 25 pages, Doc. No. MAR-13-230.E, Web Access: http://www.intracen.org/Improving-Africas-cotton-value-chain-for-Asian-markets/

The paper assesses the potential of African-Asian cotton trade by using quantitative and qualitative information. Africa's market position in cotton production and trade is reviewed as well as the challenges Africa is facing. The need for improvements in the African cotton value chain is documented, in order to be able to meet Asia's growing demand. Most important, the cotton value chain has to be understood by the stakeholders themselves in order to improve on it. An analysis of the necessary and sufficient conditions for a better functioning cotton value chain is proposed so as to be able to compete successfully on the Asian markets. ITC's role in this process is highlighted. The potential of partnership development between Asia and Africa is also discussed. It is shown that there exists potential, but the main stakeholders are not yet informed and ready to act on improvements of the value chain.

Karl Wohlmuth, Bremen

Amanor, Kojo S. and Sergio Chichava, 2016, *South-South Cooperation, Agribusiness, and African Agricultural Development: Brazil and China in Ghana and Mozambique*, in: World Development, Vol. xx, pp. xxx-xxx, 2016,
Web Access:
http://www.sciencedirect.com/science/article/pii/S0305750X1530320X
and:
http://ac.els-cdn.com/S0305750X1530320X/1-s2.0-S0305750X1530320X-main.pdf?_tid=bceb4a0e-e5e1-11e5-b4f2-00000aab0f02&acdnat=1457519520_adf944c76eda03620e6c30d309ca9849.

This article looks at the character of the agribusiness activities of Brazil and China in Ghana and Mozambique. It is analysed how these South-South Cooperation (SSC) interventions (through credit lines, technology demonstration, extension services, input supplies, R&D, exchange of information, etc.) are developed towards expanding the agricultural services of Brazil and China in Africa. It is shown that the activities are similar to the ones practised by

the Northern donors and agencies, the international organisations and the agribusinesses, what is a reflection of the similar accumulation model in agribusiness. Therefore, it is not a surprise that there are forms of trilateral cooperation with actors from the North. National policies and national vested interests have an impact on the forms of cooperation and on the outcomes of such interventions. It is interesting to learn how different the preconditions for cooperation, the modes of cooperation, and the outcomes of cooperation are in Ghana and in Mozambique. This has to do with vested interests in Ghana based on the state's role in integrating smallholders into input and processing markets, while in Mozambique the state favours more large-scale agriculture and foreign investment in estate agriculture.

Beside of these differences as being dependent on the national policies practised in the two countries, it is interesting to observe that the SSC agribusiness model is more or less integrated into the dominant framework of a globally commercialized and integrated agribusiness sector. Therefore, it cannot be expected that the SSC will produce different results in terms of capital accumulation, technology transfers and investment for agribusiness development. So, SSC will not by itself lead to a more participatory development model or to viable platforms for a dialogue on sustainable or equitable development. Only when government, business and the civil society of African countries move on a determined basis in this direction, then will SSC contribute to such development objectives. Otherwise the dominant trends in agriculture, agro-industry and agribusiness will only become cemented, and the classical accumulation model of global agribusiness will prevail.

Karl Wohlmuth, Bremen

The Reality of Aid International Coordinating Committee, 2014, *The Reality of Aid 2014, An Independent Review of Poverty Reduction and Development Assistance, Theme: Rethinking Partnerships in a Post-2015 World: Towards Equitable, Inclusive and Sustainable Development*, The Reality of Aid International Coordinating Committee, IBON Center, Quezon City, The Philippines, 305 pages, ISBN 978-971-9657-01-9, Web Access: http://www.realityofaid.org/wp-content/uploads/2014/12/FINAL-ROA-Report-2014.pdf

This is a critical evaluation of the working of official development assistance (ODA), but the book is also presenting new trends, new actors, and new forms of partnerships. A new global partnership framework is requested so as to end poverty and inequality. Therefore, in chapter one the essays present a discussion of the principles and practices of partnerships with a view to find

out more developmental forms of partnership. In chapter two the essays analyse the changing aid and finance architecture with a view towards more developmental partnership. The changing landscape of ODA is discussed, with a stronger private sector role, new government actors, and an increasing emphasis on South-South partnership.

In this context the essay by Vitalice Meja, from Reality of Aid Africa, on "Making South-South Cooperation (SSC) Partnerships Work for Africa" is important as he critically assesses the challenges of SSC partnerships. Obviously there is no participation of citizens of the beneficiary countries in such partnerships as they are arranged by governments and with the governments of aid-providing countries. So the aid-providers cannot or will not consult with other beneficiaries than governments. Also the cooperation between SSC aid-providers is lacking as the partnerships are motivated by national interest. The national interest defines the actions of the SSC aid-providers and so cooperation among aid-providers is an exception. Also, SSC beneficiaries in Africa have no national policy to use effectively aid from SSC sources. This essay highlights the major constraints of such partnerships for Africa. So, the outcomes of such SSC partnerships may be far below expectations.

The essays in chapter three are on the key issues of defining the post-2015 world in order to make the partnerships more inclusive and rights-based. Chapter four is on global aid trends, BRICS Reports and OECD Reports. The BRICS reports (Brazil and India) give critical analyses of the respective aid concepts and policies. The OECD country reports show how dynamic aid policies are developing further.

Policy recommendations are presented for African governments, and also for regional and multilateral institutions. Strategic recommendations refer to a higher degree of ownership, civil society participation, the development of national strategies, and the strengthening of institutions to mobilize SSC aid for effective development strategies and important and sustainable projects.

Karl Wohlmuth, Bremen

Henley, David, 2015, *Asia-Africa Development Divergence, A Question of Intent*, Zed Books London 2015, i-xiii, and 248 pages, Bibliographic Search at ISBN numbers:
ISBN 978-1-78360-278-0 hb
ISBN 978-1-78360-277-3 pb
ISBN 978-1-78360-279-7 pdf
ISBN 978-1-78360-280-3 epub
ISBN 978-1-78360-281-0 mobi

In this book the development performance of Africa is contrasted with the one in Asia. It is asked why countries in South-East Asia such as Malaysia, Indonesia and Vietnam are so successful in reducing levels of absolute poverty while in African countries like Kenya, Nigeria and Tanzania most of the people are not better off now than they were half a century ago? The development divergence is explained by the absence in most of Africa of developmental intent on the part of the national political leaders. In seven chapters the basic elements of this concept to explain underdevelopment in Africa are explained; indeed this is a far-reaching explanation of the divergence in development. The political elites (the "national leaders") are the key personalities in explaining the growth and development difference. Chapter seven summarises the "theory of developmental intent".

When comparing Indonesia and Nigeria it is becoming obvious according to the author that the lack of (or the gap in) intentions is the problem and not so much the institutions itself. Two steps are important when looking at the intentions of the national leaders. First, the right policies have to be selected and then implemented (policies which simultaneously lead to macroeconomic stability, economic freedom and substantial public investment in rural infrastructure and smallholder agriculture. According to the author, in Indonesia the selection and implementation of these critical objectives reflected an implicit adherence to such policy objectives but also based on three principles: mass outreach, rapid impact, and flexibility of expediency with respect to the means by which outreach and impact were achieved. History has shaped the world views of the elites differently in South-East Asia and in Africa. These different world views lead to differences in understanding development, underdevelopment, and transformation and have impacted differently on developmental intent. The book is full of hopes that some time the lessons from Asia will be found so convincing to African leaders that they will start to change the course. Rwanda is taken as a reference example. There may be some scepticism as agriculture is still neglected in most of Africa, despite of so much evidence that via agricultural transformation most of the development objectives could be realised.

The approach of the book is quite interesting (comparing the development histories of Indonesia and Nigeria, of Malaysia and Kenya, and of Tanzania and Vietnam). Revealing are the chapters 4 and 5 on the role of agriculture in development, as opportunities and missed opportunities are recorded as well as major agriculture sector projects in these countries. The lack of interest of African rulers in developing agriculture comes out quite well, but contrary to the hopes raised by the author the reviewer of the book cannot see any change in the mind-set of African policy-makers. Development intent in Africa remains biased against agriculture-based development and without real "development intent" the agriculture-related interventions in Africa,

which are pushed from the side of the international donors, will not be sustainable. Beside of the example of Rwanda where in recent years some pro-poor and pro-rural policy change has occurred, not much other signals of hope are to be found in the book. The book is readable, informative, and also benefits from comparing interesting country cases, projects and policies so as to make clear the basic argument. It is also a study expressing some implicit pessimism concerning advice and learning from development successes through South-South interactions.

Karl Wohlmuth, Bremen

***Social Protection, Growth and Employment: Evidence from India, Kenya, Malawi, Mexico and Tajikistan*, 2013, United Nations Development Programme (UNDP), New York: UNDP, ISBN: 9-789211-263633, pages: xvi + 328.**

The global financial and economic crisis has highlighted and reinforced the need for effective social protection mechanisms that can not only prevent households from falling into poverty but also permanently raise their earnings. Meanwhile, social protection policies must be consistent with labour market mechanisms and with employment policy in order for either or both to be as beneficial as possible.

This volume, using a broad definition of social protection, takes an in-depth look at selected programmes and their interaction with employment generation and growth in India, Kenya, Malawi, Mexico, Peru and Tajikistan. It focuses on poverty and aims to explore how social and economic policies can be better integrated to simultaneously advance social welfare, employment outcomes and inclusive growth.

Employment is a key strategy for sustainable poverty reduction and promotion of inclusive growth. However, economic growth, even when rapid, has not always created jobs, particularly jobs for the poor. Furthermore, in the present global context, growth has slowed down and employment has suffered as well. Even when growth recovers, the need for innovation and re-reorganization of production and service delivery in order to reduce costs might well mean a weaker demand for labour. Less rapid growth and lower employment intensity of growth will make inclusive growth and progress in human development more difficult. In addition to this, the quality of the jobs created also matters in terms of human development outcomes. Insecure, unstable and unprotected employment has limited potential to have a lasting effect on poverty reduction. In this sense, a closer linkage of employment policies with social protection policies and programmes can also promote

greater resilience both at the level of the household, but also the economy as a whole.

Both employment and social protection thus are keys to inclusive growth, sustained poverty reduction and improvement in human development. However, establishing the linkages between them so as to potentiate the positive effects of employment and social protection remains an area where much needs to be learned.

This book addresses this question by looking at evidence from six country case studies to assess how to enhance the employment impact of social protection programmes by improving the consistency of objectives between them and the macro, sectoral and territorial policies adopted by countries. These studies look at a range of social programmes to assess their potential and limitations for supporting more inclusive growth and for sustained poverty reduction. They also focus on design and implementation questions as well as their links with other social and macroeconomic policies.

Regarding Africa, one chapter deals with "Social Protection and Labour Markets in Malawi: the Centrality of Agriculture"; another one with "The Youth Employment Challenge: The insertion of Kenya's youth into formal and informal jobs". Finally, a chapter concludes with "Policy, Institutional and Methodological lessons from six country studies".

Achim Gutowski, Bremen

***Africa-BRICS cooperation: implications for growth, employment and structural transformation in Africa*, 2013, United Nations Economic Commission for Africa (UNECA), Addis Ababa: UNECA, pages: 48.**

What effect could trade with, and investment and aid from the BRICS (Brazil, Russian Federation, India, China and South Africa) have on growth, employment and structural transformation in Africa? How can Africa maximize the benefits of its engagement with the BRICS, and minimize the risks? This study covers these two questions via a comparative analysis of BRICS' practices in their cooperation with Africa.

Chapter 2 "Africa-BRICS Cooperation and Major Trends" deals with The Role of Trade, The Role of Foreign Direct Investment and The Role of Development Assistance. It shows major trends on trade, foreign direct investment and development assistance. Chapter 3 "Comparative features of the BRICS' Cooperation in Africa" covers similarities and differences among the BRICS, deals with trade and its opportunities and challenges, with investment and its opportunities and challenges as well as development assistance and its opportunities and challenges.

Chapter 4 "Implications of Africa-BRICS Cooperation for Growth, Employment and Structural Transformation" investigates the impact of Africa-BRICS Cooperation, the enhancement of Africa-BRICS cooperation for growth, employment and structural transformation in Africa. It also covers aspects on improving growth and employment, accelerating structural transformation and draws lessons from globalization.

Chapter 5 concludes and states the following policy recommendations: it is essential to have a full understanding of the substance of the major issues on the agenda for dialogue with partners, via improved and increased research and think tanks research, and also through mechanisms and processes for internal dialogue on relations with the BRICS. Policymakers must be fully aware of the potential impact of the partners' actions on African economies and societies. Strengthened capacity is essential for effective coordination of the types of financing offered by the BRICS and other partners. The capacity to coordinate is crucial – African countries must have effective mechanisms for coordinating among themselves. The capacity to negotiate is important – African countries also need to build negotiation capacity to be effective in bilateral forums, as well as to handle large and complex commodity deals with its emerging partners, including the BRICS. The capacity to monitor has to be highlighted – African countries must ensure that they have the analytical capacity to monitor financial flows, and the capacity to monitor the implementation of agreed-on projects.

Finally, the capacity to be globally competitive is crucial – global competitiveness requires African countries to put in place institutions, mechanisms and processes to support the private sector in accessing and using cutting-edge technology. There is the need to foster effective national systems of innovation and push for competitiveness in low-end manufacturing in order to enter the global value chains of their BRICS partners. They must also use indigenous knowledge with the same aim of locating their firms higher up the value chains of key industries.

Achim Gutowski, Bremen

UNCTAD, *Global Value Chains and South-South Trade – Economic Cooperation and Integration among Developing Countries*, 2015, no ISBN, 57 pages, web access: http://unctad.org/en/PublicationsLibrary/ gdsecidc2015d1_en.pdf

Since the start of the millennium, the emergence of new growth poles in the South, along with a fledgling political architecture at the regional (such as UNASUR in Latin America and an expanding ASEAN in South East Asia) and cross regional (such as the BRICS, IBSA and the China-Africa Forum)

levels, has helped rekindle interest in South-South cooperation. The global financial crisis in late 2008 added to this momentum. Advanced economies have found it difficult to shrug off the fallout from the crisis with growth prospects damaged, on some estimates, for a decade or more. By contrast the major economies in the South, in particular China and a number of dynamic medium-sized economies, bounced back quickly (though not fully) from the initial shock, further consolidating their position in the world economy.

As a result of these trends, the case for promoting South–South trade and investment as a means of maintaining growth momentum in developing countries has become a focus of the international development policy debate. Indeed, for the first time, policy makers in advanced countries have begun to see South-South cooperation in a more positive light, partly as a means to correct persistent global economic imbalances, but also as a way to shift some of the burden of global governance which is stretching budgets in these countries. However, the preferred policy agenda they attach to South-South cooperation is heavily focused on a further push towards market opening and private sector development through more rapid liberalization (often in the form of regional and bilateral agreements) and increased participation in global value chains (GVCs).

Building on previous UNCTAD research, this study examines trends and patterns of South-South trade over the last decade linked to GVCs. Its findings confirm much of the earlier analysis. However, there are some new, or at least more visible, trends that have emerged over the last decade and have impacted international production and South-South trade, including the growing influence of financial markets on the real economy ("financialization"), and the emergence of China as the world´s leading export economy. There has also been strong growth performance across the developing world, which began after the recovery from the dotcom crisis of 2000, and continued after the financial crisis of 2008, albeit at a slower rate than prior to the crisis. The study begins with an analysis of the links between trade, industrialization and the evolving international division of labour. Contrary to much recent analysis it emphasizes the longstanding nature of the economic forces behind GVCs and the familiarity of the challenges they pose to policy makers in the South. This is followed by a discussion of some of the main changes in the global trading system over the past three decades, in particular the growing participation of developing countries in world trade, the shift in the composition of their trade from primary products to manufactures, and the rise of South-South trade both as a share of developing country and world trade. These three features are connected, in no small part, through the spread of GVCs. The next three sections examine in turn recent trends in global production sharing, the value added by different countries in GVCs, the contribution of GVCs to rising South-South trade, and the role of FDI in spreading

international production and its development impact. A final section summarizes the key findings and draws policy implications.

Achim Gutowski, Bremen

UNDP, *Working with Civil Society in Foreign Aid− Possibilities for South-South Cooperation*, South-South Aid Report, 2013, UNDP: Beijing, 382 pages, available at www.undp.org.

The United Nations Development Programme (UNDP) 2013 Human Development Report 'The Rise of the South: Human Progress in a Diverse World' highlights a profound shift in global dynamics. It draws attention to unprecedented developments in the South and their implications for human development. The impact of these changing dynamics on the global economy and politics will shape the future of development in many parts of the world. Building on this report, and responding to a request from the Chinese Academy of International Trade and Economic Cooperation (CAITEC), this study looks more closely at the implications of the 'rise of the South' for South-South cooperation (SSC) for development. Specifically, the focus is on the sometimes neglected roles − current and potential − for Southern civil society organizations (CSOs) in SSC.

As countries become increasingly involved in SSC for development, many are considering approaches that expand relationships with CSOs in their aid programmes. This study reviews the experiences of official development assistance (ODA) and the roles of CSOs in the traditional donor countries of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) and a selected number of South-South aid-providers as a potential resource for policy discussions. It attempts to draw out some common themes and possible good practice in partnerships with CSOs.

The book is structured in two sections. The first part draws together lessons learned from the experiences that DAC donors and South-South aid-providers have in working with CSOs as part of their development cooperation in aid delivery. It seeks to highlight good practices and relevant issues from the perspective of SSC actors that are possibly planning to engage CSOs in the future.

The second part of this book is a collection of more detailed case studies from the USA, Australia, Sweden, Brazil, Turkey and a few other South-South aid-providers. There is also a case study on working with international NGOs. The case studies provide country-specific in-depth knowledge on the

experience of these countries in engaging CSOs in the delivery of their aid. The overall aim of the book is to provide a useful resource for different development actors by suggesting ways to engage civil society in their development policy and cooperation.

Achim Gutowski, Bremen

3. Specific Policy Issues of Regional Integration in Africa

Oxfam, 2015, *ECOWAP: A Fragmented Policy*, Oxfam Briefing Paper, November 2015, 26 pages, Oxfam (www.oxfam.org), Web Access: https://ec.europa.eu/europeaid/sites/devco/files/joint-consultation-paper-post-cotonou_en_0.pdf; https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-ecowap-fragmented-policy-131115-fr_.pdf.

In this paper it is asked why ten years after the launch of the ECOWAS policy on food and agriculture (ECOWAS CAP/Common Agricultural Policy), to channel efforts in the sector, the coordination is still so weak. The problems following from this coordination failure and the reasons for it are manifold. Many regional initiatives compete with each other, and this holds for the political and the project levels. Not only national governments have competing programmes to the ECOWAS CAP, but also development partners undermine the CAP. Development partners do harm when they impose their own interventions frameworks at project level, thereby weakening regional authorities and breaching their own commitments on aid effectiveness. But, a common agricultural policy (CAP) framework is important in order to secure food security, to increase intra-regional trade, and to give substance to the agreed upon regional integration objectives.

Karl Wohlmuth, Bremen

***Mobility Makes States: Migration and Power in Africa,* Darshan Vigneswaran; Joel Quirk (eds.), 2015, Philadelphia: University of Pennsylvania Press, ISBN: 978-0-8122-4711-4, pages: 312.**

Human mobility has long played a foundational role in producing state territories, resources, and hierarchies. When people move within and across national boundaries, they create both challenges and opportunities. In this book, chapters have been written by historians, political scientists, sociologists, and anthropologists who explore different patterns of mobility in sub-Saharan

Africa and how African states have sought to harness these movements toward their own ends.

While border control and intercontinental migration policies remain important topics of study, the authors demonstrate that immigration control is best understood alongside parallel efforts by states in Africa to promote both long-distance and everyday movements. The contributors challenge the image of a fixed and static state that is concerned only with stopping foreign migrants at its border, and show that the politics of mobility takes place across a wide range of locations. That includes colonial hinterlands, workplaces, camps, foreign countries, and city streets. They examine short-term and circular migrations, everyday commuting and urban expansion, forced migrations, emigrations, diasporic communities and the mobility of gatekeepers and officers of the state who push and pull migrant populations in different directions.

Through the experiences and trajectories of migration in sub-Saharan Africa, the book sheds light on larger global patterns and state making processes.

Part I "channelling human mobility" provides information of African countries such as Angola, Mozambique, Rwanda, South Africa and Ghana. Part II "moving concentrations of power" includes country case studies such as Angola and Zambia.

Achim Gutowski, Bremen

4. Regional Economic Communities in Africa

ESCWA/Economic and Social Commission for Western Asia, 2015, *Assessing Arab Economic Integration, Towards the Arab Customs Union*, Beirut: United Nations, Document E/ESCWA/EDID/2015/4, 216 pages, Web Access: https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/e_escwa_edid_15_4_e.pdf

Again a new initiative was born to form an Arab Customs Union (ACU). And again, some African countries are included (Morocco, Mauritania, Algeria, Libya, Tunisia, Egypt, Djibouti, and Sudan) and they are expected to become part of it. Again, it is fair to say that this will not be the last report on Arab Regional Economic Communities (Arab RECs). The group of African countries comprises middle-income countries, low income countries, and least developed countries. Therefore the structural conditions for a successful and successful integration process are quite limited. Also because of the presence of oil-rich Arab countries outside of Africa, which means that common inter-

ests in the ACU may stay weak. The integration of 18 Arab states in the form of the Pan-Arab Free Trade Area (PAFTA) is to be complemented and intensified by the Arab Customs Union (ACU), which was already announced in 2009. The project was scheduled to be achieved by 2015, but without tangible results so far. Now it is planned to create the ACU by the year 2018. By the creation of the ACU also the problem of multiple and overlapping free trade areas should be solved, especially by providing for a common trade policy.

This first edition of the Assessing Arab Economic Integration Report is innovative also in methodological directions, by creating a system of quantitative indices to measure integration, over time and compared with other countries and regions. The Arab Economic Integration System of Indices (AEISI) should allow for proposing measures towards more policy coherence at the national and regional levels of the Arab member countries. Second, the new focus on the development of "productive capacities" should help to link the 18 Arab economies by production-centred and regional value-chain focussed integration initiatives. The transition from PAFTA to ACU should be complemented by new tools for policy convergence. All this looks like a more transformative view of regional integration. However, the real test will be the political will to go along this direction.

Karl Wohlmuth, Bremen

European Centre for Development Policy Management (ECDPM), Isabelle Ramdoo, 2015, *Resource-based industrialisation in Africa: Optimising linkages and value chains in the extractive sector,* Discussion Paper No. 179, Maastricht: ECDPM, pages: 105, available at: http://ecdpm.org/publications/resource-based-industrialisation-in-africa-optimising-linkages-and-value-chains-in-the-extractive-sector/

The paper states the following key messages: firstly, for resource-based industrialisation to succeed, countries and regions need to optimise the different forms of linkages – fiscal, production and consumption ones – within and outside of the extractive sector; secondly, there is no one-size-fits-all solution to address the challenges that resource-rich nations face when it comes to optimising their extractive-industry. It requires policies to be implemented step-by-step. There needs to be collective responsibility and efforts at the national, regional and global level. Leadership from the private sector is also vital.

This paper focuses on how resource-rich African economies can make better use their extractive resources to foster industrial development. Industrialisation is the key to Africa's economic transformation, so the question is

not whether countries should conduct industrial policies, but rather how to implement policies in an efficient and pragmatic way.

After the introduction, resource-based industrialization is described including the optimization of backward and forward linkages. The instruments used to foster linkages such as trade and investment rules (eg GATT, TRIMs) follow. One part covers the extractives and global value chains and questions where Africa stands at the moment. The last part offers policy recommendations and states what companies can do, what collaborative partnerships can achieve and what development partners can do.

Achim Gutowski, Bremen

European Centre for Development Policy Management (ECDPM), Isabelle Ramdoo, 2014, *ECOWAS and SADC Economic Partnership Agreements: A comparative Analysis*, Discussion Paper No. 165, Maastricht: ECDPM, pages: 36, available at: http://ecdpm.org/publications/ecowas-sadc-economic-partnership-agreement-comparative-analysis/.

After 12 years of hard talks, the Economic Partnership Agreements (EPAs) finally concluded with ECOWAS and SADC in 2014 that they were made possible, largely due to the strong political leadership shown on all sides in order to ensure the smooth trade relationship with the EU and to maintain regional unity and solidarity. In terms of product coverage, ECOWAS will liberalise 75% of its tariff lines, based on its common external tariff, over a period of 20 years while the SADC EPA group is expected to liberalise 80% of its trade with the EU.

ECOWAS and SADC countries maintain some policy space to protect their domestic economies in case imports from the EU threaten to cause injury to their domestic industries and both EPAs contain flexibility for countries to apply export taxes in exceptional circumstances in case of specific revenue needs.

EPAs must now be placed in a broader perspective, notably in the larger strategic EU-Africa relationship. This means that both the EU and the regions that have concluded EPAs will now have to mainstream EPAs in their own economic dynamics. A trade agreement in itself is just the starter.

The paper describes the underlying principles of EPAs: regional integration, development and WTO-compatibility. Further, it compares the EPAs of SADC and ECOWAS and addresses the challenges, deals with regional and continental integration and describes EU trade deals with third countries and the potential impact on EPAs.

Achim Gutowski, Bremen

International Centre for Trade and Sustainable Development (ICTSD)/ World Economic Forum, *Synergising and Optimising Mineral Infrastructure in Regional Development Strategies*, 2015, Isabelle Ramdoo, Geneva: ECTSD/World Economic Forum, ISSN: 2313-3805, pages: 20, available at: http://e15initiative.org/publications/synergising-and-optimising-mineral-infrastructure-in-regional-development-strategies/.

This paper has been produced under the E15 Initiative (E15). Implemented jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the World Economic Forum, the E15 convenes experts and institutions to generate strategic analysis and recommendations for government, business, and civil society geared towards strengthening the global trade and investment system for sustainable development.

The paper states that the mineral "super cycle" of the past decade, as a result of exceptionally high prices of commodities, has encouraged many mining companies to embark on very large mining projects, including in "frontier" countries once considered too distant or too risky to invest in. Besides weak business environments, institutions, and regulatory frameworks, one of the biggest challenges encountered by mining companies, in particular by "first movers," is the absence of appropriate or existing infrastructures, especially in transport, energy, and logistics, and the limited track record of engagement in effective partnerships with the public sector to construct such infrastructures. It is widely recognised that poor and insufficient infrastructure provisions are major obstacles to factor mobility, productivity, and competitiveness. Several recent studies have highlighted the extent of current gaps (in physical and financial terms) and have quantified their negative impacts on growth and the business environment in several parts of the developing world. In Africa, the challenge is particularly daunting.

To address this, it is estimated that the world will require US$57 trillion in terms of infrastructure investment between 2013 and 2030 to sustain gross domestic product (GDP) growth. This implies that investments will have to increase by almost 60 percent over the next 18 years. In Sub-Saharan Africa (SSA) alone, the World Bank estimates that needs would amount to US$93 billion a year. These figures are probably just an average guess. While they reflect what would be needed to maintain and upgrade existing infrastructures in developed economies and meet the needs of developing countries, they, however, do not take fully into account the broader ambitions and upcoming challenges of emerging economies. Indeed, infrastructure provision is not sufficient in itself. It can only be transformative if it is well connected and

integrated into territorial development and if it can contribute to stimulate trade and investment, business development, and maximise the potential of economic sectors. For this reason, infrastructure development that arises from large mining projects provides a unique opportunity for poorly endowed countries to permanently change their state of affairs. To address the general weaknesses in the infrastructure sector and reverse their impact on overall economic development, there is a strong case to be made to leverage, share, and optimise the use of mineral infrastructures for broad-based economic activities. This is not only relevant at the national level, where smart spatial linkages can unlock access to other economic actors and sectors, but also more broadly at the regional level, to better connect markets and improve the movements of goods, services, and people. Countries can derive significant positive externalities from the large economic potential that can be released from wider use of mineral infrastructures. On their side, companies can share their (high) costs and manage capital exposure risks by partnering with governments and other stakeholders to achieve this objective.

The purpose of this paper is to explore the potential of mineral infrastructures as "anchors" for economic development and cross-border cooperation. It proposes some policy recommendations to make better use of existing frameworks to foster the utilisation of mineral infrastructures. It also points out that in some cases, rules may not be the most appropriate way to stimulate broader economic development out of resource infrastructures. Sometimes incentives and strategic partnerships are more efficient and effective ways to realise certain objectives. For example, governments need to coordinate their efforts with private sector actors, both from the mining industry and from other economic sectors, to build synergies across economic objectives. Co-locating infrastructures has the potential to create scale economies, address different types of shortages at the same time, and reduce costs.

Achim Gutowski, Bremen

5. Global Value Chains and Regional Impacts in Africa

World Bank Group, 2016, *Factory Southern Africa?, SACU in Global Value Chains*, Summary Report, The IBRD/The World Bank, Washington D.C., 110 pages, Web Access: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2016/01/21/090224b0840e51c5/1_0/Rendered/PDF/Factory0Southe0ins000summary0report.pdf

SACU (Southern African Customs Union) has as a customs union unique opportunities to strengthen regional value chain (RVC) and global value

chain (GVC) integration. In four sections the theoretical concepts and the empirical evidence is presented. After an introductory chapter to clarify the concepts there is a section 1 on the role of SACU in regional and global value chains. Highlighted are issues of measuring SACU's GVC Integration, Performance and Positioning; the role of Regional Value Chains in SACU; and the GVC Determinants and SACU Competitiveness. In Section 2 the Structural and Policy Challenges for GVC and RVC Integration are discussed, with chapters on Structural Challenges in SACU, to highlight the impact of GVCs in small and remote countries; the importance of Trade and Investment Policy for Value Chain Integration; and the role of Trade Facilitation for Value Chain Integration In section 3 the implications of GVCs on and RVCs on Productivity and Jobs are presented, with chapters on GVCs as Sources of Productivity Growth; and GVCs and Jobs. In Section 4 there are Conclusions and Policy Directions, done in the two chapters Conclusions about "Factory Southern Africa"; and Policies for "Value Chain Integration in SACU".

The report presents valuable evidence and also shows that even in the established SACU regional grouping there is tremendous need for reforms to allow for such a strategy that is exploiting the opportunities of GVCs and RVCs. These strategies are highlighted. It becomes obvious that a transformative regional integration agenda has to start in SACU as a regional economic community (REC) and parallel in the member countries. A "gateway" model is presented, meaning that not only South Africa should function as a gateway for foreign investors, lead firms of GVCs and RVCs, and multinational corporation (MNCs), but also the whole SACU region. The BLNS (Botswana, Lesotho, Namibia, and Swaziland) countries should also take over certain functions along the gateway model (in services, processing, etc.). However, such a gateway role requires, first of all, open door policies and deep structural reforms in South Africa, and there are doubts that this can be achieved in the years to come. And, at the level of SACU new gateway policies are needed: on infrastructure provision, skills development, building services sectors and services hubs, providing for economic densification, and practising an open regionalism.

Karl Wohlmuth, Bremen

***Learning, Capability Building and Innovation for Development*, Dutrénit, G. et al (eds.), 2013, Basingstoke: Palgrave/MacMillan, ISBN: 978-1-137-30693-7, pages: xiv + 296.**

Today, a large number of scholars studying development understand this process as involving learning and capacity building. Capacity building is an active, not a passive process. It requires a purposeful effort from the learner´s

side, with support and commitment on allocation of time and resources toward learning activities. This process implies the possibility of failure as well as success; as we also learn from failures. In this book, a global cast of academics and policy makers examine economic development as a process of learning and technological accumulation, showing how economic development is a process involving creative destruction. While markets and market competition play major roles in structuring the development process, non-market institutions and government policies matter.

The book includes articles about the Generation of Domestic Technological Capabilities: Measuring the Impact of the Contributions; The Latin American Structuralist School and the Innovation Systems Perspective; Learning and Micro and Macro Connections; The Significance of Jorge Katz's Work for the Understanding of Learning and Technological Capability Building in Developing Countries; 'Old and New' Approaches to Innovation Policy: a Systems Evolutionary (S/E) Perspective; Industrial Productivity in Developing Nations; Productivity and Firm Heterogeneity in Chile; Developing Competing Capabilities in the Argentinean Industry (1958-2008); Micro-Macro Interactions in Technological Learning and Growth; The Social Dimension of Behaviour: Macroeconomic Uncertainty and Firms' Investment in R&D and in Machinery in Argentina; Macro, Meso and Micro Coordination and Technological Progress: Catch Up Experiences of Samsung and Taiwan Semiconductor Manufacturing Corporation; Knowledge Regimes and Technological Catch-up; Catching Up in the 21st Century: Globalization, Knowledge and Capabilities in Latin America, a Case for Natural Resource Based Activities; and finally Past Innovation trajectories in Latin America and current innovation trajectories in China.

Achim Gutowski, Bremen

6. New Trade Policies in Africa for Structural Change

WTO/World Trade Organization, 2015, *World Trade Report 2015, Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement, WTO 20 years*, Geneva: World Trade Organization 2015, 157 pages, Bibliographic Information: ISBN 978-92-870-3985-9, Web Access: https://www.wto.org/english/res_e/booksp_e/world_trade_report15_e.pdf

It is argued in the report that trade facilitation can increase world trade by US $ 1 trillion annually. Therefore the Bali package of December 2013 with the Trade Facilitation Agreement (TFA), recorded as the first multilateral trade

agreement since the establishment of the WTO in 1995, is considered as so important. It is also argued in the report that developing countries and least developed countries will benefit most from this TFA. It is also stated that not only scale effects will follow from TFA, but more so a diversification of trade by new products and partners, an increased involvement in value chains, a greater participation of micro, small and medium-sized enterprises (SMEs) in international trade, an increased level of foreign direct investment, a greater public revenue collection, and a reduced incidence of corruption. Also, the whole economic system may become less vulnerable by using fully such trade facilitation programmes. The Trade Facilitation Agreement Facility (TFAF) of 2014 is an instrument for financing the capacity building measures upon request from governments. But all depends on ratification and implementation. The report is discussing the implementation issues in great detail, and it becomes clear that finance is only one factor to make trade facilitation a success.

The report contains a part one with information on the world economy and trade in 2014 and early 2015, while the part two is on the benefits and challenges of implementing the WTO Trade Facilitation Agreement. The part two is done in 6 sections dealing with context issues, theory and measurement of trade facilitation, estimates of the benefits from trade facilitation, and implementation issues. It is interesting to learn that the TFA can also provoke a new thinking on such issues in regional trade agreements (RTAs), as there are quite different perceptions on trade facilitation among the RTIs. All versions of the international trade theory support the focus on trade facilitation, and so there is a broad consensus about the potential benefits to countries, firms and people.

Also for Africa trade facilitation will be beneficial, not only by reducing the trade costs, but also by facilitating the trade of time-sensitive goods, such as perishable agricultural goods and clothing and textile products which are shaped by rapid fashion cycles. Also all the other arguments hold for Africa why developing countries can benefit most from trade facilitation. And, when the time spent for clearing exports is reduced, SMEs will particularly benefit from the TFA. The TFA can also become a relevant poverty alleviation instrument, via effects on employment in SMEs, on domestic and foreign investment, on public revenue collection, and on the incidence of corruption. The instrument of trade facilitation can contribute also to structural change in African countries, when applied in a coherent, integrated and comprehensive policy manner.

Karl Wohlmuth, Bremen

WTO/World Trade Organization, 2014, *World Trade Report 2014, Trade and development: recent trends and the role of the WTO*, Geneva: World Trade Organization 2014, 244 pages, Bibliographic Information: ISBN 978-92-870-3912-5, Web Access: https://www.wto.org/english/res_e/booksp_e/world_trade_report14_e.pdf

The Report highlights major links between trade and development, and so the report is valuable reading for all those being interested in the perspectives of Africa. In this report the increasing importance of developing countries in the global economy is highlighted. The convergence process in incomes between developed and developing countries since the 1990s is portrayed as well as the strong role of the G20 developing countries in this convergence process. Although trade can accelerate growth, no clear picture emerges concerning income inequality and environmental performance. Therefore, much more research is needed to assess the implications of trade for inequality and environmental performance. The report also emphasizes that the developing countries are now more integrated into global value chains (GVCs) and into South-South value chains (SSVCs) which also increase in importance. Developing countries obviously integrate more and more into GVCs by services exports. But it is also obvious that gains from GVCs are not automatic, so that policies have to be adapted for successful integration. Aid for Trade (AfT) resources could support the integration of developing countries into GVCs and SSVCs.

The report also found out that developing countries enter now into deeper preferential trade agreements, what can be observed by looking at the declines of tariffs on intermediate goods which are traded. Commodity markets and commodity trade are again key issues. Problems are around the boom-bust commodity price cycles and the super-cycle of commodity markets between 2003 and 2008, as policymakers have not really found so far solutions to the proper management of such cycles (the resource curse literature gives evidence of this fact). .Specifically to commodity markets, agriculture goods production and trade play a huge role. Agriculture is most important for employment and poverty reduction, so that agricultural productivity increases matter very much for development. The increase in agricultural trade is therefore seen as important for growth and poverty reduction. The changing nature of agricultural trade suggests that new market segments became important as well as new destination markets, and new production structures. Some more countries can benefit from the changing pattern of agricultural trade, but poor households in net-importing countries and in LDCs may suffer from price hikes and price volatility.

Also, the report states that the developing countries have to overcome five main challenges in order to integrate agriculture effectively into their development strategies. Such an agenda is elaborated and is addressed also to actors in developed countries. Also the trade in natural resources has increased significantly between 2003 and 2010, and such a trade needs also a coherent framework for supervision and regulation. Favourable prices and new resource discoveries have led to new development opportunities for a number of countries, but this positive effect can quickly disappear. Resource-based development strategies need therefore coherent economic and social policies. Foreign direct investment (FDI) in natural resource sectors has to be managed and controlled wisely so as to become development-friendly. The report also emphasizes that an increased synchronization and globalization of macroeconomic shocks has occurred via transmission of macroeconomic impulses. Therefore, the importance of a coordinated international policy response is seen. This coordination is considered helpful to overcome crises in the world economy. The report also stresses the importance of international economic organizations. The World Trade Organisation (WTO) has a role in this global coordination process; it can also have a productive role in supporting developing countries by enforcing binding commitments on global trade rules, by adapting the rules to the level of development, and by providing technical assistance.

The report is valuable as it draws on comparative experiences on trade, growth and development. The focus is in the report on the future role of the WTO as a global trade coordinator and a development facilitator.

Karl Wohlmuth, Bremen

***The Continental Free Trade Area – A GTAP assessment*, Hans Grinsted Jensen; Ron Sandrey, 2015, Stellenbosch: Trade Law Centre (tralac), ISBN: 978-0-99-221925-3, pages: 110.**

The Trade Law Centre has recently capitalised upon the prerelease Version 9.2 of the Global Trade Analysis Project (GTAP) database and the recent excellent data sets from the World Bank and other publishing quality data on trade barriers across the African continent. It undertook a series of simulations examining regional integration and intra-African trade barrier reductions that are extensively stated in the book. The results for tariff elimination on intra-African trade are promising. But the real news is in confirming that these barriers are not as significant as the various trade-related barriers except for tariffs.

Especially impressive results were forecast by simulating a modest 20% reduction in the costs associated with the particular African problem of trans-

it time delays at customs, terminals and internal land transportation. These gains are significantly above both just intra-African tariff elimination and what may be thought of as the more traditional non-tariff barriers that we modelled individually and separately. Although tralac has not modelled a combined approach which incorporates all three components of tariff elimination, non-tariff barrier reductions and time-in-transit cost reductions, the final combined outcome from all three are likely to be cumulative and generate very large gains to Africa. The overall results from especially time-in-transit costs support the current emphasis on projects such as the World Trade Organisations´ (WTO) infrastructural support to Africa.

In addition, the World Bank and others have produced a dataset of constraints in trade-related services for Africa and others that were examined, adding these simulations to the portfolio. Again, the results here are likely to be significant and additive to reductions in the other three constraints (tariff barriers, more traditional non-tariff barriers, and time in transit costs).

Tralac´s simulations for a Free Trade Agreement (FTA) with a selected group of African countries show that this is very much a second-best option, and the inclusion of most of the significant economies in Africa generates the best results. Only in the event of a failure to achieve integration across the continent with all or most African countries should partial integration be pursued.

The policy implications in this book from the research suggest: while cooperation will enhance the gains, much of the benefits will result from unilateral actions and regional cooperation that does not need the long and drawn-out processes associated with FTA negotiations. However, against this background the concept of 'governance' must be emphasised, as must the crucial importance of a rules-based structure. In addition, provided African countries are willing to play their part, global funds seem to be available for these reforms.

Achim Gutowski, Bremen

***Implications of the Tripartite FTA for SADC and its Member States*, Gerhard Erasmus, 2015, Stellenbosch: Trade Law Centre (tralac), trade brief, no. US15T05/2015, pages: 9.**

The Tripartite Free Trade Area (TFTA) initiative was originally launched to establish a single FTA among the member/partner States of COMESA, EAC and SADC. This would have brought the benefits of an enlarged market and would have solved some of the problems caused by overlapping memberships faced by the members of these three Regional Economic Communities (RECs).

It proved impossible to achieve this ambitious objective during the negotiations which were conducted between 2011 and 2015. The Preamble to the TFTA Agreement, signed in early June 2015, contains references to subsequent decisions on how the negotiating goals were re-formulated and changed.

The paper states the implications for SADC and its member states on these developments. Firms doing business in SADC and elsewhere in Africa will need to study the extent to which the TFTA establishes new trade preferences and what they mean. TFTA rules of origin (still to be decided) will require specific attention. They might turn out to be a mixture of the different approaches followed by SADC (where the rules of origin are tighter) and the EAC and COMESA respectively. Supply chain management and needs could be directly affected.

Achim Gutowski, Bremen

***Review of trade-related developments in 2014*, William Mwanza, 2015, Stellenbosch: Trade Law Centre (tralac), trade brief, no. US15TB01/2015, pages: 17.**

In some respects the end of 2014 brought some light to a quiet year on the trade front. This paper in four chapters reviews some of the trade-related developments of the past year at the global, continental, and regional levels.

As could be expected, the experiences at the global, continental and regional levels were quite varied. There have been concerns in recent years that the multilateral trading system has been heading to a stale-mate. The Doha Development Round of the World Trade Organisation (WTO), which started in 2001, had been progressing at a considerably slow pace. Meanwhile, bilateral and regional trade agreements continued to be on the rise, epitomised by negotiations towards two mega agreements involving the United States namely the Transatlantic Trade and Investment Partnership with the EU, and the Trans-Pacific Partnership (TPP) with the Asia-Pacific region.

In November, a significant breakthrough was reached in bilateral negotiations between the US and India which brought momentum towards conclusion of WTO negotiations on the Trade Facilitation Agreement (TFA), adopted in Bali in December 2013 with the aim of 'expediting the movement, release and clearance of goods, including goods in transit'. Resultantly, negotiations were effectively concluded and the General Council of the WTO adopted the amendment to the WTO agreement that inserts the TFA, as well as other decisions on public stockholding for food security purposes and post-Bali work.

The breakthrough in negotiations between the US and India was achieved just before the G20 Summit. The previous month, there was another significant development namely the launch of the World Bank's Global Infrastructure Initiative (GII). This is a multi-year programme that seeks to unlock additional infrastructure financing in the region of US$ 1 trillion annually for developing countries up to the year 2020. The G20 Summit also endorsed the initiative and established its own Global Infrastructure Hub, which will work with the Global Infrastructure Initiative in some of the key activities.

The growing focus on the importance of investing in infrastructure to address supply-side constraints has not only been at the global level, but at the continental level in Africa as well. There has also been a growing recognition of the importance of home-grown solutions, with structural transformation increasingly being at the core of national growth and development plans developed as such. This recognition is now at the centre of developmental efforts and has informed the Common African Position (CAP) on the Post-2015 Development Agenda, adopted by the 22nd Summit of African Union Heads of State and Government held in Addis Ababa, Ethiopia, from 21 to 31 January 2014.

Efforts towards establishment of the CFTA significantly gathered pace. A series of meetings were held throughout the year, culminating in the 9th Conference of African Union Ministers of Trade, held in Addis Ababa, Ethiopia, from 1 to 5 December, 2014. There is now considerable momentum towards the commencement of negotiations towards establishment of Africa's own mega FTA. The robustness of the institutional framework that will be set up by the end of January 2015 following a High Level African Trade Committee (HATC) meeting will be critical for the effective development of the CFTA within the indicative timeline of 2017 that was set at the beginning of the process.

The paper concludes as 2014 drew to a close, it became evident that 2015 will be a highly important year. Progress that will be attained on the different fronts will be crucial for the trade and development prospects of African countries in the short, medium and long term.

Achim Gutowski, Bremen

***South Africa's agricultural trading relationship with Botswana, Lesotho, Namibia and Swaziland (BLNS),* Tumelo Modiba et al, 2015, Stellenbosch: Trade Law Centre (tralac), working paper, no. S15WP12/2015, pages: 37.**

The objective of this paper is to analyse the Southern African Customs Union's (SACU) agricultural trading relationship with particular focus on South

Africa's dominant trading position vis-à-vis the rest of SACU member states, namely Botswana, Lesotho, Namibia and Swaziland (BLNS). Aggregate trade data for the first section of the paper was sourced from the International Trade Centre (ITC), while for the second section of the paper, the trade data that was used was sourced both from the ITC and from the SACU Secretariat.

The paper states that South Africa's aggregate exports to the SACU region steadily increased from R80.6 billion in 2010 to R131.3 billion in 2014 and recording a 62.9% growth over the period. Its aggregate imports from SACU similarly increased from R18.3 billion in 2010 to R29.6 billion in 2014, recording a 61.5% growth over the period. The agricultural products in the top 25 listing of exports to SACU were maize, sugar, wheat, cigarettes and juices, with maize, sugar and wheat accounting for 6.5%, 5.3% and 4.4% respectively in 2014.

South Africa's top three imports from SACU were odoriferous mixtures, diamonds and chemical industry products, totaling R3.5 billion, R2.4 billion and R2.0 billion respectively in 2014. Within the top 25 there were the agricultural products of sugar, beer, beef, sugar confectionery, live cattle, and sheep and goat meat. Total agricultural imports from SACU increased from R5.1 billion in 2010 to R6.5 billion in 2014, representing a 28% growth over the period. Sugar ranked the highest followed by beer and beef.

The paper explains that intra-BLNS agricultural trade is extremely limited. Namibia exports some beer to both Botswana and Lesotho and imports some beef from Botswana. Lesotho has virtually zero exports to the other BLNS partners but imports cotton from Botswana. Botswana imports various products in minor amounts from Namibia, while Swaziland is not actively involved with the BLNS partners.

Achim Gutowski, Bremen

***Intra-REC trade and overlapping membership: review of COMESA, EAC and SADC*, Ron Sandrey, 2015, Stellenbosch: Trade Law Centre (tralac), working paper, no. S15WP11/2015, pages: 54.**

This paper analyses the trade relations between the three Regional Economic Communities (RECs) of the Common Market for Eastern and Southern Africa (COMESA), the African Economic Community (EAC), and the Southern African Development Community (SADC) using trade data from the International Trade Centre (ITC). The data is generally ranked by 2013 as that is the most consistently and seemingly comprehensive reporting available.

Examining each REC the author finds that both Rwanda and Uganda export around half of their totals to COMESA, with DRC and Burundi around 20%, Zambia and Malawi around 15% and the rest below this figure. Libya

with less than 0.5% is the outlier. Within the EAC, Kenya is the largest intra-EAC exporter with a share that varies around one-half while Uganda, Rwanda and Tanzania have similar shares of around 15% to 20%. Rwanda reports that some 72% of its exports were destined for EAC during 2013, but the data for other years varies significantly. As expected, South Africa dominates the intra-SADC exports with a share around 50% to 60%. Next is a group of eight members with shares that are all generally grouped between 3% and 8%. By shares of exports destined for SADC, Zimbabwe reports that over 90% of its exports are in this category, and both Swaziland and Namibia report around 50% to 60%. Angola, like fellow oil exporter Libya in COMESA, has a very low share of around 3% only destined for SADC.

Overlapping memberships are a major feature of the RECs; the author warns that one has to be careful to assess the overall impact of these to avoid double-counting intra-REC trade. Therefore, the paper states two subcategories of each REC: (i) 'pure' trade entails intra-REC trade that excludes trade counted as intra-regional trade in another REC as both partners are members in common of another REC, whereas (ii) 'geographical' trade entails all REC members which are arbitrarily assigned to their logical geographical regions. Pure trade is a subset of the full data while geographical trade in turn is a subset of pure trade. There are, of course, several issues related to these definitions that suggest that the author takes an almost naive approach but this approach does highlight the overlapping issue. The paper concludes that assessed exports under these definitions and 'pure' entails only intra-REC trade have been taken.

Achim Gutowski, Bremen

***The legal framework and state of play of Economic Partnership Agreements between the EU and African regions*, William Mwanza, 2014, Stellenbosch: Trade Law Centre (tralac), trade brief, no. S14TB12/2014, pages: 19.**

The Economic Partnership Agreements (EPAs) between the European Union and respective African, Caribbean, and Pacific (ACP) countries are regional agreements aimed at promoting trade and development between the EU and ACP partner regions, including through provision of reciprocal trade preferences.

Negotiations on the EPAs have been a long and drawn out process, dating back to the year 2000, but are now gradually drawing to a close. This is particularly the case in the African region, where a number of configurations have made progress towards conclusion of full EPAs since June 2014.

This trade brief presents the legal framework of the EPA process as it has developed over the past few years, the current state of play with regard to African configurations, and a few challenges that have been encountered in preserving duty free and quota free access by some African countries to the EU market.

Achim Gutowski, Bremen

***Cape to Cairo: Exploring the Tripartite FTA Agenda*, Trudi Hartzenberg et al (eds.), 2013, Stellenbosch: Trade Law Centre (tralac), ISBN: 978-0-9922192-0-8, pages: vii + 262.**

On 22 October 2008 in Kampala, Uganda, the Heads of State and Government of the Member States of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the Southern African Development Community (SADC) agreed to establish a grand Free Trade Area, which is now referred to as the Tripartite FTA (T-FTA). This is supposed to encompass all 26 Member States of the three Regional Economic Communities (RECs). Apart from the economic imperative arising from such an enlarged regional market, the T-FTA initiative has received wide support as it was expected to address the problem of conflicting trade regimes due to overlapping memberships of most members in the three RECs.

This book presents a collection of papers that explore a range of issues that are shaping important debates about the T-FTA in particular and the African regional integration agenda more generally. During the past five years there has been a sea change from the vision of the T-FTA as a grand FTA integrating the 26 Member States of COMESA, EAC and SADC, to a much less ambitious plan for only those Member States that are not parties to FTAs to engage in negotiations. This book includes an analysis of the implications of the 'clarification' of the T-FTA Negotiating Principles. It is now clear that the T-FTA will not address the problem of overlapping membership. What would happen if a smaller group of 'willing participants' decided to integrate at a faster pace? Two country case studies (Malawi and Rwanda) are also included. They provide insight into the important questions that Member States are engaging to assess what is in the T-FTA for them.

Two chapters focus on industrial development issues. The industrial development pillar of the T-FTA requires innovative approaches to addressing the region's competitiveness challenges. What are the options to support regional industrial development? Energy sector development and climate change issues, both integral to the development of the region's integration plan, are also addressed in the book.

T-FTA developments are important not only for the eastern and southern African region; they also provide a reality check on the feasibility of establishing a Continental Free Trade Area by (indicative date) 2017.

Achim Gutowski, Bremen

Lee, Margaret C., 2014, *Africa's World Trade, Informal Economies And Globalization From Below*, Africa now Series, Zed Books in cooperation with Nordiska Afrikainstitute/The Nordic Africa Institute, London: Zed Books 2014, Bibliographic Reference:
ISBN 978-1-78032-351-0 hb
ISBN 978-1-78032-350-3 pb
ISBN 978-1-78032-352-7 pdf
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This is a book on international trade on the basis of stories told by individuals who try to survive and to escape from poverty by trading. So the book is not covering the issues of trade regimes from above, such as the government to government level trade negotiations and the formal enterprise to formal enterprise level trade transactions. The book covers the trade issues from below, such as the trading between informal economy people in one country and in another country. And so the book is not relying on official trade statistics and/or on mainstream trade theories which are focussing on comparative advantages, but is working with stories of trade transactions encountered by mostly poor individuals in in the informal economy of their respective countries. These are stories of triumph and defeat, and stories of successful or failed attempts to work as micro or small entrepreneurs in the trading business. This is a trade largely under the radar of the police and of the government institutions and its regulations; this trade is largely unrecorded and informal, and many of these traders are not paying taxes and are not using bank accounts.

Chapter 1 asks about the relationship between "globalization from above" and "globalization from below to see how the two trade regimes affect each other, especially so the world of official and formal trade agreements and the world of unrecorded and informal trade transactions. The focus is mainly on the poor people who want to survive by trading cheap products and services, and so the stories are about transactions of the poor in countries which are trading for individual betterment. The focus is on the livelihood of the mostly poor people (middlemen, workers, and entrepreneurs), although some few may become wealthy in the process. It is argued in the book chapter that there is a symbiotic relationship between "globalization from above"

and "globalization from below", which is reinforced by a system which the author calls "Afro-neoliberal capitalism". This type of capitalism is managing these two trade regimes on the basis of an "elite consensus". In chapters 2 and 3 all this becomes clearer, based on the China-Africa relations. Based on the often huge government to government partnership projects between African countries and China, many of the poor in Africa and in China migrate for business purposes and use trade transactions for survival.

Chapter 2 is on the story of Chocolate City/Guangzhou of Guangdong Province. A large number of Africans are living there and have formed a trading post for the export of cheap Chinese goods to Africa. The role of the African immigrants is reflected on, and their trading activities and their livelihood conditions in Chocolate City are regarded. The African trading community in Guangzhou is characterised by solidarity, cooperation and intense business ties, although there is a difference between the many illegal Africans and the few already settled Africans. For Africa, a double effect is portrayed: Africans benefit from some goods imported from China, like cheap generators or cheap cell phones, but many others are negatively affected by the deindustrialisation process as such products could also be produced in Africa thereby generating employment. The lack of coherent industry policies in African countries, the prevailing type of trading agreements of African governments with China, and the illegal migration of poor Chinese to Africa undermine local African formal and informal employment, production and trading opportunities. And, the future of this informal trade is affected by very dynamic changes. The African middlemen who are operating in China to export goods to Africa are replaced by internet orders; and Chinese traders replace African middlemen because of giving credit to buyers in Africa. But also the cost advantage of Chinese goods diminishes rapidly. So, many African traders now move to Turkey, Vietnam, and Bangladesh to remain in business (in textiles and clothes but also in other goods). More and more the usual "globalization from below" trading transactions are transformed – because of changes of production and trading locations, new trading forms based on credit, internet, and services trade, and new migration and trading routes.

Chapter 3 is on African traders in several African countries who are trading Chinese goods, and who are buying them directly in China, in neighbouring African countries, or from Chinese traders in their countries. Also the role of the Chinese trading post at Oshikango, at the Namibia/Angola border, is discussed. There is as well a focus on the working conditions of the Africans who are working for the Chinese. The chapter 3 also highlights the emerging conflicts arising between the "globalization from above" and "globalization from below". The conflict between Ghanaian and Chinese small-scale gold miners is just an example for this. While at government levels huge minerals

exploitation, financing and marketing packages are negotiated, informal sector gold miners from Ghana are affected by so many Chinese illegal immigrants coming to work in this sector. Also, a growing number of Chinese sex workers in African countries compete with the local ones in this informal sector. The sources of such conflicts are discussed and show how the two levels of globalization are interacting in a negative way.

The informal sectors in Africa and in China are affected by the migrants, but more so in Africa, because of the great number of Chinese entering the informal labour markets in Africa. Globalization from above means that formal agreements between China and Africa are negotiated about cooperation programmes and partnership projects, while illegally incoming Chinese workers and traders are a form of globalization from below and affect mostly the African poor in the informal sectors. Informal sector infiltration may considerably reduce the benefits from official trade relations. A severe problem is according to the author that China has a strategy for Africa, but Africa has no joint continent-wide or joint REC-wide strategy towards China. At the level of regional economic communities (RECs) there is more of competition than cooperation between the member states in the negotiations with China. So the losses may be greater for Africa as it exports much less and sends out much less migrants towards China (in the sense of globalization from below). The price for the huge trade-investment-finance-raw materials-infrastructure projects between China and Africa is paid by the poorer Africans as wages and profit margins are lowered for all the informal sector workers and the self-employed persons.

Chapter 4 is on the conditions of work in the AGOA factories in various African countries. It is not clear to the reviewer what the chapter has to do with globalisation from below as AGOA is the result of globalisation from above, negotiated with Africa to give the USA influence in its trade relations with African countries, strengthening their competitive position relative to the EU-ACP and the Africa-China relations. The AGOA story is called by the author a tragedy because the factories which are benefitting from AGOA preference terms are violating international standards (on labour, environment, etc.). It looks in this chapter like an agreement which is creating only precarious jobs for women, especially so in the textile and clothing industries. But, all this has also to do with the failed policies of governments who are not pushing for reindustrialisation. There is no critical evaluation in the chapter of the policies of African governments towards reindustrialization, employment creation and poverty reduction. The concept of the "Afro-neoliberal capitalism" is too broad and too vague in this context to explain the failures of AGOA-type policies.

There is also a concluding section to the book. Of some value are the stories of African traders and workers in China and of Chinese traders, workers

and small businessmen in Africa. Of interest are also the descriptions of informal trading activities in Africa and China, but more general lessons are not emerging from it. All these stories make it clear that poor Chinese and poor Africans compete in the informal sectors of Africa and China for work and trading opportunities, but the difference is that in Africa there is no government control of informal sectors while in China these controls are rather strict. The methodology is based on interviews and on secondary information, but information was given by Africans but not by the Chinese. Also from this side there are limits to the new knowledge in terms of primary information. Globalisation from above and from below and Afro-neoliberal capitalism were the guiding concepts used in the book so as to analyse the conflicts between official/formal and unofficial/informal globalization aspects. The book makes it clear that more research is needed to clarify these two levels and their interaction. Instead of the rather misplaced AGOA chapter the interactions between China and Africa should have been elaborated in a much deeper way.

Karl Wohlmuth, Bremen

UNCTAD, *Trade and Development Report 2015, Making the international financial architecture work for development*, 2015, UN: New York and Geneva, ISBN: 978-92-1-112890-1, 222 pages, available at www.unctad.org.

The report reviews recent trends in the global economy and focuses on ways to reform the international financial architecture. It warns that with a tepid recovery in developed countries and headwinds in many developing and transition economies, the global crisis is not over, and the risk of a prolonged stagnation persists. The main constraint is insufficient global demand, combined with financial fragility and instability, and growing inequality.

These trends reveal the lack of a well-functioning international monetary and financial system, which should be able to properly regulate international liquidity, avoid large and lasting imbalances and allow for counter-cyclical policies; however, international liquidity and capital movements respond to economic conditions in developed countries rather than to actual needs in developing countries. Furthermore, much of the current regime is in fact driven by large international banks and financial intermediaries whose activities increased much more rapidly than the capacity of any public institution (either national or multilateral) to effectively regulate it. Recent initiatives aiming at better regulation remain too narrow.

This dysfunctional regime can neither prevent boom-and-bust episodes nor recurrent debt crises; and when such crises occur, it leads to asymmetric adjustment that throws most of the burden on debtor countries and exacer-

bates a pro-cyclical bias. This calls for a mechanism for debt resolution, in particular for sovereign external debt, which minimizes the cost of crisis and shares it fairly among the different actors. Furthermore, inefficiencies and missing elements in the international financial architecture have had negative effects in the provision of long-term finance for development.

Against this background, this report 2015 in VI chapters identifies some of the critical issues to be addressed in order to establish a more stable and inclusive international monetary and financial system which can support the development challenges over the coming years. It considers existing shortcomings, analyses emerging vulnerabilities and examines proposals and initiatives for reform.

In order to improve global growth and financial stability, and to realize the investment push required to fulfil the new development agenda, the systemic problems of the international financial architecture need to be addressed. Solutions are available, but they require dedicated action by the international community.

The main six recommendations of the report are: 1. To avoid secular stagnation, developed countries need to combine monetary expansion with fiscal expansion and wage growth, and be mindful of the international spillovers that their policies can produce; 2. To make the provision of official international liquidity more stable and predictable, multilateral reform remains the desirable target – in the meantime, developing countries may build on regional and interregional initiatives, set swap arrangements among Central Banks and reduce the need for reserve accumulation; 3. A bolder regulatory agenda is needed. This should include strict separation of retail and investment banking, strong regulation of shadow banking as well as public oversight of credit rating agencies and their progressive substitution by more appropriate mechanisms for risk assessment; 4. Developing countries should not be required to apply prudential rules which have been conceived for countries hosting internationally active banks as they result in credit rationing to sectors and agents that need support from a development perspective; 5. A sovereign debt restructuring mechanism is urgently needed. This could be in the form of contractual improvements or internationally accepted principles to guide sovereign debt restructuring. However, the Report sees the best option in a statutory approach based on a multilateral treaty defining a set of rules for a debt restructuring that restores growth and debt sustainability; and 6. Specialized public institutions and mechanisms are crucial for the provision of long-term development finance, in particular development banks. The international community needs to meet its Official Development Assistance commitments and to tune it better to strengthening the productive economy.

Achim Gutowski, Bremen

UNCTAD, *Trade and Development Report 2014, Global Governance and Policy Space for Development,* 2014, UN: New York and Geneva, ISBN: 978-92-1-112877-2, 242 pages, available at www.unctad.org.

The Trade and Development Report 2014: Global Governance and Policy Space for Development examines recent trends in the global economy, with a focus on growth, trade and commodity prices.

The report highlights in VII chapters that, six years after the onset of the global economic and financial crisis, the world economy has not yet established a new sustainable growth regime. With an expected growth between 2.5 and 3 per cent in 2014, the recovery of global output remains weak. Furthermore, the policies supporting the recovery are frequently inadequate, as they do not address the rise of income inequality, the steady erosion of policy space along with the diminishing economic role of governments and the primacy of the financial sector of the economy, which are the root causes of the crisis of 2008. Putting the world economy on the path of sustainable growth requires strengthening domestic and regional demand, with a reliance on better income distribution rather than new financial bubbles.

The report then takes a long-term perspective in analysing the evolution of the debate on global governance and policy space. Policy space is understood in the Report as the freedom an ability of governments to identify and pursue the most appropriate mix of economic and social policies to achieve equitable and sustainable development in their own national contexts, but as part of an independent global economy.

With the fiftieth anniversary of UNCTAD coinciding with the seventieth anniversary of the Bretton Woods institutions, the Report looks at how, after the end of the Second World War, the international community tried to build a more inclusive and sustainable international economic order around effective multilateral supports and disciplines without unduly compromising the policy space needed to meet a new set of economic and social goals. Today´s efforts to ensure adequate policy space within the global trading system will deliver the desired outcomes only with effective reform of the global financial architecture to ensure more stable and long-term financing, both public and private, for poor economies.

The report emphasizes the role that proactive trade and industrial policies can play in the post-2015 development agenda and points to various policies which, in the changing dynamics of the world economy, can help achieve sustained income growth, full employment, poverty reduction and other socially desirable outcomes. On trade, the report argues that negotiations on rule making need to refocus on multilateral agreements which recognize the legitimate concerns of developing countries. It also argues that developing

countries should carefully consider the loss of policy space when engaging in bilateral and regional trade and investment agreements. Such agreements often come with stricter commitments than in the same areas covered by multilateral agreements or extend to new areas, requiring policymakers to forsake the use of instruments that have proved effective in supporting industrialization. The report also points to problems arising from the current international investment framework and the related ad hoc arbitrage tribunals that have assumed important law-making functions usually allocated to States.

In order to avoid macroeconomic instability and channel financing – both domestic and external – to productive uses, governments need to resort to capital management measures, including capital controls. In addition, the financing of investment and other public spending to meet development needs, requires that governments expand their fiscal space. The report notes that the current structure of the global economy makes it difficult for countries to increase government revenues and to choose their tax structure. Lower tariffs have led to a significant reduction in border taxes; the conditions for taxing income and wealth have been altered by the increased mobility of capital and the intensive use of tax havens; and tax competition among countries has the potential to trigger a "race to the bottom" in efforts to attract foreign direct investment. Moreover, in many developing countries, fiscal space is still heavily influenced by the activities of the extractive industries. In this context, tax incentives provided to these industries can be excessively costly in terms of foregone revenues. The international tax architecture has failed so far to properly adapt to this reality and there is a risk that the debate on this matter will not fully take into account the needs and views of most developing and transition economies.

Consequently, there is a need to strengthen multilateral and national policies to prevent tax leakages stemming from tax competition, tax avoidance practices and unfair distribution of natural resource rents. Given their relevance for many developing and transition economies, fiscal space and governance issues should be prominent in the post-2015 development agenda.

Achim Gutowski, Bremen

7. New Investment Policies in Africa for Structural Change

UNCTAD/United Nations Conference on Trade and Development, 2014, *World Investment Prospects Survey 2014-2016*, New York and Geneva: United Nations, 2014, 32 pages, Document no.: UNCTAD/WEB/DIAE/IA/2015/4, Web Access: http://unctad.org/en/PublicationsLibrary/webdiaeia2015d4_en.pdf

UNCTAD's World Investment Prospects Survey 2014-2016 provides an outlook on future trends in foreign direct investment (FDI) by the largest transnational corporations (TNCs) and investment promotion agencies (IPA). This year's survey is the most recent in a series of similar surveys that have been conducted regularly by UNCTAD since 1995 as part of the background work for its annual World Investment Report. The aim of the WIPS is to provide insights into the medium-term prospects for FDI flows. This year's survey was directed to executives in the largest 5,000 non-financial TNCs and professionals working in 245 national and sub-national IPAs. Questions for TNC executives were designed to capture their views on the global investment climate, their company's expected changes in FDI expenditures and internationalization levels, and the importance their company gives to various regions and countries. IPAs were asked about their views on the global investment climate and which investor countries and industries were most promising in terms of inward FDI.

Karl Wohlmuth, Bremen

UNCTAD/ United Nations Conference on Trade and Development, 2016, IIA Issues Note, no. 1, 2016, *Taking Stock of IIA Reform*, Geneva: United Nations/UNCTAD, March 2016, 20 pages, Web Access: http://unctad.org/en/PublicationsLibrary/webdiaepcb2016d1_en.pdf

There is a pressing need for a systematic reform of the global regime of international investment agreements (IIAs) to bring it in line with today's sustainable development imperative. Today, the question is not whether or not to reform, but about the what, how and the extent of such a reform. UNCTAD's 2015 World Investment Report (WIR) lays out an Action Menu and a Roadmap for IIA Reform. IIA reform is happening against the backdrop of the global trend to formulate a "new generation investment policies" that place inclusive growth and sustainable development at the heart of efforts to attract and benefit from investment. UNCTAD's Investment Policy Framework for Sustainable Development (the UNCTAD Policy Framework), launched in 2012 and updated in 2015, serves as a reference point for policymakers in formulating such new generation investment policies. The role of new generation investment policies in mobilizing investment, maximizing sustainable development benefits and minimizing risks, is also recognised in the Addis Ababa Action Agenda (AAAA), the outcome document of the Third United Nations (UN) Financing for Development (FfD) Conference, July 2015. In paragraph 91, UN Member States declare that "[t]he goal of protecting and encouraging investment should not affect our ability to pursue

public policy objectives. We will endeavour to craft trade and investment agreements with appropriate safeguards so as not to constrain domestic policies and regulation in the public interest."

UNCTAD's Roadmap for IIA Reform has 6 Guidelines (to harness IIAs for sustainable development), 5 Areas (to enhance systemic consistency), and 4 Levels (from national to bilateral, to regional, and to multilateral). The IIA Conference at the 2016 WIF, scheduled for July in Kenya, is the next occasion for the investment and development community to bring a new level of consensus to world-wide IIA reform. Established in 2008, the UNCTAD World Investment Forum (WIF) is a high-level, biennial, multi-stakeholder gathering designed to facilitate dialogue and action on the world's key and emerging investment-related challenges. It strives to fill a gap in the global economic governance architecture by establishing a global platform for engaging policymakers, the private sector, and other stakeholders at the highest level on investment issues. It is recognized by governments and business leaders as the most important event for the international investment community.

Karl Wohlmuth, Bremen

8. Global Economic Reports and African Development

OECD, 2015, *Better Policies for Development 2015, Policy Coherence And Green Growth*, OECD Publishing, Paris 2015, 172 pages, ISBN 978-92-64-23680-6 (print) and ISBN 978-92-64-23681-3 (PDF), Web Access: http://www.oecd.org/pcd/Better%20Policies%20for%20Development_2015.pdf

OECD, 2014, *Better Policies for Development 2014, Policy Coherence and Illicit Financial Flows*, OECD Publishing, Paris 2014, 103 pages, ISBN: 978-92-64-21031-8 (print) and ISBN: 978-92-64-21032-5 (PDF), Web Access: http://www.oecd.org/pcd/Better-Policies-for-Development-2014.pdf

In these two reports for 2015 and 2014 specific issues of development cooperation of OECD countries are discussed. Issues of Policy Coherence for Development (PCD) and then the transition to the more complex Policy Coherence for Sustainable Development (PCSD) matter in order to work on the three priority areas identified in the OECD Strategy On Development (Web Access: http://www.oecd.org/pcd/OECD%20Development%20Strategy.pdf), such as global food security, illicit financial flows and green growth.

In the *OECD Report 2015* there is a broad discussion of Policy Coherence with reference to green growth. Green growth is on the agenda not only in OECD countries but also in many African countries and other developing countries. The report highlights how OECD countries and their corporations can contribute to development by more coherent green growth strategies. Green growth is a type of growth fostering economic growth along ensuring that natural assets continue to deliver the natural resources and the environmental services on which living standards and well-being depend. OECD countries have to do much more in pursuing such a type of growth and in aiding developing countries for a transition to this type of growth. It is on the agenda of OECD countries and developing countries, but the impact of such reforms in OECD countries could massively support development in African and other developing countries (as evidenced by the global water-energy-food nexus). Development cooperation can potentially achieve a lot more in terms of policy coherence for green growth and sustainable development. This refers to state actors, to NGOs, and to business actors. The case presented by SABMiller's development strategy "Prosper" presented in the report is of interest. The Ugandan subsidiary Nile Breweries has pioneered the development of beer from sorghum, replacing expensive raw materials imports with this locally grown and drought-resistant crop. Ass a multinational corporation, SABMiller can change a lot in the water-energy-food-development nexus.

In the *OECD Report 2014* the issue of illicit financial flows (IFFs) is considered as an important issue of policy coherence for development (PCD). Again, a much more focussed strategy of OECD countries is needed and will help the developing countries, also those in Africa, to finance better their development. Stringent measures to combat money laundering, tax evasion and international bribery are needed, and OECD is now on the way to tackle this global problem of IFFs with its huge impacts on developing countries, and especially so on the weakest countries in Africa. Many policy areas have to work together (finance and banking, public finance, trade policy, development cooperation, international standards, corporate laws, etc.).

The OECD Report 2013 had the focus on policy coherence and global food security. Again many policy areas have to be coordinated at global, EU and OECD level, so as to reach policy coherence for development. Not only agriculture policies matter, but also trade and infrastructure policies, development cooperation, environmental protection policies, skills and training policies, R&D policies, joint work on international public goods towards global food security, etc. (Web Access: http://www.oecd.org/pcd/PoliCoh_PDFforWeb_270513.pdf).

Karl Wohlmuth, Bremen

OECD, *Economic Policy Reforms: Going for Growth*, 2015, Paris: OECD, ISBN: 978-92-64-22044-7 (print) and ISBN: 978-92-64-22046-1 (PDF), 339 pages.

This publication is the OECD's annual report highlighting developments in structural policies in OECD countries and the key emerging economies. It identifies structural reform priorities to boost real income for each OECD country and Brazil, China, India, Indonesia, Russia and South Africa. The analysis also regularly takes stock of reform implementation in all the countries covered. This report also provides internationally comparable indicators that enable countries to assess their economic performance and structural policies in a wide range of areas.

The financial crisis and continued subdued recovery have resulted in lower growth potential for most advanced countries, while many emerging-market economies are facing a slowdown. In the near term, policy challenges include persistently high unemployment, slowing productivity, high public-sector budget deficit and debt, as well as remaining fragilities in the financial sector. The crisis has also increased social distress, as lower-income households were hit hard, with young people suffering the most severe income losses and facing increasing poverty risk. Longer-term challenges include coping with population ageing as well as with the effect of skill-biased technical change on income inequality and the impact of environmental degradation on health and future growth. Robust structural policies are needed to address many of the short- and medium-term challenges faced by both advanced and emerging-market countries.

Chapter 1 "Taking Stock of reform action and identifying priorities in 2015" assesses progress that countries have made in responding to Going for Growth policy recommendations since 2013. Against this background, it identifies and discusses new priority areas where structural reforms are needed to lift growth across OECD and partner countries. Chapter 2 "The effect of pro-growth structural reforms on income inequality" reviews the evidence on the potential effect of pro-growth structural reforms on wage dispersion and household income inequality and examines whether specific policies driving GDP growth over the past decades may have also contributed to widening inequalities. In doing so, it distinguishes between the main channels via which policies affect growth and income distribution and identifies policy packages to make growth more inclusive. Chapter 3 "Pro-growth structural reforms, the environment and environmental policies examines the environmental pressures related to economic growth, and how these may feedback to future growth and wellbeing. It discusses the role of structural reforms and

environmental policies in this respect, and presents recent evidence on the importance of adequate design of environmental policies as well as on their impact on productivity growth. Chapter 4 "Going for growth ten years after: taking a longer perspective on reform action" provides an overview of reform activity since the early 2000s in the policy areas covered by the regular set of indicators featured in Going for Growth. It examines how policy priorities have evolved since the start of Going for Growth in response to actions taken as well as to shifts in challenges. It also gives an idea of the extent to which reforms in these areas have contributed to economic performance over that period. Chapter 5 covers different country notes including South Africa as the only African country. Chapter 6 "Structural policy indicators" contains a comprehensive set of quantitative indicators that allow for a comparison of policy settings across countries.

Achim Gutowski, Bremen

OECD, *The Development Dimension: Regional Perspectives on Aid for Trade*, 2014, Paris: OECD, ISBN: 978-92-64-21602-0 (print) and ISBN: 978-92-64-21603-7 (PDF), 219 pages.

Deepening economic integration via regional co-operation has emerged as a key priority in the reform strategies of most developing economies over the past decade. This is evidenced by the explosive growth in bilateral and regional trading agreements in which they now participate. Regional aid for trade can help developing countries spur regional economic integration, enhance competitiveness, and plug into regional production networks.

Based on a rich set of experiences regarding regional aid for trade projects and programmes, the study finds that regional aid for trade offers great potential as a catalyst for growth, development and poverty reduction. The study recommends greater emphasis on regional aid for trade as a means of improving regional economic integration and development prospects. While regional aid for trade faces many practical implementation challenges, experience has shown that associated problems are not insurmountable but do require thorough planning, careful project formulation, and prioritization on the part of policy makers.

Chapter 1 "Regional aid for trade in a broader context" examines the diagnostics of regional aid for trade in the context on regional economic integration and economic development. It considers how aid for trade can help lift the binding constraints to trade, and in particular how regional aid for trade can enhance trade performance and foster regional and global economic integration. It also shows how regional aid for trade can help support the regional economic co-operation initiatives that have become such an important part of the commercial policy strategies of developing economies in

recent years. In addition, the chapter analyses how regional aid for trade can support the "nuts and bolts" of regional integration, including through transit corridors, trade facilitation, and a trade-enabling environment.

Chapter 2 “How aid for trade facilitates regional co-operation” This chapter considers how regional aid for trade can affect regional economic integration by facilitating trade and investment links at the microeconomic level. In particular, it considers how regional aid for trade can help developing economies enhance economic integration and benefit from regional production networks, which have become important drivers of regional and global economic integration in recent years and promise to be increasingly critical to development prospects in the future. Using surveys and case stories from Asia, Latin America and Africa, it shows that regional aid for trade has, indeed, been effective to date in attaining these goals. However, the scale of these initiatives has been limited; the chapter closes with a review of trends in regional aid for trade flows in the overall development assistance context.

Chapter 3 “Strategies for mainstreaming regional aid for trade” studies the insights gained from the case stories undertaken for the Global Review of Aid for Trade 2011, the three case studies undertaken for this study (and included in Chapters 4-6), stakeholders consultations, and expert group meetings in order to delineate "best practices" in designing, mainstreaming and implementing regional aid for trade. While there is a good deal of regional diversity at the sub-regional level, a number of common threads emerge, including that regional aid for trade has, in fact, been to date effective in all regions and continues to have great potential for using efficiently development assistance resources, but that it is underfunded and faces a variety of obstacles that need to be overcome, from a stronger stress on ownership to inclusion of the private sector in regional aid for trade initiatives.

Chapter 4 “Case study of Southeast Asia” deals with regional aid for trade in the Southeast Asia region which has not figured prominently in the agenda of donors and national leaders, and yet there are strong incentives to champion regional public goods in ASEAN, for example, to achieve the open regionalism vision of the ASEAN Economic Community. Support for behind-the-border, customs-immigration-quarantine-security, and market access reforms are needed to foster a greater sense of ownership of projects whose net benefits accrue generally to the region. Regional case stories suggest that capacity building, including training for leaders who understand strategies of competition, co-operation and "co-opetition", should target specific value chain participation, and anchor programmes in the quality of growth framework that embraces profits, people and planetary concerns.

Chapter 5 “Case study of the economic community of West African States” provides information about regionally-focused aid for trade that has emerged as a means by which developing countries can overcome productive

capacity and infrastructural constraints, promote regional integration, and increase both regional and global trade. This chapter provides the ECOWAS perspective on regional aid for trade (AFT). Stakeholder consultations reveal the importance of regional AFT projects for enhancing regional integration and expanding trade. However, regional AFT projects are difficult to mainstream into national plans due to issues related to implementation, ownership and aligning national, regional and donor goals. Lessons learnt are that AFT is not a sectoral issue but rather is cross-cutting. Mainstreaming is important; it is a process and not an event. National budgetary processes must continually capture multi-country and regional AFT projects. There is the need for a regional body to co-ordinate regional AFT and co-ordinate donors so as to maximise the benefits from regional AFT.

Chapter 6 explores and draws lessons from the effectiveness of aid for trade in multi-country and regional projects in Mesoamerica for the period 2007-12. This is done by identifying and qualitatively analysing how close projects came to meeting their proposed goals. The results suggest that regional AFT initiatives have, for the most part, been effective. However, achievements can be enhanced via greater knowledge of the initiative among policy makers and other stakeholders. Co-ordination among agencies is satisfactory although there is room to improve efficiency when human capital constraints are binding in multi-country projects. There is no clear strategy to guarantee cross-country enforcement for regional projects that try to implement regional norms or standards. The initiative could co-ordinate projects to fully acquire the benefits beyond those of the individual project itself. In doing so, it can benefit from a number of externalities in terms of promoting trade and economic growth.

Achim Gutowski, Bremen

OECD, *West African Studies, An Atlas of the Sahara-Sahel: Geography, Economics and Security*, 2014, Paris: OECD, ISBN: 978-92-64-22234-2 (print) and ISBN: 978-92-64-22235-9 (PDF), 249 pages.

The Sahara-Sahel has seen recurrent episodes of instability. However, the recent Libyan and Malian crises have intensified the level of violence. These episodes have restructured the geopolitical and geographical dynamics of the region. Cross-border or regional, these contemporary crises require new institutional responses. How can countries sharing this space – Algeria, Libya, Mali, Morocco, Mauritania, Niger, Chad and Tunisia and all related states such as Nigeria – stabilize and develop?

Historically, the Sahara plays an intermediary role between North Africa and sub-Saharan Africa. Commercial and human exchanges are intense and based on social networks that now include trafficking. Understanding their

structure, geographical and organizational mobility of criminal groups and migratory movements represents a strategic challenge. This book addresses this challenge and stimulates strategies for the Sahel of the European Union, the United Nations, the African Union or ECOWAS in order to foster lasting peace.

The Atlas is based on an analysis of mapped regional security issues and development objectives to open the necessary dialogue between regional and international organizations, governments, researchers and local stakeholders.

Part I "Reactivating a space of fragmented circulation" covers the fact that forty years after first gaining global attention, the Sahel has returned to centre stage. During the 1970s, extreme drought and the ensuing famine produced a global humanitarian response. Starting in the mid-2000s, the Sahel in the news now no longer refers to the same area but rather to the Sahara, and returned to centre stage because of terrorism and efforts to address it. Although fluidity and mobility are important elements in the Sahara-Sahel region, it is necessary to keep in mind realities in the region. National borders may be a contradiction to socio-economic movements and networks, yet they also represent the limits of national sovereignty. It is the convergence or divergence of these sovereign states' policies that will determine the region's future. In 2013, petroleum alone accounted for roughly one-quarter of the cumulative GDP of Sahara-Sahel countries. Algeria and Libya were Africa's third and fourth top-ranking producers, respectively, trailing behind Nigeria and Angola. Algeria was also the leading African producer of natural gas (almost 40% of total African output), and Europe's second major supplier after Russia.

Part II "Securing the Sahara-Sahel by integrating its social and spatial mobility" refers to the facts that the Sahara is an ancient site of trade, having been crossed and structured by the movement of caravans since the Middle Age. Its importance waned, however, during the colonial era, when attention shifted to the maritime trade routes connecting West and North Africa with the European continent. Following independence, individual states developed ties with each other, most notably in the 1990s, when Libya strengthened its policies towards Sahelian countries and Maghreb leaders sought to build economic relationships with their neighbours. Yet while this area defined by mobility is indeed shared by many, it cannot be described as "common" from an economic point of view. The contemporary transformation of Sahara-Sahelian borders can be illustrated by putting into perspective the functional dynamics of economic players and the institutional responses intended to foster regional integration. The former are analysed on the basis of cities and towns located near national borders, border markets and cross-border functional regions in which economic interaction is quite well developed. Institutional responses describe, in turn, the intergovernmental organisations and

bilateral agreements that bind together countries in the Sahel and the Sahara with respect to matters involving economic development and the free circulation of goods and people. However, these initiatives have been slowed by border conflicts or conflicts that have border-related consequences. The security context of the Sahara-Sahel has led to the development of numerous international, regional and multilateral initiatives, such as the G5. As a result, there is a collective understanding of the need for these efforts to work together. These initiatives include the EU Strategy for Security and Development in the Sahel (2011), the UN Integrated Strategy for the Sahel (2013), the AU Strategy for the Sahel Region (2014) and the ECOWAS Strategy for the Sahel (2014). The call of these initiatives for strengthening dialogue among all actors involved to achieve lasting security for the West African population is shared by all, as is expressed through the contributions in the book.

Achim Gutowski, Bremen

OECD, *Securing Livelihood for All: Foresight for Action*, Development Centre Studies, 2015, Paris: OECD, ISBN: 978-92-64-23174-0 (print) and ISBN: 978-92-64-23189-4 (PDF), 159 pages.

The world has made good progress in improving global livelihoods. More than two billion people have emerged from extreme poverty over the last four decades. Other notable improvements include real increases in wages for unskilled workers, better life expectancy, greater gender equality and more widespread literacy. However, a number of daunting challenges threaten to undo this progress, particularly on the demographic and environmental fronts. While outlining the status of livelihoods today, this report enumerates the main emerging trends which will have a significant impact on livelihoods in the near future. It looks at a whole range of issues: economy, technology, demography, environment, security and governance. This book presents five possible future scenarios for livelihoods, whose positive or negative outcomes depend on how several emerging challenges are dealt with. It concludes with ideas for global, national and local action that hold significant promise for securing resilient livelihoods for all. Sub-Saharan Africa as well as North-African countries are examined and compared with the Middle East and some Asian countries..

Chapter 1 "Why we need bold action to secure livelihoods" refers to the world which has made good progress in improving global livelihoods; witnessing more than two billion people emerge from extreme poverty over the last four decades, real increases in wages for unskilled workers, better life expectancy, greater gender equality and more widespread literacy. However, a number of daunting challenges threaten to undo this progress, particularly

on the demographic and environmental fronts. This chapter provides an overview to the entire book. It outlines the status of livelihoods today and enumerates the main emerging trends which will affect livelihoods in the near future. It envisages a range of possible future scenarios for livelihoods, whose positive or negative outcomes depend on how several emerging challenges are dealt with. It concludes with a wealth of ideas for global, national and local action that hold significant promise for securing resilient and inclusive livelihoods for all.

Chapter 2 "The state of the world´s livelihoods" deals with the global progress in improving people's livelihoods that has been remarkable over the past two centuries, especially in reducing extreme poverty, improving health, increasing literacy and moving towards gender equality. This chapter outlines progress in the core dimensions of livelihoods – income, work and basic needs – and shows that although living conditions have improved on many fronts, progress is slowing down. It also asks how people feel about their own livelihoods – are they thriving, surviving or suffering, and how does this vary across regions? The chapter looks at livelihoods beyond simple monetary measures and includes the many other factors which influence people's lives, from education, living conditions and health to people's own sense of well-being. This approach reflects the need to seek resilient and inclusive livelihoods.

Chapter 3 "Emerging trends and threats to livelihoods" surveys emerging global trends in the economy, technology, demography, environment, security and governance that could have a significant impact on future livelihoods. Economic trends include the continuing economic weight of emerging and developing economies; plus the prospects of jobless economic growth, rising inequality, and the climbing costs of social protection. Technology offers both threat and opportunity: increasing automation of jobs could destabilise livelihoods, while innovation could bring greater access to education and global markets, and medical breakthroughs. Demographic shifts – such as too many old people in advanced and emerging economies and too many young people in developing countries – will all influence future livelihoods. Climate change and natural resource degradation are already affecting people, as are conflict, crime, terrorism and cybercrime. The chapter concludes with some of the governance weaknesses – such as resistance to change, lack of trust, and poor global and national co-ordination and delegation – which are hindering an adequate response to these emerging trends.

Chapter 4 "Scenarios for future livelihoods" explores a range of possible futures for livelihoods. It uses a foresight approach to develop five alternative scenarios for the future which build on some of the trends outlined in Chapter 3. The five scenario storylines look forward to 2030: three are crisis scenarios, while two are more positive; all are possible based on current trends.

Scenario 1 describes a world in which rapid automation and ageing populations in the developed world lead to dramatic jobless growth. Scenario 2 imagines the impact of widespread drought in those developing regions already struggling to employ a large share of young people. Scenario 3 envisages the impact on livelihoods of another major global financial crisis. Scenario 4 takes a more optimistic perspective to describe a world in which technology is a positive force for jobs, education and solutions to cope with environmental challenges. Scenario 5 explores a world in which jobless growth encourages people to value social well-being over economic growth and to develop creative ways of making a living. All the scenarios raise a wealth of policy options and possibilities for building inclusiveness and resilience into future livelihoods.

Chapter 5 "Bold action for secure livelihood" outlines how many economic, social, environmental or technology-driven crises can be avoided – or their effects on livelihoods mitigated – through innovative actions which build more secure livelihoods. Building resilience and inclusion involves two main strands: prevention and adaptation. Global or multinational action will be needed for many of the preventive policies required to avert crises linked to the financial system, to climate change, to pandemics and many other challenges. On the other hand, policies at the national or local level are more appropriate for enhancing individuals' adaptation capabilities. The chapter outlines a range of possible initiatives and ends with a call for action for all relevant players – international, national, local – to move forward and prepare to ensure a better future for livelihoods.

Achim Gutowski, Bremen

OECD, *Investing in Youth: Tunisia. Strengthening the Employability of Youth during the Transition to a Green Economy*, 2015, Paris: OECD, ISBN: 978-92-64-19082-5 (print) and ISBN: 978-92-64-22647-0 (PDF), 240 pages.

This report provides a detailed diagnosis of the youth labour market in Tunisia, including a focus on vocational education and training and entrepreneurship, and within the context of Tunisia's transition to a green economy. The report takes an international comparative perspective, offering policy options to help improve school-to-work transitions. It also provides an opportunity for other countries to learn from the innovative measures that Tunisia has taken to strengthen the skills of youth and their employment outcomes.

Chapter 1 "Youth employment in Tunisia: The Challenge" provides an overview of youth in the labour market in Tunisia and highlights some of the key challenges facing policy makers in the country. The labour market has had significant difficulty absorbing large and increasingly educated cohorts

of young people, resulting in particularly low employment rates which are the combination of both high unemployment and low participation rates. School-to-work transitions are challenging and one in four young people are neither in employment, nor in education or training. Women and young people from the more deprived Centre West and Southern regions are particularly at risk. Even when Tunisian youth are in employment, it is frequently in poor quality jobs: informal employment is common, affecting an estimated one in two young workers, and the share of temporary contracts is high. Furthermore, working hours are long and the incidence of low-pay amongst youth is common.

Chapter 2 "Removing demand-side barriers to youth employment in Tunisia" discusses demand-side barriers to youth employment in Tunisia such as the cost of hiring (as determined by minimum wages, non-wage costs and collective bargaining institutions) and employment protection legislation. It also discusses policies currently in place to tackle such barriers (including wage subsidies) and offers a range of policy options to create more favourable conditions for employers to hire youth, while still ensuring decent wages as well as an adequate level of protection for workers. Key challenges identified in this chapter include: high wage floors introduced by sector wage agreements; a large gap in the level of remuneration and benefits between the public and private sectors, which causes public sector queuing and raises reservation wages; and very rigid employment protection legislation on permanent contracts combined with extremely flexible legislation on temporary contracts, resulting in a dual labour market, with temporary work acting as a trap rather than a stepping stone into more stable employment for Tunisian youth.

Chapter 3 "Improving the employability of Tunisian youth through labour market and social policies" analyses the extent to which labour market and social policies support the employability of youth in Tunisia. In particular, the chapter discusses social protection mechanisms to mitigate the negative consequences of being out of work; public employment services to help young people (back) into work; entrepreneurship training and support programmes to assist youth in setting up their own businesses; as well as social policies to help youth (and young women in particular) overcome barriers to employment related to family responsibilities. The chapter finds that, despite Tunisia´s relatively developed social protection system many youth are likely to fall between the cracks because of high levels of unemployment and informality. This lack of protection presents a significant barrier to the ability of youth to look for and find productive employment. In addition, public employment services generally lack the capacity to provide unemployed youth with the tailored support they require. Finally, Tunisia could do significantly more to help young parents juggle work and caring responsibilities,

particularly with regards to parental leave and support for parents in meeting the costs of childcare.

Chapter 4 "Vocational education and training (VET) in Tunisia" examines the vocational education and training system in Tunisia, assessing strengths and challenges. Currently the system fails to provide youth with a sufficiently smooth transition into the labour market, and inadequately meets the needs of employers. The two main challenges are: i) the lack of attractiveness of vocational education and training in Tunisia, including the negative effects of the low status techniques, and the underdevelopment of high quality options at the upper secondary level; and ii) the mix of provision (as between fields of study) is driven mainly by the capacity of the system, and it may not reflect the needs of the economy. This chapter recommends the implementation of a set of mutually reinforcing policy reforms, including a strategic expansion of VET at the upper secondary level and stronger mechanisms to engage employers. Finally, the chapter also looks at the provision of entrepreneurship training within the VET system, and identifies scope for improving both quality and accessibility of provision.

Chapter 5 "Creating jobs for Tunisian youth in the green economy: anticipating skills and developing entrepreneurship" examines the opportunities for the creation of jobs for young people in the green economy and actions which can build skills and entrepreneurship around these opportunities. The economy will inevitably become greener, either through the influence of external factors, i.e. climate change, pressure on non-renewable resources and the related adaptation policies, or through a domestic strategy in the direction of sustainable development. This will have implications for the VET, both in terms of the skills which will be in demand, and the opportunities for entrepreneurship. Greening of the economy will not have the same effect on all sectors and a number of areas are examined where there will be opportunities for the creation of new jobs, including for youth through the creation of green jobs. Capturing such opportunities will require clear government strategies, prioritisation and action.

Achim Gutowski, Bremen

World Bank Group, 2015, CPIA Africa, *Assessing Africa's Policies And Institutions*, 88 pages, The World Bank, Washington D.C., Web Access: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/07/15/090224b082ffaf9e/1_0/Rendered/PDF/Country0Policy00Djibouti0and0Yemen0.pdf

Presented are the Country Policy and Institutional Assessment (CPIA) scores. Analysed are four areas/clusters (Economic Management, Structural Policies,

Policies for Social Inclusion and Equity, and Public Sector Management and Institutions) for 2014. While there were some weaknesses in economic management (fiscal policy), some progress was in the governance clusters. On the whole, not much change was observed since 2013. Presented are CPIA scores for the 38 African countries that are eligible for support from the International Development Association (IDA), which is the concessional financing arm of the World Bank Group. CPIA scores reflect the quality of a country's policy and institutional framework across 16 dimensions, grouped into four clusters: economic management (Cluster A), structural policies (Cluster B), policies for social inclusion and equity (Cluster C), and public sector management and institutions (Cluster D). The scores, which are on a scale of 1-6, with 6 being the highest, are computed by World Bank staff and are based on quantitative and qualitative information. The assessment also relies on the judgments of World Bank staff. CPIA scores are used in determining IDA's allocation of resources to the poorest countries. Beginning in 2014, the CPIA Africa report includes coverage of two countries in the Middle East and North Africa (MENA) region (Djibouti and the Republic of Yemen). Only one country (Rwanda) has a score of 4.0 while the SSA/IDA average is 3.2; South Sudan and Eritrea are at the bottom with scores of 2.0. Comparisons over the years allow assessments of policy and institutional changes (see on the whole CPIA project: http://datatopics.worldbank.org/cpia/).

Karl Wohlmuth, Bremen

Legatum Institute, 2015, *The Legatum Prosperity Index*, 2015, Legatum Institute, London, UK, 22 pages, Homepages: www.li.com and www.prosperity.com; Web Access to the Legatum Prosperity Index Report for 2015: https://lif.blob.core.windows.net/lif/docs/default-source/publications/2015-legatum-prosperity-index-pdf.pdf?sfvrsn=2

Indicators in the Prosperity Index are: Economy, Entrepreneurship & Opportunity, Governance, Education, Health, Safety & Security, Personal Freedom, and Social Capital. For Africa, there is evidence that drastic changes have occurred over time: Tunisia has deteriorated between 2009 and 2015 from rank 56 to rank 84, South Africa kept its rank more or less (but going down from rank 67 to rank 68), while Rwanda improved from rank 105 to rank 88. The advantage of the Prosperity Index is the combination of economic, social, safety & security, and personal freedom and social capital indicators, always looking at the macro side and as well the individual perspective. There is also a section on methodology in the report to describe the variables and the summing up of weights to the overall index score and rank.

Karl Wohlmuth, Bremen

OECD, 2014, *Perspectives on Global Development 2014, Boosting Productivity To Meet The Middle-Income Challenge*, OECD Publishing, Paris 2014, 284 pages, ISBN 978-92-64-21060-8 (print) and ISBN 978-92-64-21061-5 (PDF), and Online Bookshop:
http://dx.doi.org/10.1787/persp_glob_dev-2014-en
Web Access of the Pocket Edition:
http://www.oecd.org/dev/pgd/EN_Pocket%20Edition_PGD2014_web.pdf

This publication is of relevance for the middle-income countries (MICs) in Africa, like South Africa, Morocco, Tunisia, Mauritius, Botswana, and some others. If only the so-called "mature middle income countries" in Africa are considered, and not the commodity MICs (like Angola and Ghana) and the new MICs (like Cameroon and Ivory Coast), the picture is much clearer. The mature MICs are more directly affected by the middle income trap, in the form of conditions which see an erosion of the traditional drivers of growth. The report highlights the strategies which are needed to boost productivity so as to avoid the middle-income trap as the traditional drivers of growth are fading, such as low labour costs (especially so in formal sectors), high and diversified volumes of FDI and capturing thereby global technology at relatively low cost, declining labour productivity growth and total factor productivity growth, and possibilities for exploiting the demographic dividend. Especially the first three causes are important also for the African middle-income countries, although labour absorption is different in Africa relative to Asian economies.

Middle-income countries can do a lot – according to this report – to improve productivity (by diversification, innovation, development of capabilities, reforming markets and developing skills, and fostering competitive service sectors), but also the old drivers of growth can be enhanced, such as through shifting labour to more productive sectors and through contributing to factor accumulation by improving efficiency. Also, these countries can spread growth by providing better public goods, developing effective regional policies, increasing energy efficiency and environmental sustainability, and they can make government to become more effective in all spheres of governance. So this Report brings out a strategy which can help African middle-income countries to continue their catching up process. Country cases and examples bring useful evidence for such a strategy.

Karl Wohlmuth, Bremen

World Bank Group, *World Development Report 2016, Digital Dividends*, World Bank: Washington DC, 2016, Softcover ISSN 0163-5085, ISBN

978-1-4648-0671-1, eISBN 978-1-4648-0672-8, DOI 10.1596/978-1-4648-0671-1. Hardcover ISSN 0163-5085, ISBN 978-1-4648-0728-2, pages: xiv+329.

The developing countries participation and their commitments to the installation of digital information application are neglected in the agenda on the worldwide debate and policies on the respective technology and their use. The World Development Report 2016 focusses on this item and fills a gap. A very comprehensive book has been produced – supported by a large number of experts and national as well as international IT institutions and development agencies. The output of these efforts has to be described as a handbook for policy makers' worldwide, practitioners in development policy and cooperation as well for academic teaching and learning. A short summary is not appropriate to outline the full text. Only a few remarks – admittedly incomplete – may give an impression and invite to further reading and application. The traditional development approach considering the digital dividend should include all activities which strengthen the transformation potential through the digital revolution. Sectors are mainly the business, education, health, good governance, delivering of services. Information is perceived among others as a means to manage complex systems as climate change, air pollution, epidemics, financial crises and relief efforts. World Bank studies have revealed that the project design may help to strengthen the efficiency of cooperation efforts considerably. Although the report is partly technology-biased, rules and institutions have to be procured in order to safeguard transparency, accountability and competition which strengthen the private sector commitment.

When reviewing the situation in Africa, the continent is characterized low digital engagement of the citizens. Mobile phones however help to disseminate information channels. Examples of digital application are referred among others from Kenya and South Africa. Technological hubs have not been as is it is required. African states are therefore called upon the foster their activities in the digital world. It is estimated that labour productivity might increase on the average by 3.7 per cent.

Karl Wolfgang Menck, Hamburg

World Bank Group, *World Development Report 2015, Mind, Society, and Behavior*, World Bank: Washington DC, 2015, Softcover ISSN 0163-5085, ISBN 978-1-4648-0342-0, eISBN: 978-1-4648-0343-7; DOI: 10/1596/978-1-4648-0342-0; Hardcover ISSN: 0163-5085; ISBN: 978-1-4648-0344-4; DOI 10.1596/978-1-4648-0344-4, pages: xii+215.

For a long period of development policy and development cooperation focuses on so called "hard facts" as trade, finance, investment, public expenditure and taxation by economists. Public dialogue, intercultural relations are means of transmission and communication were perceived as necessary inputs to foster the efficiency and to reduce risk of failing cooperation efforts.

The World Development Report 2015 emphasizes these "soft facts" in the context of poverty eradication and having in mind the Ebola crisis and the inaccurate understanding of the disease transmission as well as the widespread stigma after the crisis. Multiple decision factors have to be taken into consideration, policy success results from an interactive process of discovery and learning, spending time and money and expertise over several circles of design, implementation and evaluation. It is a complex process of interplay of institutions and individuals. The potential to alter long-standing patterns is not yet fully exploited. It is recommended to change institutions, mental models through media, education and early childhood intervention. People are assumed to make the decisions required to overcome poverty when the cognitive procedures are simplified, potential can be mobilized, economic volatility is weak in infrastructure is improved, and social contexts into the design of programs are incorporated. Referring to the example of water conservation in Columbia, it means that planners check and correct their efforts with consideration of the people in place and avoid clashes of values. It is recommended to adapt interventions by diagnosing, to experiment and to change budget processes as well as institutional cultures when necessary. Government interventions should promote freedom and well-being and be restricted to cases when inadequate engagement, institutional framing, and social practices perpetuate poverty.

Many observations in the report, provided by experts and international agencies, outline a guide which should be taken very seriously especially by practitioners being involved in poverty not only in African countries.

Karl Wolfgang Menck, Hamburg

IMF, *Regional Economic Outlook Middle East and Central Asia*, 2015, Washington D.C.: IMF, ISBN: 978-1-51352-852-6, pages: xi + 105, web access: https://www.imf.org/external/pubs/ft/reo/2015/mcd/eng/pdf/menap1015.pdf

The book consists of seven chapters.

Chapter 1 is called "MENAP Oil-Exporting Countries: Grappling with Lower Oil Prices and Conflicts". Intensifying conflicts and depressed oil prices are weakening growth prospects and raising risks across the region, a situation compounded by the recent bout of global financial market volatility. Growth is expected to decelerate over the near term, but only moderately, as countries use fiscal buffers and financing options where possible. Faced with lower oil revenues, many countries have initiated fiscal consolidation, but the measures are unlikely to be adequate for ensuring medium-term fiscal sustainability and intergenerational equity, and rebuilding the necessary buffers to deal with future oil price shocks.

Chapter 2 is named "MENAP Oil Importers: Growth Trending Upward Yet More Reforms Needed To Create Jobs". The recovery in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) is gaining strength thanks to progress towards political stability, economic reforms, improving euro area growth, and lower oil prices – with growth rising to 4 percent in 2015 and 2016, broadly in line with May 2014 REO projections. However, greater momentum is being held back by continued spillovers from conflicts, security risks, and social tensions, while supply-side bottlenecks and strong currency valuations continue to hamper competitiveness and productivity growth. In a climate of persistently high unemployment, low living standards, and limited inclusiveness, the need for strong reform initiatives – especially in the areas of business, trade, and labour and financial markets – is imperative for fostering private sector expansion and job creation.

Chapter 3 is called "Caucasus and Central Asia: Reforms Needed to Weather Commodity". A wave of large external shocks, particularly lower commodity prices and the slowdown in Russia, has weakened growth prospects and raised vulnerabilities in the Caucasus and Central Asia (CCA) region. Increases in public spending have helped soften the immediate impact on economic activity, but fiscal consolidation remains a priority for the medium term.

Chapter 4 deals with "Fiscal Adjustment to Lower Oil Prices in MENA and CCA". Facing a sizable and persistent drop in oil prices, MENA and CCA oil exporters have started a process of fiscal adjustment. Although many countries have accumulated sizable buffers that will permit budget deficit reduction to take place gradually, faster progress is now needed to develop specific plans that would put fiscal positions on a stronger footing.

Chapter 5 is called "Economic Implications of Agreement with the Islamic Republic of Iran". The recent agreement between the P5+1 and Iran2 allows for the removal of most economic sanctions and for a significant improvement in Iran's economic outlook. Economic spillovers to the rest of the world are also likely to be a net positive, for two reasons. Iran's return to the global oil market is expected to result in increased global supply of oil, and the removal of the sanctions will open up new trade and investment opportunities.

Chapter 6 is questioning "How Might the Sustained Decline in Oil Prices Affect MENA and CCA Banking Systems?" The slump in oil prices, through its adverse impact on oil-dependent economies, has raised questions about financial sector stability in the Middle East and North Africa (MENA) and the Caucasus and Central Asia (CCA). The risks are more pronounced in the CCA and non-GCC oil exporters, where the impact of the oil price shock has been compounded by spillovers from Russia and other shocks against the backdrop of already elevated bank vulnerabilities. As low oil prices persist, some banks may become distressed, especially in countries where the policy space is limited and regulatory and supervisory frameworks are weak. Maintaining sound macroeconomic policies, increasing supervisory oversight, strengthening prudential and crisis management frameworks, and reducing bank vulnerabilities, particularly dollarization, are key to reducing financial stability risks.

Chapter 7 deals with "Spillovers from Russia to the Caucasus and Central Asia (CCA) Countries". In the face of sharply lower oil prices and geopolitical tensions and sanctions, economic activity in Russia has rapidly decelerated, resulting in negative spillovers on CCA countries. The extent of the impact is commensurate with the level of each country's trade, remittance, and foreign direct investment (FDI) links with Russia.

Achim Gutowski, Bremen

United Nations, *World Economic Situation and Prospects 2016*, United Nations: New York, 2016, ISBN: 978-92-1-109172-4 pages: 231, web access: http://www.un.org/en/development/desa/policy/wesp/wesp_current/2016wesp_full_en.pdf

The world economy stumbled in 2015 and only a modest improvement is projected for 2016/17 as a number of cyclical and structural headwinds persist. Global growth is estimated at a mere 2.4 per cent in 2015, marking a downward revision by 0.4 percentage points from the UN forecasts presented six months ago. Amid lower commodity prices, large capital outflows and

increased financial market volatility, growth in developing and transition economies has slowed to its weakest pace since the global financial crisis of 2008/2009. Given the much anticipated slowdown in PR China and persistently weak economic performances in other large emerging economies, notably the Russian Federation and Brazil, the pivot of global growth is partially shifting again towards developed economies.

According to the UN, the world economy is projected to grow by 2.9 per cent in 2016 and 3.2 per cent in 2017, supported by generally less restrictive fiscal and still accommodative monetary policy stances worldwide.

The book consists of four chapters. Chapter I deals with the global economic outlook, chapter II covers international trade, chapter III provides information about international finance for sustainable development including African countries and finally chapter IV deals with regional developments including African countries and provides an outlook.

Achim Gutowski, Bremen

United Nations Conference on Trade and Development (UNCTAD), *The Least Developed Countries, Report 2015, Transforming Rural Economies,* UNCTAD/LDC/2015, United Nations Publication, sales no. E.15.II.D7. ISBN 978-92-1-112893-2, eISBN 978-92-1-057413-6, ISSN 0257-7550, October 2015, page: xiv+ii+157.

Among the least developed countries 32 states are African, and the origins of the poverty are food and agriculture exports (3 states), the energy price decline (5 states), lower exports of minerals (7 states) and the lack of inadequate exports of services (7 states). The majority of the population lives and works in rural areas, which are in a first stage of transformation. Agricultural producers mainly of local markets and an informal sector are the main economic drivers in remote areas and separated from business centres due to weak transport and communications grids. Thereby external sources of employment and income as tourism mining, services, rural-urban links, subcontracting and migrants' remittances are not available to generate additional income and investment. Subsequently indicators of human development reveal shortfalls.

The report outlines facts in an in-depth analysis and proposes a poverty-oriented structural transformation (POST). It strengthens the overall level of labour productivity, employment and creates economic opportunities as well as generates higher household incomes, at least above the poverty line. Strategies should among others comprise diversification of farm and non-farm activities as well as regional cooperation within the rural areas. An extensive

list outlines activities relating to agriculture, investment infrastructure, private investment finance, human resources and institutions.

The report – providing many examples and case studies – is recommended as an outline of a future-oriented anti-poverty strategy and should initiate commitments by policy makers, development experts as well the donor community.

Karl Wolfgang Menck, Hamburg

9. Regional African Economic Reports

African Development Bank, 2014, *African Development Report 2014, Regional Integration for Inclusive Growth*, Abidjan: African Development Bank 2014, 138 pages, Web Access: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/ADR14_ENGLISH_web.pdf

The main argument in the report is that it is now important to discuss about implementation strategies with regard of regional integration in Africa and not any longer about new policies and objectives. The implementation gap is so serious, and so the report highlights the most important areas where regional integration needs implementation measures and urgent action. Also, it is necessary to remind again the policymakers in Africa that there are main advantages of regional integration, so as to connect nations and people in order to reap benefits from the larger scale (of markets and endowments) and from the pooling of resources, such as the available skills and the natural resources in the region. Also, the report reminds the African policymakers that regional integration can support inclusive growth. It is also possible to promote intra-regional trade and to build a viable regional manufacturing sector, thereby managing collectively the premature deindustrialization trend which is also affecting Africa, and especially so Sub Saharan Africa.

There is *first* a focus on *regional institutions*. Guidance is needed for the regional institutions so that they can implement the regional integration policies. A more facilitating role of regional institutions is needed to support the member nation states in the implementation process. Regional institutions have to become as well more inclusive so as to reach the people by employment creation, social protection and poverty alleviation programmes.

A *second* issue is building *regional infrastructure*. A regional approach to infrastructure development is proposed, based on multimodal private public partnerships. So far all this is limited in the regional economic communities (RECs). Energy, water, transport and ICT are the key areas in this respect. Regional infrastructure development has to be inclusive as well so as

to reach the poor and to create productive employment by involving local contractors. Rural areas have to have priority as agriculture and supporting infrastructure was neglected for long. Inclusive regional infrastructure development has also to do with affordability and financial sustainability what requires appropriate pricing and subsidization strategies so that poor households are not penalized. Inclusive regional infrastructure development also requests a local content policy and a legislation facilitating measures for local participation. This has to be coordinated at the national and sub-national level.

Regional migration is the *third* important issue of the African Development Report 2014. Regional migration issues were neglected for too long and one reason is that these movements are largely informal and unrecorded; another reason is that they are to some extent affecting economically disadvantages areas; a third reason may be that these movements are caused by multiple factors (conflicts, climate change, youth unemployment, lack of food, drought and other natural catastrophes, etc.). By recognising qualifications of the migrants labour shortages and skills shortages can be met and equilibrated with surpluses in other regions of the REC and between the RECs in Africa. Remittances transferred by migrants within Africa have increased in importance and these funds play a role for inclusive development (although high transaction costs limit so far the impact on livelihoods and development). On the other hand basic social services have to be provided for the migrants, so that regional policies on social protection are to be developed.

Regional financial integration is the *fourth* important theme discussed in the report. There are many reasons for an important role of regional financial integration, also for inclusive regional financial integration. Important is the facilitation of the transfer of remittances in Africa, but also of the flows for trade and investment transactions. Also the scale and pooling effects of regional financial integration through cross-border banking are discussed as important factors. So far the regional finance systems are not inclusive in Africa, and they are not equitable, not comprehensive, and they are not reaching the weaker segments of the population. Various entities are underserved at micro level (small firms, households, agriculture) and at macro level (fragile or post-conflict countries and poor countries, neglected sub-national entities), and have not enough access to financial institutions. Facilitating regional and national regulations would matter and could help to achieve a more inclusive regional integration. Long-term funding at regional level can play a role but needs the build-up of regional institutions, such as stock markets, regional financial platforms, regional oversight authorities, regional advisory services, etc.

Regional value chains as the *fifth* issue are another opportunity to act in an inclusive way, as local firms (also small ones) can supply inputs into regional supply chains and commercial food activities. Proximity to consumers and producers is an important facilitating factor. Regional value chains can be inclusive as local firms in other countries can learn from regional lead firms, can employ and train people, and can benefit from adapted technologies in the value chain; and local firms can also exchange goods and services which are relevant for the poor. The theme of inclusive regional value chain integration is important; by such value chains production systems of the member countries are bound together.

These *five aspects of inclusive regional integration* (institutions, infrastructure, migration, finance, and value chains) which are presented in the African Development Report 2014 are of importance for new initiatives towards a more transformative regional integration process.

Karl Wohlmuth, Bremen

African Development Bank (AfDB)/Development Centre Of The Organization For Economic Co-operation And Development (OECD)/United Nations Development Programme (UNDP)/United Nations Economic Commission For Africa (UNECA), A*frican Economic Outlook 2015*, Special Theme: Regional Development and Spatial Inclusion, Paris: OECD Publishing, 2015, ISBN: 978-92-64-23282-2 (print), ISBN 978-92-64-23330-0 (PDF), DOI: http:/dx.doi.org/10.1787/aeo-2015-en, pages: 351.

African Development Bank (AfDB)/Development Centre Of The Organization For Economic Co-operation And Development (OECD)/United Nations Development Programme (UNDP)/United Nations Economic Commission For Africa (UNECA), A*frican Economic Outlook 2014*, Special Theme: Global Value Chains and Africa's Industrialisation, Paris: OECD Publishing, 2014, ISBN: 978-92-64-20940-4 (print), ISBN 978-92-64-20941-1 (PDF), DOI: http:/dx.doi.org/10.1787/aeo-2014-en, pages: 315.

The fourteenth and the thirteenth editions of the *African Economic Outlook* were prepared by three teams – from AfDB, OECD, and UNDP. As a collaborative effort these annual publications are of outstanding importance for Africa and for all those working in and for Africa. The *African Economic Outlook* project started in 2002 with only 22 African countries covered, and now these two editions cover all the 54 African countries. These two editions are therefore unique in covering all of Africa with no exception. The *African Economic Outlook editions for 2015 and 2014* are – as it was the case with

the twelve prior issues – presenting the differences in conditions, policies and prospects of the African countries. The analysis is differentiating between cases like oil exporters and oil importers; least developed, low income and medium-income countries; countries undergoing reforms and countries without substantial reforms; countries with good and bad governance; coastal countries and land-locked countries; and economically small and large countries. The fact that no African country is left out from the recent two *African Economic Outlook* editions is a good signal and means that Africa has moved in a positive direction; data and analysis on social, economic and political conditions are now available to some extent for 54 African countries.

The special theme of the fourteenth edition is "Regional Development and Spatial Inclusion", while the special theme of the thirteenth edition is "Global Value Chains and Africa's Industrialisation". So these two reports cover most important aspects of Africa's development process: how African economies are shaped by regional development and by demographic changes, and how African economies' industrialisation is affected by integrating into global value chains. Part One is on Africa's Performance and Prospects, covering sections on Macroeconomic Prospects; External Financing; Trade Policies and Regional Integration; Human Development; and Political and Economic Governance in Africa. Part Two in these editions is covering the special theme. Part Three contains short Country Notes for 54 African countries with key messages for the respective country, which are also related to the situation with regard of the specific theme, but full length Country Surveys are available at: www.africaneconomicoutlook.org/en/countries. The Country Surveys are highly informative analyses of the country's situation, covering in more detail the issues of the country, especially so an Overview; Recent Developments and Prospects; Macroeconomic Policy; Economic and Political Governance; Social Context and Human Development; and the Thematic analysis related to the specific theme of the edition. Finally, the editions contain a Statistical Annex with many comparative data on the issues which are covered in the other parts of the editions. The Statistical Annex starts with a methodology, giving the sources of all the data and the method of processing the data.

Concerning the *African Economic Outlook 2015* it is reported in Part I on Africa's Performance and Prospects that there are positive trends with regard of the continent's financial, social and governance indicators, so that a broad-based progress is ascertained. Beside of this analysis and information provided, the report emphasises in depth in Part II the challenges of unlocking Africa's regional development towards greater spatial inclusion. The idea behind the theme is to look at a development process which ensures that no one is left behind because of where they live. The concept of "space-neutrality" with regard of all economic and social policies is a very important one, alt-

hough it was neglected for too long in development studies and especially so in development policy. The macroeconomic prospects for Africa are described as promising, with growth in 2014 being higher than in 2013 and so being stronger than the global average. It is even argued that Africa's growth is converging to the current growth of Asia, although the growth performance in Africa differs very much between the countries and regions. It would have been much better to emphasise these divergences much more than looking at highly aggregated growth figures and trends. The downside risks, like oil price declines, uncertain developments of the world economy, insecurity and terrorism, are mentioned but it is not made clear how and to what extent the African governments will adjust if it becomes necessary to do so. It is not clear how governments will change course in a way being consistent with economic development priorities and human development and social safety programmes. A reasonable degree of resilience is seen by the authors in terms of macroeconomic policy, but the discussion about the mentioned downside risks for Africa shows quite an amount of scepticism with regard of managing the downside risks. So, the future developments and policies will test how resilient these countries are in terms of policies.

Financing issues are considered as mixed in regard of progress – some progress is seen with regard of tax revenues, but still there are severe problems with regard of illegal and illicit financial flows. Although the diversification for foreign direct investment (FDI) from extractive industries towards "urban destinations" (retail sector, services sub-sectors) is seen as encouraging, the remaining gap in regard of manufacturing FDI is not closed (and deindustrialisation is not yet stopped). Aid (official development assistance) to the countries in need is declining, and there is only expression of hope in the report that private and new actors will replace the lost funding. What the decline of official aid funding means for realising the United Nations Post-2015 Development Agenda is put as a question, but the prospects are not clear. Remittances may be used in a more rational way, if space-neutral policies will come forth in Africa. This is an implication from the report, but so far the remittances are not that much used in a developmental way. Trade and regional integration are also commented on. Although some diversification took place in trade towards Asia, not much progress was recorded with the regional integration process. Regional integration in Africa is not transformative enough. Cross-border trade and regional value chains are discouraged by too many barriers. Some help could come from implementation of the WTO 2013 Bali trade facilitation package, and from progress towards the Continental Free Trade Area (CFTA) and the Tripartite Free Trade Area (TFTA). But, a closer examination of how much this hope is based on real implementation steps is not delivered. Concerning human development, a balanced assessment of human development trends is presented. New policies and

approaches are requested to improve on all areas of human development and to address inequality and gender issues in a most effective way so as to improve the living conditions in rural and neglected areas. Again, the wide variation of human development indicators by countries is emphasised (but also the data quality has to be considered in such comparisons). Concerning political and economic governance the danger of reversals on progress in governance reforms already achieved is mentioned; this is a warning that there is no linear trend in governance reforms. This assessment is important as democracy and human rights are linked to economic and social development. These five chapters of Part I on Africa's Performance and prospects indeed give a sound overview based on available evidence. Sometimes the trend to aggregate is misplaced and leads to unfounded hopes for an "Africa Rising".

Of key importance in the *African Economic Outlook 2015* is the Part II which has three chapters on regional development and spatial inclusion. It is rightly argued that structural transformation can be accelerated only in Africa when demographic and spatial dimensions are more intensively emphasised. The "demographic boom" is mentioned: for the year 2050 it is expected that Africa will be home for 25% of the world population. This size effect will also change the rural-urban dynamic quickly and enormously, especially so by modifying and intensifying the links between rural and urban spaces. The capturing of the "demographic dividend" will depend on a massive creation of jobs for the young people entering the labour market. Otherwise the advantages of the demographic transition may get lost. It is stated that Africa can learn a lot from OECD and Asian countries with regard of regional development and spatial inclusion, but nevertheless African countries have to develop their own solutions, as based on innovative, context-specific, multisectoral and place-based development strategies.

So far, the survey of the already used policy approaches – in regard of regional and spatial development – which are presented in the report reveals that not that much is really working in Africa. The impact of spatial management, infrastructural development, and decentralisation efforts on regional inequalities were limited in effect, and in some cases there was no success at all. Some ideas for a "fresh look" at the regional dynamics are provided in this report, but a lot has to be done at the national ad sub-national levels in order to develop an applicable and context-specific strategy. An alternative development strategy is just outlined in very general terms, but the proposed ideas are valuable: focussing much more on local resources, articulating better the relationships between rural and urban areas, strengthening the networks of intermediary cities, diversifying the rural economies through decent off-farm and non-farm activities, better defining the changing role of agriculture in African societies, transforming of the metropolitan regions in a sus-

tainable way, providing services and opportunities in regions where population pressure is increasing, making the informal sector more productive, improving regional integration through value chains, regional markets, and regional entrepreneurship (see: p. 148 on these crucial points, which are neglected up to now in policy, strategy, data and analysis in most of Africa).

The record of past spatial policies, such as, for example, building special economic zones, opening economic corridors, establishing planned cities and poles of growth, use of spatially targeted policies to help lagging regions, supporting multi-sectoral cross-border initiatives, and pursuing comprehensive economic and social policies with some territorial and regional impact, is rather poor. Most important areas of action are the speeding up of infrastructure development and the encouragement of political, administrative and fiscal decentralisation. While there is some progress with regard of infrastructure development across the borders in Africa, the potential for decentralisation is not at all exploited in a meaningful way. There are too many negative examples revealing that political decentralisation is not correlated with fiscal decentralisation, constitutional development and building of local human capacities. "Blind spots" play a role in this context, such as inadequate statistics for local and regional policy making, information gaps on local and regional economies, and a lack of integration of regional and local policymaking into national development strategies. Therefore, the strategic process has to be refined so as to promote regional development and spatial inclusion.

Place-based and participatory approaches are emphasised and examples from Asian and OECD countries are mentioned as a reference for ways of using and mobilising local assets and capacities. A new policy paradigm is proposed (see p. 208), to tap the regional underutilised potential via new objectives, new strategies, new tools, and new actors. A useful distinction is made between "generic resources" (such as local non-qualified labour force and raw materials) and "specific resources" (such as local products which can be activated by local designation of origin, and which can pull tourism and exports). A strategy with seven main steps to accelerate local and regional development is presented. This is a valuable proposal, but in reality all the seven steps will see in action enormous difficulties and counter-forces (see p. 210). But again, the hope is there that local stakeholders and traditional institutions build platforms for action. Based on the experiences with the functioning of such platforms in African countries, it is rather strange that the last of the seven steps – fiscal revenues – is not presented in figure 8.1 although this factor is of key importance for the whole strategy. The issue of local finance is discussed broadly in the report, but a sceptic view is justified as most of the proposals to increase local financial capacity (and related human

capacity) are not well founded and so will not meet the applicability tests in most of Africa.

The Part III with the short Country Notes is valuable and online there is access to much more detailed reports. Also the Maps and Annexes at the end of the report are valuable.

The *African Economic Outlook 2014* has a similar structure but has as a Special Theme *Global Value Chains and Africa's Industrialisation*. The Part I of this report again demonstrates that some progress was achieved in Africa in recent times in regard of the five core themes (macroeconomic prospects, external financial flows, trade and regional integration, human development, and political and economic governance). However, some problem areas and dangers of reversals are mentioned, although rather in general terms. Again, the rather uncritical method of aggregating growth rates and progress indicators for all of Africa is a problem for the readers, as they cannot assess the wide variations between the country cases at this stage (they can do this when reading the country notes and the many tables in the annex). So again the impression is that the editors of the *African Economic Outlook 2014* have the intention to spread hope in the context of the "Africa is Rising Story".

Most important is part II with the special theme. The first impression is that there is a lot about global value chains (GVCs) and Africa in the report, but not that much on Africa's industrialisation. The context is more implicit rather than focussing explicitly on industrialisation and industrial policy in more general terms. The chapters of Part II show that Africa could increase its share in global trade in value added from 1.4% in 1995 to 2.2% in 2011. Although this is a very small share, it signifies that something is moving, although only few countries and few economic sub-sectors benefit from this acceleration. However, it is not so clear how industrialisation in Africa is brought forward by this trend. The major problem is that Africa is largely integrated with low value added activities so that these countries have to work hard to upgrade its integration and participation in GVCs via deeper backward and forward integration. Measuring the backward and forward integration of Africa into GVCs is done in a very novel form, relying on prior approaches but extending their insights considerably.

A strategy to integrate Africa into GVCs in a deeper way rather than just participating with low value added activities is presented, and various upgrading possibilities are shown in the report. However, all these proposals which are presented lead to the same broad range of conventional development interventions which we know from other reports on Africa. The difference is that these development interventions should now be conceived as value chain specific – value-chain specific infrastructure build-up, value chain specific skill development policies, value-chain specific technology and training policies, value-chain specific governance measures, etc. It is not

so obvious how small-sized, land-locked, and politically instable countries can participate and upgrade in GVCs, as there are considerable prerequisites in terms of infrastructure and governance and as well with regard of value-chain specific industrial policies. It is true that each value chain has unique properties which have to be assessed and considered by policymakers, but what are the implications for countries with a weak administrative capacity? Even countries like Tunisia with some progress in value chain integration have difficulties to adapt their policies to the specific needs of the value chains in which they are integrated. Policies and investment promotion are not at all value-chain specific. Countries may be able to participate and to integrate but they may not be able to upgrade in value chains. Tunisia is a case of unnecessary and ineffective tax incentives to allow for deeper value chain integration. These tax incentives have not helped to deepen the integration, to broaden the participation, and to upgrade the activities in GVCs in regard of economic and social effects. It comes out that for most of the African countries a sound development policy is a precondition for integrating and upgrading effectively in value chains.

Part II of the report is well structured. Chapter 6 highlights the potential of integration in GVCs for Africa, and presents valuable evidence on the structure and functioning of the global value chains operating in Africa. Chapter 6 is informative, but also breaking new grounds methodologically in terms of measuring the forward and backward integration effects of GVCs. Some positive trends are presented, although the absolute levels of global integration are quite limited. This highly informative chapter presents available data and even generates new data on Africa's GVC integration, and shows which sectors are affected and how firms in these sectors are involved. Although there is some reporting on success cases of Africa's integration into GVCs, also in manufacturing sub-sectors, such as the car companies in South Africa and in Morocco, the overall impact is limited. Only some few countries and some few sub-sectors play a role in manufacturing, but the same is true also in other economic sectors. Economic and social upgrading is there, but also limited in effects. The cases of successfully upgrading women's role in such GVCs are rare, and some of the examples, such as the role of the women in the Ghanaian shea butter sector, are not so conclusive (see Volume 18 of the African Development Perspectives Yearbook with a chapter on shea in Ghana, presenting a more pessimistic picture).

In Chapter 7 of Part II we find a sector perspective, and so we can see how integration into global value chains in agriculture, manufacturing and services works. This is an analysis of lead firms of GVCs and of local factors which can further the integration into GVCs. Important is the analysis showing that five different value chain governance structures have to be distinguished; these governance mechanisms affect the work and the outcome of

GVCs in Africa. It is made clear that in all sectors possibilities for upgrading in GVCs do exist, when governments and local industry actors respond pro-actively to the opportunities, but have in mind the different governance mechanisms of the GVCs. Very specific are the sector prerequisites for action towards upgrading the role in GVCs. In agriculture new product varieties, the shortening of the distance to the consumer, and the boosting of the small-holder capacity are factors which matter. Regrettably not many successful examples are mentioned. In manufacturing upgrading depends more on local (human and technological) capacity, size and structure of markets, knowledge transfer and openness to imports. Services are seen as a promising area of activity, where integration into GVCs can be even much easier than in other sectors, such as in finance, tourism, retail trade, and ICT, but also in this case the overall figures are still modest. Africa has now only a 2.2% share in the global services exports, and this share is stable since the 1990s. An acceleration of GVC integration through pro-active policies at various levels would be requested to use the potentials of Africa more fully and to reach a higher share in global services exports.

Chapter 8 brings all the evidence into a strategy. Five key considerations should guide the policies for participating and integrating successfully into global value chains Various elements are mentioned in a general form: there is a need for value-chain specific policies; there is a need to decide on trade-offs by promoting just those value chains with the greatest opportunities, but without harming the other ones in which the country has a position; there is a need to support entrepreneurship and collaboration between public and private actors; there is a need for policymakers to understand and consider the power relations within and the ownership structure of GVCs; and finally, there is a need to become pro-active in all relevant policy fields towards upgrading the position in GVCS as it is not enough just to invite lead firms to come, in order to avoid "low road strategies". In a four-step framework the report gives guidance in formulating effective and targeted policies. All these policy support guidelines are helpful, but there is a point missing: What is the role of the large African firms in the process as there are some of them, also called "African Challengers", in South Africa, in Nigeria, in Morocco, in Egypt, etc. The role of African lead firms is not considered that much, but it is important.

On the whole, this Part II gives a lot of information, but also conveys the impression that such sophisticated policies to support integration and participation in GVCs will not work in many African countries, but just in those few who have already a stake in it. The Part III is also in this context valuable as each country note has some information on the country's stage and sector(s) of GVC integration. The Statistical Annex is of value to compare country positions.

It has to be emphasised that also these two *African Economic Outlook* Reports for 2014 and 2015 base the proposed macroeconomic and development strategy on a broader growth and redistribution framework. Macroeconomic policies need to be embedded into a broader framework for growth in Africa, and more so a framework of inclusive or pro-poor growth is requested. However, this is not enough as also internal and external risks and important stress factors have to be considered according to the analysis which is presented. All this is part of a broader inclusive growth concept. Inclusive growth is a concept which is since many years on the agenda, and there is tremendous work undertaken to make the concept more operational[1], with consumption, income and inclusion coefficients being refined and combined. Every year the new edition of the *African Economic Outlook* adds some new elements to this very important concept. This is a major achievement.

A comprehensive strategy and policy approach is therefore outlined also in these reports, although this is done in a more implicit than explicit way – by considering inclusive growth and pro-poor growth in a broader framework; by looking at external finance flows and taxation; trade and regional integration; human development and social sector development, and rural and agricultural development; by focussing on the structural transformation and natural resources agenda; on specific human development policies for gender equality; on economic opportunities for large and so far disadvantaged segments of the population; and by emphasizing strongly the role of governance reforms and of quality increases of economic policy institutions. Improving the quality of economic policy is related to political and economic governance, and these issues are covered strongly in all the *African Economic Outlook* reports. In these reports there is some optimism spread that African leaders and citizens will adopt more and more peaceful ways to increase popular participation, although the danger of repeated cycles of violence and of reversals of reforms is as well mentioned. A maturing political process is observed for Africa, but this process needs stabilization from domestic and international forces.

It is always necessary to look back to the former *African Economic Outlook* editions. The project was developed now over more than 14 years. Also the indicators which are used to examine the development process in Africa have seen a refinement over the years. The indicators which are used for analysing the themes of human development, governance and political participation show however mixed outcomes, and it is made clear that African

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[1] See for example M. H. Suryanarayana, What is Inclusive Growth? An Alternative Perspective, International Policy Centre for Inclusive Growth (IPC-IG), One Pager no. 2015, June, 2013.

countries have achieved progress only in some areas. Corruption is still a major problem for improving the quality of economic policy and for allowing a broader participation of the people in governance. It is a very important issue in the context of the special theme of the *African Economic Outlook 2013* as the structural transformation process and a sustainable use of natural resources are endangered by corruption and mismanagement. As with all issues of growth, poverty and income distribution also in this regard the performance is mixed in Africa. This means that the African Union (AU), the New Partnership for Africa's Development (NEPAD), the United Nations Economic Commission for Africa (UNECA), the African Development Bank (AfDB) and the African Peer Review Mechanism (APRM) as well as other important Pan-African institutions will have to work hard in order to speed up structural transformation, to make a better use of the natural resources for sustainable development, and to aim consequently at a shared growth and a more balanced development process in Africa. The regional economic communities (RECs) have a strong perspective role in Africa, so as to improve governance and participation, to speed up structural transformation, and to realise inclusive growth and pro-poor growth. The role of the RECs goes therefore much beyond organising cross-border and regional economic exchanges.

Of great importance in the *African Economic Outlook 2013* is the Special Theme on *Structural Transformation and Natural Resources* in Africa. A basic idea is presented in this part of the volume: revenues from the natural resource sector production can be used for structural transformation, especially for investing into the development of the agricultural sector. If this process is well managed, this can help to diversify the economy and to increase value added and employment. A comprehensive strategy is outlined, based on taking stock of structural transformation in Africa, and building on a strong primary sector as the basis for structural transformation. Although the idea behind is interesting, too many issues remain open and only deep country case studies would have shown if such a policy approach is feasible. Regrettably, the Part Three with country notes does not show which countries could be seen as models for the applicability of this strategy.

The *African Economic Outlook 2012* has a special theme on *Promoting Youth Employment.* This theme is so relevant because of the demography of Africa, but also because country experts from nearly all African countries have reported in the country notes and surveys on their respective country experiences with youth employment programmes. So this eleventh report of the *African Economic Outlook* is a good source for looking at best practice cases. It is necessary to see the wealth of information which was accumulated from the beginning in the *African Economic Outlook* project, and it is also helpful to look at the methodology used in modelling the African economic

prospects part. All the volumes of the *African Economic Outlook* were reviewed in various issues of the *African Development Perspectives Yearbook*, and also the *African Economic Outlook* methodology for modelling economic perspectives for Africa was considered in these reviews.

In the *African Economic Outlook 2011* the special theme was *Emerging Partners of Africa*, while in the *African Economic Outlook 2010* the special focus was on *Public Resource Mobilisation and Aid to Africa*. Specific topics were covered also in the other Reports: the major theme in the *African Economic Outlook 2009* was *Innovation and ICT in Africa;* and *Technical and Vocational Skills Development* was the special theme in the *African Economic Outlook 2007/2008,* while *Drinking Water and Sanitation* was the special theme in the *African Economic Outlook 2006/2007*. In the *African Economic Outlook 2005/2006* the crucial issues of *Transport Infrastructure Development* in Africa were discussed, while in the *African Economic Outlook 2004/2005* the key issue which was introduced was the *Financing of Small and Medium-sized Enterprises*. In the *African Economic Outlook 2003/2004* a discussion of another important key policy issue for Africa was presented – *Energy Sector Policies*, and so the interaction of energy and poverty issues was analysed. The first two *African Economic Outlook* reports for *2001/2002* and *2002/2003* did not contain specific themes, but were already discussing some structural issues of African countries.

A gradual improvement and strengthening of the *African Economic Outlook* project can be observed. With all these special themes which were discussed in the various volumes, now twelve reports with special themes, a wealth of information about important policy issues was presented. Looking at all these policy reviews and recommendations and best practice analyses, policymakers in Africa and all those working on and for Africa can take from these reports many useful suggestions. The gradual enlargement of the number of countries which are considered with Country Notes and Country Surveys in Part Three of the *African Economic Outlook* is also an important improvement to the overall project. This means that the special theme is related to more and more country surveys and that work on the special theme is drawing on more and more country experiences, now 54 countries; this allows it to compare the country position with regard of a specific policy issue. The Statistical Annex which is presented in all reports allows it to further deepen the view on the country case by looking at the comparative data. The Methodology for all these tables is carefully explained. The Statistical Annex is valuable as it is including a selection of very important economic, social, and political data for African countries. The extension to various political, economic and doing business governance indicators is helpful; the comparisons with economic and social data for the country are revealing.

The Statistical Annex is readily adapted to the data demands of the special theme.

An explicit aim for the *African Economic Outlook* is the analysis of the trends and of the short-term evolution of selected African countries for the next two years by using a unique analytical model design for all the country case studies. The common framework includes a forecasting exercise for the current and the following two years by using a simple macroeconomic model, while the results from the modelling are related to analyses of the social and political situation in Africa. Mainly policymakers, donor agencies, academic experts, and business people are benefitting from these analyses. A problem with the *African Economic Outlook* is the fact that the background to the modelling work is not explained more deeply. Reference was made to a standard macroeconomic model called Africalook (see the short description of the prediction models in the *African Economic Outlook* 2001/2002, p. 19). It is argued that the specific structural peculiarities of the countries are also considered in this framework. The African Development Bank (AfDB) has now some lead role in this exercise, and seems to have further developed the model. The modelling for the *OECD Economic Outlook* is used to forecast world demand as well as the prices of the non-traditional imports and exports being of relevance for the particular African countries that are included in the reports, while predictions of the (traditional) raw materials prices come from World Bank sources.

A problem is it that there are two important competing reports coming from Africa, the *African Development Report* from the African Development Bank (AfDB) and the *Economic Report on Africa* from the UN Economic Commission for Africa (UNECA) and the African Union (AU). Therefore it is not yet clear to what extent the joint project of the *African Economic Outlook* – by the OECD, the AfDB, the UNDP, and formerly also by the UNECA – is based on a clear division of labour between the cooperating institutions which is considered as convincing. The relation to the other reports should be made much clearer, but now the *African Economic Outlook* has gained utmost reputation in all circles interested in Africa. It is not clear how these three reports really can contribute to a better understanding of Africa's development, and what the comparative advantage of the three reports on Africa really is, as also the other two reports present analyses, forecasts, special themes, regional economic profiles, and country case studies. Both, the *African Development Report* of the AfDB and the *Economic Report on Africa* of the UNECA and the AU are very rich in analyses, in forecasts, in policy recommendations, and in informative special themes, regional economic profiles, and in country cases. It may be that a "new division of labour" emerges over time between the editing institutions with regard to the three reports. Especially the country notes and country surveys make a differ-

ence in favour of the *African Economic Outlook*. However, the publicity around the *African Economic Outlook* is huge and so the other two reports are regrettably overshadowed (although their content is rich). It could be that a "new division of labour" which is based on comparative advantages of the involved institutions is envisaged for the longer-run. It could also be that the *African Economic Outlook* focuses more and more on country reports and on specific policy themes of relevance for donors, the *African Development Report* more and more on key policy reforms for Africa and on major development financing issues from the side of the African Development Bank, and the *Economic Report on Africa* more and more on sector problems and regional integration issues (although some of these issues are covered in specific programmes of UNECA, AfDB and AU on strengthening regional economic communities). The system of reporting on continental Africa is changing, but it is of very great importance for the development of the continent.

But, compared with earlier reports of the *African Economic Outlook*, the messages from the more recent ones are much clearer and stronger – the focus on international assistance strategies for Africa is stronger, structural impediments and solutions to Africa's development problems are highlighted more deeply, more and more country reviews are included (covering now all African countries without any exception), the comparability of country cases is strengthened, and the relevance of the presented data and of the forecasts has improved. The specific policy field that is covered is always important and the analysis is mostly to the point, and so the information presented is useful for further analyses and for projections. The researchers on country notes and surveys give valuable information for the specific theme and provide recommendations on country policies for the policymakers and donors. It may however be quite important to work further on a clear division of labour between these three reports, in order to strengthen them as instruments for policy assessment, policy formation and policy reform at the international, regional and national levels.

The *African Economic Outlook* can play a great role if the new trends in global development cooperation with Africa are reflected even more in the context of the annual focus theme of the *African Economic Outlook*, and as well in the frame of the recommendations given for policies in the African country surveys. The *African Economic Outlook* is highlighting the major development cooperation issues in general and also with regard to specific structural, policy, and infrastructure development issues. So the country surveys highlight now more than in the past the role of national priorities and policies and the development assistance implications of macroeconomic policies, structural policies and sector development policies. The issues of aid dependency and the debt (and debt relief) problems of the countries are also reflected now more in context, as well as the objectives, means and strategies

for improving the development assistance to these countries. This is where the basic competences of the OECD policy departments, of the OECD/DAC forums, and of the OECD Development Centre really lie, and this vast knowledge should be utilised properly. It should also be made quite clear that the *African Economic Outlook* is a joint OECD-United Nations-African Development Bank project with considerable and fast increasing African inputs and additional inputs provided from UN organisations, like the UNDP. This character of an international project for Africa should be even strengthened.

Karl Wohlmuth, Bremen

Economic Commission for Africa/African Union/African Development Bank Group, 2016, *Assessing Regional Integration in Africa (ARIA VII), Innovation, Competitiveness and Regional Integration*, Addis Ababa, Ethiopia: Economic Commission for Africa, ISBN: 978-92-1-125124-1 and eISBN: 978-92-1-057903-2, 148 pages, Web Access: http://www.uneca.org/sites/default/files/PublicationFiles/aria7_eng_rev_30march.pdf

This study brings together the issues of regional integration, innovation and competitiveness. It is argued in the volume that regional integration leads to increasing cross-country flows of knowledge and may then induce changes of the regional incentive framework, via reformed laws on intellectual property rights, laws on competition policy, etc. All this may strengthen regional integration. Regional integration will lead to higher returns on investment in innovation because of larger consumer demands, and to more chances for the clustering of innovators, as seen when looking at the electronics industry of the ASEAN countries. Regional production networks via regional value chains will also benefit innovators, Innovation is seen as essential by helping to transform the commodity dependence of African countries in production and exports, but the report does not make clear how this will happen. Such a transformation would need to unleash innovation in agriculture, manufacturing, services sectors and also in the informal sectors of the African economies. Even South Africa (one of the 15 African countries studied in detail in the report) has to move to a new development strategy based on STI and fast employment creation to make such a transformation possible. No one of Africa's countries referred to in the report is so far driven by innovation.

The report shows that innovation is at the same time a driver and a beneficiary of competitiveness, endogenous growth, development and transformation. Although this is a well-established proposition, the link with regional integration is not so clear. The record presented on the progress of the regional economic communities (RECs) in Africa in terms of real deepening is still modest, when looking at the intra-African trade figures, but also at the

ongoing negotiations on a deepening of the RECs and the building of TFTA and CFTA. Especially in services trade the barriers among African countries are huge, meaning that the potentials of the innovators are considerably reduced. But, the increase of intra-regional trade in intermediate and capital goods is a positive development signifying that regional value chains are coming up (although starting from a very low level). Also the movement of people, of direct investment, of credit, and the extension of financial integration in the RECs remain so far limited, what is impeding the development of services sectors in all countries of the REC. Some progress seems to occur in the field of infrastructure (roads, telecommunications, single-area mobile phone networks, internet bandwidth, etc.), although such progress is not recorded in all the RECs of Africa. According to the African Mining Vision some countries are harmonizing mining policies and standards, what is good news for commodity producers. It is not clear to which extent such policies are put into reality. But, too many trade, direct investment, finance, and movement barriers remain in Africa (behind the border, standards, rules of origin, trade and transport cost, trading services, establishing firms in other countries, etc.).

A key assumption in the report is that the countries belonging to a REC will improve their national innovation systems (NISs) and their innovation capacity what will then provide positive impulses to all the countries in the REC. This is a rather doubtful assumption, as we can see in RECs like ECOWAS, SADC, EAC, ECCAS, COMESA, etc. Also doubtful is the assumption that Africa gains in value chain participation and integration because its structural change induces moves to higher links in terms of value added. Structural change is small or non-existent in many African countries, and there are even reverse trends back from higher to lower productivity activities. It is argued in the report that innovation works through four channels (technological progress, investments in knowledge-based capital, multifactor productivity growth, and creative destruction), but competition on product and factor markets and private sector and firm growth are key requirements for all this to occur. So far these requirements are not existing and therefore these transmission channels for innovation cannot work properly.(or only in the informal sector where we find competition and private decision-making). Facts presented in the study confirm that the 15 countries studied in detail (and among them also South Africa) have a low total factor productivity growth rate. Only Mauritius is mentioned as being relatively high on the relevant indices (Global Innovation Index, Competitive Industrial Performance Index, and Global Competitiveness Index). It is also argued that routine learning via practice is a key factor for new innovation, more so than R&D, but practice and routine learning lead to innovation in a competitive

environment and in a context where firms are able to grow. This is not the case in most of Africa, and so regional integration cannot deliver that much.

The potential of leap-frogging is also emphasized as an important factor for the late-coming developers in Africa, but only in the case of ICT business is it easy for small firms to enter and to leap-frog to a certain extent and at low cost (although the dependence on mobile operators and on finance is limiting the field of activity and firm growth). In most other industrial activities leap-frogging depends on a substantial number of institutional and financial preconditions which are not there in most of Africa. Technology absorption via technology transfers from the global market depends on various capabilities (technological capability, innovation capability, IT capability) being domestically available. It is also emphasized that the African countries can utilize a certain policy space to access knowledge from the global market despite of the limitation of the TRIPS Agreement. Accessing knowledge in agriculture, manufacturing, and public health is considered as possible, but all depends on the availability of domestic capabilities (technological capability, innovation capability, IT capability, etc.). The international community is working in the context of the Sustainable Development Goals (SDGs) on a new global technology transfer mechanism, but yet there is no decision on this being of practical relevance for Africa. The report emphasizes a number of future options for Africa, but it misses points of actual importance for upgrading competencies.

There is some institution-building in Africa with regard of intellectual property rights, as reported, but these efforts are not connected with investment treaties, tertiary education and research systems development, private sector development policies, regional integration initiatives, etc. Reaching high quality tertiary education and research systems in Africa is reported as areas of enormous importance, and there are some modest signs of recovery of these systems after decades of decline following public spending cuts and privatization waves. Excellence Centres in tertiary education and research are needed and have to be related to industry and private sector demands. A critical mass of R&D finance is needed (in public and private sectors), but most of Africa is far away from it. There is a trend to activate development assistance for these areas, but a base of domestic core funding is indispensable.

Lessons from India show that a holistic approach is needed to upgrade tertiary education, the STI system, vocational education/training, tapping the diaspora, to push bottom up approaches for supporting innovations, etc. Also ASEAN is taken as a reference case so as to come up with lessons. Especially from ASEAN countries Africa can learn a lot, especially by pushing for incremental forms of innovation through pragmatic and consensus-building approaches, through dialogue and pursuing realistic targets, and through

facilitating trade, direct investment, knowledge transfer, and capital movements among the members.

Policy Recommendations are presented. Most important seems to be the proposal to share the cost of expensive research facilities in the RECs, to establish regional research areas in the form of a clear division of labour in R&D, and to finance jointly R&D programmes. What is here proposed sounds quite rational, but may not work on a larger scale because of national interests and established research profiles in the nation states. Such proposals may not work when based on domestic funding (and at the same it is proposed to reduce the dependence on external R&D funds). Quality standards and regulations for products and services in the RECs should be unified, but also this may be a problem as national industries want to protect their national industries from the ones of other REC members. These forms of protectionism inside of the RECs are still a problem which is not accounted for in the study. The same sceptic view is with the idea of establishing REC anchor institutions (STI, tertiary education and vocational training institutions). All this was tried in SADC and elsewhere but with limited success. Important is the proposal to link regional integration with a more effective form of decentralization by involving local governments more directly into the regional integration processes (like it is proposed and tried in the EAC). This may facilitate a combination of top down and bottom up regional integration steps, also with regard of R&D and STI policies. Anchor institutions are also proposed for the pan-African level through NEPAD and AU to complement the ones at the level of the RECs in Africa. One has the impression that there is too much proposed in terms of new institutions. An inappropriately large number of new STI institutions at the Pan-African level, the REC level and the nation state level is considered, but the idea to involve local government is important. However, governance issues are neglected in all these proposals. It is not clear how governance will work at all these levels.

The ***Assessing Regional Integration in Africa (ARIA) project*** (now up to volume VII) is considered by the responsible African institutions as a long-term research and policy formation project. Background to this publication project is the new consensus emerging at African regional institutions (UNECA, AfDB and AUC) on the need for a coherent African regional integration framework which should guide the process of deepening Africa's regional integration and should facilitate all types of cooperation with other world regions (EU, USA, Japan, China, India, Russia, Indonesia, Malaysia, Latin America, etc.). The work is advanced by forming joint action groups on researching Regional Integration in Africa. The six reports prior to volume VII have highlighted major issues of regional integration in Africa:

UNECA's Assessing Regional Integration in Africa I: ECA Policy Research Report, ECA 2004

(http://www.uneca.org/sites/default/files/PublicationFiles/aria1english_full.pdf)
UNECA's Assessing Regional Integration in Africa II: Rationalizing Regional Economic Communities, ECA 2006
(http://www.uneca.org/sites/default/files/PublicationFiles/aria2_eng.pdf)
UNECA's Assessing Regional Integration in Africa III: Towards Monetary and Financial Integration in Africa, ECA 2008
(http://www.uneca.org/sites/default/files/PublicationFiles/aria3_eng.pdf)
UNECA's Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade, UNECA 2010,
(http://www.uneca.org/sites/default/files/PublicationFiles/aria4full.pdf)
UNECA's Assessing Regional Integration in Africa V: Towards an African Continental Free Trade Area, UNECA, 2012,
(http://www.uneca.org/sites/default/files/publications/aria5_print_uneca_fin_20_july_1.pdf)
UNECA's Assessing Regional Integration in Africa VI: Harmonizing Policies to Transform the Trading Environment, UNECA, 2013,
(http://www.uneca.org/sites/default/files/publications/aria_vi_english_full.pdf).

The project is already well advanced, but new developments are incorporated into proposals for new volumes. See on the whole series of reports in the project "Assessing Regional Integration in Africa" the web page: http://www.uneca.org/publications/serie/Assessing-Regional-Integration-in-Africa.

Although these seven volumes present interesting material, they are based on the linear (conventional) model of deepening regional integration from phase to phase, from free trade zones to customs unions, to monetary and economic unions, and ultimately leading to political units. So there is a fundamental difference to the transformative role of regional integration which is based on structural transformation as a key yardstick for the deepening of integration. While Volume 18 of the *African Development Perspectives Yearbook* is focusing on issues of transformative regional integration, these seven "Assessing Regional Integration in Africa" reports are more conventional in frame and outlook, modelled along the EU integration concept.

Karl Wohlmuth, Bremen

UNCTAD Report 2015, *Economic Development in Africa, Unlocking the Potential of Africa's Services Trade for Growth and Development*, UNCTAD: New York and Geneva, ISBN: 978-92-1-112888-8, 146 pages.

The Report focuses on the importance of the services sector for Africa´s economic growth, employment, and development. Facts on the services sector are presented in Chapter 1. Overall, in Africa services grew above average during the investigation period 2009-2012 compared with other sectors. The services sector was the main driver of growth in 30 out of 54 countries included in the report.

Therefore, the services sector in 21 countries reached a share of more than 50 p.c. in output. However, above average growth of services was often accompanied by a contraction in manufacturing suggesting that the complementary elements between the two sectors have yet to be fully developed in those countries involved by these conflicting tendencies. Inadequate infrastructure services are the most important obstacle to achieving higher growth in manufacturing in African countries.

The share of employment in the formal services sector has been significantly lower than its share of GDP. On average, it accounted to only 32.4 p.c. in the period 2009-2012. In this respect, the problem of informality in the services sector has to be tackled which is crucial for rising productivity and the contribution of the sector to growth.

The share of the African countries in world services exports and imports has been continuously marginal. They are mostly net services importers. Furthermore, the gap between imports and exports has been widening in the period between 2001 and 2012. This, however, is not necessarily indicating poor economic performance, but could suggest increasing demand for services from abroad in order to support growing productive sectors.

Chapter 2 examines the economic development potential of the regulation of the infrastructure services sector. These services such as transport, telecommunications, water, energy, and sanitation, are constraining the economic growth potential in Africa to a high extent due to major limitations of public finance in most African countries. After private infrastructure services, in particular investment in telecommunications, have markedly grown since the 1980s, effective utility regulation is an important measure for setting an appropriate framework for competition.

There are three main reasons for the need of an effective regulation of the infrastructure services: first, achieving post-2015 sustainable development goals related to social welfare, water and sanitation; second, for the time being, Africa´s infrastructure services are more expensive and of lower quality than in all other continents; third, the amount of electricity being generated is far too low to meet the rising demand.

The policy disconnection in Africa´s services trade is the topic of Chapter 3. National development plans of 38 countries are reviewed in order to find out the particular importance the national governments attribute to the services. In a second part of the chapter, steps to a deeper regional integration

of the services trade are analysed. The African states are integrated in various regional economic communities where remarkable strides to liberalisation have been made though to different degrees. COMESA (Common Market for Eastern and Southern Africa), EAC (East African Community) and SADC (Southern African Development Community) are said to be at the forefront of promoting services trade.

At the global level, within the WTO the GATS has been established with the aim of a gradual liberalisation of services trade. While the 42 African member states have made important services trade liberalisation commitments the degree of liberalisation differs substantially reflecting not least their different priorities.

In total, although Africa made several efforts in order to improve regulation and promotion of its services sector the measures appear disjointed and unrelated across existing national, regional and global frameworks.

Chapter 4 addresses particular problems of the financial sector as well as steps for unlocking financial services potential in the African states. In Africa the financial depth generally appears to be lower than in other developing regions, regardless of being measured in terms of the share of bank deposits to GDP or domestic credit of private sector to GDP or similar indicators. Even large firms in Africa as a whole are less likely to have a loan than medium-sized enterprises outside Africa. South Africa and some countries in North Africa are pronounced exceptions with regard to financial depth.

The 2008/2009 financial crisis led to a consolidation within the financial services sectors with the number of domestic banks in the African countries declining while foreign banks increased their share (assets as a percentage of the total) to a high 58 p.c. However, skill and capability shortages as well as the low capitalisation of many African banks limit the number of financial institutions with the potential to operate across borders. Moreover, banking regulation and supervision often do not comply with international standards. With this in mind, African banks are due to implement the Basle Core Principles for Effective Banking Supervision.

On a global level, in the context of GATS, 20 African member states have made various commitments on financial services in return for market access. Several commitments in the African schedules translate into critical restrictions for foreign banking activity as they limit the capacity of the investing bank to make decisions over the management and control of its investment and operations. While the restrictions on financial services trade vary widely among the African states, on average they appear to be less constraining than in other developing regions.

When the financial sector in Africa will become more integrated in global financial markets, there are several potential pitfalls that policymakers and regulators need to avoid. In particular, prudential regulation is crucial for any

financial system to function properly. In Africa, it is still inadequate which is also explaining the insufficient financing of the private sector.

Most of the findings listed in the final Chapter 5 are related to the general trends of the services sector already mentioned in Chapter 1. More findings refer to the financial sector and its shortcomings in terms of high foreign ownership of banks, the lack of consistent supervisory practices, restrictions on ownership and control of investment on foreign banking activity. Finally, the importance for African countries to position themselves as reliable service suppliers in manufacturing value chains is underlined.

The policy recommendations are based on the recognition that a disconnection exists between the national, regional and global levels which needs to be bridged if Africa is to harness the benefits of greater trade in services.

Hans-Hermann Steinbeck, Eckernförde

UNCTAD Report 2014, *Economic Development in Africa, Catalysing Investment for Transformative Growth in Africa*, UNCTAD: New York and Geneva, 2014, ISBN: 978-92-1-112874-1, 110 pages.

After a short introduction some stylized facts on investment, growth and transformation are presented in Chapter 1. In Africa, the average annual growth rate of real output increased substantially to 5.3 p.c. in the period 2000-2010 compared with the previous decades. However, total investment growth remained below the level required to achieve a process of structural transformation involving a shift from low- to high-productivity activities and thus reducing poverty and unemployment. The focus on public as well as private investment reflects the fact that complementarities should be exploited rather than promoting one component at the expense of the other.

In Chapter 2 the determinants of investment are explored in detail. The lack of investment in Africa is explained by various determinants. The most binding constraints proved to be a weak access to financial resources, poor infrastructure, and high risk and uncertainty. The latter is not the less caused by political instability, affecting, in particular, foreign investment negatively.

In the following two chapters policies for catalysing investment are discussed. In Chapter 3, the main focus is to boosting the level and rate of investment on a national and/or regional level. Ensuring that investment goes to strategic or priority sectors, and improving the productivity or quality of investment has a comparable importance. A well-established financial system with strong domestic banks is a prerequisite for catalysing investment. By contrast, nowadays banks in many African countries are relatively small and foreign-owned.

Regional integration is another main topic in the context of strengthening particularly cross-border investment in infrastructure. Furthermore, regional production networks and value chains can improve the competitiveness of African enterprises thereby increasing their investment.

In Chapter 4 international aspects are discussed. Main topics are inflows of FDI as well as ODA. Moreover, stemming capital flight and fostering international trade can help boosting investment. Despite the recent increase in FDI flows, Africa continues to attract relatively small FDI compared to other continents. African countries tend to offer very generous incentives to foreign investors. This, however, has proved to be counterproductive as they are generally detrimental to local enterprises.

Main findings, messages, and recommendations are presented in Chapter 5. Despite Africa´s remarkable economic growth important structural problems remain unsolved. Firstly, growth was mainly driven by domestic consumption. In the medium term, this is unsustainable, in particular, because a consumer-led upswing mostly causes a persistent deterioration of the current account balance. Secondly, the share of manufacturing decreased in contrast to the normal transformation of developing countries, while the service sector grew above average. This is a cause of concern, as most of the services are informal and non-tradable services which are linked with precarious employment conditions.

Public investment declined in the first decade of the new century and fell beyond its optimum level according to a recent study. In the same period, the ratio of domestic savings to foreign capital inflows improved on average. However, while oil-rich countries financed substantially more investment through domestic sources, non-oil exporters continued to have a low ratio of savings to investment.

The main messages of the report are that achieving sustained growth requires broadening the sources of growth, and that African countries have to increase the quantity of investment and to improve its productivity.

The report makes some specific policy recommendations how to catalyse investment: First of all, to increase the level of investment requires the adoption of a more coherent macroeconomic policy framework. Higher public investment in infrastructure is crucial for private capital inflows from abroad because it makes the proceeds of investments more predictable. With regard to monetary policy, high and strongly fluctuating bank rates are major constraints for private investment. Furthermore, the report points out that development banks should be strengthened in order to improve the access to long-term finance.

The aim for catalysing investment has an international dimension, too. For example, closer linkages between local and foreign enterprises can initiate foreign direct investment. The report recommends that African govern-

ments should strengthen links through developing workforce skills as well as raising the absorptive capacity of local firms.

Fostering international trade relations can also stimulate investment. Yet, preconditions have to be fulfilled before earnings of more trade become effective: The international community needs to grant the African countries more market access and, furthermore, provide financial and technical support to enable them to implement the Agreement on Trade Facilitation adopted by the WTO members in 2013.

Hans-Hermann Steinbeck, Eckernförde

Africa Progress Report 2015, *Power – People – Planet, Seizing Africa´s Energy and Climate Opportunities*, Africa Progress Panel, ISBN: 978-2-9700821-6-3, pages: 182.

For Sub-Saharan Africa, 2015 is a turning point. The summits on sustainable development, financing and climate change are swinging the spotlight not only onto Africa's needs to accelerate development and adapt to global warming, but also onto the region's urgent energy crisis. Two in three Africans lack access to electricity.

But this crisis is also a moment of great opportunity, as it is demonstrated in this Africa Progress Report 2015, Power People Planet: Seizing Africa's Energy and Climate Opportunities. Demand for modern energy is set to surge, fuelled by economic growth, demographic change and urbanisation. As the costs of low-carbon energy fall, Africa could leapfrog into a new era of power generation. Utility reform, new technologies and new business models could be as transformative in energy as the mobile phone has been in telecommunications.

Renewable energy is at the forefront of the changes sweeping Africa, which is registering some of the most remarkable advances in solar, geothermal and wind power. Africa has a chance to show the way to a low-carbon future – while putting in place the policies needed to reduce its vulnerability to the effects of climate change.

A "triple win" is within the region's grasp, as renewable technologies create opportunities to increase agricultural productivity, improve resilience to climate change, and contribute to long-term reductions in dangerous carbon emissions.

The report consists of three parts. All discuss the important fact that affordable and reliable supply of energy and electricity underpins every aspect of social and economic life. But Sub-Saharan Africa has an energy crisis that demands urgent political attention. Two in every three Africans, around 621 million in total, have no access to electricity at all.

The consequences of energy deficits have yet to register with sufficient force on the policy agendas of Africa governments. The same is true of the wider international community. Without universal access to energy services of adequate quality and quantity, countries cannot sustain dynamic growth, build more inclusive societies and accelerate progress towards eradicating poverty. When health systems are unable to provide preventive and curative services, people who are already vulnerable face heightened risks. And when shortages of electricity hamper schooling, children lose a chance to escape poverty and build secure livelihoods.

Viewed from an investment perspective, replacing existing fuels with modern energy represents a widely neglected market opportunity. Access to modern energy systems could cut household costs, with benefits for expenditure and investment in other areas. Just halving costs would save US$5 billion for people living below US$2.50, or US$36 per household. Plausible price reductions of 80 per cent would raise these figures to US$8 billion overall, US$58 per household. How big is the investment gap that has to be closed if Africa is to transform its energy system? The report estimates it at US$55 billion a year.

The Africa Progress Report 2015 explains the bold steps that leaders globally and in Africa must take to achieve this vision. Above all, the report shows that the global climate moment is also an "African moment".

Achim Gutowski, Bremen

10. Development Finance and Development Aid for Africa

UNECA, *Track it! Stop IT! Get it!* iff / Illicit Financial Flows, Main Report, 2015, Report of the High Level Panel on Illicit Financial Flows from Africa Commissioned by the AU/ECA Conference of Ministers of Finance, Planning and Economic Development, Addis Ababa: ECA, 126 pages.

A High-Level Panel on Illicit Financial Flows was researching for two years on the issues of illicit financial flows (IFFs) from Africa. To determine the scope of the work the Panel spent a considerable amount of time in gaining a proper understanding of the phenomenon of IFFs. It was observed that IFFs have often been linked to capital flight in the discussion of the problem, with both terms often used interchangeably. It was felt important to distinguish IFFs from capital flight because capital flight, which is sometimes driven by badly managing macroeconomic and governance factors, could be entirely licit. Therefore as a definition of IFFs it was agreed to consider money which

was illegally earned, transferred or used. This definition avoids complicated explanations of what qualifies as IFFs and debates about whether investors should be allowed to respond rationally to economic and political risk. These funds typically originate from three sources: first, commercial tax evasion, trade mis-invoicing and abusive transfer pricing; second, criminal activities, including the drug trade, human trafficking, illegal arms dealing, and smuggling of contraband; and third, bribery and theft by corrupt government officials.

The Joint African Union Commission/United Nations Economic Commission for Africa (AUC/ECA) Conference of African Ministers of Finance, Planning and Economic Development which was held in 2011 mandated ECA to establish the High Level Panel on Illicit Financial Flows from Africa. Underlying this decision was the determination to ensure Africa's accelerated and sustained development, relying as much as possible on its own resources. The decision was immediately informed by concern that many African countries would fail to meet the Millennium Development Goals (MDGs) during the target period ending in 2015. It was argued that Africa should not remain over-dependent on resources supplied by development partners.

In the light of this analysis, it became clear that Africa was a net creditor to the rest of the world, even though, despite the inflow of official development assistance, the continent had suffered and was continuing to suffer from a crisis of insufficient resources for development. Therefore, the decision was made to focus on the matter of illicit financial outflows from Africa, and specifically on the steps that must be taken to radically reduce these outflows to ensure that these development resources remain within the continent. The importance of this decision is emphasized by the fact that Africa is annually losing more than $50 billion through illicit financial outflows. This Report reflects the work that the High Level Panel on Illicit Financial Flows has carried out since it was established in February 2012. It was tasked to develop a realistic and accurate assessment of the volumes and sources of these outflows; gain a concrete understanding of how these outflows occur in Africa, based on case studies of a sample of African countries and; ensure that specific recommendations are made of practical, realistic, short- to medium-term actions that should be taken both by Africa and by the rest of the world to effectively confront what is in fact a global challenge.

It was found that objectively it is practically impossible to acquire complete information about illicit financial flows, precisely because of their illicit nature, which means that those responsible take deliberate and systematic steps to hide them. Therefore it was observed that this is a permanent research task and that it is necessary to make available all new relevant information that will inevitably emerge. Obviously large commercial corporations are by far the biggest culprits of illicit outflows, followed by organized crime.

But corrupt practices in Africa are facilitating these outflows, apart from and in addition to the related problem of weak governance capacity. Actors involved in IFFs have even the power to "capture" weak states. All these factors underline that the critical ingredient in the struggle to end illicit financial flows is the political will of governments, not only technical capacity. Countries that are destinations for these outflows have a role in preventing them and in helping Africa to repatriate illicit funds and prosecute perpetrators. United global action is necessary to stop illicit financial flows and to repatriate funds. Such united global action requires that an agreement is reached on the steps to be taken to expedite the repatriation of the illicitly exported capital. It is also necessary that concrete steps are taken to give general universal application to such best practices as might have developed anywhere in the world. Therefore, relevant actions and initiatives are to be supported that have been taken by such institutions as the OECD, the G8 and G20, the European Parliament and the African Tax Administration Forum. The capital that is generated on the continent and should legitimately be retained in Africa must be an important part of the resources to finance the Post-2015 Development Agenda. Therefore repatriation of the funds is so important for realising the sustainable development goals (SDGs).

The Panel, chaired by Thabo Mbeki as the Chairperson, presented case studies and facts, but gave also valuable recommendations. However, the feeling of the reviewer is that too many observers of Africa would like to see the continent as a borrower and not as a creditor in the world economy. There are some vague points and guesses in the report and some assumptions on the key drivers which may be debated. It is not an academic exercise but a political action document of great importance.

The main document is full of definitions, data, examples, country cases, political assessments and policy recommendations, containing also various interesting annexes (see the web access below):
http://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf

Two other sources are of importance to understand the whole task, first, the launch event in early 2015 and second, the policy summary (see the respective websites): http://www.uneca.org/stories/high-level-panel-illicit-financial-flows-africa-launch-its-final-report for the launch event, and http://www.uneca.org/sites/default/files/PublicationFiles/illicit_financial_flows_why_africa_needs.pdf for the policy summary.

Karl Wohlmuth, Bremen

***Structural Change and Industrial Development in the BRICS*, Wim Naudé; Adam Szirmai; Nobuya Haraguchi (eds.), 2015, Oxford: Oxford University Press, ISBN: 978-0-19-872507-7, pages: xxix + 492.**

The book provides an analysis of the role of structural change in the economic development of Brazil, Russia, India, China, and South Africa (BRICS) with a consideration for the role of industry, and in particular manufacturing. The emergence of BRICS reflects an ongoing change in the international economic order. BRICS now account for very substantial part of global GDP, global manufactured value added and global manufactured exports. The book examines their economic experiences and structural change in BRICS over the past three decades, identifying both differences and commonalities, and deriving lessons for other industrializing countries.

Section I contains comparative studies focusing on the commonalities and differences of the experiences of BRICS. Section II includes six country studies providing a more detailed analysis of the long-run experiences of each of the countries, including South Africa. Section III consists of a set of seven thematic studies focusing on specific topics such as global value chains, the role of transnational corporations in the food chain, the role of foreign versus domestic investment, the role of domestic versus foreign demand in economic growth the diffusion of environmental energy technology and the similarities, and the differences in industrial policies pursued in the five countries. The book contains a summary chapter IV that provides an integrated perspective of the various contributions from the point of view of poverty reduction and development.

It questions whether the patterns of structural change and industrial development that BRICS experienced had an impact on poverty outcomes, and if so, what where the channels and the consequences?

Achim Gutowski, Bremen

***The Rise of the BRICS in Africa: The Geopolitics of South-South Relations*, Pádraig Carmody, 2013, London: Zed Books, ISBN: 978-1-78032 605-4, pages: 176.**

A little over a decade ago Africa was being spoken of in the media as the 'lost' or 'hopeless' continent. Now it has some of the fastest growing economies in the world, largely because of the impact of the BRICS: Brazil, Russia, India, China and South Africa. In this book that is written about the BRICS as a collective phenomenon, the author reveals how their engagements with Africa, both individually and collectively, are often contradictory, generating new inequalities and potential for development. Crucially, the author shows how the geopolitics of the BRICS countries' involvement in Africa is impacted by and impacts upon their international relations more generally. Furthermore, how the emergence of these economies has begun to alter the nature of globalization, which is no longer purely a Western-led project.

Chapter 1 introduces new models of globalization. Chapter 3 describes South Africa and its new geopolitics strategies. Chapter 7 deals with the governance and the evolution of globalization in Africa including an examination of Africa's changing role in the world and provides a conclusion.

Achim Gutowski, Bremen

***Chinese Migrants and Africa's Development: New Imperialists or Agents of Change?*, Ben Lampert; May Tan-Mullins; Daphne Chang; Giles Mohan (eds.), 2014, London: Zed Books, ISBN: 978-1-78032-917-8, pages: 185.**

The book provides a thoughtful, richly informed and theoretically drawn assessment of an ongoing complex relationship. The authors describe the array of actors and differing contexts that shape the engagement between Chinese migrants and African communities.

With a multi-scalar approach, connecting the global, the national and the local, the application of theories of intersectionality, cosmopolitanism and examples from their in-depth research, the authors help to understand the complexities and nuances of Chinese migrant engagements with Africans and their impact on Africa´s development.

Chapter 1 describes the migration of Chinese in Africa and development beyond the West. Chapter 2 is about China´s opening up including its internationalization, liberalization and emigration policies. Chapter 3 deals with Africa as an opportunity and Chinese interests, motives and aspirations. Chapter 4 is about the Chinese socio-economic life in Africa, their networks

and realities. Chapter 5 provides information about the construction of the other and the narratives of tension and conflict in Sino-African encounters. Chapter 6 describes building bridges: towards conviviality, cooperation and mutual benefit in Sino-African encounters. Chapter 7 concludes with everyday Sino-African encounters and the potential for African development.

Achim Gutowski, Bremen

***Agricultural Development and Food Security in Africa: The Impact of Chinese, Indian and Brazilian Investments*, Fantu Cheru; Renu Modi (eds.), London: Zed Books, ISBN: 978-1- 78032-371-8, pages: 280.**

The subject of food security and land issues in Africa has become one of increased importance and contention over the recent years. In particular, the focus has shifted to the role new global South donors – especially India, PR China and Brazil – are playing in shaping African agriculture through their increased involvement and investment in the continent.

Approaching the topic through the framework of South-South co-operation, this book presents a critical analysis of the ways in which Chinese, Indian and Brazilian engagements in African agriculture are structured and implemented. Do these investments have the potential to create new opportunities to improve local living standards, transfer new technology and know-how to African producers? And reverse the persistent productivity decline in African agriculture? Or will they simply aggravate the problem of food insecurity by accelerating the process of land alienation and displacement of local people from their land?

Part I provides an overview including chapters like “Catalysing an agricultural revolution in Africa: what role for foreign direct investment?” and “Agrarian transformation in Africa and its decolonisation”. Part II is about India and Africa and introduces chapters such as “India and Africa: new trends in sustainable agricultural development”, “India's strategy for African agriculture: assessing the technology, knowledge and finance platforms”, “Up for grabs: the case of large Indian investments in Ethiopian agriculture” and “Indian agricultural companies, 'land grabbing' in Africa and activists' responses”. Part III deals with Brazil and Africa and consists of chapters titled “Brazil's cooperation in African agricultural development and food security”, “Brazil, biofuels and food security in Mozambique” and “South-South cooperation in agriculture: the India, Brazil and South Africa Dialogue Forum”. Part IV focuses on PR China and includes chapters like “China's food security challenge: what role for Africa?”, “China's agricultural and

rural development: lessons for African countries" and finally "Conclusions and the way forward".

Achim Gutowski, Bremen

11. African Studies

Kandil, Magda (ed.), 2013, *Human Capital in Egypt, The Road to Sustainable Development*, An Egyptian Center for Economic Studies Publication, The American University in Cairo Press, Cairo/New York, ISBN 978 977 416 584 9, xii + 351 pages.

The book deals with the major labour market problems of Egypt as these are: the annual increases in the labour force with 700,000 new entrants, low female labour market participation, excessive government employment, a high percentage of people in non-decent employment conditions, low productivity and wages, high unemployment among the youth and the women, a mismatch between available skills and labour market requirements, weak social protection programs, etc. This list can be extended and specified.

These issues are dealt with in an Introduction and in nine chapters. The book is a collection of revised research papers of the Egyptian Center for Economic Studies (ECES) on labour market issues. The book discusses short-term measures of employment creation and medium to long-term measures to address also the major rigidities of the labour market so as to allow for the creation of up to one million jobs a year. So many new jobs are needed each year to care for the new entrants to the labour market and to reduce unemployment. It is made quite clear in the book that nothing less than a complete overhaul of the employment system is needed in Egypt. From the labour force figure for 2010 of 27.9 million, unemployment is 2.5 million, 6.6 million are in the public sector, and 18.7 million are in the private sector (but 12.2 million are outside of the formal sector of which 7.5 million are in the agriculture sector). These figures say a lot about measures which have to be undertaken in the public sector, in the agriculture sector and in the informal sector of employment. But also the private formal sector needs much more consideration as a potential source for new employment.

Mobilizing jobs in the near term is a particular problem. Chapter one deals with short-terms measures such as providing more credit to private sector activity and promoting exports. As output growth is concentrated in capital-intensive industries, incentives are needed for a higher employment intensity, through tax incentives for employment creation and through more affordable credit for small and medium enterprises (SMEs). A comprehensive employment strategy is requested as the public sector crowds out the private sector because of higher cost of borrowing and inflation. Unproductive public

employment is a problem to be tackled quickly as part of a fiscal consolidation strategy. And productivity-based wages are also recommended so as to create a more dynamic labour market.

Chapter two emphasizes the issue of an increasing skill-demand polarization. There is a "clustering around extremes" observed in Egypt, meaning that the employment and wage structure became more polarized between high-skilled occupations and low-skilled occupations, while the demand for middle-skilled occupations (manufacturing and routine jobs) fell relative to high-skilled (professional and managerial) occupations and low-skilled occupations (personal services). This rise in wage disparity is creating political tensions. The (premature) deindustrialization trend is behind these developments, reducing the demand for middle-skilled occupations. Obviously the deindustrialization trend was not managed pro-actively in Egypt. In a proposed new and inclusive job-rich growth strategy the system of economic incentives has to be changed completely towards a high job content of economic activities. Although these are good ideas, the political reality in Egypt has not moved in such a direction.

Tackling *the medium to long-term labour market problems* is considered in the chapters three to nine. The long-term reform agenda comprises issues such as education, training, innovation, decent-work attainment, boosting productivity and curbing inflation, addressing the public-private wage differential, introducing a minimum wage policy, increasing labour market flexibility, and reducing informality and vulnerability in the labour market. In chapter three a strategy is presented to do more for R&D and to boost innovation in enterprises. Also a strengthening of institutions, like the patents registry, may be helpful. Most important may be the establishment of new relations between industry and universities.

In chapter four there is a discussion on how to deal with deteriorating work conditions in Egypt. It is argued that all the pillars of the decent growth concept have positive productivity effects when put in action. So the decent work agenda is in fact a productivity growth agenda, but also in this regard the reality in Egypt is developing differently, and not in the right direction.

Chapter five deals with the two ways of linking wage growth, either to the price level or to the productivity. Increasing wages in line with productivity may be helpful for employment creation and mitigating inflationary pressures. However, the reality in Egypt is different also in this regard; the wage policy is not at all productivity-centred and trade unions are not ready for it.

In chapter six the effect of informality in the private sector on the public-private wage gap is considered. It is asked how efficient the wage determination process is in economic sectors. As private formal sector wages are higher than public sector wages and private informal sector wages, a strategy to develop incentives for formal sector employment and decreasing the cost of

private formal sector employment is proposed. As the private sector has a large employment creation potential, much more has to be done than so far to base wage policy on productivity growth. Formalization and employment creation can go hand in hand if the wage policy and the formalization process are synchronized.

In chapter seven the complex issues of introducing more effective minimum wage levels are considered. It is argued that multiple minimum wage levels are needed to respond to different situations with regard of gender, skills, location, age, inflation rate, poverty line, specifics of economic activity regarding productivity, share of GDP, sectoral growth rate, etc. It is not at all clear how all this can be handled administratively, taking into account the weak institutions and the regulatory environment.

In chapter eight it is discussed how the informal sector can become more formal (and more productive). A new concept of linking the informal sector to the formal sector is proposed, by connecting upstream informal activities to downstream formal entities. This may lead on the side of the informal entities to an acquisition of knowledge, to higher efficiency, and to an adherence to specifications and standards which could enhance in the longer run the formalization of informal sector entities. The role of civil society organisations (CSOs) is considered in this context as important (by giving credit, promoting business planning, encouraging training and marketing, adapting innovative sales techniques, and raising awareness for decent work conditions as a source for productivity increases. These proposals sound good and constructive, but so far no progress has been achieved in formalizing informal entities. It is not enough to rely on the inputs from CSOs; the state itself has a role to act in this direction.

The last chapter nine is on vulnerable employment, especially of the women in rural areas. Those employed under precarious conditions are people with no or low education, working in the agricultural sector, and being female. So the advice is given to do more in terms of support for female vocational schools in rural areas, such as vocational agricultural schools, and for empowerment programmes for women. Again, some work is done by NGOs, but the state is not investing adequately in this direction.

The book contains important analyses and some useful policy recommendations. However, the publication reveals the low level of commitment of the state in Egypt, as the state is not working and reforming in these directions. On the contrary, since the coup d'état to replace President Mohamed Morsi the policies in Egypt go in another direction. The roles of the public and military sectors are increasing, while precarious, informal and non-decent working conditions are on the rise. The regulatory burden on private sector entities is further increasing. The book is also reminder that such labour market conditions are also prevalent in other North African countries, as

there are similarities in the way of administrative handling and autocratic policymaking. This is not a textbook, but a collection of essays which give a good overall picture of the situation in Egypt's labour market. As there are other areas of policy concern in Egypt, such as with banking, education, public administration, poverty and income distribution, the reader just gets a look at one binding constraint to growth.

Karl Wohlmuth, Bremen

Jerven, Morten, 2015, *Africa – Why Economists Get It Wrong*, African Arguments, Zed Books London in association with International African Institute, Royal African Society and World Peace Foundation, 160 pages, Bibliographic Information: ISBN 978-1-78360-133-2 hb ; ISBN 978-1-78360-132-5 pb ; ISBN 978-1-78360-134-9 pdf , ISBN 978-1-78360-135-6 epub , and ISBN 978-1-78360-136-3 mobi.

This book is a bit curious as the author is criticising a whole profession, mainly development economists and economists working on Africa. The tone is full of arrogance when discussing the work of these economists who try to explain growth and development in Africa. He has the intention to understand how and why the economists come to false conclusions based on inappropriate assumptions, superficial arguments and assessments. According to his reading these economists use econometric exercises which are based on few observations, they have a methodology which is ahistorical in their work, and they rely on economic averages for the whole continent instead of making country case studies with a longer term focus. The periods they look for are also inappropriate leading to a confusion of causes and effects of slow growth.

Although the tone of the author is not appropriate, some (or most of) the key arguments are valid, and so the book is definitely worth reading. But, at the end, something is missing: a research strategy which puts together all the points raised and leads to new frontiers. It is important to distinguish between the economists as an academic profession and the economic newspapers when they argue about Africa. The press is using a wording on Africa by simplifying and generalising: they report on Africa as a growth tragedy, they speak about the lost continent, and years later they argue about Africa rising. All this is used by the author to attack the economists for their series of misunderstandings. Such wording is incorrect, but it has nothing to do with the profession of the development economists. The press and also some international consultancy companies use certain labels such as Africa Rising to attract interest, but they have not a scientific interest in the matters. All schools of economists who are working on Africa are harshly criticised and get their marks as "getting it wrong".

The author has four main chapters to identify the main weaknesses of the economics profession. The basic point he raises is that the profession of the economists switches from observations of chronically slow growth in Africa to observations of sustainably accelerated growth in Africa without explaining why and how such a change can come about. Neither the slow growth periods nor the accelerated growth periods are adequately analysed. All this leads to a complete lack of understanding appropriate policy responses. The disaster of misinterpreting growth (or lack of growth) in Africa is analysed in four steps, which are discussed in four chapters.

In *chapter one* the author looks at the reasons why the economic growth literature has focused for long on explaining a chronic failure of growth, claiming a severe growth deficit relative to the rest of the world. Such a growth deficit, understood as an average rate of performance failure, has according to the author never existed as Africa has seen periods of accelerating growth and then periods of declining growth (not only in the postcolonial period but also before). In this chapter he analyses in detail the arguments of the first generation of the economic growth literature which identified variables to connect low or no growth in Africa with economic policy failures. From the 1990s onwards cross-country regression became prominent to analyse these connections. Although knowing that correlation is not causation the economists were too happy to use such correlations and then using the results in a simple "subtraction approach" to quantify what Africa is missing relative to the developed world. The idea was to explain the lack of growth by the lack of something else (such as bad policies, bad governance, deficient public services, aid dependency, etc.).

Problems arose with each of these factors, according to the author. Variables of economic policies, such as inflation, currency overvaluation, and budget deficits, were correlated with low growth observations. If these variables are not correctly identified and related to meaningful periods, severe misinterpretations are unavoidable. The problem can be that the effects of an economic downturn are presented as the causes of an economic downturn. So it was not bad policy, but an economic downturn which led to unfavourable economic policy figures. Also, the changes which took place in economic growth during the whole postcolonial period were not identified and/or not correctly interpreted. The tremendous lack of research on structural transformation in Africa until the last few years is too obvious. There was research on "structural adjustment", but not on "structural transformation". The author then argues that by concluding that there was a chronic failure of growth in Africa the next obvious step was to explain the static income gap between Africa relative to the world. The economists turned easily and swiftly from explaining the growth deficit to the explanation of the income deficit. This required something different – identifying root causes of the income deficit.

The way was from the "subtraction approach" to the "root causes approach". The way from bad policies to bad governance as explanations of the growth deficit led first to a look on the role of policymakers as being responsible for slow growth and then later to a new second generation of growth literature. This new growth literature tried to explain the low income relative to the rest of the world by focussing on other variables, such as unfavourable initial conditions like bad geography and bad technology, unproductive institutions, fragmenting ethnicity, etc. A new regression literature emerged, but led according to the author to the use of variables which brought in the history in a formal setting only but ultimately led to a quite ahistorical reasoning. So-called "root causes" were searched, identified and measured, so as to get the base for plausible correlations with income levels. Again the economists have failed dramatically in the task – according to Jerven – to understand the processes and they have misinterpreted the data, the variables and the equations. Another group of prominent development economists was misled in their work by data mining and other ambitions.

The next step in the empirical growth literature (second generation) did not less harm for an understanding Africa's underdevelopment. Africa was now misunderstood in regard of income deficits to the rest of the world. This is the role of *chapter two* in the book. In chapter two we find an attempt to discuss the role of political developments over centuries in explaining income differences ("history matters"). The concept of "path dependency" is brought in by the scholars representing the second generation of growth literature, and Jerven goes on to critically examine these positions. If colonial forces have established institutions (to exploit the region), then the long-term effects were probably severe and leading to distortions being effective up to now. As these stories are not conclusive, as many other factors than only the colonial system are of relevance, regressions based on this path dependency may not help that much. All these stories of institutions being the result of path dependency are viewed with some sceptics by Jerven, especially so in the form of correlations which are based on specific data representing this path dependency. The same critical assessments refer to stories which apply the concept of "path dependency" to geography, technology, ethnicity, and to other factors which may be candidates to be considered as root causes of Africa's underdevelopment. Too many cases are there to show that path dependency can be overcome, and that productive institutions can replace unproductive institutions in Africa which have a long history in a certain region. Geography, technology, institutions, ethnicity and other factors must not be fate to countries forever, and these factors are not that deterministic in predicting development outcomes as assumed in so many studies. So while history matters, the way of incorporating history in the regression work is leading to an ahistorical way of interpreting Africa's growth and development. Also the

quality of historical data is discussed. Obviously too many of the analysts who were searching for root causes of Africa's underdevelopment via historical analyses have not done their homework – to study the quality of historical data first.

In *chapter three* issues of recurring growth in Africa are discussed. It is analysed how growth episodes − booms and busts – impact on the state and the state formation via the revenues; in case of declining export revenues domestic producers, like peasants, are taxed. All depends on the specific situation of a country and the reaction of the rulers. This is the way how the author looks at growth and development in Africa. This is his approach, so to say. What is the essence of it, and how strong is the explanatory power? Growth is very much related with the specific export revenue base (either slave trade or cash crops or natural resources and mining products) and the role of the state is changing with the type of export activity. Therefore, growth is changing but recurring. All this sounds quite simple and obvious. Nobody has doubted what M. Jerven presents as his own approach to understand growth What he writes about precolonial growth (in the Sokoto Caliphate and the Kingdom of Dahomey) is interesting, but not that much related to the theme. Nobody has doubted that there was such growth in precolonial times. It is good to be reminded that in precolonial and colonial times there were not static societies and economies in Africa with unchanged technologies and economic structures but also transforming and globalizing structures depending on new external impulses and opportunities. Based on his own researches about Ghana the author comes to long periods of sustained growth in the country up to 1950. Growth ended when the state in Ghana taxed the peasants heavily. The different situation with cocoa production in Cote d'Ivoire led the author to the conclusion that growth is not fully dependent on external demand factors, but has to do with state interventions. His warning against the "compression of history" leading to methodological errors when ignoring data from intervening years of periods is again and again emphasized, although the development economists have not generally made this error. Interesting is the remark that the "subtraction approach" discussed in *chapter one* cannot be relevant for countries such as Ghana as these countries had functioning and adaptable institutions and cannot be characterised as countries lacking institutions with the effect that they could only have slow growth. It is just necessary to study the different institutional arrangements in precolonial and colonial times to see that there were foundations of high growth. So, it is true that history matters and that a compression of history to few points in time is inappropriate to study Africa. But is this really proposed and done by so many development economists? I doubt this!

In the next step the author attempts to enlighten the readers about growth in the period 1950 to 2009. The purpose is to analyse growth and growth

episodes in the period. He clearly defines countries with growth failure, with sustained growth, and the ones just preserving growth. The problem is that "sustained growth" is not meaning "sustainable growth" in the sense of inclusive growth. The author argues about the many African countries having sustained growth in the 1950s, 1960s and 1970s (up to the second oil price shock), but one should keep in mind that sustainable growth is much more than just keeping per capita growth for a number of years above a certain threshold. It can be argued, based on the researches of development economists, that the type of post-independence growth was not sustainable and has laid the foundations for many growth failures in Africa (through rigid import substation industrialization, lack of regional integration, excessive bureaucracy, etc.). The great number of growth failures from the 1980s onwards until the recurrence of growth in Africa in the years from 2000 onwards is related to the depressed external markets and the resulting "destructive search for new sources of rents". All this has undermined political stability and the ability for pro-active development (p. 88). The time since the years after 2000 must have to do something with the better external factors and a successful new rent model developed for the African state classes? This is not really elaborated! How to break Africa free form episodic growth according to Mister Jerven? In his approach (it is not a theory) he argues that three cornerstones matter for sustained growth: a new relation with the world market, new foundations for political stability, and a reassessment of the prices of the factors of production as they determine the rate of structural change. Jerven is optimistic on some points, but his observations are based on very general findings. These ideas are rather vague and quite general; a development economist would describe them as rather naïve. He wants through these three cornerstones to change Africa from the type of recurrent and episodic growth to a type of self-sustained and self-centred growth. Curiously enough at least in one of these factors substantial change is required, either in the relation to the word market, or in the political economy to confront external shocks, or in the pricing of the factors of production. *Chapter three* is regrettably not really leading to new insights – neither on the growth episodes nor on the future growth strategies. The distinction of "recurring growth" and "sustained growth" does not lead very far. In a globalized world economy such a distinction does not help us to understand what policymakers can do.

Chapter four is really interesting and meets the main competence of the author as an economic historian being interested in econometric work. The author shows how weak the data base for GDP estimates is, although African statistical services have made significant improvements in data collection and processing in recent years, in terms of reliability, accuracy and validity. It is interesting to see that more and more African countries are now rebasing and recalculating their GDP accounting, so that we see both in Africa now – real

GDP growth following from more transactions and statistical growth following from rebasing estimates and recalculating so far unrecorded values for subsectors and transactions. We see that not only accuracy, reliability and validity of statistics are improving but that also political consciousness and relevance with regard of economic and social statistics are increasing in Africa. Still the major problem with economic statistics in Africa is the fact is that statistics is biased towards internationally tradable production (mining, petroleum, etc.) and international transactions (export and imports). So the statistics is good for certain production, export and import figures, but less good for agriculture and manufacturing sectors outside of the modern subsectors. Figures then are not more than guesses especially for informal sector activities. While the available data are those which can be easily collected, the gap with data on informal and agricultural sectors has to do with the lack of regular and appropriate surveys. The lack of regular agricultural, industry and informal sector surveys is a problem, as guesses are used on an annual basis.

It would have been appropriate to start with this chapter in the book, highlighting the incomplete, fragile and often obscure measurement and accounting procedures. Then it would have become much clearer to the reader how irrelevant much of the cross-section work is and how relevant the critic of M. Jerven is. It is excellent to see the description of the limited content of GDP growth measures for the various growth episodes in such a clear form. External transactions are mostly recorded, but not really the domestic productive activities. Recorded is the expansion of exports and imports, the increase in investment in physical capital, the growth in the capacity of extracting natural resources, and so we get GDP figures which measure the goods and services entering/leaving African countries. Not adequately measured are unrecorded, informal, agricultural, and small industry sectors. These are the sectors which are important for job creation. Measured are external, formal and modern sectors, but not the sectors on which the livelihood of the people ultimately depends. "Recurring growth" in this sense is a statistical fiction because only specific transactions are measured. The book is interesting reading, but *chapter four* should have been placed at the start of the book, sparing the reader a lot of pages. And, this knowledge about working with historical data is the main capacity of the author. Many issues in chapters one to three would then have become redundant. So the "Africa Is Rising" literature turns out to be as superficial as the talk about "Africa – The Lost Continent" and "Africa's Growth Tragedy". An implication for a new research strategy and a new policy focus is to turn to deep country analyses, to interdisciplinary country studies, to long-term assessments of structural change, and to push for regular data surveys on the neglected productive sectors of the African economies.

Karl Wohlmuth, Bremen

Ganahl, Joseph Patrick, 2013, *Corruption, Good Governance, and the African State, A Critical Analysis of the Political-Economic Foundations of Corruption in Sub-Saharan Africa*, Potsdam Economic Studies 2, Potsdam University Press, 2013, edited by Professor Dr. Malcolm Dunn, ISBN 978-3-86956-248-3.

This book presents an agenda for fighting corruption and supporting good governance in African states. After the Introduction in chapter 1 which is stating the argument, the chapter 2 presents the key elements of the Western Powers' post-cold war Africa policies. The sources of Western demand for good governance in Africa are outlined. It is argued that the goals of good governance and democratization in Africa were seen as useful policy tools, such as for US and French policy. The end of the cold war has created a demand for new policy instruments to keep/to get influence in Africa. It is interesting to see how global politics, economic interest, and new power relations determine the emergence of such concepts as good governance in Africa.

In chapter 3 there is a debate on corruption and good governance in development economics. It is argued that development economics gives only unsatisfactory analyses on the relation between corruption and bad governance. The measurement of corruption and assessing its effects is complex, as indicators are not easily found and adapted to situations in African states. It is also difficult to identify the causes of corrupt behaviour and the relation with bad governance. More than this, all the conventional ways of looking at these issues can lead to one-sided accusations of African political systems and can be used/and misused for political competition purposes, between donor countries and within African states. The discussion in development economics about the negative and the positive impacts of corruption on economic performance and political stability shows that a much deeper political analysis is needed to assess the impact of corruption on governance and development. Again in this chapter and as well in other chapters the author warns against over-generalizations and simplifications in looking at corruption and governance.

In chapter 4 the World Bank's Anticorruption Strategy is analysed. This is important because the World Bank impacts by its programmes on economic performance and governance in many African states. The sometimes poor results of these interventions have also to do with the false assumptions on the capacity of the African state. The chapter analyses the context of the World Bank policy, arguing that the interventions of the World Bank are

contradictory. The Word Bank knows quite well that particular economic, social and political circumstances matter in African states, such as a weak market economy and small private actors which are not supported by the African state so that there is a lack of incentives to demand public goods and to pay taxes. There is knowledge in the World Bank that this structure leads to corruption and bad governance. But still the World Bank proceeds on the assumption that public interest (impartiality of the state authorities in supplying public goods towards the society) is the base of governance in African countries so that only the public institutions and the legal systems have to be corrected so as to fight successfully corruption and to restore good governance. While a lack of "public interest" is the source of corruption in African states, it is worked on the assumption that there is only a lack of appropriate instruments and/or their application to fight corruption. So, by the World Bank many legal instruments were proposed and much institutional support was granted, but it was overlooked that the main source of corruption is the lack of public interest. Instead of looking at the norms which are managing governance, the deviation from these norms is considered as the problem to be tackled by the huge anti-corruption aid funds.

In chapter 5 the true sources of corruption, the different norms are investigated, by looking at the substance of the African state. It is argued that the modern state, like in the OECD world, is not found in Africa, but a neo-patrimonial state which shows no clear cut separation of public and private spheres and of public and private interest. The neo-patrimonial state mixes public and private interest, and so the African rulers dominate the scene by not being bound effectively by laws, rules and regulations. The substance of the African state is therefore different, so that good governance policies cannot simply be derived from the public interest model of the modern state. The current wave of attempts to change the constitutions, so that rulers can stay longer in power (not only in Africa but also in Latin America and CIS countries), shows that the difference is large between the modern and the neo-patrimonial state. The African state is weak in terms of asserting authority over the whole territory, in extracting sufficient resources for the provision of public goods, and in seeking the consent of the people as a legitimate source of government. And so the public interest view is not yet relevant for governance reforms

In chapter 6 the economic foundation of good governance is presented and it is defined as a mutually advantageous dependence between the state and the society. It is argued that in the West, with the development of the market economy, there was an increasing demand for an impartial state power to provide the public goods needed for the further development and strengthening of the market economy. Public goods, to enhance the market economy by competition laws, rule of law, material and immaterial infra-

structure, security, political, economic and monetary stability, facilitating laws for doing business, etc., were of increasing importance and were financed via taxes by the private actors as they saw the advantages of a new relation between the state and the society. The African countries have however mostly a weak market economy, many small and informal enterprises with difficulties to grow, a few large and dominant firms which are connected with the bureaucracy, and so there is a lack of incentives to develop collective and public goods-providing institutions. There is no incentive and no capacity from the side of the many micro and small firms to pay taxes, and these firms do not expect to get the public goods they need for their expansion. The state in Africa has other sources of wealth, especially from natural resources exploitation, and is linked with the few (public and private) large and sector-dominant firms in sharing rents. The majority of the private actors do not see an advantageous relation between state and society.

In chapter 7 the lack of a mutually advantageous dependence between the society and the state is explored in depth. It is argued that most of the economic actors have no incentive to support an impartial authority that upholds the rule of law and the public interest. And, the African state has other sources of revenue (rents form natural resources, aid, and sharing rents with large companies, etc.), and so is not dependent on them. The rural sector, the informal sector, the small business sector, and the missing middle between the small and the large economic actors are problem sectors and problem areas which prevent a mutually beneficial relation between the state and the society. The implication is that the development of the market economy is the first priority on the way to better governance, as it will also lead to higher incentives for good governance institutions. The vicious cycle is described. The lack of incentives to demand impartial governance institutions undermines the public interest and this failure further weakens the development of market forces.

In chapter 8 all these issues are brought together. Governance reforms are not easy tasks to pursue. The question is if and under what conditions it is useful to invest a lot of money into political reforms towards good governance models which are practised in the West, or into new models of African good governance by looking at best practice cases across Africa. Many resources and a lot of political good will are needed to work on both routes. Anyway, it is necessary to look at the state of economic development and the development of markets first and to see how the demand of economic actors for impartial public institutions develops. The prevailing relationship between the economic actors (small and large, formal and informal entities) and the political class (rulers, bureaucrats, judicial system, etc.) determines the outcome. Each individual African state has therefore to develop its own reform agenda, based on the development of both, the society and the state

organs. It is according to the author important to find out, first, which policy suits the country and then, second, if there can be ownership of such policies. Ownership is important, but only if it is based on the right type of programmes. Ownership makes sense when the private economic actors benefit from governance reforms which are derived on the basis of the country-specific characteristics. Increasing the incentives of economic actors to demand impartial governance institutions may imply various forms of political intervention, at local and national level, at sector and macro level, at programme and project level, and there is also need for unconventional, continuous and phased forms of action. Fighting corruption will also depend on the concrete situation, and no general solution will fit. Improving governance is about improving market development, so that political will to develop economies is decisive for successfully fighting corruption. Implied is a form of developmental and entrepreneurial state which in Africa will in the longer run free the country from corruption and bad governance. All this is an important insight, although not too many examples are yet to be found in Africa having such a direction.

This book highlights relevant issues for economic and political reforms in Africa. It is excellently written, based on various sources of knowledge, and it is good readable. Now it would be necessary to follow up again with country cases to study the relation between the state and the society in African countries. There are many country case studies on this relation, but now it would be useful to go along the theme of corruption and governance.

Karl Wohlmuth, Bremen

Nour, Samia Mohamed, 2015, *Information and Communication Technology in Sudan, An Economic Analysis of Impact and Use in Universities*, Contributions to Economics, Springer International Publishing Switzerland 2015, ISBN 978-3-319-13998-2 and ISBN 978-3-319-13999-9 (eBook), 374 pages.

The purpose of the book is to analyse the demand for ICT from the perspective of Sudanese universities, but also the supply conditions of ICT. The uses and impacts of ICT in public and private universities are examined in great detail. The comparison between public and private universities is of value so as to highlight the characteristics and the quality of these higher education institutions. By looking at three groups (academic staff, support staff and students) of users and two forms of ownership (private and public institutions of higher education), it is presented evidence that the private universities generate a higher demand because of higher monthly incomes and skill levels

to be found in private universities. This is a first indication of a digital divide in Sudan.

Four ICT modes (fixed telephone, mobile telephone, computer, and Internet) are considered in terms of price, income and substitution effects, but also in terms of supply conditions in the country. It is interesting to see that despite of many obstacles to spread ICT demand has increased and shifted from the fixed telephone mode to the other modes. The demand for mobile phone and Internet is carrying the ICT dynamics in Sudan as it does in other countries. And, efficiency and high quality matter in purchasing decisions for mobile phone and Internet despite of widespread poverty. This has implications as it shows that the ICT tools are considered as so important that savings in other areas are done. Mobile phone and Internet are considered to have multiple advantages, especially so for academic staff, while fixed telephone is of use for less skilled people. Looking at price and income and elasticity and substitution calculations of ICT tools and services, the rational consumer comes in sight in Sudan as well. The book is also a story about the rational consumer in Sudan, who is weighing carefully the advantages of using ICT technologies for all types of activities.

The changes on the ICT supply side (with now more operators in the various ICT modes) have increasing impact also on the demand side (in terms of a greater variety of services, a greater outreach to new consumers, and a higher quality of all types of services). The choice of the consumer for an appropriate operator is also evidence of the existence of a rational consumer in Sudan. The spread of an operator has to do with the quality services offered in view of the informed customers. There is a correlation between the demand for ICT components and the level of human capital (via training to use the ICT tools), and this correlation also is evidence of an endogenous growth context. Human capital formation and ICT development (demand and supply) interact, and the more so with respect of higher education institutions.

However, all this entails the danger of a new digital divide, based on the spread of ICT. It is found out that a new dimension of inequalities is emerging in Sudan, through access to ICT components and services and through access to ICT capabilities. A main factor for determining digital divide is access to electricity; this is a main exclusion factor, affecting the very poor and the rural areas most. ICT is also contributing to a digital divide just by its dynamic role towards creation and transfer of knowledge (all over the economy, and not only in Sudanese universities). The digital divide causes problems as too many are excluded just from these positive and highly dynamic effects of creating, transferring and then applying knowledge.

There are important implications for government policy (trade-offs on expenditure policy, growth policy, and social policy) following from this

book. Lack of funds for E-library and E-journals is contributing to the digital divide between developed and developing countries. But there are also severe problems of digital divide in the countries themselves, mainly because of people and sub-regions being disconnected from ICT. Both dimensions of the digital divide matter. Supply and demand side factors of disconnection matter (irregular supplies of ICT in certain areas and for certain groups and low demand because of poverty and digital illiteracy). Pro-active policies demand-side policies to reach the poor and the remote people by Internet services are imaginable via subsidization programmes and literacy measures, but these measures are costly and are competing with other government spending for the poor. On the supply side, scaling-up measures for availability, sustainability and efficiency matter. Higher budget shares for all types and forms of ICT spread are definitely economically important, and the supply and demand-side measures which are taken in this context are without doubt important for technology transfer, knowledge production and dissemination. But budget issues are important as there are trade-offs between direct spending for poverty alleviation and spending to the poor for a higher ICT capability and connectivity. More government spending on ICT has to be channelled towards the poor, by upgrading their skills, and by offering more education and employment opportunities. But the trade-offs in spending have to be acknowledged. It is excellent that the author presents a comprehensive agenda for tackling the problems as well on the supply side and on the demand side.

The book contains first, an Introductory part; part two is on the Conceptual and Theoretical Framework; part three is on the Empirical Application with all the details about the supply side and demand issues;, and part four is on Policy Recommendations, Summary and Conclusions. The book is a valuable contribution to the role of ICT for latecomer economies to catch up. The many possibilities but also the severe limits in this process are becoming clear. The book is also a contribution to the area study on Sudan. It is obvious that at the societal level a lot of structural change takes place, despite of the signs of political and economic stagnation which are observed in the country. The University Survey (2009) and the processing of results brings primary data, although the recent years may have brought further important changes in the ICT context.

Karl Wohlmuth, Bremen

Nour, Samia Mohamed, 2013, *Technological Change and Skill Development in Sudan*, Springer-Publ., Berlin-Heidelberg 2013, 478 pages, ISBN 978-3-642-32810-7 and ISBN 978-3-642-32811-4 (eBook).

This book investigates the development issues of the low technological, skill and education levels in Sudan. It is asked what all this has to do with the low industrial performance in the country and the over-dependence on imported foreign technologies. The interactions of the low industrial performance with low skill and education levels are focussed on, with a view on the prospects to develop local technologies. There are four parts structuring the book. In Part I of the book there is in Chapter 1 a General Introduction outlining the structure of the book, while the Chapter 2 presents a survey of economic development challenges in Sudan and the need for skill upgrading and technological development. In chapter 2 there are clear statements on the necessity to support non-oil exports in order to enhance technological learning, and it is made clear that this requires upskilling and technological development in the frame of a new development strategy. Also the unemployment problem of the country is discussed, by covering sectoral, macroeconomic and qualification determinants. According to the author, the high inflation rates propelled by the oil economy and the increasing oil export dependence have contributed to the high levels of unemployment by damaging the non-oil exports and by reducing the purchasing power of the middle class. The role of the private sector as a key sector for employment creation is also emphasized, and the lack of any support for the sector is another key reason for the growing unemployment in the country. Local skills and local technologies have to be promoted in order to install a viable development model, but all the ingredients of such a model are lacking. The private sector has an important role to play in such a new development model, but is weakened by all types of policies. Such a model has to be built around five strategy objectives (poverty reduction, economic diversification, reducing unemployment, building the capacity for local technologies, and balanced growth and development. It si made clear in Chapter 2 that in Sudan nothing is moving in this direction.

Part II has a Chapter 3 on technological change and human capital, a chapter for building the conceptual framework of the book. The exogenous and endogenous theories of growth are brought and it is made quite clear how relevant the endogenous growth theories are in this context so as to highlight the interactions of technological change, human capital formation, R&D, innovation, and growth. The endogenous growth theory is considered by the author as a very useful instrument to assess and to explain the key development problems of Sudan and the public policy recommendations following from it are presented as a solution to the problems of the country. In fact, the endogenous forces of growth were weakened in Sudan by neglecting the development of the private sector and of the the non-oil sectors, the sources of technological change (knowledge, technology transfers, investment into modern equipment, innovation and R&D) and human capital formation (education, training, codified and tacit knowledge). All this neglect impacted on

manufacturing, agriculture, other industry sectors, and as well the services sectors. The interactions and complementarities between the key factors of human capital, technological change, and skill upgrading are emphasized as vital sources of growth. This approach is valuable as it helps to understand why a country such as Sudan could not benefit from its huge human and natural resources. It is important to see in the chapter what public policy can do to stimulate endogenous growth, by working on innovation, education, training, ICT development, technological dissemination, etc. The arsenal of public policy interventions is huge, but all depends on the ability to create synergies, complementarities and interactions among the key drivers.

In Part III there are five chapters on different issues of empirical application. In Chapter 4 the research methodology is presented. The analysis in the book is based on the findings from a macro survey and from a firm survey, and the questionnaires are to be found in the annex. The macro survey covered decision makers from government institutions, universities, and education and training institutions. The firm survey covered firms of important industrial sectors selected on a representative basis, namely food, textile, chemical and metal industries. Obviously it was very important to include firms of different size, as the complementarities (of human capital formation, R&D expenditures, capital investment, and innovation) are working differently for different sizes of firms. Both surveys have suffered from some weaknesses (inadequate response rate, difficulties of understanding the questions, etc. Anyway the two surveys of 2010 (or three with the R&D survey) are of strategic importance for the study, as the author combined the primary data from the surveys excellently with secondary data and other valuable information.

Chapter 5 assesses in great depth the skill and technology indicators. Based on information from the surveys and other sources the chapter reveals that the capacity to develop local technologies in Sudan is quite limited because of the deficient education and training systems, the high incidence of unskilled workers, and an environment which leads to an over-dependence on foreign (imported) technologies (the value of which is difficult to assess as human capacity to do this is scarce, especially so in the firms). Transfer of knowledge is hindered because of this low education, low training and low skill scenario. All this results in low levels of local technology development, as there is a fundamental lack of R&D activities in firms and research institutions. And, this lack is associated with a lack of skill development, gaps in the transfer of knowledge, and the absence of networks and forms of collaboration between universities and industrial firms. The basis for a local technology development process is not there. Firms have a preference to hire already skilled labour while not being interested to hire, to train and to upskill workers; the incentives to do this are not there. Some firms may be successful on

the basis of such a strategy, but the economy is suffering from this general attitude. Local technology development requires that the system is based on upskilling in firms of all sizes.

In chapter 6 there is a discussion about the need for Science and Technological Development in Sudan. The input and output Science & Technology (S&T) indicators and the R&D indicators are at low levels in virtually all respects in Sudan. There is a tremendous need for much higher investment in financial and human resources for S&T, but such a policy will work only when it is connected with industry and other economic sectors in a systematic way. Adequate S&T infrastructure and highly qualified University and R&D personnel are key investment areas for science and technological development in Sudan. It becomes quite clear from reading this book that only a holistic approach will be successful. Without overall economic system reforms the S&T and R&D reforms might fail as the complementarities of S&T and industry development will not come forth.

Chapter 7 analyses the relationship between skill, technology and input-output indicators. A key issue is the pressing need for upskilling in the private sector, but according to the findings so far the incentives for upskilling at the firm level are too weak to affect the private sector significantly. The deficiencies of the education system (and the formal vocational training system) could only be overcome by private sector upskilling measures but the incentives for this to happen have to be created. There are complementary relationships between skill, technology (ICT), and upskilling (ICT training) and between computers, telecommunications and ICT training. All this is in conformity with the new growth theory. These complementary relationships also improve with increases of skill levels and firms size. A confirmation of the endogenous growth theory is seen as education and training are important for bridging the differences between firms and for strengthening the complementarities between skill, technology and upskilling at micro level. Skill and technology indicators obviously increase with firm size and industry level, and so industrial policy comes in as growth of firms and industries is difficult to achieve in most of Africa (because of the "missing middle" effect).

In chapter 8 the impacts of knowledge at the macro-micro levels are presented. The firm survey data (2010) at the micro level and secondary data at the macro level are used to measure the importance of tacit and codified sources of knowledge at macro and micro levels. Thereby the determinants of tacit and codified knowledge are approximated. Both sources of knowledge are at the macro level positively and significantly related with schooling years and economic growth. Also, there is at the macro level a positive correlation between codified knowledge and the number of full time researchers with technology (technology development as measured by patents). Also, a complementary relationship is seen between full time researchers and codi-

fied knowledge, and this finding is considered as a complementarity between tacit and codified knowledge. The discussion about these two types of knowledge is important, and the study shows how public policy can intervene to speed up knowledge creation. While tacit knowledge is embodied in educated and trained personnel, codified knowledge is based in public expenditures on education, R&D, and ICT. Both types of knowledge can be enhanced by appropriate public policy interventions which follow from these correlations. Private sector development is important for both types of knowledge – for the creation of tacit knowledge and codified knowledge. Public policy interventions which are directed to private sector development can support this process of knowledge accumulation also indirectly.

Part IV summarises the findings and presents policy recommendations. Chapter 9 on education, training and skill development policies brings together all the findings. Skill development policies have to be framed in Sudan in a wide perspective, covering education and training policies, overcoming labour market matching problems, facilitating technology and knowledge transfers, and providing incentives for collaboration between public and private institutions. Creation of local technologies and adoption of appropriate foreign technologies depend on specific skill development policies, R&D policies, and policies for stimulating collaboration and networking of institutions. Beside of supply-side policies demand-side policies are requested. Raising the very low public expenditures for education and reversing the low commitment to quality standards are key priorities for change. Poverty is the most important factor limiting demand for education. Pro-poor policies are therefore of key importance for effective education policies from the demand side, but these policies have to be complemented by adapted supply-side policies (as, for example, skill development for local rural technologies). So far, training policies are limited in Sudan to a few large firms, but creating strong interactions of education and training at the firm level is important for raising industrial performance. Short and long-term skill development policies are outlined in this chapter, and the direction is on more openness and competition, more regional and international networking, broad quality increases, and increasing sharply the public and private shares of education and training expenditure. Chapter 10 is presenting a summary and conclusions. There are also three Appendices (questionnaires for the Firm Survey, the Macro Survey, and the R&D Survey for 2010).

The great advantage of the book is the clear testing of the hypotheses. They are clearly presented and analysed in great detail for a country with a very weak data base. So the use of primary and secondary data sources is excellently done. Also at all levels of the study policy implications are presented. Each chapter has an Abstract, Conclusions and ends with clear messages. The knowledge about Sudan is broadened considerably. The book is

like a compendium on education, training, science, research and development policies for Sudan, but has a deep analytical focus as the interactions are focussed on. For policymakers it shows that a holistic approach is needed to generate inclusive and sustainable growth, and to maximize the benefits from skill and technology development. The methodology underlying this study can be recommended also for other country cases.

Karl Wohlmuth, Bremen

***Governance for Development in Africa: Solving Collective Action Problems*, David Booth; Diana Cammack, 2013, London: Zed Books, ISBN: 978-1-78032-595-8, pages: 160.**

Drawing on empirical research spanning a number of African countries (Rwanda, Niger, Uganda), the authors offer both an accessible overview of issues surrounding governance for development on the continent, whilst also offering new alternatives. In doing so, they controversially argue that externally imposed "good governance" approaches make unrealistic assumptions about the choices leaders and officials are, in practice, able to make.

As a result, reform initiatives and assistance programmes supported by donors regularly fail, while ignoring the potential for addressing the causes rather than the symptoms of this situation. In reality, the authors show that anti-developmental behaviours stem from unresolved – yet in principle soluble – 'collective-action problems'.

The book offers a comprehensive and critical examination of the institutional barriers to economic and social progress in Africa. It makes a compelling plea for fresh policy thinking and new ways of envisioning good governance.

After the Introduction, chapter 1 deals with "From 'good governance' to governance that works", chapter 2 reveals "The country contexts", chapter 3 is about "Maternal health: why is Rwanda doing better than Malawi, Niger and Uganda?". Chapter 4 provides an overview about "The politics of policy incoherence and provider indiscipline. Chapter 5 is named "The space for local problem-solving and practical hybridity" and finally a conclusion closes the book.

Achim Gutowski, Bremen

Branch, Adam and Zachariah Mampilly, 2015, *Africa Uprising, Popular Protest And Political Change*, African Arguments Series, Zed Books London 2015, in Association with International African Institute, Royal

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This is a timely publication. It is asked what the roots of the popular protests in Africa are. Three waves of protest are distinguished in Africa: anti-colonial, anti-austerity, and a new civil society wave of protest. Popular protest is supported by a diverse group of actors: youth, unemployed, trade unions, activists, writers, artists, and religious groups. All these new civil society actors are fighting to challenge injustice and inequality in their countries. It is asked in this book if this protest can lead to political change by addressing the fundamental problems such as injustice ad inequality, and if this protest ultimately can contribute to development in terms of poverty alleviation and participation?

The study presents four case studies what is quite valuable so as to understand better the heterogeneous forms of protest and its impact (Nigeria, Uganda, Ethiopia, and Sudan). Although the reaction of the state (apparatus) to these protests was harsh and often brutal, the perspectives of this new civil society protest in the long-term are an open question. It is argued that the new civil society political protest cannot be understood as a protest of middle class or precarious workers as it is the result of a global political society. Fair to say, the prospects of the protest movements in Africa are dependent on many factors and so have to be assessed as open in long-term impact. There will be further protest movements in Africa and these may have impact in some distant future, in some different forms and in some more countries. It is a research area which needs much more focus as it transcends the classical views on class and elites. It is also important to relate the Africa Rising narrative to the Africa Uprising narratives.

Karl Wohlmuth, Bremen

Cristopher S. Adam, Paul Collier, Michael Gondwe (eds.), 2014, *Zambia – Building Prosperity From Resource Wealth*, Africa: Policies For Prosperity Series, no. 2, first ed. published in 2014, Oxford: Oxford University Press, Bibliographic Information: ISBN 978-0-19-966060-5.

The Series "Africa – Policies for Prosperity" aims to inform the public about progress in economic management, about challenges and opportunities, about

the type and quality of the leadership of the countries doing reforms, and about the international environment as being more or less supportive towards reforms in Africa. The informed elites of the country and the press should benefit from the information contained in these volumes on African countries which are doing reforms. Therefore, the purpose of the Series is to communicate on reforms and economic performance. The Series should bring together local and international academic researchers and the key policymakers of the respective country, and in this case Zambia. Experts mainly from The Bank of Zambia and some few other Zambian experts have collaborated with mostly international academic scholars and some few local experts to start a dialogue on economic policy reform and economic performance in Zambia. The book is structured around four parts, but has no introductory essay and no concluding essay. Part I is on Growth Strategies of Zambia, Part II is on Macroeconomic Policy Choices, Part III is on the Supply Side (Production, Trade and Infrastructure), and Part IV is on Public Service Delivery and the Political Economy of Reforms. As the chapters are not based on a common methodology, it is necessary to evaluate the 17 chapters individually and independently.

Part I has a Chapter 1 on growth strategies. It starts with the demand for a higher share of the benefits from Zambian copper export earnings accrued by the government of Zambia and those involved in the production chain. A higher share should come in the form of higher taxes and/or higher payments for domestic goods and services. Still the problem is – after so many decades of independence – that the mining sector is not contributing enough to development, neither by taxes nor by linkages. It is not asked why the result is not better now.

Chapter 2 addresses the dilemma of resource-rich democracies which may suffer from populist pressures for current spending instead of investment going for long-term development. It is not made clear what has changed since the end of the one party UNIP regime to democratic elections in 1991 (with the two MDD and PF parties). The question is how to reform the institutions in resource-rich countries so that investment and long-term development get more relevance. Proposals are made for a better economic management in Zambia.

Chapter 3 is on the issue of low pressure for economic diversification in Zambia. The specific roles of vested interest groups are brought in. A political economy lens of economic diversification is presented, showing simply that the mining sector is perpetuating the rents which are accrued and captured by few. It is considered as important to break the vicious circle of rents and the lack of competition in the economy of Zambia. This can be done by allowing for more competition between the first and the second private sector in Zambia so as to broaden the coalition of private sector interests. But this

requests that the finance sector plays a greater role in bridging the two sectors, by supplying new finance instruments so as to reach also neglected segments and areas. The dualistic structure of the private sector (a first sector with few large and some of them being foreign companies, and a second sector with many small indigenous companies) is described as extreme in Zambia, and all this has severe consequences for productivity and employment creation. A rather conventional strategy is proposed to promote the second sector – diversifying finance, building infrastructure and spending for education are the policy recommendations on the agenda to support the second private sector to take off. All these proposals for more competition and less dominance of the few large companies in the country were heard again and again for long times ago in ever new versions. The authors call their approach now "launching some experiments to strengthen the second sector". It is not made clear why nothing in this direction has emerged in the past decades.

Part II has a Chapter 4 on increasing public revenue and on aiming at higher public expenditure efficiency. The long heard story of greater public accountability is stated again. Mineral economies, such as Zambia, have a weak linkage between the civil society and the state via taxation because the state can dispose of resources which to a large extent are not coming via taxes from the citizens but directly from the mining companies. Non-mining public revenues have a smaller share and so the governments are too often not held accountable for using the tax revenues for the supply of high quality public services and key public goods. It is not made clear in the chapter why Zambia could not better manage the use of its tax and non-tax revenues after so many decades since its independence. The budget and accountability institutions are still weak and the role of CSOs is quite limited in terms of monitoring the use of public funds for the provision of public goods and in terms of accountability and transparency with regard of the funds entrusted to the bureaucracy and the politicians. The list of recommendations is long – improving public procurement systems, more effective parliamentary oversight, more participation of CSOs, more broad-based taxation so that citizens have an incentive to demand better public services, more control of aid funding through CSOs, and more external pressure for public transparency. As only a small share of the population in Zambia pays taxes, the role of the tax system in resource-rich countries has to be reconsidered. Additional measures and initiatives to control the public revenues and the public expenditures are definitely needed, but is the list from above a way out of corruption and inefficiency? The authors seem not to believe in all that. The authors therefore bring in an additional proposal – distributing oil and mineral revenues directly to the people and then taxing them individually. Theoretically all the oil and mineral revenues could be transferred to the citizens and then be taxed,

but what are the administrative preconditions and burdens for this solution? Too prohibitive would be the administrative burden. Obviously the contradiction between the theoretical soundness of the approach (modelling a taxable society) and the practical impossibility (because of the low human capacity in Zambia to implement this proposal) was not at all considered by the authors.

In Chapter 5 an improvement of the mineral taxation regime is proposed. While the current system as based on royalties, corporate tax, variable profits tax, and an element of equity participation is considered as more or less appropriate, it is proposed – by giving recommendations in great detail – to improve the system by correctly measuring prices and quantities for royalty calculation, by monitoring production much more carefully, by improving on definitions and valuation rules. All this would help to assess and reform the variable profits tax, and to assess and recalculate the dividends and the other payments to minority shareholders. Stabilising the tax system for the benefit of the investors and the governments should be the main objective of reform. Especially in the fields of the variable profits tax and the minority ownership rights there is demand for an intense reconsideration. Mineral taxation should be improved so that it is better accountable, increases public revenue and is less distortive (via a more neutral fiscal regime). Also in this chapter it is not clear who will be able to implement these reforms, and how to balance the interests of investors, actors along the value chain, and government authorities and levels over time.

Chapter 6 is on monetary policy and the exchange rate policy in Zambia. The new Central Bank of Zambia policy target is described. Zambia was moving in April 20120 to a policy interest rate which became the base lending rate of the commercial banks. In order to make the interest rate target becoming more effective, it is considered as necessary by the authors to develop financial market structures. It is also analysed in the chapter how the policy environment in Zambia is shaped by unforeseen economic shocks. These analyses will help to modify and to improve the central bank policy. Although there are some interesting thoughts in this chapter, it is not really related to the theme of the book. It is an academic exercise but it will not help that much in fine-tuning central bank policy in a country which is so much dependent on copper exports and which urgently needs to diversify its exports. That knowledge about foreign prices (of cooper) is important for designing central bank domestic policy responses is evident in any case. However, the knowledge of these empirical relationships adds to the necessity to develop the financial markets as quickly as possible so as to increase the efficacy of interest rate targeting. The question is only how to go in this direction.

In Chapter 7 there is a discussion on financial markets and resource mobilisation in Zambia. According to the author there is a problem of high in-

formation costs in the sector which affect negatively the financing of investment. High information costs and coordination failures impede resource mobilization in Zambia. Also, the financial sector has an important intermediary role at the centre of the transmission mechanism of monetary policy. It links macroeconomic policies (control of inflation and promotion of growth) to microeconomic policies (allocation of resources and access of households and firms to financial products and services). The structure of the finance sector and the role of the Finance Sector Development Plans (FSDP) are carefully reviewed. It is argued that the FSDPs have a role to play in reducing information costs via enhancing market infrastructure, competition and financial inclusion. The FSDPs can help to mobilize external and domestic resources and can support the development of secondary markets for government securities. The role of the Bank of Zambia in this process is increasing as a stronger financial sector will increase efficacy of monetary and supervisory policy. This is a competent analysis, although it shows that the problem of high information costs (based on asymmetries of information of the contracting parties) request huge packages of reforms. As information costs are especially high in SMEs and MSMEs, the dualistic private sector problem which was mentioned above as a hindrance for economic diversification comes in again.

In Chapter 8 it is asked how the financial system was regulated (re-regulated) after the global financial crisis of 2007-2009. It is argued that Zambia needs a specific programme to regulate its finance sectors depending on its particular sector structure and sector dynamics. Global "good guidance" regulatory principles should be put to a reality check in countries like Zambia to see if the regulations fit the conditions of countries like Zambia. The author presents a broad range of 11 elements of a reform agenda (addressed are issues like the strengthening of the capital base, dealing with pro-cyclical effects and capital requirements, offsetting pro-cyclicality in published accounts, containing liquidity risks, avoiding regulatory arbitrage, bank failure resolution, macro-prudential analysis, risk management and governance, regulation of large complex banks, regulation of cross-border banks, etc.). Home-grown solutions to all these problem areas are preferred to external advisor solutions. Also this competent survey makes it clear that Zambia has staff to bring forward reforms, especially so in the finance sector.

Part III has a Chapter 9 on revitalizing the mining sector towards inclusive prosperity. But an efficient exploitation of its natural resources has yet to be achieved. Still the sector contributes not enough to development. After privatization the mining sector did contribute around 2-4% of public revenues to GDP per annum while before the losses of the state copper company amounted to 10% of GDP per annum. The investment boom and new exploration activity after privatization have benefitted Zambia and have put the

country on a better standing for the times of low or declining copper prices. The new mining code also gave some more benefits to the country. The boom of copper prices brought the chance to renegotiate the mining code. So the boom years had positive effects in terms of investment activity and public revenues beside of having a new mining code. But according to the authors the developments in the mining sector have also shown the need for a coherent strategy to support the non-mining sector in Zambia (as the mining sector will have a limited contribution to fund development in the country). Regrettably the book is silent on such a strategy for non-mining sectors (especially so on manufacturing sector diversification, energy for export, and touristic services).

Chapter 10 is on agriculture and land, and this chapter is in this context important as agriculture provides the basis for diversification. By using a computable general equilibrium (CGE) model some crucial policy decisions of Zambia can be discussed, like the role of commodity taxes and the issue of export bans. By using the CGE model it was d out that the commodity tax system has an in-built bias against traded agriculture and is in favour of non-traded agriculture. Some important suggestions for policy reforms are presented, affecting credit and output markets, cooperatives, and appropriateness of available technologies. Fertilizer subsidies and fertilizer trade are also areas of concern in this context, and a better policy on fertilizers is requested on the side of governments to optimize the use of fertilizers by farmers. The negative effects of export bans on agricultural production were emphasised by using the CGE model; export bans affected negatively the farmers in Zambia, although the government hoped do something good by aiming at food security in Zambia. Higher prices to rural farmers are ultimately helpful also for urban consumers as it was found out by using the CGE model. Despite of having this chapter 10 in the book, the agriculture sector issues are not really covered adequately in this book; nothing was done in the book on agro-industries and agribusiness, although these activities are so important for the majority of the people and for those employed in rural Zambia.

Chapter 11 is on Energy Policy. The chapter is divided into discussions of the fuel sub-sector and the electricity sub-sector. The overprotected local fuel sub-sector is based on an inefficient pipeline and refinery complex, and is so increasingly becoming a burden for the economy. Beside of this the fuel sub-sector has only a small number of employed staff. It is found out in the chapter that net employment creation could be even positive by liberalising this sub-sector. The legacy of the sanctions against Rhodesia is still at work and vested interests keep the system going based on the protection of the local pipeline and refinery complex. Also the electricity sub-sector needs urgently severe reforms. Exceptionally low tariffs in real terms prevented investors to come to the sector. Reforms were coming late and populist pres-

sure persisted to let the tariffs at low levels. Tariffs were increased after load shedding and led to some investment activity, but populist pressure again led in 2011 to a freezing of tariffs until 2014 so that new supply problems may emerge. It is not clarified why some strategic sectors such as energy are not reformed in a sustained way.

Chapter 12 is on transport policy. The high performance of the truck industry with internationally competitive trucking costs per tonne-kilometre on the North-South Corridor contrasts with the sharp decline of the competitiveness of the railways which had such a huge importance for copper exports. The bad state of the railways makes it profitable to improve further the system of road user chargers and to investment in the road system, instead of going for public investment into the railways. But increasing environmental costs of road transport may justify higher investments into the railways, but all depends on the magnitude and form of future DRC copper exports, either in bulky concentrate form or in less bulky cathode form through Zambia. Road Policy of Zambia is also assessed as inconsistent concerning paved roads versus unpaved roads and concerning urban road networks (the last category of roads saw a rapid deterioration). Now the policy recommendations aim at reaching a certain minimum level of road "passability" with regards of the standards of road maintenance and do not aim longer at a rehabilitation of roads to the standards of the 1970s. So the issues of investing into paved roads versus unpaved roads and feeder roads need urgently some policy decisions. Also here no policy coherence is in sight. There are many proposals around, but again it is not made clear why a consistent reform policy is still not in place.

Chapter 13 is on trade policy and trade facilitation in Zambia. It is argued that trade policy should support non-traditional exports (NTEs) like cooper-based engineering products and agro-based NTEs (with agriculture, horticulture, and floriculture), but obviously there is no strategy for such a much needed turnaround. Also services exports can play an increasing role. Mode 2 (consumption abroad, like tourism exports) and Mode 4 (movement of natural persons to do services in other countries) types of services exports could also be supported by trade policy. Also energy exports could in future play a role because of the energy deficit prevailing in southern Africa. But what about strategies as it is not enough to state the policy deficits of the past? It is again and again emphasised that NTBs and stringent rules of origin (RoO) inhibit Zambian exports, so that trade facilitation is important to overcome these barriers, especially so in the case of the SPS. The focus on diversification towards agro-based products requires also specific transport policy measures enabling such exports via new transport routes (roads, air transport, etc.). But again, the issues are touched, but no coherent framework for policy reform is becoming visible from this chapter. While the finance sector issues

and monetary policy issues are touched competently and reveal some vision for needed reforms, it is not so clear from the other chapters who should lead reforms in other sectors in Zambia.

Part IV has a Chapter 14 on populist threats in Zambia. This seems to be important as populist threats may retard policy reforms or may even reverse reforms. The disappointment of the people with economic liberalization, privatization and structural adjustment policies have obviously led in Zambia to pressures for more state intervention again, but this time being free of corruption (as corruption is mainly related to the handling of the privatization programmes of the past). There is also the danger seen by the authors of this chapter that the ruling PF party's promises may lead to high public spending, to tax cuts, and ultimately to an impairment of long-term growth. It is questioned whether the party can handle these challenges adequately, and it is asked what the preconditions for success may be.

In Chapter 15 the popular attitudes to economic policy reform in Zambia are reviewed for the period 1993 to 2008. It is also asked how public opinion has changed since the transition in 1991 from a one-party-rule to the system of multi-party elections. It is clearly shown in the chapter that diverse interest groups affect public opinions, and that these opinions differ strongly from subject to subject. Economic performance is a key factor for sustained market reforms – with formal sector job creation, private investment, poverty alleviation and income redistribution being the yardsticks. But it is not that much clear from the public opinions what the expressed preferences really are and what the governments can do and has to do to aim at long-term development while converging with the expressed preferences. The public opinion-revealed resistance to civil service reforms is a case in point. Although the resistance is based on the bad management of civil service reform and privatization policies in the past, Zambian governments can only pursue stringent reforms on the basis of a professional civil service which is enlightened by the rule of law. The new insights of the donors concerning the failures of the "Washington Consensus" may contribute to a convergence of Zambia's government reform policies with the expressed preferences of the Zambian people.

In Chapter 16 the basic health sector issues and policies are discussed. Health financing is a key issue as the poor in Zambia need support either through social health insurance or community-based health insurance. There is an urgent need to work for a comprehensive health financing strategy, but so far not enough was done. A second issue is the poor governance in the health sector. A very low level of governance in the health sector signals that there are urgent needs for such reforms, but how to do this is still the open question. Without a better governance of health service delivery also the financing issues cannot be solved. A legislative framework for the organisa-

tion of the health services is proposed, but what should this bring forth? Performance indicators are requested to improve governance at supply and demand sides of the system. Again, what will this change? Also mobile health services through ICT are discussed in the chapter. These are good ideas, but so far not more than pilot projects are in place in some areas of Zambia. The problem is how to get to a nation-wide system of coverage with health services. Results-based and performance-based governance systems for the health sector are mentioned, but can this become reality without a new governance system in the civil service? Too many questions are raised, but solutions are not becoming visible.

In chapter 17, the last chapter of the book, an overview of housing and urbanization policies is presented. There are proposals for short term measures to upgrade squatter housing as in the 1970, but also medium to long term measures are proposed to improve the functioning of the formal housing markets by a whole package of reforms (on land, finance, planning, etc.). A national housing policy document is requested to lay out the respective commitments of government, private sector, and of other housing market actors. While requesting this new document, the authors say that the former official housing policy was not honoured from the onset. Local councils lost their council houses and with it a huge part of their income generating activities (similar to income sources such as road licences). This was not part of the official housing policy to do so. Also, it is argued in the chapter that clarification is needed on institutions. It should be made clear what the institutional relation is between the National Housing Authority (NHA) and the Presidential Housing Initiative (PHI), and also the relation of the two to the private housing sector. The last mentioned actor never could get off in Zambia. The policy of ownership accommodation, the own housing policy, was promoted at the disadvantage of the rented housing market, a policy that led to high/exorbitant rents. As 80 percent of citizens live in poverty, the own house policy is leading according to the authors to absurd distortions. Private sector interest was not developed at all in own house building projects or in rented house building projects. Public capacity to implement the housing policy is extremely weak. There is weak or non-existing implementation of policies and plans, and there is a serious lack of long-term orientation, as policy is only reacting to crises. Private sector should have a key role in building houses but is discouraged, and a new official policy document will not change the situation. The public capacity to build houses in a cost-effective way is minimal. Again, the reader is left with the impression that the institutions for policy reforms are not available.

These 17 chapters give valuable information on Zambia's development problems, but there is a serious gap in the book: there is no executive summary in the book, no overall conclusion, nor is there a summarising chapter

or an introductory chapter by the editors. Also a list of abbreviations and acronyms is missing. The manufacturing sector is not covered at all despite of the demands for production diversification and non-mineral export development. There are so many demands for far-reaching reforms in the book, but these are not always presented in a coherent and consistent matter. The basic feeling from the analyses and all these requests for reform is that whatever reform policies are presented and discussed, practically nothing is implemented at the end. The government(s) have either not the will or they have not the capacity to implement anything. Some of the chapters are quite sophisticated, showing that the country has human capacity to analyse, but obviously not the political and administrative apparatus to design and implement coherent reform policies. So the book is just an academic exercise being of some advantage to the participants of the debate.

Karl Wohlmuth, Bremen

***Africa's Return Migrants: The New Developers?,* 2015, Lisa Akesson; Maria Baaz (eds.), London: Zed Books, ISBN: 178-3-602-333, Africa Now Series, pages: 181.**

Like many migrants, a large percentage of Africans who reside abroad cherish hopes of one day returning to their homeland, whether permanently or on a temporary basis. In the eyes of policy makers, such returnees are portrayed as "agents of development"; people who will bring back skills and economic capital that can be deployed in their native lands.

The reality, however, is more complicated, and the book brings together a roster of stellar contributors to explore the gap between policy assumptions and lived reality. Built around extensive fieldwork, the authors demonstrate that capital obtained abroad is not always advantageous – and that in fact it can sometimes even hamper entrepreneurship, economic, political and social engagement.

After the introduction, contribution 2 deals with "Successive flops and occasional feats: development contributions and thorny social navigation among Congolese return migrants".

Contribution 3 is called "Diaspora returnees to Somaliland: heroes of development or job-stealing scoundrels?" Another one is about "Pushing development: a case study of highly skilled male return migration to Ghana". Number 5 provides information about "Come back, invest, and advance the country"': policy myths and migrant realities of return and development in Senegal". Contribution 6 deals with "The role of social capital in post-conflict business development: perspectives from returning migrants in Burundi". Number 7 is about "Threatening mini-skirts: returnee South Sudanese

adolescent girls and social change". The last contribution deals with "Obstacles and openings: returnees and small-scale businesses in Cape Verde".

Achim Gutowski, Bremen

Nour, Samia Mohamed, 2016, *Economic Systems of Innovation in the Arab Region*, Palgrave Macmillan, 3.014 pages, March 2016,
Bibliographic Information:
Hardcover: ISBN 978-1-137-46299-2
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The book is presenting an information and analysis of the economic systems of innovation in the Arab region. The book is described by the publisher with the following words: The Arab region has become a hotbed of economic growth in recent decades. While this growth has indisputably brought in wealth, there are still countless questions about the characteristics, constraints, and implications of the region's systems of innovation. Do these systems even exist in the Arab region? How does the current economic structure affect regional innovation? Is the presence of natural resources a help or a hindrance?

Economic Systems of Innovation in the Arab Region discusses the causes, consequences, and implications of poor systems of innovation in the Middle East and North Africa. By examining the comparative weakness of innovation, the economic structure, and the diversity of the region, Mohamed Nour shows that the development of Arab regional systems of innovation is contingent upon the development of adequate economic policies and incentives in the area. Her contribution is a key reading for students and scholars of economics, innovation, and international relations.

The book contains the following chapters: General Introduction, Economic Development Challenges in the Arab Region and the Need for Promoting the Systems of Innovation, Conceptual Framework and Literature Review, Overview of National Systems of Innovation in the Arab Countries, Overview of Regional Systems of Innovation in the Arab Region, Implications of poor systems of innovation in the Arab region, and Summary and Conclusions.

According to the reviewer this book is of great value for all those who think that deep reforms are needed in the Arab Region in order to realize inclusive growth. It becomes quite clear that inclusive growth cannot be reached without reforms of the national innovation systems, and that these reforms are interrelated with comprehensive socio-economic reforms. Key subsystems of the national innovation systems and the respective institutions are carefully identified for the Arab countries and analysed in context. Poli-

cymakers in Arab countries and all those working on the region need to study the book carefully. It contains a wealth of information for the move towards a knowledge society in the Arab region. The subsystems (education, higher education, and training; science and technology and research and development; and ICT) are excellently brought into connection with the economic structures and policies prevailing in the countries of the Arab region. The author, Professor Samia Mohamed Nour, has presented in the recent years various books on STI and R&D systems and ICT development in Sudan and is now extending the focus towards the whole Arab region. This allows it to compare country cases in terms of development by looking at input and output indicators and at the efficiency of the systems which are compared.

Karl Wohlmuth, Bremen

***Marginality – Addressing the Nexus of Poverty, Exclusion and Ecology*, 2014, Joachim von Braun; Franz W. Gatzweiler (eds.), Springer: Heidelberg, New York, ISBN: 978-94-007-7060-7 (Print), ISBN: 978-94-007-7061-4 (open access), web access: http://link.springer.com/book/, pages: 388.**

The marginality concept calls for the integration of poverty concepts with those of social exclusion, geography, and ecology. The difficulties in reaching people at the margins of systems are explained by a set of distances, (i.e., physical distances such as being located in remote or harsh environments), social distances (being excluded, discriminated against, or not having rights or access to services or opportunities), but may also be related to technological and institutional infrastructure deficiencies. This book provides an overview of the concept of marginality and offers a synthesis of the findings mainly focusing on African and Asian countries. A review of policies intended to reduce marginality suggests that none of the marginality determinants need to be accepted as long term. Coherent policies and actions, however, need to match the systemic causality of marginality in order to be effective.

The book consists of five main parts including 22 chapters. Part I introduces concepts and theories. Part II deals with the dimensions and prevalence of marginality. Part III covers environmental drivers of marginality. Part IV examines the experiences with marginality in Africa and Asia. Part V introduces responses to marginality at different levels: state business and community.

With relation to African countries, the following chapters refer to specific African country case studies including poverty problems and challenges:

Chapter 8 examines the determinants of extreme poverty in rural Ethiopia at the household level using indicators that reflect consumption expenditures, dietary calorie intake, and household assets. The descriptive analyses results indicated that ultra-poverty in the household consumption dimension was positively associated with distance from educational and health facilities, roads, and other infrastructure. The results of an econometric model showed that ultra-poverty was positively and significantly associated with household size and the age of the household head, and inversely associated with the ownership of farming assets and livestock.

Marginal areas of sub-Saharan Africa (SSA) have historically offered low productivity potential and low returns on investments in agricultural productivity growth. Population and agricultural market dynamics in Africa are improving the prospects for productivity-enhancing investments in this environment. In chapter 10 the authors introduce an opportunity cost framework to demonstrate where agricultural development is now an opportune strategy to reduce marginality in SSA and to guide strategic priority setting for public investment for the sustainable improvement of agricultural productivity. It then lays out policy and technology priorities for sustainable development of marginal production environments.

In chapter 11 the authors employ a meta-study to explore why it is critical to address the degradation of ecosystems for poverty alleviation, especially in South Asia and Sub-Saharan Africa. The authors also investigate the linkages between ecosystem services and aspects of extreme poverty. Their findings suggest that the poor are often more vulnerable to the loss of ecosystem function that restricts the supply of natural goods and services. The poor depend upon ecosystem services, but the nature of this dependence is necessarily not uniform throughout the year. The poor also tend to benefit less from environmental conservation efforts than those who are not poor. The dynamic patterns of dependence on ecosystem services of the poor and their coping strategies require regionally specific and in-depth evaluation.

Chapter 17 provides a comprehensive review of Ethiopia's policy interventions for poverty reduction and inclusion of marginal population groups, and discusses a number of indicators that point at significant improvements that have been achieved in the country. The sector specific policy measures to reduce poverty are assessed, and the measures targeted at vulnerable groups and in marginal areas are analysed. The impacts of economic growth on poverty reduction are traced. Development efforts such as regional development disparity and the persistence of severe poverty despite concerted anti-poverty efforts and a relatively high rate of economic growth are highlighted.

Chapter 22 describes how the extent of poverty and the causes and nature of marginality vary from place to place, depending on the natural resource, livelihood strategy, climatic, agro-ecological, and socio-cultural conditions.

Local attributes of marginality were assessed in four different districts of rural Ethiopia. Extreme land degradation was a key force in one district, lack of credit in another, competitive commercial pressure in another district, and resource management practices according to cultural values in the remaining district. There was always a complex interplay of various factors that exclude some people from the benefits of economic growth that others enjoy. Independently from the different features of marginality, this interplay was found to be a root cause of poverty in all of the districts studied.

Achim Gutowski, Bremen

James, Jeffrey, 2013, *Digital Interactions in Developing Countries, An economic perspective*, Routledge Studies In Development Economics, no. 99, London and New York, Routledge Taylor & Francis Group, Bibliographic Information:
ISBN 978-0-415-62732-0 (hbk)
ISBN 978-1-138-90415-6 (pbk)
ISBN 978-0-203-10210-7 (ebk)

Indeed Jeffrey James is one of the few development economists who has taken on systematically in research the topic of IT and development. His aim is it to give a methodological critique of such key concepts in the field such as "digital divide", "digital preparedness" and "leapfrogging, appropriate IT and poverty. The book is structured around these three key themes. Also, it is true that the book touches on issues neglected so far widely – such as the implications of IT for poverty in developing countries and the macroeconomics of mobile phones. His basic concept is "sharing", as by sharing computers and mobile phones the impact of IT for the poor is considerably enhanced. Sharing is multiplying the use of such IT facilities. So, the author presents the view that the benefits from IT differ fundamentally and have quite different forms in developing than in developed countries. The less developed countries are, the more differs ownership, access and use of IT. The lower the level of development, the greater is the common and shared use of IT technology (because of sheer necessity to survive). It is clear from the book that IT brings huge benefits to the poor and to the least developed countries, and obviously research has so far underestimated this importance. Therefore, also the concept of leapfrogging has to be broadened so as to understand the benefits form IT in the poor world. So the author comes up with the message that the poorer the countries, the more important will be the role of local innovations to increase IT use via low-cost and pro-poor frugal type of innovations. So, it is evident that the less developed countries innovate in IT technology in different ways from the developed ones. Innovations of a frugal type are now discussed form various angles (with pro- and anti-capitalist assumptions).

The book is divided into three parts. Part I on "digital divide" has eight chapters (and some of the chapters in the book are really very short?). In this part the different views on absolute and relative digital divide are discussed, sand this on the basis of simple calculations. All the chapters have a short conclusion so that also the quick reader has something to learn. The Part II is on "digital preparedness". This part has only two chapters and these discuss the relevance of the established digital preparedness indices. Some useful adjustments are made to understand better the concepts of "use", "ownership", and "access". In Part III (the core part of the book in terms of development economics) has ten chapters, and in these there are deep analyses of the latecomer growth in IT, the leapfrogging in mobile telephony, the role of IT for the poor, and on the true value of some low-cost laptop/computer programmes to increase the use and the benefits form IT. All these chapters show that IT especially is important for developing countries, although a linear growth process cannot be assumed (neither in quantitative nor in qualitative terms). Most important is the analysis of the real uses of mobile phones in Africa. So many examples show that the role is underestimated till now. Also important is the analysis of "technological blending" by mixing traditional and new technologies in a new form. In the age of the Internet the blending of the Internet with community radios and the blending of the Internet with the telephone play a huge role for rural extension, etc. But it is obvious that the roles and varieties of technological blending may be different in importance and impact.

All this evidence makes it clear that for rural development, informal sector development, and for all versions of pro-poor development IT is a valuable source of progress. Specific technical solutions are also discussed in this part, such as, such as the role of shared computers (one per classroom for 30 children) and the alternative of supplying cheap and super-cheap laptops (such as in India). The author Jeffrey James identifies a huge research gap in such technological solutions, but also in the whole area of leapfrogging through IT. As we know too little about mobile phone users (we have information on owners and then we multiply the number with certain access figures, but we do not have enough information on the real use of mobile phones and the benefits accruing from use. To fill this research gap is indeed important because of the many uses of mobile phones (for health, education, payment, weather information, disaster warning, etc.). The digital divide and the digital preparedness in Africa and elsewhere in the developing world can only be measured on the basis of use and benefits data, and not only on the basis of ownership and access data. Therefore the indices have to be adjusted to get some meaningful information for policymakers.

The author is also sceptical concerning the role of the digital bandwidth divide (assuming that developing countries are losing in terms of ever in-

creasing amounts of bandwidth). He makes the point that the digital bandwidth divide should be reassessed for developing countries, as it geared to a minority of high speed/high intensity IT users in advanced countries. As with the zero-sharing assumption, also the bandwidth technology assumption should be reassessed for developing countries, especially so for Africa. But how can developing countries' research institutes and other users, like international companies, integrate with the global science and business community in case of a large or even growing digital bandwidth divide? There is no answer from the side of the author. Theoretically far-reaching is the chapter 18 which is contrasting the "welfare economics-based approach" (of utility maximisation) with the "functionings-based approach" (of Sen) so as to understand the role of IT for the livelihood of the poor. In the former approach the benefits of IT are assessed at the point of purchase and use, but in the second approach the benefits are assessed after this point. Allowing for functionings, as the ability to be free of disease, hunger, social isolation etc., is completely different from maximising utility. So the book brings together the theory of Sen and the role of IT for the poor.

Concerning internet skills, there is a discussion in chapter 19 of recent trends in researches on the issue, showing that tertiary-level education attainment measures better these skills than literacy and enrolment rates. Further research is however needed to get a reliable digital skills index to assess more correctly the divide between rich and poor countries. Chapter 20 is quite important as it goes to the fundamental issues of technological blending, meaning how Internet can be combined with traditional modes of communication, like radio and telephone. This potential technological blending is of importance for policymakers, because Internet and IT is related to traditional modes of communication which have a wide acceptance. Retention of such known media is needed and not the replacement of these traditional modes of communication. Regarding the limited use of donor-based telecentres, which are used by rather few people in developing countries, this case of a direct replacement of traditional modes shows how dangerous policy interventions can be. Internet information can be brought to the local people via translation and contextualization through media such as community radios. Cases in Nepal and Sri Lanka show that this is a valuable option which works. The radio is seen as a device leading to an egalitarian form of introducing the Internet to rural areas. Community radios are a device to bring locally relevant knowledge to the community and Internet is the basis for new information content. The role of telephones is more limited. Public payphones can helps as internet-enabled extension services. Voicemail boxes to allow for incoming calls can be combined with public payphones so as to get information about health issues without having an own telephone. Instead of transferring new technologies from developed countries to developing coun-

tries, like tele-centres through Western multinationals, there is a need for the blending of new ICTs with existing technologies, like radio and telephone.

This book is valuable as a starting point to discuss the increasing role of IT for leapfrogging in developing countries, especially so in Africa. A further dimension of leapfrogging, via using IT and Internet, is considered. And in this context the idea of a "digital divide" looks different.

Karl Wohlmuth, Bremen

***Displacement Economies in Africa: Paradoxes of Crisis and Creativity*, 2014, Amanda Hammar (ed.), London: Zed Books, ISBN: 978-1-78032-488-3, Africa now series, pages: 272.**

Large-scale displacement – whether caused by war, state-related political or development projects, and different forms of political violence, structural crisis, or even natural disasters – evokes many stereotyped assumptions about those forcibly displaced or emplaced. At the same time there is a problematic lack of attention paid to the diversity of actors, strategies and practices that reshape the world in the face (and chronic aftermath) of dramatic moments of violent dislocation.

In this book, based on empirical case studies from across sub-Saharan Africa, the authors reveal the paradoxical effects, both intended and unexpected, that displacement produces and that manifest themselves in displacement economies.

Part 1 is called "Economies of Rupture and Repositioning" and includes contribution such as "Securing Livelihoods. Economic Practice in the Darfur-Chad Borderlands", "Contested Spaces, New Opportunities: Displacement, Return and the Rural Economy in Casamance, Senegal" and "The Paradoxes of Class: Crisis, Displacement and Repositioning in Post-2000 Zimbabwe".

Part 2 is named "Reshaping Economic Sectors, Markets and Investment" and includes contributions such as "Rapid Adaptations to Change and Displacements in the Lundas (Angola)", "Somali Displacements and Shifting Markets: Camel Milk in Nairobi's Eastleigh Estate", "Diaspora Returnees in Somaliland's Displacement Economy" and "Financial Flows and Secrecy Jurisdictions in Times of Crisis: Relocating Assets in Zimbabwe's Displacement Economies".

Part 3 is called "Confinement and Economies of Loss and Hope" and includes contributions such as "The IDP Economy in Northern Uganda: A Prisoners' Economy?", "No Move To Make: The Zimbabwe Crisis, Displacement-in-Place and the Erosion of Proper Places", and "Captured Lives: the Precarious Space of Youth Displacement in Eastern DRC".

Achim Gutowski, Bremen

***Extraversion and the West African EPA Development Programme: realising the development dimension of ACP–EU trade?,* 2015, Mark Langan; Sophia Price, The Journal of Modern African Studies, Vol. 53, Issue 03, Cambridge: Cambridge University Press, pages 263-287.**

West African elites have successfully argued for an Economic Partnership Agreement Development Programme (EPADP) as part of free trade negotiations with the European Commission. ECOWAS officials state that the EPADP is necessary to realise the 'development dimension' of trade. In particular, they have (re)articulated Europe's own narratives relating to Aid for Trade and private sector development – insisting that the European Commission delivers on its promises. Accordingly, European negotiators have conceded the principle of the EPADP, stating that around €6·5 billion will be delivered.

This article examines the likely (in)capacity of the EPADP to meaningfully marry trade and development in the context of premature liberalisation under Economic Partnership Agreements (EPAs). Crucially, it argues that West African *extraversion* in terms of EPADP resources may entrench predatory elites while locking-in ECOWAS states into inequitable trade structures that re-embed poverty in the region.

Achim Gutowski, Bremen

***Unchanging public order policing in changing times in East Africa,* 2015, Bruce Baker, The Journal of Modern African Studies, Vol. 53, Issue 03, Cambridge: Cambridge University Press, pages 365-389.**

This article offers a political analysis of the practices and motives of public order policing in Ethiopia and Uganda. It offers an explanation of the continuation of forceful tactics against political protest in a context of changing methods of information gathering, organisation and mobilisation by urban activists resulting from their access to internet and communication technology. It finds that the two regimes are caught between legally allowing protest and yet, conscious of their fragility, determined to crush opposition. For the latter approach, their militarist leaderships rely heavily on continued police violence.

The paper concludes that failure of the police to adapt their public order policing to the new protest environment leaves them increasingly ineffective and unpopular. It is likely to provoke an escalation of violence and may both undermine the legitimacy of their regimes and reverse their attempts to open

political space that justified their rebellions against former autocracies.

Achim Gutowski, Bremen

***Networks, trust and capital mobilization: challenges of embedded local entrepreneurial strategies in Ghana´s oil and gas industry,* 2015, Austin Dziwornu Ablo; Ragnhild Overa, The Journal of Modern African Studies, Vol. 53, Issue 03, Cambridge: Cambridge University Press, pages 391-413.**

In December 2010 Ghana pumped its first oil and a local content law was passed in 2013 to promote local participation in the oil and gas industry. This paper examines Ghanaian entrepreneurial activities and the dynamics of local participation in the emerging oil and gas sector.

The paper explores Ghanaian entrepreneurs´ strategies of mobilising networks to acquire information, build trust, raise financial capital and reduce risk with the aim to gain entry, win contracts and participate in the oil and gas industry. It is argued that the resources and strategies activated by entrepreneurs embedded in the context of the Ghanaian business environment are inadequate and problematic when deployed in the context of the international oil and gas industry. The international oil companies´ cost-intensive standard requirements and state officials´ informal interventions further limit local firms´ prospects for participation in the oil and gas industry.

Achim Gutowski, Bremen

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Volume 20 of the African Development Perspectives Yearbook with the title *„Science, Technology and Innovation Policies for Inclusive Growth in Africa"*

Invited are contributions for Volume 20 of the African Development Perspectives Yearbook with the title **"Science, Technology and Innovation Policies for Inclusive Growth in Africa"**. The contributions should be evidence-based and policy-oriented. High academic standards are requested and will be checked by referees. Non-technical papers with deep analysis, which are readable by practitioners in development cooperation and by media people, have a high priority in the selection process. The concept of the contribution and the methodological framework of analysis should be outlined in the Abstract which is submitted to the Editors.

Upon acceptance of the paper, the contributors will receive Editorial Guidelines and a Template. Accepted papers will be grouped into Thematic Units, and the respective Unit Editors will contact the contributors quite regularly during the process of finalization.

Guest Editors for various Thematic Units are also invited to apply. Editors of Thematic Units are also becoming automatically Volume Editors. Guest Editors are responsible for a Thematic Unit with 3 – 5 contributions and an Introduction. For specific themes see the Main Issues proposed by the Editors for Volume 20 as presented below.

See the context of the **African Development Perspectives Yearbook** and of the Africa Research Programme of the **Research Group on African Development Perspectives Bremen** at IWIM (Institute for World Economics and International Management):

http://www.iwim.uni-bremen.de/africa/africanyearbook.htm

The Editors also invite publishers and institutes to send books and issues of periodicals as well as research discussion papers and documents being of relevance to the theme for use in the **Book Reviews/Book Notes Section of the African Development Perspectives Yearbook** (Book Review/Book Notes Editor: Professor Dr. Achim Gutowski, Email: agutowski@uni-bremen.de)

Main Issues proposed by the Editors for Volume 20 (see below some examples of interesting themes for Contributions and Units):

Capabilities in Africa for Sustainable Industrialization: Technological Capabilities, Innovation Capabilities and Information Technology (IT) Capabilities

- *Assessing the state of capabilities in Africa*
- *Assessing the role of these capabilities for Africa's industrialization*
- *Capabilities for Inclusive Growth Strategies*

National, Regional and Sector-specific Innovation Systems in Africa: Concepts and Case Studies

- *Assessing the state of national, regional and sector-specific innovation systems in Africa*
- *Assessing the role of innovation systems for inclusive growth in Africa*
- *Cases of innovation systems in Least Developed, Low Income and Middle Income countries in Africa*

Towards Coherent Science, Technology and Innovation (STI) Policies for Inclusive Growth in Africa: Concepts and Country Case Studies

- *Assessing criteria for and cases of successful Science, Technology and Innovation (STI) policies in Africa*
- *Assessing the Role of STI policies for Inclusive Growth, with focus on employment creation and poverty reduction*
- *Evaluating Policy Processes towards coherent and effective STI Policies*

Informal Manufacturing Sectors in Africa and the Role of STI Policies

- *Assessing the capabilities in informal sector manufacturing*
- *Assessing the Role of STI policies for Informal Sector Support*
- *Case studies of building competence in informal sector enterprises*

Higher Education Institutions, Research & Development Systems, and Reforms of Education/Training Policies in Africa

- *Assessing the research systems in higher education institutions in Africa*
- *Criteria for the establishment of excellence centres at higher education institutions in Africa*
- *Analysing the Framework of Public Policies for Integrated Research, Education and Training Systems*

Foreign Investment, Knowledge Spillovers and STI Policies in Africa

- *Assessing the vertical and horizontal knowledge spillovers from foreign direct investment to the domestic economy in Africa*
- *STI Policies to support technology transfers to innovative clusters and high-tech sectors*
- *Learning from Asian and Latin American successes of FDI knowledge spillovers*

Global Value Chains in Africa and the Role of National and Sector-Specific Innovation Systems: Case Studies

- *Evaluating Global Value Chains as Contributors to Technological Upgrading*
- *Criteria for Public Sector STI Support to strengthen the role of global value chains*
- *Economic and social upgrading through global value chains by supporting sector innovation systems*

Local Development and Local Innovation Systems in Africa: The Role of Grassroots Innovations

- *Analysing Cases of Successful Grassroots Innovations and of Traditional Knowledge Platforms*
- *Criteria for Successful Grassroots Innovations towards achieving Inclusive Growth*
- *Administrative Decentralization and building of local innovation systems*

Case Studies of "African Challengers": Innovative Firms in Africa and their Strategies

- *Assessing the innovation capacity of high-growth corporations in Africa*
- *Evaluating the innovation and R&D strategies of high-performing enterprises in Africa*

- *Private sector development through incentives for corporate R&D expenditures in Africa*

Regional Integration, Regional Innovation Systems and Regional Value Chains in Africa: Concepts and Cases

- *Evaluating the Dependence of Regional Value Chains on Deep Regional Integration and on functioning Regional Innovation Systems*
- *Assessing Regional Value Chains and Regional Innovation Systems in Southern and Eastern Africa*
- *Towards more long-term development agendas for Regional Economic Communities (RECs) in Africa*

Data on STI, R&D, Innovation Input (II) and Innovation Output (IO) in Africa: An Input for more equitable Public Policies in Africa

- *Assessing the state of information on STI, R&D, II and IO by quality and coverage of data*
- *Evaluating the contribution of these data for sustainable development and inclusive growth*
- *Reorganizing national policy planning and statistical systems in Africa to support more effective STI policies*

Innovation Systems and Structural Transformation in Africa: Country Cases

- *Assessing the role of innovation systems for structural transformation in Africa*
- *Evaluating the conditions of success of the "structural transformers" in Africa and the contribution of their STI policies*
- *Towards an Innovation-centred Strategy and Policy of Structural Change in Africa*

Industrial Production, Digital Technologies and Open Innovation in Africa

- *Assessing the role of open innovation in manufacturing sectors of African countries*
- *Cases of open innovation in selected manufacturing and services sectors*
- *Towards new inclusive business models based on open innovation solutions*

To the Contributors of Volume 20:
Please send an Abstract and a short CV not later than June 30, 2016 to the Managing Editor and to the Volume Editors (see below). The Editors will respond within 4 weeks to your proposal. If you have already contributed to a former volume of the Yearbook, please send only an Abstract.

To the Guest Editors of Volume 20:
Please send also a short CV and a proposal for one of the themes mentioned above.

Timeline for Volume 20:
Deadline for Abstracts: June 30, 2016
Acceptance or Rejection of the Proposed Contribution: July 31, 2016
First Draft of the Contribution: November 2016
Final Draft of the Contribution after the Review Process: May 2017

Contacting the Editors of the African Development Perspectives Yearbook:

Professor Dr. Tobias Knedlik, Managing Editor:
Fulda University of Applied Sciences
Leipziger Str. 123
D-36037 Fulda, Germany
Phone: +49 (0)661 / 9640 - 268
Fax: +49 (0)661 / 9640 - 252
E-Mail: tobias.knedlik@w.hs-fulda.de

Professor Karl Wohlmuth, Scientific Coordinator and Volume Editor:
University of Bremen
Department of Economics and Business Studies
P.O. Box 330 440
D-28334 Bremen, Germany
Phone: +49 (0)421 218-66517
Fax: +49 (0)421 218-4550
Email-Address: wohlmuth@uni-bremen.de