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**Prospects for Commodities and Their Role In Development** 

Ву

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## Prospects for Commodities and Their Role In Development

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#### **TODAY'S DISCUSSION**

- Resource monetisation based economic development still a very "viable" growth strategy but now in need of a major structural change
- A new business model is required.
- "Resource Curse" pales in the face of "Valorisation Envy" –
- Some Examples from the Energy Commodity Industries
- Some ideas for the "New Business Model"

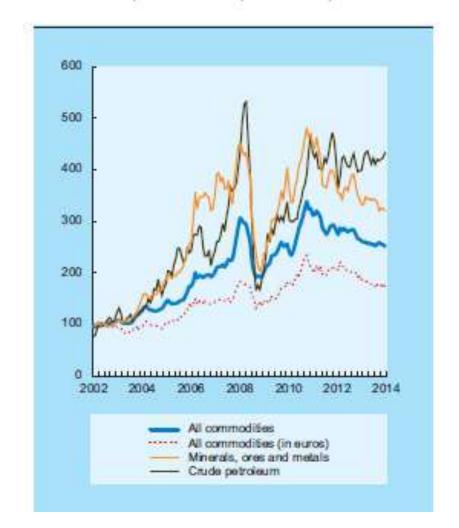
#### SUMMARY DIAGNOSIS OF THE NEED FOR NEW BUSINESS MODEL

From:	То:
Non-Renewable Resource Exploitation	Renewable and Sustainable
Bilateral Government –TNC Contract	Multistakeholder Participation
Public	Public-Private
Commodity Anchoring	Diversification
Value Maximisation	Value Addition
LCR/ Employment generation	Skill Development

#### COMMODITY SUPER CYCLE AND DEVELOPMENT

### MONTHLY COMMODITY PRICE INDICES BY COMMODITY GROUP, JAN. 2002-JUNE 2014

(Index numbers, 2002 = 100)



- Mineral Ores, Metals and Crude Petroleum have a strong correlat ion, do not remain out of synch f or very long
- So why were we surprised about the recent oil price falls?
- Boom-Bust cycles are no longer the core issue for resource base d development strategies

#### WHY EVEN CARTELS MIGHT NO LONGER REMAIN RELIABLE?

Country	Oil price needed to balance 2015 fiscal budget	2013 foreign reserves (USD, B)	Debt/GDP (2013)
Iran	130.7	not disclosed	10.7
Algeria	130.5	201.4	9.9
Nigeria	122.7	35	17.7
Venezuela	117.5	20.2	57.3
S. Arabia	106	737.8	3.6
Iraq	100.6	77.7	34
Russia	100	509.7	10.9
Angola	98	32.8	29.3
Ecuador	79.7	4.3	18.6
UAE	77.3	68	1 <b>7.</b> 6
Qatar	60	42	37.8
Kuwait	54	32.4	7.3

Source: World Bank, IMF and WSJ Reports

#### **VALORISATION ENVY IS FOR REAL: 36 INSTNCES BETWEEN 2006-2014**

Issue	Countries
Contract/Licence Revisions	DRC, Dominican Republic, Ecuador Guinea, Liberia, Tanzania, Zambia
Royalty Changes	Chile, Ghana, Peru, Tanzania, Zambia
Tax Changes	Ghana, UK, Zambia
New Taxes	Australia (2), Zambia (2), Chile, Mongolia, South Africa
Equity Increases	Bolivia (2), Guinea (2), Algeria, Argentina, Kazakhstan, Namibia, PNG, Tanzania
Other Changes	Ghana, Tanzania, Zambia (2)

#### THE NEW BUSINESS MODEL NEED NOT BE CONTROVERTIAL

Requirements:	Government	Industry
Sustainable	X	X
Stakeholder Involvement	X	X
Attract Private Investment	X	x
Sufficiently Diversified	X	X
Focus on Value Addition	X	?
Focus on Skill Development	X	?

#### **SOME IDEAS TO CONSIDER?**

- Can a share of non-renewable resource proceeds be directed towar ds exploiting renewable/sustainable resources and practices?
- What lessons can we learn on community stakeholder engagement from French Onshore Wind programme and the UK Shale Gas Expl oration programme?
- Could a "Defence Offsets" type model be made to work for resource development?

# THANK YOU

For further questions please contact:

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