

CHAPTER 7

ORGANIZATION ... ORGANIZATIONS

What are the capabilities of existing organizations? What is needed so that they can do the maximum that they can do? What business organizations? What financial organizations? What professional organizations are there and what can they do? What community organizations? What faith based organizations and activities? How can people organize themselves in the best possible way so that they can progress. How can people organize so that they can best help themselves.

The role of organization and organizations

Organizations have a role in society. They are needed for efficiency, not in themselves of inherent importance to society. Organization is not an end in itself. Do as much organizing as possible but only do what is essential. Do what is easy, and do not waste time and money trying to do things that cannot be done reasonably easily. Move on to the next stage, and come back later to do more organizing.

The process of organizing

The process of organizing needs to be iterative. In the organize stage, identify who or what organization is doing things and where the resources are going to come from.

The result of organizing is organization. But getting into a state of organization is frustrating in a complex arena, and in any chaotic situation organizing has to go on for ever.

Organizations are structures that help to do things, to get things done. They can have many forms, and the best organizations are ones where the metrics of performance are the best ... that is where the value of the results are the most relative to the resources used.

A critical determinant of success

An individual rarely has much power or influence. An individual cannot be very efficient. The industrial revolution was successful because of the invention of all sorts of new technology, and also helped by the emergence of ways to organize large groups of people and to manage and control these huge organizations.

Getting the organization right and staying in control using effective management techniques is a key to success.

Just as a community serves to be a way to manage activities that support socio-economic progress when there are many people in a geographic location ... an organization serves as a way to manage more specific activities either within a community or over a bigger area.

Organizations are a resource

People do not live in isolation. People are part of a society, and “organization” is essential to a functioning society. The nature and characteristics of organization have been the subject of debate from

time immemorial. People need organization, and societies benefit from organization. Organizations are needed to get things done. Organizations are needed for economic efficiency.

But organization should suit the people, and the needs of people and the local society and the local community.

Throughout history organization seems to have been a vehicle to manage and channel power. But also through history there has been the realization that people also had a stake in the nature of organization.

People need to be organized not only through “government” but in all sorts of other ways. And “democracy” where the leaders of government have their authority simply because they were voted in by a majority of the voters is not sufficient to achieve good leadership and a good society

Margaret Thatcher, the former Prime Minister of the UK, when asked what she thought about elections and democracy in Africa said that being ruled by leaders elected by the majority required also a framework of institutions to protect the minorities.

This observation made a long time ago has enduring value. In the USA, few people are aware of the amazing rights that minorities have both under the US Constitution and in fact through the advocacy and activism of all sorts of citizen organizations. And few people have any appreciation of how destabilizing an election can be when a majority wins, and there are few, if any, protections for the numerical minorities.

But in order to get things done, people have to get organized. Governments, especially the governments of empire have always needed a strong and effective military organization that could carry out the commands of the leaders and keep peace in the empire. Some things never change. And leaders throughout history have justified the use of the military as the furtherance of peace. And so it may be.

But life is not about the military, life is meant to be civil. And a good life is about getting organized to realize some prosperity and some happiness. And “life is local” to corrupt the commonly used phrase that all “politics is local”. The fact is that for almost all people life is about family and friends and community, all of which are essentially “local”.

And it is therefore “local” that needs to get organized. And in the United States we see in any local neighborhood all sorts of little local organizations: small business of all types where people work and products are bought and sold; schools; places of worship; entertainment; places to eat; transport services; places to exercise and relax; services of all sorts. In a community there is everything that is needed for life and living. It is a complex mix of activities.

And in developing countries, communities try to have everything they need for life and living. There is business of many sorts, there is buying and selling, there are services, there is worship and entertainment and places to eat. The level of “wealth” may be different, but the nature of the economics and the essentials of the society are very similar.

The organizations that need to be strengthened in developing countries so that development can succeed are those organizations that contribute to the economic success of the community. Any or all of the entrepreneurs and the small and medium sized enterprises (SMEs) that are the foundation of the economic life of the community. And there should also be strengthening of community organizations that are going to provide communal services of importance to the community, such as water supply and possible activities in education or in health and support for needed infrastructure.

Why America works?

In any discussion about development, and especially about failing development I try to ask what it is that makes America work. There are always some unusual individual perceptions, but there is also a lot of common ground. The following list is one set of reasons that were collected at a workshop

discussion “Turning Development Upside Down” in New York in 2001.

Why America Works

capitalist system / available to everyone / appreciation of creativity / individual rights well protected / justice / court and legal system / individual initiative / freedom / freedom of speech / entrepreneurship / infrastructure / infrastructure for communications / stable economy / high rate of employment / jobs / population is big / scale / legalization of corruption (campaign finance) / individual and family focus / control of international institutions (NATO ... World Bank ... UN) / control of resources / large centralized corporations / anti-trust laws / OPPORTUNITY / job opportunities

These items are listed in the sequence they were mentioned by the workshop participants. I particularly noted that the first two mentioned were “capitalism” and “available to everyone”. The United States and Americans are not at all shy of capitalism and the “for profit” economy.

Development success is going to be facilitated when the characteristics included in the “Why America works?” list are widely established. This is a very different list of things to do than will typically come from the World Bank, but is not too far different from the list that might emerge from discussion with professionals, entrepreneurs and community leaders in the SOUTH.

These characteristics are not a “package”. The characteristics of a successful society that can succeed economically and in all the other value dimensions of society will not always be the same. There is no “Coca Cola” franchise solution.

My broad characterization of the United States is that it is the place where an individual has the most opportunity to do amazing things. And because of this the performance of America in economic terms is far better than might otherwise have been expected.

But the amazing opportunity that is available in the United States is to a surprisingly large extent taken advantage of by immigrants. This is also a great strength of America. And in some ways a weakness for the rest of the world since it helps to drive the economics of “brain drain” migration. But it does confirm that people from all over the world can do great things if the society allows it and if the infrastructure supports it.

Understanding these elements gives a basis for setting some broad direction.

A new framework

It is going to be very hard to have development success using the ODA framework that has dominated development for the past forty years. Big organizations change slowly, and it is time for development to get moving, having lost so much time and opportunity.

So we need a new framework. But this is not a framework to constrain, it is a framework to facilitate.

The image of a framework must be one that is positive. The image should not be a framework as a cage, but more in the form of a ladder. The framework must make it possible to work together, and to work independently, doing the most that is possible with the available resources.

Getting people organized

The big opportunity is to get people organized. But it is not just getting them organized, it is also getting people to do something that is useful. The key is getting people to help in a process that delivers on economic value adding for the SOUTH, and does it with the right mix of resource support from the NORTH. Instead of having people in the NORTH spend money and effort on advocacy to focus more on the failed old paradigm, the challenge is to help people choose activities that will provide tangible

real benefits for the SOUTH.

There have been amazing successes in getting people mobilized, and the ways to do this have become even more efficient with the advent of the Internet and efficient ways of handling communications with large groups. As people get organized this time, the aim is not to make a noise, it is to make advantageous changes.

People to people - the SOUTH is ready

People in the SOUTH are sick and tired of the failure of development. People do not want to have to live with the failure. They want to see success. They are ready for change. But the change has to make sense.

There is a lot of knowledge. People know things can be better. But people do not have opportunities to make things better. They are looking and will do something if something is possible.

African people are ready. African leaders are ready. But they do not have the funding to be successful. African political leaders are stuck with trying to lead without the resources to make good on the political promises that they might make. African business leaders know their priorities and how to grow their business and their employment needs, but do not have the financing. African communities know their priority needs and how to improve the community's quality of life, but they do not have the resources.

Future role for existing ODA organizations

There are important future roles for the existing ODA organizations. There are many things that they can do well, but taking responsibility for success in development is not one of them.

The Breton Woods institutions and the regional development banks are useful financial intermediaries. These international financial institutions (IFIs) have an enormous and ongoing role in helping to strengthen the “public finance” in the SOUTH. They have a valuable role to play in lending money to major projects and to the primary financial institutions in countries in the SOUTH.

Projects should be phased out, except for major capital construction. And the IFIs should limit their involvement in projects to financing. They should withdraw from the role that they have taken on of “supervising” projects without taking on “responsibility” for the projects. They should stay just with financing.

The UN specialized agencies should be scaled back so that their work is technical and advisory with almost no “project” work.

The UN specialized agencies should not be operating as technical departments of a global “colonial office”, but should reengineer their operations to focus on specialized knowledge and a clearing house for best practices.

The UN should get strengthened as a government with a global mandate, and with agencies that support its core work of improving global governance for the 21st century.

The financing for development should become a function of the global capital markets with limited interaction with the UN. The IFIs serve as intermediaries between the public institutions of the SOUTH and the global capital markets.

Family dynamics

Family is the basic building block of human society. The importance of the family unit has been eroded in modern society as the super surplus economies in the NORTH make hedonistic materialism a possibility. But most of society in developing countries are still faced with shortage economies and the mutual support of family is still a very important part of society and the economy.

As an economy moves from agrarian to modern industrial the economics of children changes. In the traditional agrarian society children provide the energy that is needed for a lot of the routine chores in agriculture and they are important during the harvest season as well. And children are important for a lot of the household chores and the preparation of food, not to mention collection of water and firewood.

And children are also the basis for society's social safety net. Children grow up and then they are able to look after their parents as they become older. And the cycle goes on.

So big families have economic value. Children are value adding in the family structure. With more children more work can get done.

African families and communities

ATCnet is founded on the concept that families and communities know what is best for their community even though it may not be what the NORTH thinks is best. It is clear that families and communities are very clear that staying alive is the highest priority, especially that children stay alive. This relates directly to security issues, food, water, shelter, clothing, health. Other priorities include education and economic security and other aspects of quality of life.

The solution for Africa is the people of Africa. The people need access to resources in an easy and fair way. With access to resources communities can progress, not in a one step to 21st century modernity, but can progress forward in a direction that will serve the community well. Community development in all its dimensions is what is needed, not for one or two communities selected by the international community, or indeed the government, but all communities, everywhere. This should not be based on writing of proposals but rather from a portal or database of organizations at grassroots level across the continent that can be tested, verified and improved to serve the priorities of their respective communities. ATCnet is a people based organization and all our effort seeks the people dimension of development.

I would observe that the same goes for Afghanistan. Afghanistan's will have success if the people are given a chance.

Learning organization

ATCnet is a learning organization and a work-in-progress. The challenge is huge, but the people resources to address the challenge are bigger. ATCnet needs help to make it possible for existing professional human resources in Africa to join forces with technology and finances and material resources and friends so that all the resources are able to work collaboratively to address the problems. ATCnet is actively recruiting friends and supporters in both the NORTH and the SOUTH.

The Spirit of Africa

The people of the continent of Africa are rich in spirit. The spiritual dimension of Africa is healthy while the material dimension is chronically ailing. The growth of the community of Christians in Africa is matched only by the growth of the Islamic community in Africa. Africans essentially come from a spiritual tradition that can readily embrace the theology and practice of the Christian Church.

People get organized

People get organized, but as they do the organization becomes the focus rather than the people. When organizations mature they get to have a life and a character of their own. Even though an organization is largely people, it is policy and procedure that rule and not the ordinary people in the organization. And in a big organization with many people, it is often just the few people in control that define the goals and the modus operandi of the organization.

The primary reason why people organize is that many people can do things that a single person cannot do. The need for people to organize seems to have been a constant for thousands of years, and history shows that people power can be enormous.

There are all sorts of organizations. The following are some ways in which people organize. They organize as:

- ◆ Communities
- ◆ Local government
- ◆ State government
- ◆ National government
- ◆ Corporations
- ◆ Cooperatives (COOPs)
- ◆ Business associations (like the International Chamber of Commerce)
- ◆ Multilateral institutions (like the UN, the World Bank)
- ◆ Bilateral institutions (like USAID)
- ◆ Advocacy groups
- ◆ Networks
- ◆ Non Governmental Organizations (NGOs, INGOs)
- ◆ Faith organizations (FBOs)
- ◆ Community based organization (CBOs)
- ◆ Military
- ◆ Police
- ◆ Affinity groups
- ◆ Net communities (Listserve)

Life is local

The reason that “all politics is local” is that “all life is local”.

Because of this people in the NORTH are going to have a very low interest level in development that is taking place overseas and thousands of miles away from home.

People in the NORTH have no need to be interested in the performance of development

It is not surprising that people in the NORTH have little interest in the performance of development. There is not much appearance of any linkages to local impact in “my back yard”. People can feel safe and secure in “their own back yards”. But that is not the way the global economy works. Almost everything that makes people comfortable in “their own back yard” is a result of an amazing linked global economy, that functions as one huge global village.

People of the SOUTH get no benefit when development resources are being used without delivering useful outputs. They are affected by the fundamental failure of the present development process. They are affected by development performance. They benefit when resources are used well.

Affinity Organizations

There are a number of organizations that have done some amazing work in pulling people together to support good causes. The energy in these organizations is impressive. They are evidence that people want to do good and want to feel good. These organizations do a very good job of creating “feel good” value in society. Some are faith based. Many are not. Many have a theme that centers around the social and economic problems of the disenfranchised or disadvantaged either at home or overseas. These organizations already show what can be done with “people” power when it is motivated to do

something worth while.

The following organizations, networks and movements are examples

- Bread for the World
- Jubilee 2000
- Campaign for Nuclear Disarmament
- Vietnam era Peace Movement
- WTO Seattle demonstrations
- G8 Genoa globalization demonstrations
- Civil Rights Movement
- Anti-Apartheid South Africa movement
- Global justice movement
- Greenpeace
- Sierra Club

Religious communities in Africa

Religion is very important in Africa. The Christian community is large, it is growing and it is committed to the values of the Church. And so also is the Islamic community. The spiritual dimension of Africa is strong, and in large part explains why Africans are so positive in the face of material deprivation and crisis.

Religious leaders and the people have the moral authority to be leaders now not only in the spiritual growth of Africa but also in the building of an economic foundation for Africa.

Organization

Organizational infrastructure

The organizational infrastructure ought to be making development a success. Instead the organization infrastructure is helping to constrain development and is a significant part of the disaster of development.

People need an organizational framework in order to achieve their full potential. The whole idea of teamwork that enables a group to do far more than an individual can do on their own is a perfectly good example.

For some reason I always think of the pyramids as being an example of people getting organized to do something pretty amazing.

But there are all sorts of others. In fact the industrial revolution could never have succeeded if there had not been an ability to get people organized.

The building of great canal systems and railroad systems in the 19th century required enormous organizational initiatives.

And of course the history of great armies is largely a history of organization.

And the history of Empire is another form of organization, and more complex. The organization and management of Empire had many dimensions. On the one side there were the mercantile and business and trade dimension, that worked in collaboration with the administration and military apparatus that “facilitated” the application of organizational rules. From the perspective of the controllers of Empire the system worked well and served as a value creating system that enormously enriched the global economic system, though not necessarily with equity for all.

Countries in the NORTH now have a complex set of organizations, and organizational rules. But in general, it can be said that the organizations are ones that have emerged by a process of evolution to suit the society and serve the community and facilitate ongoing wealth creation in the economy.

But the organizational framework in the SOUTH is not so effective. Post Second World War, and the collapse of Empire, a new organizational framework emerged. This organizational framework reflected mainly the structures that were carried over from the colonial era. This organizational framework did little to integrate the strength of local traditional organizations into the framework. The handover, in retrospect was a disaster waiting to happen. And it did.

Organizational infrastructure

The organizational infrastructure is a resource.

The importance of the organizational infrastructure was highlighted for me at a meeting on government financial managers and auditors around 1992. Someone on the Canadian Auditor General's staff pointed out in his presentation that everything was able to move anywhere anytime, especially investment funds, people and knowhow, materials and equipment, but the organizational infrastructure of the country was what made the country worse or better than anywhere else. The government could really make a difference if it delivered on good governance and created a favorable environment for people and investment.

The NORTH countries tend to have an organizational infrastructure that is well defined in law and well understood by the international business community and investors. The same cannot be said of countries in the SOUTH. The organizational structure in the SOUTH does not have the same stability or the same dynamic as the organizational structure in the NORTH

Many business people who have worked in the SOUTH have had the experience of being asked "What law do you want?" in response to inquiries about the prevailing laws and especially investment laws and regulations. Sadly, a lot of business people from the NORTH have interpreted this as a reflection of their "power" and importance, when it would have been better considered a reflection of a culture gap that is both wide and deep.

The SOUTH has a lot of organizational infrastructure, but it is not at all the same sort of structure that makes the NORTH function more or less successfully. There is a lot of "traditional" law and a lot of expectations within society that determine how people behave. Few people from the NORTH have much understanding of this side of the SOUTH's organizational framework and they look for the laws and regulations and institutions that are common in the NORTH. What they may well find are NORTH looking laws and regulations and institutions, but not necessarily with the same spirit and culture. There is a need to find not only these elements, but also the traditional SOUTH organizational structures, and understand the role these are having on the way the society functions.

And we also need to remember that much of the traditional rules are not written down, but passed from generation to generation orally. And while the modern economy in the SOUTH may have a corporate or international structure and legal form, the majority of the population in the SOUTH operates in a traditional SOUTH framework of traditional law and culture.

Organizational infrastructure

But the SOUTH does not have a well functioning organizational infrastructure. And the NORTH's usual mindset for organization for the SOUTH does not usually work well for the SOUTH.

The NORTH has an extensive organizational infrastructure, with a large body of law and regulation

surrounding most social and economic activities.

Most of the SOUTH does not have the same level of organizational infrastructure, and its body of law and regulation is also not at the same level as the NORTH. But the SOUTH does have framework of societal rules and business rules that are traditional and ancient. To some extent these old traditions have been dismantled in the rush to colonize and the rush to modernize.

But in order to engage the people that are presently outside the “formal” organized modern economy, there has to be some organized way of doing business that allows everyone to participate.

We must get beyond the “one size fits all” and be in a position to have an organization in any community anywhere in the world that has community respect and will honor its obligations. Every community and every person should be able to interface with some organization that has universal trust and total integrity

The laws and regulations that apply in any country and in any community are very important in the success of development.

But organizational infrastructure is more than just the written laws and regulations, it is the way that people integrate laws and regulations into the way that they conduct their lives and carry out their business dealings.

People do not mind what the laws and regulations are in a situation where everything is going right and business is doing well and everyone is satisfied with the outcomes. I saw this in Thailand in the early 1980s when it was clear that the organizational framework was weak. But investment flows were booming because investors were making money

The organizational infrastructure is everything that is needed in order for people to benefit and people to do economic value adding activities. Government is part of this infrastructure and can facilitate making the rest of the organizational infrastructure as efficient as it can be.

A Canadian government employee made the point some years ago, that government was the one institution that could never relocate. If the country was going to be a good place to live and do business and attract investment, then government had an important job to do to make sure that people and business and investment wanted to come to Canada instead of going somewhere else.

But organizational infrastructure goes beyond government structures and the laws and regulations. It also includes business organizations.

But there is a need also for people to work together in larger groups. The small or medium sized business has the potential to be a very much more effective way to have economic value adding that will make a difference at the community level, rather than just at the personal level. Business needs to get organized so that people can be organized, and so that the human resource of the business can be combined with other business resources to be productive.

An SME contractor in the SOUTH can easily have a well trained owner or manager, and ten or twenty or a hundred workers, and some equipment and some working capital, and do excellent work for the community at costs that are tiny compared to international contractors. Financing these works creates long term jobs for the workers and enormous value adding for the community.

Community

There is a need for the community to have a good level of organization, and there is also a need for the community and the area to have organizations that can do things.

It is in organizations at the community level where the most important activities of socio-economic progress are seen. The organizations at the community level have already described (starting on page 65) and will not be repeated again here.

Some, perhaps many, of the organizations at the community level are part of a larger area, national or international organization.

Business organizations

The economy of a modern prosperous country is based very much on the success of its business organizations. Virtually all modern wealth is created by business organizations ... and is a part of the national wealth by virtue of its location and the domicile of its owners and its employees.

Governance organizations

The civility of a modern prosperous country is assured by its governance organizations. For these to work well they must be fair and they must reflect the values of the culture. The exact form of governance organization needs to evolve over time, and be arrived at by a process that achieves consensus between all the parties affected. The process is complicated, and the stakes are high when there is a lot of wealth involved.

At the National Level

The organizations of government

There has been a lot of focus by the coalition on establishing the organizations of government in Iraq so that the country could become peaceful and prosper. There has been a focus on the idea that this government would operate on “democratic” principles and therefore the country would be a success.

At some level, there has been progress ... I think ... but I really do not know.

There really is rather little information that is reliable and validated about what has been accomplished that I can easily access.

But this ought not to matter too much, because socio-economic progress takes place, not at the national level, but at the community level and is driven by people and organizations carrying out useful activities all over the country.

Government ministries

Government ministries have, broadly speaking, sector responsibility, and are the apex organization of the sector with responsibility for the whole country. The performance of these organizations will have a considerable impact on the performance of the sectors all over the country. There are a number of issues that need to be monitored: (1) the budget allocated to the ministry; (2) the allocation of resources to various programs that are supported by the ministry; (3) the spatial allocation of money round the country; (4) the performance of the programs, and the relationship between costs incurred and value delivered.

Area organizations

There may be value in having area organizations so that programs can be more suited to the area. In the governance of many nations there is a system of regions, or states, or provinces that has government structures for the area that supplement those that are at the national level. There is a lot to be said for area organizations because of the possibility that they can be more sensitive to issues of physical geography, local cultures, religious beliefs and history. Designed well, and implemented well, area

organizations can be a great benefit to the socio-economic performance and to fair governance. The downside is that area organizations can also be another level of overhead that adds little, and make it easier for funds to be misappropriated and used uselessly.

The oil sector

The oil sector is big and the fund flows coming out of the Iraq oil sector are large by any standard. The government is expected to earn more than \$40 billion from its oil revenues in 2007 ... and perhaps more than anything else it is this fund flow that is causing a lot of the instability in Iraq and in the region.

Big contractors

Big national contractors can do a lot of the work that is required for the reconstruction of Iraq. With money they can buy any technical support and equipment they need, and they can employ local staff to get the work done. A few big contractors can concentrate economic power in Iraq in ways that are not good for competition and maybe not good the Iraq.

Health sector

The health sector is coordinated at the national level ... but operates at the local community level.

Education

The education sector is coordinated at the national level ... but the students all come from communities.

At the Supra-National Level

The global corporation

The global corporation has proved to be a very efficient way of generating wealth ... but the success of the global corporation in generating wealth for its stockholders has been out of proportion relative to the contributions these organizations have made to the common good.

A global corporation has all sorts of ways of moving wealth from one jurisdiction to another and in so doing deprive some countries of the wealth they need and deserve while facilitating the expansion of wealth for stockholders.

The efficiency of these organizations and their ability to create wealth is impressive ... but their role in creating the maximum of socio-economic value is much less impressive.

The oil industry giants

The oil industry giants have a lot of power in the global market place ... and though there will, one day, be a shortage of crude oil ... at the present time there is crude oil in considerable abundance. The money is made as much as anything during the refining, transport and marketing of the refined products.

While the producer countries have the crude oil ... it has little value as long as it stays in the ground ... and it is the oil industry giants that presently have the control of the markets.

The oil industry giants are huge. Each of the major international companies in the oil industry are bigger by almost any economic measure than most of the countries in the world ... and by virtue of their scale they are powerful. And while Europe and North America have spawned the biggest oil giants in the past, more and more there will be giants also from countries like Russia, China and India.

Banks and financial institutions

There are a growing number of global giants in the banking and financial services sector. They have the potential to be a powerful force for good ... but what is good for an economy when they choose to fund an economy is bigger, more powerful and worse when the capital they control is in flight.

Big banking and finance is very impersonal ... and though the industry has been very profitable for a number of years, and very good for some of the stockholders and senior management and traders, it is far from clear how much damage has been done by the industry at the bottom of the global economic pyramid.

Drugs, arms and human trafficking

The illegal international trade in drugs, arms and human beings is very large, and very profitable. Trade in these areas is illegal, but goes on with the authorities charged with stopping the trade quite impotent. The profits can fund almost anything ... and anything goes, including murder.

In the case of Iraq, what this means in practical terms is that any weaponry needed is easily obtained ... it just requires money, and money is one thing that Iraq has in abundance.

Production infrastructure

Machinery and equipment. What production capacity is there? Does business have what is needed? Do the people have access to machinery so that big jobs can be done by small people. Poor countries have little production capacity. What is the best way to get more horsepower into the hands of people.

Production facilities

Production enterprises need working capital and fixed capital. They need inventories and they need production equipment. Few companies in the SOUTH have enough investment in working capital nor enough investment in good production equipment.

Those companies that have been able to invest in materials and equipment and as a result produce goods to world class quality standards have a chance to compete in the global market place. But few companies in the SOUTH have done this.

Most companies in the SOUTH do not have the financial backing to invest as much as is needed. Few companies have the balance sheet to support a larger investment in working capital and equipment.

The main development support organizations provide little of no help to SOUTH companies with need for more materials and equipment.

I have worked in many countries in Africa. I recall in Ghana, trying to help a small business get incremental bank financing to support its expansion. Even though the company had a solid record of profit and a solid history of growth, the local bank would only consider more credit against 100% marketable collateral, and wanted a 42% annual interest payment. The expansion plans were very realistic, building on a multi-year track record of profit and growth. The bank had no interest in lending to this client.

Without the materials and equipment to improve the production and the productivity of the enterprise sector of the SOUTH it will be impossible to have development success in the SOUTH. The SOUTH needs to be able to make things that it needs for itself, and the SOUTH needs to have a range of products that can compete in world markets

A lot of enterprise is owned and operated by the "uneducated". They do a lot of work without much support, and they cannot improve much because this "informal" business cannot speak the language of the local bank and the international community. They are stuck. And as long as they are stuck, so is the local economy.

My experience suggests that these enterprises are an enormous opportunity for an innovative financial institution

Source of wealth

And the SOUTH does not have a good efficient physical infrastructure. Usually the NORTH's solution to the infrastructure deficit is a high capital cost big infrastructure project rather than the lower profile upgrade to infrastructure that removes the critical constraints

Production materials and equipment

Production materials and equipment are short in the SOUTH and a big constraint. Production materials are short in the SOUTH because of limited working capital finance and a weak supply chain. Production equipment is short in the SOUTH because of lack of enterprise finance. In the NORTH there is much more finance for industry and there is an abundance of production equipment. There is both new and used equipment in the NORTH to satisfy almost any requirement imaginable.

Working capital

Working capital. Does business have access to the working capital and liquidity it needs. What needs to be done to satisfy working capital needs? Business can only function if there is inventory and enough financing for the business to operate. These component of progress are sadly missing for poor businesses serving poor people and communities

The problem of working capital is endemic in the SOUTH.

Working capital is the capital needed to keep an enterprise operating. It is also the capital that is needed to keep a national, a community or a family economy operating.

I find the spending of money on study and analysis to be an obscene waste when there is a chronic shortage of working capital to fund the solutions that any analysis of shortage will demand. The Famine Early Warning System (FEWS) that has been funded at considerable expense by USAID over a number of years. It is a classic example of the problem. The system shows that food supply has become short. But the solution to hunger is not much about knowing whether or not there is hunger, but in doing something to mitigate the catastrophic impact of no food and no water for a long time. Emergency food stocks need to be easily available and working capital is needed to fund this.

It is essentially everything except the “fixed” capital, that is, the land and buildings and machinery and equipment of the enterprise. Production enterprises need the resources to buy their raw materials, the pay wages and salaries to convert them into salable product and maybe give credit to their customers. This is working capital.

And resources to fund working capital are chronically limited in the SOUTH.

Middlemen and traders

One source of working capital in the SOUTH economy is the “middleman” or “trader”. This role has been written about negatively for centuries and with some justification. But most social writing about middlemen and traders fails to report on the useful services that they provide.

Middlemen and traders are as much a part of the natural market mechanism as stockbrokers are on Wall

Street. They exist because they do things that are needed in the market system.

Do they serve the best interest of the economy as a whole? Almost certainly not. But that is not the way a market economy functions. Each participant in the market does the best they can. And the way the market exists almost everywhere in the SOUTH, the middleman wins and everyone else loses. The problem is not the middlemen and traders, it is the chronic failure of production and producers on the one side and buyers and consumers on the other to respond to the messages from the market. And further it is the chronic failure of the official development assistance (ODA) community to understand what is going on and help to facilitate appropriate changes.

I visited a little village in Liberia in the early 1980s. Doe had just taken over as the President of Liberia. This was Doe's home village. As President he was now constructing an airfield that was big enough for a Boeing 737 aircraft, and an army barracks for a brigade. I met for the whole afternoon with the local village heads. They wanted more than anything else, to own some little pickup trucks so that they could take their agriculture product to Monrovia, the capital, to sell themselves rather than to have to continue selling to the middlemen. They knew the prices. They knew they could earn more by owning their own transport. But they could not do it. The reasons were many, including no financing for the trucks, including the possibility of physical violence as they initiated a change that would dramatically change the favorable status quo for the middlemen, including political involvement in maintaining the favored situation, etc.

Nobody with any power of money was interested in handling a small transaction that was valuable to the village community. The community and its needs had no place in the economic development model. Nothing in the ORDA structure was ever going to be helpful to this remote community.

- Resources: Natural Resources