

# CHAPTER 8

## RESOURCES: NATURAL RESOURCES

*Natural resources are potentially a constraining factor on community potential ... but not always. Abundant resources may facilitate development, but only if they are used effectively. The chapter describes all the other resources that go into a successful comprehensive success. The chapter shows how external resources should be used to complement local available resources to achieve maximum value adding.*

### **An Asset of the Community**

#### **Not so quick**

One would think that natural resources would be an asset of the community, but sadly, the rule of law may have preempted what seems like common sense so that the legal reality is something very different.

#### **Not simply money**

Resources are not simply money. Resources are many things. The most important are:

- ◆ Human resources, and
- ◆ Natural resources

The following are also important resources. They can be created in order to build more potential for success in a community. They are created as a result of use of human and natural resources and all of the other resources in different ways:

- ◆ Organizational infrastructure
- ◆ Enabling environment
- ◆ Physical infrastructure
- ◆ Production equipment
- ◆ Working capital
- ◆ Money
- ◆ Knowledge

Human resources and natural resources are the ultimate determining factors in the potential for a community. The potential for progress is a function of the underlying potential of the human and natural resources.

### **Making the best use of resources**

Why does the prevailing process waste resources? What results can be achieved when available resources are best used?

#### **Resources**

*The resources are people, natural resources, infrastructure, material and equipment, financial resources and knowledge. For resources to get committed to development purposes there must be value adding and there must be a “return” to the owners of the*

*resource.*

Success in development needs resources. The world has the resources to achieve amazing success and development progress, but resources need to be managed so that there is economic value adding as a result of their use. It is time to end zero-sum development and replace it with initiatives that are economic value adding and benefit both the funding entities and the users. It is time to do development making best possible use of local resources in collaboration with needed outside resources.

## **Importance of local resources**

The failure of development is due in large part to the failure to use effectively local resources. The value of local resources is well recognized and international business has made huge fortunes by exploiting local resources, but the business model was all about the corporate bottom line, and nothing to do with the need to create value from these resources in the host community.

It is possible for local resources to become the investment driver in local communities. External resources added on top of local resources can create huge wealth, and it is reasonable that this wealth improves the quality of life of the local community.

In the development space there has been a complete unlinking of these various resources so that resource use has been very inefficient and ineffective.

If we look at the resource situation from a global perspective, there are enormous resources. If we look at the way the resource flows are going on, there is a total disconnect between resources available and resources needed. This is a process problem. This is not a resource problem, at any rate from a global perspective.

If we look at resources in a community, there are likely to be some resources, but rarely all the resources needed to operate a “closed” economy successfully.

## **Resources are being wasted**

Resources are an issue. It is not that there are not enough resources. There are lots of resources. It is just that resources are used in very wasteful ways.

And there is also a situation where assets that ought to be resources are liabilities simply because of the process and organization of development.

Development needs resources in order to be effective. But more important than the absolute amount of resources is the way they are used. Economic progress is a dynamic process, and a small amount of resource well placed will do more good than a massive amount of resources badly utilized.

There are four principal resources: human, natural, material and financial. It is possible to argue that these resources are abundant, but badly distributed. Certainly, it can be argued that the resources are not distributed in the optimum way for development progress.

*This chapter addresses the issue of resources both from the perspective of resource availability as well as how resources are mobilized and allocated to priority works. The chapter explores ways in which available resources can be used to achieve maximum economic value adding and progress towards the goal of success in development. This chapter highlights the importance of all resources. Resources are not just money and financial resources.*

## **What are resources used for?**

The world has resources. But little of the world's resources are being used to support economic value adding activities in the SOUTH.

Even though the SOUTH has enormous natural resources they have not been used in ways to create economic value adding for the SOUTH. The development and investment process has been wrong.

And even though the SOUTH has an enormous pool of labor, the development and investment process has not made much progress in creating economic value adding from this resource.

The formal sector organizational infrastructure for success in development in the SOUTH is not strong. This includes government, the legal and regulatory frameworks and the banking sector and the local enterprise sector. But in spite of this NORTH business seems to be able to invest and profit when it sees opportunity for itself.

The physical infrastructure in the SOUTH is generally poor and deteriorated. Enormous economic value adding would be achieved with major investment in infrastructure, but it is long term and should be part of an integrated program.

The material and equipment used for productive activities in the SOUTH is also limited, and in most cases old and dilapidated. This applies in all areas of the enterprise economy, but especially among small and medium scale enterprises (SMEs). Investment in incremental materials and equipment for production can have an enormous economic value adding impact.

Finance is limited in the SOUTH, but abundant in the NORTH. But investors from the SOUTH are scared about investment in most places in the SOUTH. In order to get comfort, the main vehicles for investing in the SOUTH are the paper of the World Bank and the similar regional development banks (RDBs), but this feeds into essentially low performance on-lending to the SOUTH. Most other vehicles for investing in the SOUTH are also committed to investment models that extract wealth from the SOUTH for the benefit of the investor without much economic value adding remaining in the host communities. Getting finance into the SOUTH in ways that are going to facilitate economic value adding sufficient to build the economies in the SOUTH and satisfy investors is going to be the way and is the challenge

Knowledge is a final element of resources in development. Knowledge is not just data, nor just information. Knowledge is part facts and part experience. The SOUTH has a lot of knowledge, and so does the NORTH. Up to now the NORTH has too much tended to ignore the knowledge of the SOUTH. And too much, in my view, the SOUTH has tried to bundle knowledge (technical and technology) with financing, and mostly has lost out on both.

## **Using resources for net value adding**

The challenge is twofold. The first is to mobilize resources in ways that give satisfaction to those that own or control resources, and the second is to make use of the resources in ways that create “economic value adding” and enough surplus to pay for the use of resources.

In order to make the best use of resources and to generate the maximum of economic value adding in the SOUTH it is of importance to make use of resources in a well balanced manner. When the minimum of resources is used to the maximum of benefit, the economic performance of the global economy can be improved immensely. The best results are going to be achieved if the least amount of resource is consumed in net economic value destruction.

*The resources are people, natural resources, infrastructure, material and equipment,*

*financial resources and knowledge. For resources to get committed to development purposes there must be value adding and there must be a “return” to the owners of the resource.*

Success in development needs resources. The world has the resources to achieve amazing success and development progress, but resources need to be managed so that there is economic value adding as a result of their use. It is time to end zero-sum development and replace it with initiatives that are economic value adding and benefit both the funding entities and the users. It is time to do development making best possible use of local resources in collaboration with needed outside resources.

## **Financial resources**

Africa and the SOUTH needs investors that are looking for a high return on a small investment, and want their investment to be earning well for a long time. Africa and the SOUTH needs to get away from the international investors that are looking for a big return on a big investment and an early and easy exit strategy.

And there are enough financial resources in the modern world to finance anything that is low risk and economic value adding. The challenge is to create financing vehicles and the financial intermediaries that will make it possible for the capital markets to operate for the benefit of their investors and development at the same time.

*It was said of the Rothschild Bank in the Victorian era that they had the best information in the financial community, and that this was the secret of their success. It is still true in modern times that information is key to financial performance. It can be manipulated information that created wealth and scandal in recent years in the financial community, or it can be the reliable sound basic financial information being proposed in this work to support development investment*

Financial resources are available in both the institutional capital market and among private investors and philanthropic organizations. The challenge is to organize so that these sources see a good return and a low risk from investing in development and the economic value adding of developing communities.

## **Know-how**

And there is also enough technical know how for development success to be achieved anywhere modern people with resources choose to work. Good management of limited development resources will not encourage do anything anywhere development, but will aim to focus the use of development resources where there can be the most economic value adding, and the most benefit to the host community and the local people.

Africa and developing countries need technical support as well as investment. In most cases it is preferable to have investment and technical support to be from different sources,

Natural resources. What natural resources are there? How can local resources be used as an economic driver for the area? What is the natural economic potential of the area? What can agriculture do? Are there other local resources that have economic potential? Natural resources rarely deliver economic value to the local community. Far too often they are exploited in ways that make them a local liability and a huge asset for remote stakeholders. They get depleted without adequate thought to the future. The solution is to use natural resources to help improve the neighborhood economically and sustainably

## **Natural resources – badly utilized and depleting**

### **Natural resources not well understood**

Natural resources are abundant in the SOUTH. There is an oversupply of natural resources, and a glut of early stage value adding products based on natural resources. The terms of trade for the SOUTH has deteriorated dramatically over the past fifty years because of this abundance. Yet it is of enormous potential value for the SOUTH.

And there are some natural resources that are essential for the wealth and lifestyle of the NORTH, notably petroleum that come from the SOUTH. And resources like this should make success in development for the SOUTH much easier. But SOUTHS resources go far beyond just oil, there is every conceivable natural resource in the SOUTH, and this resource should ensure the success of development in the SOUTH

### **Natural resources**

Natural resources are all over the SOUTH. The natural resources of the SOUTH should be the basis for great wealth.

But these resources are not serving to drive the success of development in the SOUTH

In fact, natural resources in the SOUTH are one of the major root causes of violence and death and destruction in the SOUTH.

The reasons are complex. Mainly because modern rules have become complex, and modern rules often have the backing of international law, maybe national law, powerful states, powerful companies, powerful individuals.

But modern rules do not necessarily bring equity and justice and fairness to any specific situation.

In the SOUTH, the rule of law often serves to make wrong legal. The rule of law often makes it possible for the NORTH to get what it wants for far less than is right and fair.

The ownership of natural resources has been an issue for centuries. The “commons” has been an important concept in the NORTH, but is even more important in the SOUTH. The “commons” was an idea in the American Indian tradition, and is an idea in much of the SOUTH. But the concept of commons in the NORTH has become subservient to the idea of private property and all the rights that go along with private property. And indeed, to the extent that property is public, the “rights” attributable to private property are usually applied, because these rights facilitate exploitative use.

The SOUTH has natural resources, but what value have these resources created as they have been exploited. The SOUTH is incredibly rich in all sorts of natural resources. Almost every mineral the world needs is available in the SOUTH, and all sorts of energy products. The SOUTH has land and water. The SOUTH has lumber, and exotic flora and fauna. The SOUTH has agricultural potential and

rich fisheries.

But how much of this wonderful natural resources wealth is creating wealth in and for the SOUTH?

**Energy – petroleum**

**Energy – coal**

**Energy – solar**

**Energy – wind**

**Energy – uranium**

**Energy – hydro**

Energy

**Water**

**Lumber**

**Agricultural land**

**Bio-resources – fauna**

**Bio-resources – flora**

**Minerals – bauxite**

**Minerals – iron ore**

**Minerals – diamonds**

**Minerals - gemstones**

**Minerals – gold**

**Minerals – copper**

**Minerals – phosphate**

**Energy**

**Petroleum**

Petroleum products are usually very expensive.

**Electricity**

Electricity is also very expensive. There has been very little major capital investment in low cost technology for energy generation.

## **Fuelwood**

With generally high costs Sub-Saharan African businesses are at a severe disadvantage in the global marketplace.

At the same time, African businessmen and women are handicapped by lack of easy access to information about financial opportunities and the lack of micro-economic policies and institutions to take care of these sectors, greatly hinder access to capital.

The few investment banks available concentrate on commercial activities instead of investing in productive sectors.

All too often, information about possible funding sources especially those from the United States reaches the private sector in Africa long after they have been filtered through various government agencies. By the time the application gets to the people, deadlines are usually past and the financing is no longer available.

Help in creating competitive feasibility studies and timely assessment of business opportunities is urgently needed.

Entrepreneurial training programs is very essential for graduates to become self employed.

Private sector in Africa and governments need to collaborate to improve the human resource development programs in Africa in order to produce dynamic business leaders for the future.

As business, trade and finance becomes increasingly globalized, the countries of Sub-Saharan Africa face the risk of becoming increasingly non-competitive in relation to the other continents. Some African governments have responded to these current economic challenges by carrying out structural adjustment that only creates higher levels of unemployment, poverty and social unrest.

While there is no miracle cure, the solution lies in creating opportunities that allow African business people the freedom and confidence in shaping their own future and that of Africa. The African business community must be given the opportunity to compete in the international arena. This will come about through education, access to information about business and financial opportunities and the ability to enter in direct business relationships with investors in key international markets and the United States.

*Attempts to control the trade are so inadequate - says Global Witness - they border on 'astonishing complacency'.*

*Similar allegations are made about diamonds, with stones sent from Sierra Leone to Liberia and then on to Belgium.*

*Failure to enforce tighter regulation, says Global Witness, will ensure that terrorists and organized crime, will continue to rely on the trade in precious stones.*

*"The group came to trade in the rare gemstone known as tanzanite - a beautiful blue stone, only found in one tiny area of Tanzania" Global Witness*