



Transformation of Natural Resource Wealth into Development Wealth

**2008 Cambodia Outlook Conference: “Mobilising Cambodia’s
Resources – Human, Natural, Financial - for Quality Development,
Growth and Prosperity”**

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1. Importance of Natural resources

- Yield special economic goods and economic profits and ecosystem services
- Provide for needs of the poorest segments of society
- Provide basic subsistence (in poor countries)
- Important source of development finance
- Underpin economies and human well-being
- Represent 26% of total wealth of low-income countries
- Must be a key part of development strategies
- Play a key role in reducing poverty, fighting hunger, and lowering child mortality

2. Transformation of natural resource wealth into development wealth

- It is possible, eg. Malaysia and Botswana
- Into produced capital and intangible capital (human, social and institutional capital) to increase development wealth
- Conditions for sustainable transformation are good governance and equity of access, including gendered equity

Total Wealth

Source: *WB report (2005): Where Is The Wealth of Nations?*

-\$ per capita and % shares-



Income group	Natural capital	Produced capital + urban land	Intangible capital	Total wealth	Natural share	Produced share	Intangible capital share
Low income countries	1,925	1,174	4,434	7,532	26%	16%	58%
Middle income countries	3,496	5,347	18,773	27,616	13%	19%	68%
High income- OECD countries	9,531	76,193	353,339	439,063	2%	17%	80%
Differences				20,084-431,531			

Total Wealth 4 top countries 2000



-\$ per capita and % shares-

Country	Wealth per person (USD)	Natural capital (%)	Produced capital (%)	Intangible capital (%)
Switzerland	648,241	1	15	84
Denmark	575,138	2	14	84
Sweden	513,138	2	11	87
United States	512,612	3	16	82

Total Wealth 5 bottom countries 2000



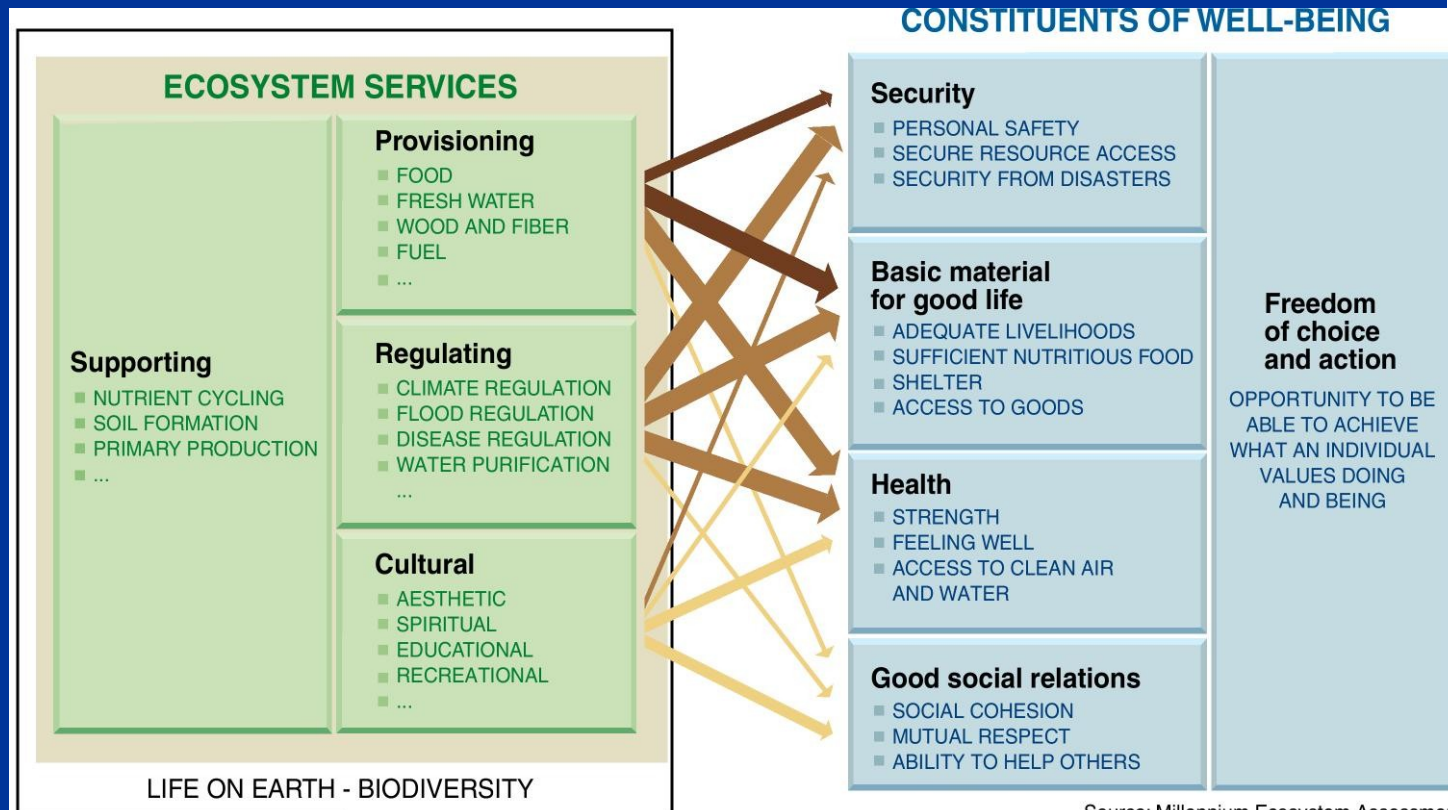
-\$ per capita and % shares-

country	Wealth per person (USD)	Natural capital (%)	Produced capital(%)	Intangible capital (%)
Niger	3,695	53	8	39
Congo, rep.	3,516	265	180	-346
Burundi	2,859	42	7	50
Nigeria	2,748	147	24	-71
Ethiopia	1,965	41	9	50

Forest ecosystem



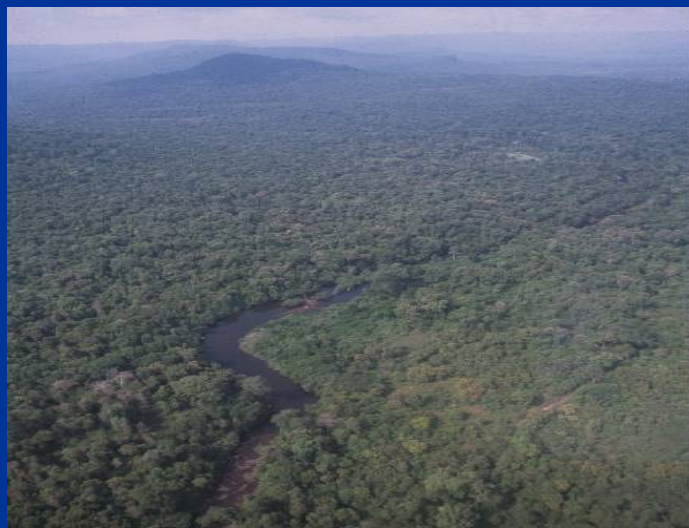
Consequences of Ecosystem Change for Human Well-being



Source: Millennium Ecosystem Assessment

ARROW'S COLOR Potential for mediation by socioeconomic factors	ARROW'S WIDTH Intensity of linkages between ecosystem services and human well-being
Low	Weak
Medium	Medium
High	Strong

We want to see



We don't want to see



Degradation of natural resources and ecosystem services means loss of a capital asset



Loss of wealth due to natural resource depletion is not reflected in economic accounts:

- Ecosystem services and resources are capital assets,
- But, traditional national accounts do not include measures of resource depletion or of the degradation of these resources
- If a country cuts its forests and depletes its fisheries, this would show up as a positive gain in GDP without registering the corresponding decline in NR assets (wealth)

Conclusions



1. Indications of transformation achieved if:

- Revenues generated from natural resources exploitation should be maximally utilized for development finance.
- Such revenues should be invested in building other capitals: produced and intangible capitals.
- Not letting the use of natural resource capital weaken further the opportunity and the need of the country to develop other capitals.
- Not letting bad governance destroy or deplete natural resource capital or ecosystem services of the country.

2. Achieving such transformation requires:

- A set of institutions capable of managing the natural resource, collecting resource revenues, and directing these revenues into profitable investments.
- Adopting a holistic landscape-and eco-system-based approach to development planning
- Resource policy, fiscal policy, political factors, institutions, and governance structure all have a key role to play in this transformation.
- We must protect, manage and conserve Cambodia's ecosystems in such a way that it benefits sustainable development at local and national levels.
- Strongly integrating good governance into ecosystem management is very critical for success in poverty reduction..

Roles of Government and Donors



- **Land:** private and communal land titling, soil fertility management and productivity enhancement, EIA and SEA in place and capacity enhanced, control of land speculation.
- - adopt new “Strategy of Land Policy Framework” that includes prescriptions for sustainable land management.
- **Forest:** (Participatory) forest boundary demarcation, enforcement of forestry law, community forestry, forest biodiversity conservation with public participation, forest watershed management, sustainable wood energy management.
- **Fisheries, wetland and water management :** Community fishery, fishery law enforcement, fish stock conservation, wetland management (Upper Mekong and Tonle Sap).
- **Protected areas and ecosystem services:** Setting up mechanisms for landscape approach, enforcement of protected areas law, payment for environmental services.
- **Mineral:** EIA, SEA and SIA institutionalised