



MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

Section I Socio-Economic Dysfunction

**A TrueValueMetrics Book
by Peter Burgess
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MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

The TrueValueMetrics Book Section I Socio-Economic Dysfunction

TrueValueMetrics

ACTION INFORMATION FOR ALL OF SOCIETY

Metrics about the State, Progress and Performance of the Economy and Society

Metrics about Impact on People, Place, Planet and Profit

Background

The conventional wisdom in some circles is that the purpose of business is to make profit, and if a business makes profit, then there will be an optimization of the economy and the maximum of benefit for society. This is the basic premise of the Adam Smith argument for a laissez faire market economy, and it has worked better for most of the last three hundred years than the alternatives.

The modern version of this argument is that business has to optimize its performance relative to the interest of the owners ... the stockholders. Some executives have argued that to do anything else is a breach of trust and executives could be held accountable in law for their actions.

This idea has been challenged. Whether or not the law requires optimization of business for the benefit of stockholders, there are initiatives to make it clear that the 'purpose' of the business is to make a contribution to society using the resources of the business. One such initiative in the United States is the B Corp movement, which specifically has articles in the Bye Laws to ensure that social benefit is a legitimate goal of the business.

Whether or not there is a problem in law to do things that are valuable for society ... for people and planet ... the metrics of state, progress and performance may be structured so that it is possible to see what is going on and understand the implications.

TO DO ... Complete this paper

This paper will be complete when it describes the data and the framework with enough clarity to make it possible for systems architects to use it to design the data flow and analysis processes.

BACKGROUND AND CONTEXT

WHY THIS BOOK?

Why on earth this book?

Why would anyone want to write a book about society and the economy? There are already a lot of books about this subject. Do we need another one? Is this book any different? Does it add anything new?

This book has been more than 40 years in the making. The first draft of this book goes back to 1987, and much of what was written then remains valid today. It did not get to the publication stage because I wanted to propose solutions and not just to redescribe the problems. I started to rework the manuscript after the events of 9/11 in 2001. The failure of development suddenly became an issue with practical security implications in the United States. It is now in its fifth iteration, and maybe this time it will get published.

This book reflects years of personal exposure to issues in global society and the economy. It builds on the incredible potential for ordinary people to do amazing things, and now the enormous power of technology to solve problems and manage resources.

I like to think this book reflects some 40 years of exposure to people, society and economics. However, I remember the story of an old farmer in Malawi who made much the same claim. “I have 40 years farming experience” said the farmer. To which the young agricultural expert replied “No sir, in fact you have one year's experience 40 times”

I hope I have done better than the old farmer, but I know that in some ways I am like the old farmer and quite stubborn and set in my ways.

This book tries to go beyond a description of problems. I am trying to get to get into the specifics of things that can be a solution. If the goal is to improve the performance society and the economy, then success is going to be a significant improvement in the performance of society and economy, if not everywhere, in a good number of places. The book identifies initiatives that are central to this goal. In this regard this book is very different from most other books that identify the issues without getting engaged with the needed solutions

This book was not a “labor of love”, but more the product of long and profound frustration. There is no reason for the global economy and society to be 'in a funk' when so many good things are possible. Technology enables amazing things to be done, and there is a population of educated youth bigger than at any time in history. This ought to be the setting for a world society more prosperous and peaceful than at any time in history. Since this does not seem to be the state of affairs, what is the systemic dysfunction that has to be addressed, and how can this be done.

I used to think that more money would make society successful until I started working in places where there was a lot of money available, but little of it was getting to be used to benefit society. The divide between rich and poor has been increasing, and not closing. There should not be huge wealth and death from poverty in the same economic community. I have seen this in India. I have seen this in Nigeria. No shortage of wealth. No shortage of poverty. In both place, people dying prematurely because of a systemic failure of society and economics.

This book does not focus just on simply describing the poverty and the crisis of failing society, but asks the big extra questions of 'How do we have this situation?' and 'Why?'

The book does not stop with the “How?” and “Why?” but keeps on going to describe how society and the economy can be improved significantly. This book is about solutions and reflects an approach that is more engineering and accountancy than policy and economics. It is a management approach more than academic, legalistic or bureaucratic.

This book will be a success if it helps to get changes made that improves the state of society and the economy.

Failure

Socio-economic progress in much of the world and especially in Africa has been a failure. Society and the economy has been in a failing mode for years, as long as three decades. In the post war 1940s, 50s and 60s there were huge changes and a colonial world became independent. A new world order came into being. The pre-independence expectation was that post-colonial independence would result in socio-economic progress with peace and prosperity.

As it turns out this was wishful thinking.

My first experience of death from a failing socio-economic system was in Nigeria. Nigeria was in the process of becoming one of the richest places in the world as a result of the oil shocks of the 1970s. It had become the largest market in the world for Mercedes cars, ahead of the United States. But one morning when I was going to our lawyers office in Western House on Broad Street in the middle of Lagos, there were two dead undernourished children on the steps of the building. Clearly, money alone did not ensure development success.

Taken as a whole, the allocation of resources driven by the prevailing socio-economic system has resulted in a trajectory towards disaster. The following are some of the big issues that show the scale of this failure:

1. Global hunger and famine (food, water and basic necessities)
2. War, insecurity and violence (refugees, IDPs and victims of trauma)
3. Poverty, economic value destruction and the distribution of wealth
4. Balance of trade, currency crises and government insolvency
5. Health pandemics

6. Human trafficking and economic migration

These few “big issues” incorporate hundreds and hundreds of other discreet issues. They all add up to a global picture of socio-economic failure. There is a pattern that emerges. There are problems related to people, resources, the process and the information. In all of these areas there are major constraints to success.

There has been little socio-economic progress. There has been a huge amount of death and destruction: more in the second half of the 20th century than in the first half of the century which included two World Wars and the Holocaust. There have been changes, but the aggregate result has been continuing, actually growing, poverty and hunger around the globe. Rich parts of the global society have been able to increase their wealth and make use of modern technology to create even more wealth and wonderfully productive industries, more and more are left out of the success.

However, over the years, I have kept coming across little things that make me very optimistic that there can be amazing socio-economic progress. I have also become very determined to get the message out that the way resources are now used means that society will never be successful. What is being done now just does not work. The 'numbers' that are talked about by all the business news services show that today's global society is heading towards a socio-economic disaster of historic proportions.

Why is the socio-economic system failing?

We really need to understand why the socio-economic system is failing. If we do not know why there is failure and how this failure has come about, then we will not know what to fix.

There is an enormous need to get answers to these questions. Almost all the writing and socio-economic analysis describes the status of society which confirms in no uncertain terms that a systemic failure is in progress. But none of the writers and analysts seem to want to explain why it is that there is such a failure or how it came about.

Until the questions of why and how the socio-economic system is failing are asked and work is done to get answers, there is going to be a continuation of the practices that have produced 'failed' results in the past and will do so again and again until they are fixed.

As long as the why and the how are missing, a useful understanding of failure is impossible. Errors of the past will be simply repeated. The sad fact is that in few leadership positions understand and accept that relief and development has failed. In the broadest sense the Adam Smith based laissez-faire capitalist market economy that has prevailed for the past three or four centuries just does not work any longer. Bits of it are fully functional, but most of it consumes resources and destroys economic value.

But it is not easy to get socio-economic leadership to answer these questions. The culture of corporate organizations has evolved in a way that makes it impossible to get answers. Individuals may acknowledge the issues of failed performance privately, but the organizations avoid the tough questions. This is not a failure of people, but a problem of

the organization. The system is just not structured to allow performance question to get answered because it puts into focus too many issues that are best, for the organization, left undisturbed. Do not open “Pandora's” box. People know the answers, but they cannot put their careers at risk by raising questions about the failing socio-economic system of which their organization is a part.

Socio-economic performance is not going to get addressed within the corporate organizations. The phrase “conspiracy of silence” is a way to sound bite the issue.

Over and over again in my experience there have been cases of complete ineptness but the system protects its own. The system does not force these incidents of failure to be addressed. The system makes it difficult to have socio-economic efficiency as long as there is profit growth and stock price increase.

Criticism of corporate performance is not coming from the leadership of the corporate organization but is coming from others who can see what is going on, and do not like what they see. High profile corporate consultants are not part of the solution since they will not put their fee income flows at risk. The staff in the corporate organization will not put their salaries and pensions at risk. Others are going to have to take on the task.

I wrote this about two 2 months after the terrorist attacks of 9/11/2001. The ideas still apply more than a decade later later.

History seems to show that terrorism happens when there is a high degree of hopelessness and it is quite clear that the power structure has no intention whatsoever of a meaningful change in the status quo. These were arguments expressed over a century ago. Dickens did not like what he saw in the 'justice' of the capitalist society of the day. Nor did Karl Marx who argued that the capitalist system could only be reformed by revolution. Most of the terrorist situations we are looking at today have this element. Nobody needs terrorism. But sadly, we have got it and it will not go away until there is some positive and creative new thinking about how the global economy functions.

Is socio-economic performance merely a matter of resources. If we think of resources in terms of money, the poor do not have enough. But the problem is not simply money. It is more than that.

Many of he problems of society are blamed on lack of resources, especially financial resources. There is a lot of talk about lack of money resources, and the inability to improve quality of life because of this, but it is more than this. Many different resources are needed. Human resources alone are not good enough. Organizational arrangements alone are not good enough. Infrastructure alone is not good enough. Maybe natural resources are huge, but that does not ensure local development progress because machinery and equipment is inadequate, financial resources are short and the needed knowledge is not present.

What needs to be done?

There need to be initiatives that reaches the bottom of the economic pyramid. There needs to be progress from the perspective of the three billion or more who are terribly poor, hungry, diseased and dying, from the perspective of those that are affected by famine, disease, war and disruption.

The substantive changes needed in the way decision making is done in society have never been made. The problems that were in place in the 1980s are largely still in place 30 years later The problems continue on and on and on.

There need to be new approaches and ways of doing things, a respect that society is a complex system, with a lot of linkages and interrelated elements.

After years of academic study, ways to improve socio-economic performance should be known, and I think they are. The problem is that as things are today, corporate organizations cannot maximize profit and stock prices while making society better. Decision makers need a new way to measure their performance. This is not going to be done as part of an internally generated process of reform, but will have to be done by external actors.

But this requires more than just advocacy. It requires development of alternative organizations and structure, alternative systems and processes and procedures. It requires new ways of mobilizing resources and flowing the funds to activities that have benefit for people, place and planet.

Nothing in the way forward requires any breakthrough in science or technology. All that is required is getting the available resources used much more effectively. Everything we will talk about can be done, and in a modest way is already being done.

Time to make waves, time for change!

As a practical matter the need for change has been recognized for as much as thirty years, but change has not been achieved. This book shows how society and the economy can be changed. This book is about systemic change that will improve socio-economic performance by an order of magnitude. Over and over again, the opportunity for change has been missed in favor of continuation of the failed status quo.

I expect there will be many critics of this book. The process of significant change has never been easy. Many experts want to ignore the numbers. People do not want to face up to the fact of a failing socio-economic system that value accounting will reveal.

There are powerful interests vested in the status quo. Change will not be comfortable. My hope is that by trying to organize my thoughts about the failing socio-economic system into a 'book', my arguments will be improved and my goal of effective change that improves socio-economic will have a stronger foundation.

Much of the writing about socio-economic performance is by people who have been paid to write in order to promote a political point of view or ideology, or maybe as part of a

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consulting assignment, or as part of 'academic' research work funded by some 'grant program'. These writers cannot afford to upset the people that are funding the work and enabling the writers to pay their bills.

Changes should have been made long ago. The socio-economic system was already moving into failure mode in the 1970s, four decades ago. The need for change has been apparent for a long time, but the changes that have been made aggravated the situation rather than making it better.

Now I am at a great advantage. At my age I do not have to reflect my employer's views and I do not have to safeguard a pension, or be careful about my next career step. I have the unusual freedom to write with complete objectivity based on the available data.

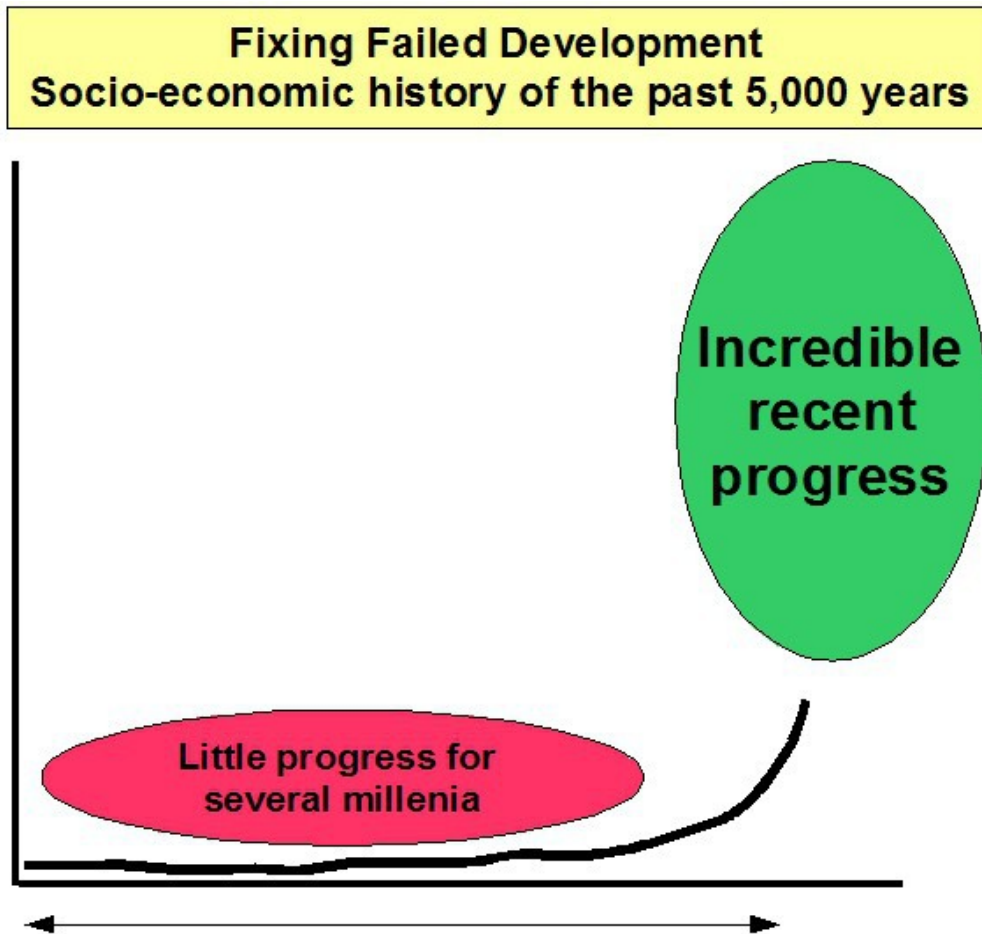
This book aims to help get changes made by describing ways out of the mess. The book is about people and resources and process and information. This book is about planning and organization and implementation and measurement and feedback. The book is very basic. The ideas are not new. They are all very basic concepts of organization and management that are relevant in the context of socio-economic performance.

It is time financial and economic and political leaders are challenged about the emerging crisis of socio-economic dysfunction. Billions of people are stuck in poverty because of socio-economic dysfunction. It is time to reform accounting and reengineer and restructure society and the economy.

HISTORIC CONTEXT

5000 years of very slow progress ... until very recently

There was very little change for several millennia, but in the recent past ... that is, the last 300 years ... incredible change.

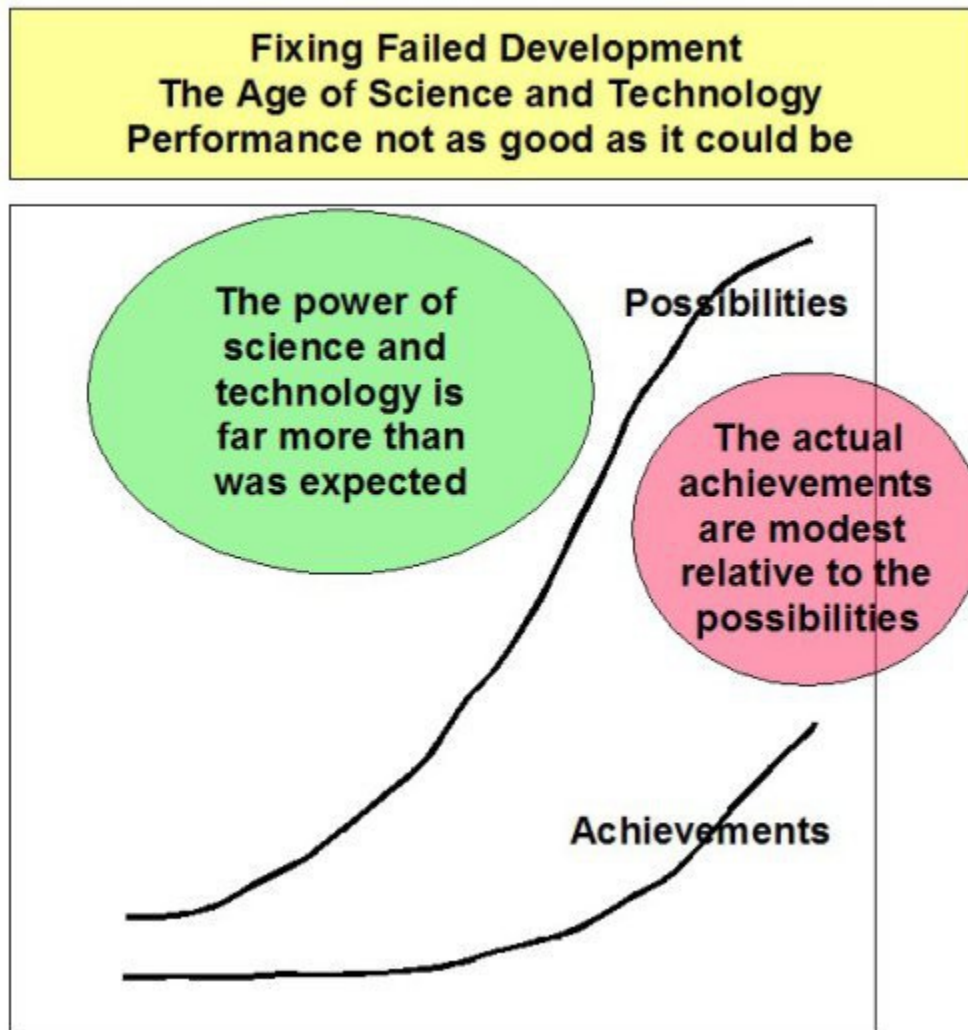


We are no longer in a world where shortage and hunger are endemic ... and insoluble. Rather we have a planet where there is the possibility for everyone to be out of poverty and enjoying a reasonable standard of living ... but there are systemic issues that make progress impossible for as much as half the world's population.

Though some take pride in the progress as measured by corporate profit performance, stock market prices, and personal money wealth ... others are looking at the continued high levels of poverty, hunger and disease, and the vast amount of waste that characterizes modern society. The universal goal in the modern capitalist economy is more and more growth, and in turn so that there be more and more business profit and incremental investor wealth.

It is possible to argue that achievement over the past fifty years has been pathetic compared to what could have been ... what should have been! The power of science and technology has progressed at an amazing rate, but the actual achievements are modest relative to the possibilities.

I drew this sketch a number of years ago, early in the Internet era before the incredible progress of the last decade. Already the issue was clear, but it is now even clearer.



Why is this? How is this? The progress and power of science and technology has been far more than expected ... it is amazing ... it is accelerating ... it offers huge potential. But why has science and technology not translated into a much better quality of life. A relatively few have multibillions of dollar wealth while others are scraping by and a huge population live in abject poverty around the world.

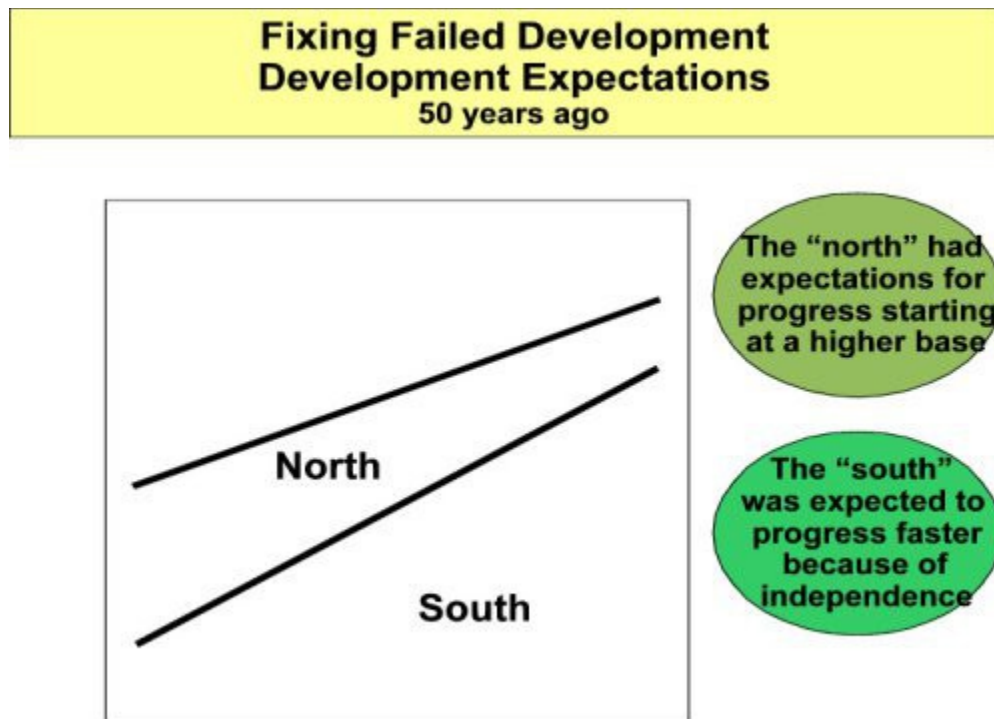
Achievement is so much less than what might have been expected ... there is something terribly wrong and there seem to be no leaders who are willing to articulate what is

wrong. There is a systemic failure of some sort ... and much of the discussion is ideological and outdated with little attention to what the data show.

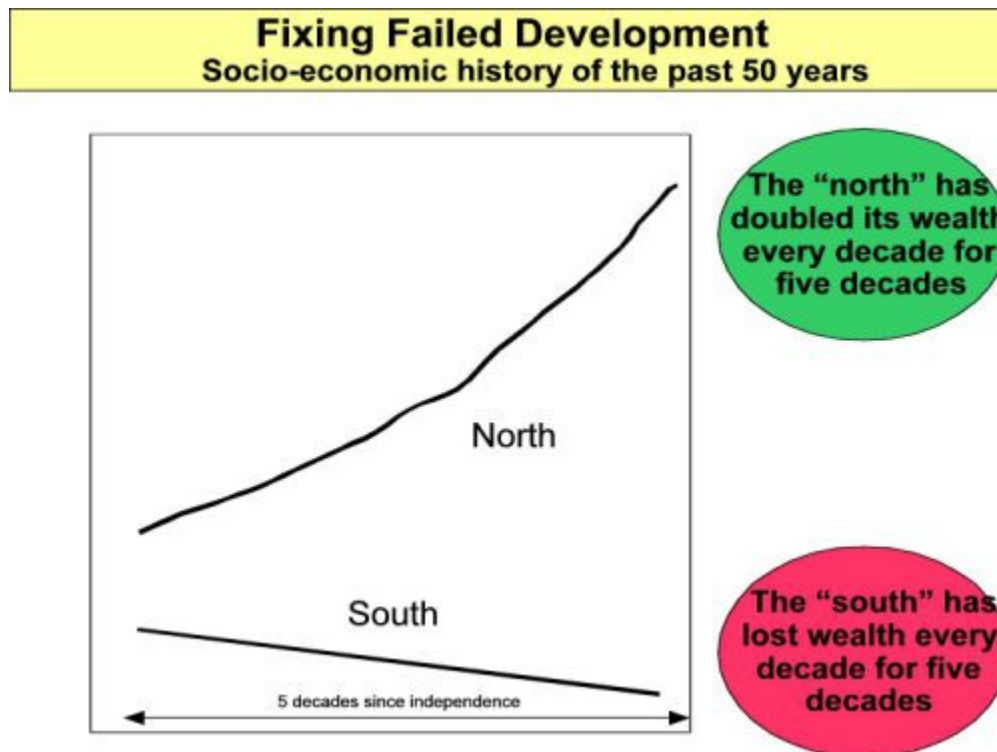
50 years ago ... great expectations

50 years ago, in the 1960s, the economic power of the United States was at a peak ... WWII had been won ... Europe was rebuilding and international development expectations were positive. There was the expectation that the economies of the 'North' would continue to grow, and there was also the expectation that the poor economies of the newly independent countries would grow as well.

The prevailing view was that independence was going to result in a new a better global society. It was expected that the North would progress and that the South would start to catch up.



What has happened has been very different ... North has had continuing success and the South has largely failed. The North has doubled its wealth every decade for the past five decades. Rich get richer ... poor get poorer. The South has lost wealth every decade for five decades.



There are some successes ... and the lesson from this is that there could have been much wider success if the governance, the leadership and the system had been tolerably effective.

The result is a failing socio-economic system with about half the population of the planet stuck in poverty and hungry and diseased.

The North has done better than the expectation due to amazing scientific and technological progress. The South reflects the tragic impact of failed development.

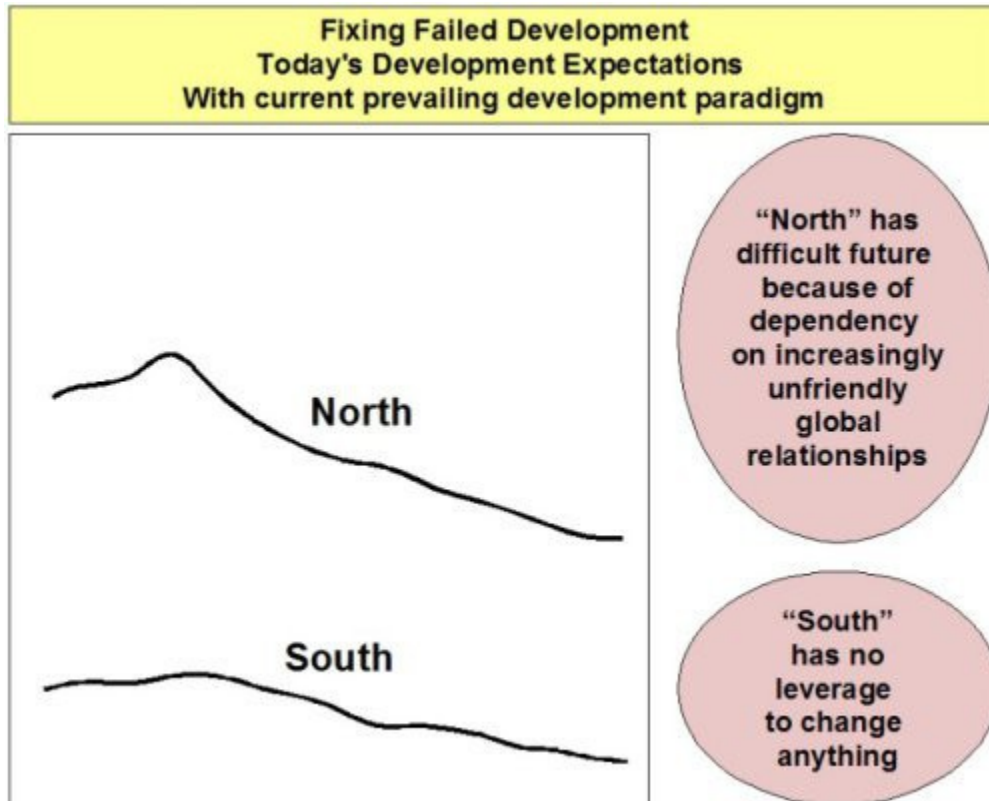
We know enough to have had some successes ... the fact of failure in the aggregate suggests something is terribly wrong. Compared to where we could be ... where we should be ... we have failed. There is an obscene amount of poverty, hunger and disease and leadership does not seem to be much capable of making material improvements.

We know there has been amazing increases in productivity during the past 40 years, but we also know that almost all of the impact of increased productivity has been for the benefit of the investor class, and for the laboring class there has been a global 'race to the bottom'. This is the default behavior of a market system that has a singular focus on money profit for the business and stock price performance for investors.

Diminishing socio-economic expectations

The view in the 1990s was that the North was going to have a difficult future because of an approach that depended on unsustainable consumerism and unfriendly global partnerships. As population increases and as aspirations are dashed and hopelessness

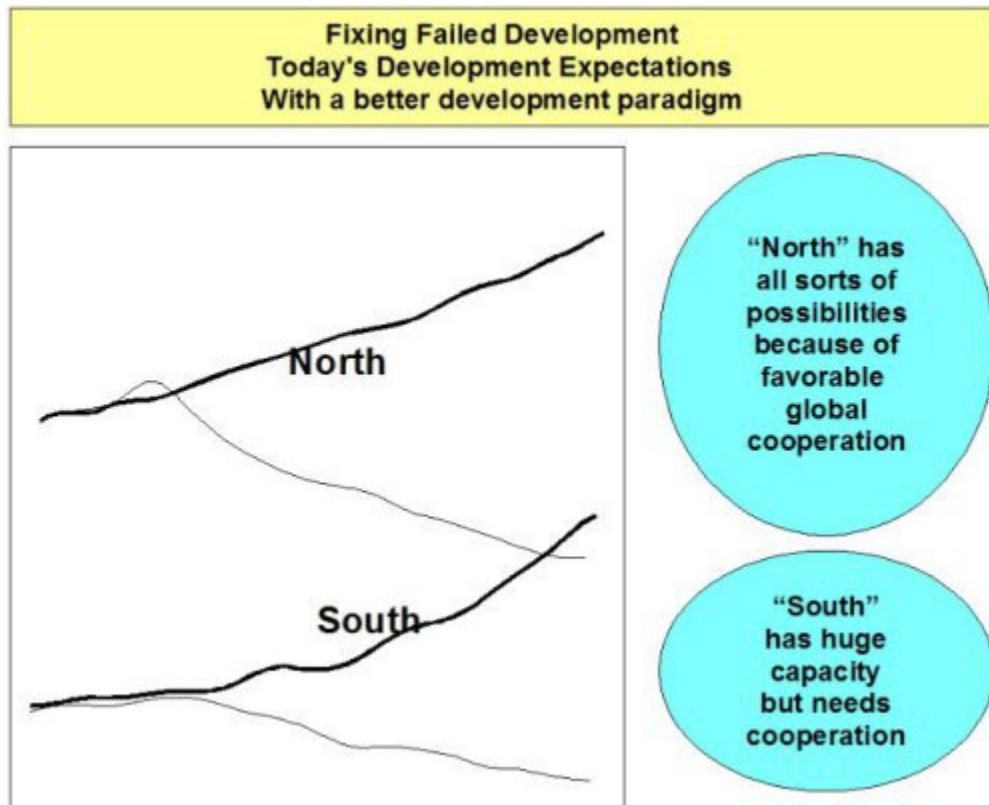
increases there would be more and more instability and insecurity. This was not a good future scenario. At the same time, the South has no leverage to change anything, and its deterioration would further fuel global insecurity.



For many reasons, this rather dismal scenario does not have to play out. Technology can be used so that there is continuing progress in the North and with favorable global cooperation, the South can progress as well. The South has a huge capacity to progress, but there needs to be cooperation.

This will play out with a new geopolitical balance of power where the old economic predominance of the United States and Western Europe is overtaken by countries like Brazil, Russia, India, China and South Africa (the BRICS) driving progress together with powerful new alliances involving raw materials and energy. There is a better way ... the north has all sorts of possibilities with well intentioned global cooperation. The south has huge capacity in terms of human resources and raw materials but needs well intentioned global cooperation to make these abundant resources productive and valuable.

A better socio-economic system is not going to be based on more money being spent the same old way ... it is one where the legitimate hopes and aspirations of the multi-billion people in poverty can start to be fulfilled. Science and technology have huge potential. But this knowledge needs to be mobilized for social good and not merely for a rather limited profit goal. People have a huge potential for doing good ... but the framework for this must be established.



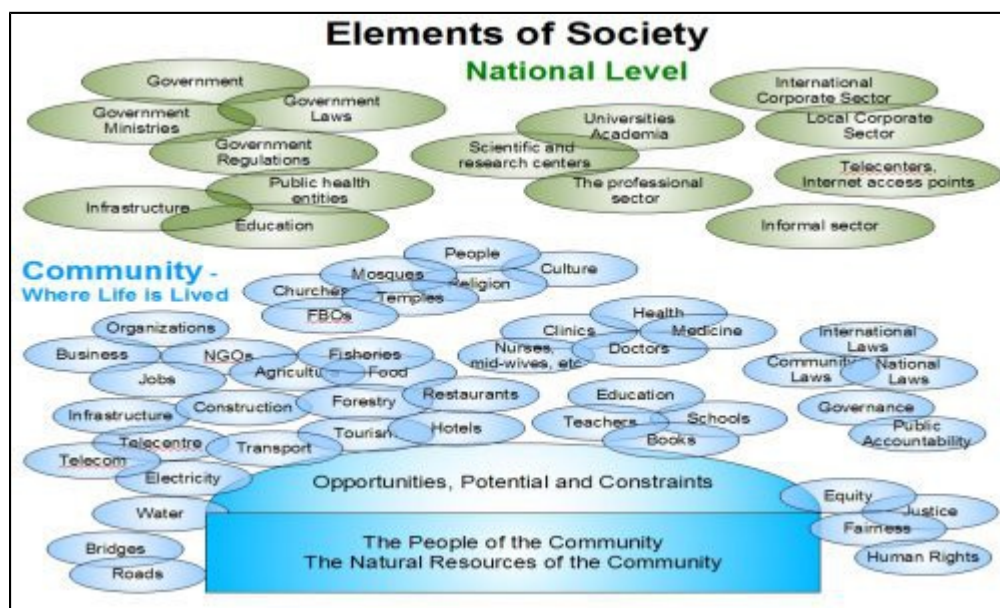
It is apparent that a part of the failing socio-economic system is the lack of metrics that show what is being successful and what is not. It is difficult, if not impossible to manage what you do not measure.

STATE OF SOCIETY AND THE ECONOMY

COMPLEX CHAOTIC WORLD

Society and economic activity are complex, with many different organizations and structures that make up the whole. Every organization has some function that has costs and uses resources, but not always producing anything of value. With a complex structure and multiple steps the eventual beneficiaries may not get anything like the full value of the money allocated.

This graphic gives some indication of the extreme complexity of the world, albeit rather superficial:



There are many elements of society that make it complex. It is chaos. Nobody is accountable for anything the way things are presently organized. The theory is that the 'market' creates equilibrium, with the media providing transparency, and government providing a workable legal framework!

But it does not work, and most of the world's population is paying a high price for the chaotic dysfunction of society and the economy.

Chaos ... cover for crooks

But who would want the chaos to be managed.

The chaos has proved to be a goldmine for some participants in the economy who have been able to prosper with little or no concern for performance of society as a whole and near zero accountability.

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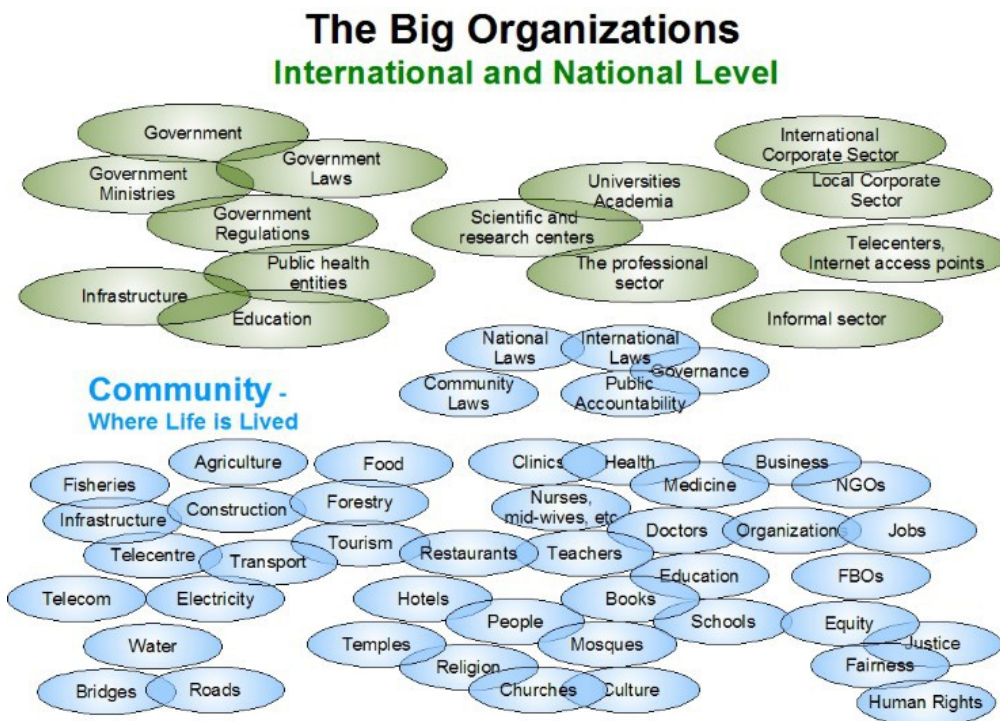
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In the not for profit world, the “doing good” mindset got in the way of strong accounting and accountability because they reduced the amount of 'good work' that could be done, while in reality the lack of accounting and accountability also served as a cover for gross corruption, incompetence and thievery of all sorts.

Chaos can be managed but it needs to be done with commitment and the system has to be complete. There can be no holes in an accounting system any more than a bucket with holes is any good for carrying water!

The many elements of society

This graphic is similar to the one before but showing a wide range of organizations at all levels from international to local.



MASSIVE DISCONTENT

It is a challenge to get leadership to understand the scale of socio-economic discontent. First, absolutely in terms of the total population that are affected by the dysfunctional socio-economic system. Second, relatively in terms of how some have progressed and other have not. There are some big facts that have to be faced including: famine and hunger, war and refugees, poverty and concentration of wealth.

Data about hunger, health and wealth of the world's population shows an appalling situation. How can it be that some 4.5 billion people on this planet are poor and hungry. Compared to what should be ... the socio-economic system has failed. There is something wrong when a society that has the capacity to deliver objects millions of miles away in space, not to mention place bombs into any building on the planet ... yet cannot build a functioning capacity that enables everyone to have food and potable water. This is failure!

We have amazing technology ... but dysfunctional decision making. There is too much of poverty, hunger, disease and death. It is a really sad state of affairs. The idea that around 4.5 billion people are in dire poverty, hungry and with no health or education is obscene. Around 30,000 young children, according to the United Nations (UN) die every day from preventable disease. Poverty, hunger, disease and death are the clear symptoms of a failing socio-economic system. The quality of life for poor people around the world is rotten. It is a disgrace that half the world is poor, hungry, prone to disease and dying prematurely.

There is a huge amount of writing that talks about the failing socio-economic system. There are many studies of the many different aspects of failure. The mainstream media quite frequently publishes articles that chronicle failure. Professors and PhD students study and write about failure. Film makers make documentaries. But the problem is that very little actually gets done to change anything very much.

In my own experience, I have seen the impact of socio-economic failure first hand. For a long time I thought my work was part of a process that would solve problems and make development successful. Seeing dead people and people who are going to die because the system does not work for them changed me, but I have not been able to change the system in any meaningful way.

SYSTEMIC DYSFUNCTION

WHY SO MUCH DISCONTENT

Why is it that this question is never answered?

Maybe it is because the answer would make many with power and influence very uncomfortable.

'Why so much discontent?' is an important questions, and deserves a thoughtful answer. Over the last five years, since the banking and finance implosion of 2007/2008 there has been a huge amount of analysis, but nothing that seems to get to the root cause of the problem. Because of this, the question of how to fix the problem remains unanswered.

I was a problem solver in in my corporate career. My job was to help the company earn more profit. Describing the performance of the company was not enough. The question of how the company was performing was important and helped give some idea of how much better the performance could be. Financial accounting reports told us the performance of the company, but it was the analytical accounts that gave us measures of how the company was performing. The analytical data helped us to identify what needed to be fixed.

What happens when why is asked?

The culture of decision level management requires that the why is never asked. There is no career path for staff that ask these questions and nor any future for consultants that ask these questions.

I was not good at adopting to this culture. I have been described by some of the World Bank staff as a consultant who would give an honest report on an analysis of the situation but not necessarily the answer that the World Bank would want. This was not good news for my career. Few World Bank staff members wanted to have to handle a result that they did not anticipate and could not control.

I have worked for some companies that wanted objective analysis, and it has been very satisfying to see the results. Most of the organizations in modern society are functioning a long way below their potential, especially when viewed through the lens of society as a whole rather than simply the money profit and stock price perspective.

This chapter gives an overview of the problems that seem to be causing socio-economic discontent. The problems are many, but the analysis of the problems seems to be framed within a context that itself is flawed. The problem of not enough development resources. The problems of the development process. The problem of information in development. This chapter starts to move beyond the symptoms of the problems to understand the root

causes that are the underlying reasons for development failure. This chapter starts to identify systemic factors. A start is made to go beyond the NORTH's perceptions of development problems as commonly portrayed in the media to a view that reflects more of the SOUTH's view. Being realistic about the why and how development has failed is very uncomfortable. It might even be dangerous. But the cost of failed development is huge, and will get worse.

A SYSTEMIC PROBLEM

Taken as a whole ... there is systemic dysfunction. Given the amazing power of modern knowledge especially in science and technology, all sorts of things are possible. Together with a global population that is more educated than in the past, the situation should be great, and likely to get even better. In fact, the global economy is 'in a funk' and nobody seems to know what to do.

While there is very good science and technology that could be deployed for the benefit of society to achieve better socio-economic performance this is not being done. Why not and what to do about it is an important question. The progress of development has been much less than was expected 50 years ago ... not because science and technology does not exist ... not because the world is short of wealth and knowhow ... but because the approach is wrong, the process is wrong.

There are many constraints to success and rapid progress ... institutional, traditional, cultural, governmental, etc., etc. Progress and performance has been constrained by something ... or many things ... that add up to systemic dysfunction.

The problems are many. No one silver bullet will make much of a difference on its own. The easily recognized problems fall into a number of groups:

- Systemic dysfunction,
- Inaccessible data,
- Chaotic complex structure,
- Decline of professionalism,
- Value destroying dynamics.

INFORMATION FLOWS

The information flows are inadequate. What information that is easily accessible is information that supports a particular view of how the economy works and what is important.

The mainstream media is a business, and the news that flows is the news that helps to keep readers loyal more than anything else. Worse, many parts of the media have become platforms for promoting an ideological perspective on society and the economy.

I am a follower of business news such as Bloomberg News because it serves as a constant reminder of the conversation that dominates decision making. Virtually the only conversation is about the profits of business, the stock prices in capital markets, and macro-economic performance going into GDP growth.

I refer to the terrible trio of dangerous metrics: (1) money profit for business; (2) stock prices for investors; and, (3) GDP growth for investors.

From time to time there are analysts of the economy who appear on the mainstream business news programs and try to move the conversation towards other issues that are having an impact on people, place and planet, but very rapidly the conversation reverts to more about the terrible trio.

Huge amounts of business performance data

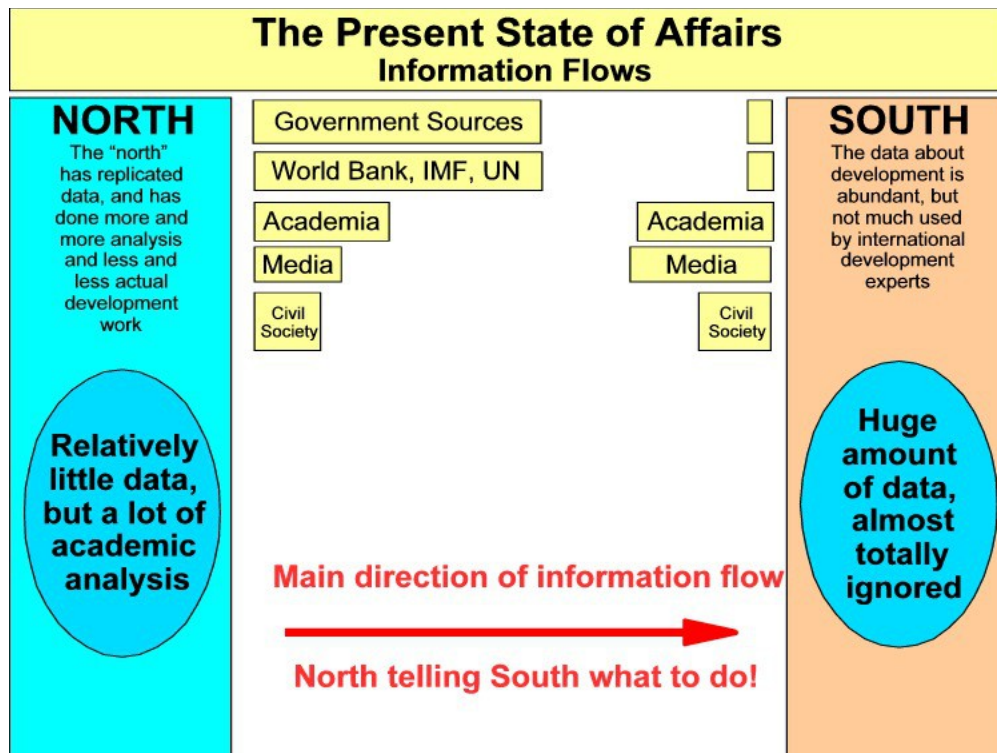
There is a huge amount of business performance data inside the corporate system, but very little of this information is ever seen by analysts outside the corporate business. The information is used to the maximum to help the organization earn more profit ... but none of this information is available for any use that relates to impact of economic activity on people, place and planet.

Little performance data about society

By contrast there is very little data about the performance of society. It would be great to have detailed information about all the economic activities that impact a place, just as corporate management has information about the performance of their organization. This is what is needed in order for better decisions to be made, for result to be better, and for there to be accounting and accountability.

Information flows from North and South

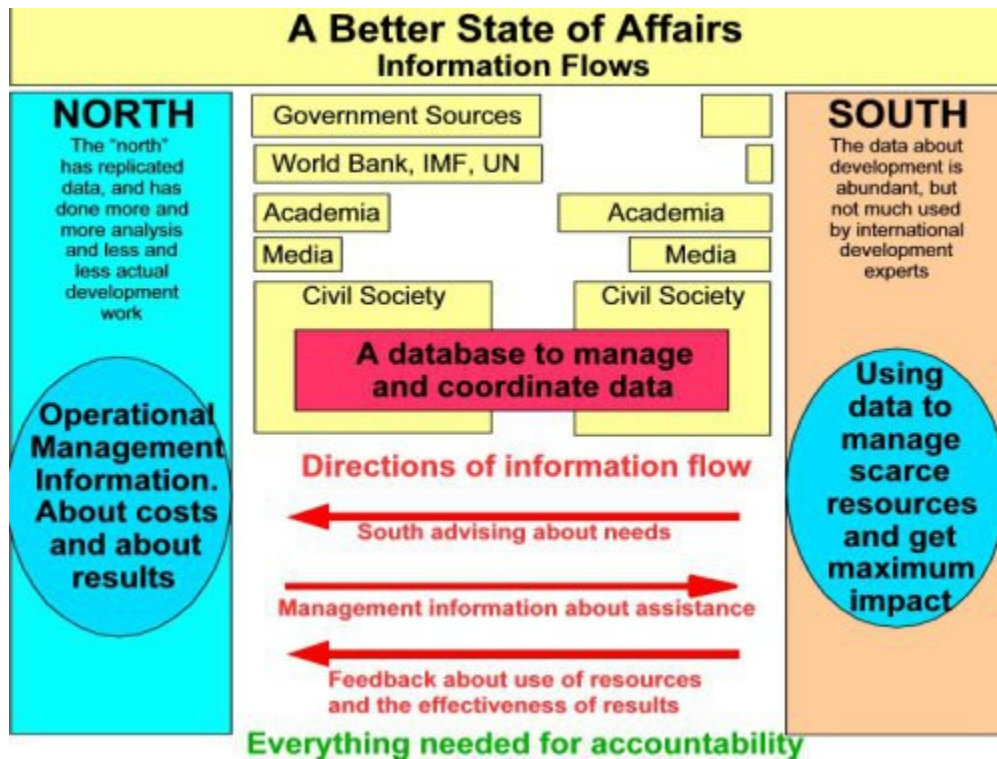
For the past 40 years the flow of information has been from the North to the South ... essentially the North telling the South what to do. This has not worked well, in large part because the North did not know enough about the South for the information they were sending to be of much use.



This has not worked well ... the structure has been dysfunctional and data flows the wrong way. The result has been failed development. A better situation ... less official interaction and much more private and people to people interaction and more data flows from south to north.

In fact the north has relatively little data, even though a vast amount of analysis is done ... with conclusions that may well be without merit. A large pool of data in the south is almost totally ignored ... even though it could be very useful to inform decision making.

A better state of affairs would be for the North to get much more data from the South ... and to get the information into an organized form where it can be easily used for analysis. The North can add value to the data by adding in what the North knows in terms of science and technology and access to financial resources ... and the South can add further value by giving feedback about use of resources and the results being achieved.



There have been changes ... but there is resistance by established organizations that do not want to have a diminished role.

And there is also the role that grand corruption has had on progress facilitated by the large official flows of relief and development assistance and the benefits arising from favored official treatments.

Surveys

Because it is useful to know something about the behavior of the organization and its performance, interested analysts and others use surveys that make a commitment to keep individual company data private. For most meaningful uses of data, this makes surveys near useless. The data flowing from surveys cannot be used for decision making, nor to hold specific actors accountable for their socio-economic performance.

INACCESSIBLE DATA

An enormous amount of data exists. Much of the data has been used once, and once only ... maybe even not at all. The immense value of the accumulation of these data has never been realized.

In my corporate career, we used the phrase 'collect once ... use often' about data, because data was expensive to collect, but increasingly less and less expensive to use.

A huge amount of data is controlled for proprietary purposes and for profit, including a surprising amount of data in the control of the academic community.

Data accessible where needed

The critical aspect of access is that the data should be accessible where needed, and on a basis that is in time and on time. This has not been the norm in society at any point in my life-time. The following little incident a couple of years back in about 2010 is an example of a well known project collecting data, but not making the data available for anyone but themselves.

Millennium Village Project

Columbia University's Earth Institute has launched an initiative to reduce poverty called the Millennium Villages Project (MVP). While this embraces seven development ideas ... (1) fertilizer ad seeds to improve food yield; (2) anti-malarial bed nets; (3) improved water sources; (4) diversification from staples into cash crops; a school feeding program; deworming for all; and, (7) new technology introduction (energy saving stoves and mobile phones) ... it does not appear to embrace the data and management concepts of TVM Value Accountancy.

It is not easy to evaluate MVP performance and learn anything from it because, though they are reported to have collected a vast amount of data, none of the data are accessible to the public ... to independent researchers and analysts. Rather, what is accessible to the public is a tiny amount of public relations oriented material and a growing body of academic literature that is characterized more by lateness than by immediate relevance.

While this may appear to be success when looked at from the University and academic perspective, this may well be total failure from the perspective of cost effective high performance socio-economic development. Using the basic concepts of TVM Value Accountancy all the indications are that the MVP is a lot of money not doing very much.

This table shows how various types of organization seem to treat data.

Organization type <i>What data they have and what they do with data</i>	How accessible to the public
Academic Institutions <i>Some academic institutions are well funded for data collection, but the data collected seems to be used for limited goals including PhD production and for analysis that supports career development and grant flow maintenance.</i>	<i>Very low. No data flows into the public space ... none of the data accessible for analysis.</i>
Banking and Finance <i>Have enormous data stores about personal and business financial information, but tightly controlled and not accessible for analytical purposes.</i>	<i>Not accessible at all. However, concern about banking sector resilience means that regulators are calling for analysis of these data.</i>
Corporate Organizations	<i>Very low No data flows into the public</i>

MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

The TrueValueMetrics Book – Section I

<p><i>Data collected is used by the corporate staff to do analysis and internal reports that show performance and progress. Used by the corporation to show how much of social value is being done, even where what is being done is very tiny relative to the scale of the main corporate operations.</i></p>	<p><i>space ... none of the data accessible for analysis, but some material used for public relations by the corporations.</i></p>
<p>Government Agencies - North <i>Government agencies have collections of data ... but most of the data are protected from public access . When data are made accessible to the public there are usually major deletions that make the data worthless.</i></p>	<p><i>Very low Almost no data flow into the public space ... and almost impossible to access for independent analysis.</i></p>
<p>Government Agencies – South <i>Most data collected in the country goes to the government in one form or another ... but is rarely used in a productive manner, and is not usually easily accessible ... if it is accessible at all.</i></p>	<p><i>Very low. No data flows into the public space ... none of the data accessible for analysis. Much data treated as secret.</i></p>
<p>Individuals <i>Data collected and used for work being done by the individual, whether this is work being done in an individual capacity, or for a project or organization.</i></p>	<p><i>Very low. No data flowing into the public space ... however, many individuals would like to share the data so that it becomes public access data but no easy low cost vehicle for this.</i></p>
<p>Multilateral Organizations <i>UN, World Bank and all multilateral agencies have huge collections of data, but little of the data are able to be used in effective ways for analysis except within the system.</i></p>	<p><i>Very low No data accessible in the public space ... but huge amount of material is published, most of which cannot be independently validated.</i></p>
<p>NGOs ... Not-for-Profit Organizations <i>Collect data and write reports and proposals to attract funding. Publish financial reports required by regulatory agencies ... typical a minimum requirement that shows very little beyond very broad classification.</i></p>	<p><i>Very low. No data flows into the public space ... none of the data accessible for analysis. Data used to strengthen position in the industry.</i></p>
<p>Projects <i>Collect data to justify the project and get funding. Collect data for M&E and a report to funders. At the end of the project the data is archived ... and effectively lost for ever.</i></p>	<p><i>Very low. No data put into the public space ... why bother ... worse, it may serve to show the project made little of value even though it cost a lot.</i></p>
<p>Scientific Research Institutions <i>Data collected circulates within the scientific elite, but rarely outside academic circles. Reports are prepared that help maintain grant flows and satisfy donors.</i></p>	<p><i>Very low. No data flows into the public space ... none of the data easily accessible for analysis.</i></p>
<p>Social Impact Investing <i>Very little data presently available, but growing interest in having such data</i></p>	
<p>Social Media Companies <i>Collecting huge amount of data about personal behavior and using these data for as a source of revenue and profit for the organization.</i></p>	<p><i>Very little of these data are available for analysis by society at large</i></p>

DECLINE IN PROFESSIONALISM

History repeated

There has been a decline in professionalism in the latter part of the 20th century. This has something in common with the decline of the craft guilds as industrialization took hold in the 19th century.

What professionalism means

Professionalism really means that there is something 'bigger' than merely 'money profit for me'. Sadly modern money culture has taken over the professions to the detriment of society, and it will be difficult to rebuild professionalism without a substantial reform of the culture. Preoccupation with money profit, stock prices and GDP growth ensures that professionalism will remain moribund ... but other outcomes are possible starting with reform of metrics.

Accountancy

The decline in professionalism might be the most pronounced in the accountancy area. Fifty years ago there was a professional pride, especially among Chartered Accountants, that seemed to transcend everything. Getting the numbers right according to sound principles of accountancy was all that mattered. The idea that the client could change the numbers to suit themselves was not part of the equation.

It was not much after this that I realized that accountancy was going down a steep slippery slope. Rather than having a simple set of principles the profession was migrating to rules ... and these rules could help turn one set of numbers into a better set of numbers. The rules would have been a good idea to help clarify the principles ... but as an alternative to the principles, they were a disaster waiting to happen. Having rules that supersede basic fundamental principles is not a good idea ... but that is what drives accountancy today.

What is especially disturbing is that the views of professional accountants are absent from public policy debates over important issues ... yet keeping score is fundamental to performance. If there is nobody keeping score, there is not much point in being in the game ... with terrible impact on society.

Law

A framework of law is essential to a functioning society ... but it does not need to be statutory law. There has been law since ancient times ... a some good law has a very long history.

The modern legal profession seems to have become both a solution and a problem. Much of the abuse in society is not unlawful, though it is clearly not right ... and this distinction

has become more and more blurred over the years. Many lawyers are good people doing good things for their clients so that justice is served ... but not all lawyers are in this mode.

Some lawyers are well paid to figure out how the corporate world can get round society's laws with the single objective of avoiding cost and increasing profit ... no matter what the expense to society.

Banking Laws to protect credit card users were enacted by New York State at the urging of Banking Commissioner Muriel Siebert during the 1980s. Twenty years later there is no credit card company in the United States that is covered by these laws ... because there are ways round them so that credit card users can be abused with hardly any limits. Its not unlawful!

The legal profession may be concerned about the state of the profession ... but their voice is very muted. Every legislative session, the law gets bigger ... but hardly ever gets better.

Education

Education ... learning is critical for a successful tomorrow ... but the profession of education has been replaced by the business of education, much to the chagrin of the professionals in education. The emergence of “fast food” was unpopular among gourmets ... and now there is a similar “fast learn” segment in the education sector. It will serve for a little while ... but it will be detrimental for the longer term.

Professional educators understand the complexity of teaching and learning ... but they have been sidelined. The metrics are not working ... and to a large extent the money and the resources are being used ineffectively.

Medicine

The science is amazing ... but the economics are a disaster. Health is another sector where the professionalism of medicine has been displaced by the business of health. The predominance of money metrics makes it very difficult to optimize medical science for socio-economic benefit and the result is a chaotic monster that costs a lot and sometimes is wonderful and sometimes is inadequate or absent. There is need for reform that builds on the best and systemically addresses issues that constrain scientific excellence and cost effectiveness.

Banking

Banking was a profession ... or a near profession two generations back. There were less law governing the way banks operated, but there was more clarity and understanding of the important role the bank and the banker played in the functioning of the community and the broader society. Banking had a responsibility to be sound ... more than it had a responsibility to be profitable.

Religious Ministry

Ministry should not be overlooked ... the spiritual dimension of the human condition is powerful and really is central to optimizing the quality of life. But the professional aspect has become weak ... too weak. The professional ministry that brings spiritual value back into the quality of life equation is something that has importance.

Military

In much of history the military have been in possession of great power ... and have used this to provide security for society ... and provided a professional service. But not always. From time to time the military have used their power to take over the governance of society, almost always with bad consequences. There has often been justification for the military becoming the supreme power in a country. Too often a powerful military has resulted in bad outcomes.

ACCOUNTING AND ACCOUNTABILITY

The reason for sidelining accountancy is quite simple ... most of the leadership of our global society favors a regime of minimal accountability that allows greed to flourish. The weaker the accounting, the easier this is to do.

The elite decision makers are more responsive to power and ideology than critical data based analysis and judgment:

'My mind's made up ... don't confuse me with facts'

This is a common mindset in corporate management and it is also evident in politics and society at large. This gets to be dangerous when there is also this:

I know what I'm doing ... and God forbid that anyone would try to hold me accountable

This is the environment that accounting and organized data about facts must operate in and be reliable. How it is done is very much a secondary issue. The data are neutral ... and they are about facts. Measuring facts may be difficult ... but accounting aims to have data about facts on the record. When you have data ... there can be analysis ... and reports ... and conclusions. And if there is organizational structure there can also be decisions and improved performance.

Fund flow analysis shows multiple problems.

The value dynamics in the relief and development industry are all wrong. This has been a chronic problem for a long time with the institutional leadership having little understanding or interest in the issues.

- Fund flow misappropriation
- Corruption
- Value destruction

- Negative multiplier
- Big projects with high risk and low return
- Planning and performance disconnect
- Waste
- A minimum of beneficiary impact

No system

There is no system for doing development accounting and producing development performance reports. Instead of having a management information system that gives the performance information that is needed, the ORDA world does exercises that suggest that they are being responsible, but in fact does nothing to help them have control.

No use of value analysis methodologies

Value analysis methods have been used as long as I have known anything about accounting (more than 40 years). They became fashionable in the corporate financial analysis world in the mid-1990s with the promotion of the EVA methodology by Bear Sterns (to check this). But value analysis is missing from the ORDA world completely.

No management information

And nobody in the ORDA world uses management information. The ORDA process precludes management in the form that produces efficiency for the corporate world.

POWERFUL CONSTRAINTS

The very rich and the very powerful

The agenda of the rich and powerful is aligned with their personal goals, and not much to do with the interests of the vast majority of people who are not part of the top 1% of the socio-economic pyramid.

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Democratic government ... not working

Many important documents have the phrase 'We the People' somewhere at the top of the text. But in practice some people count a whole lot more than other people, and there is an increasingly prevalent perception that people count a whole lot less than money.

The patches worn by a NASCAR driver show very clearly who is sponsoring the team, and other sporting personalities acknowledge their sponsors. It is less clear who are the powerful people who are behind the politicians. There is enough evidence that the power of lobbyists in Washington is big ... and they seem to be getting their way.

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In many ways the performance of TVM is independent of technology ... but the rapid pace of computer science innovation suggests that the basic data model for TVM will be superseded in due course by something based on better use of technology that cannot be envisioned at this stage.

Technology has changed a lot in the last fifty years ... and a lot in the last five years. Technology is changing fast ... very fast ... and accelerating. Rapid changes in technology are changing the economics of some parts of our society, but not always in a useful way. The possibilities of technology are not yet being well used for the benefit of society as a whole, and especially, not for the benefit of those that are at the bottom of the pyramid (BoP).

MISAPPROPRIATION OF MONEY

While some fund flows are managed excellently many others are not. There are problems with fund flow accountability at every stage of the process and some of the fund flows are severely compromised. Because of weak performance metrics it is not easy to know which ones are excellent and which are not. Weak financial control has been endemic and as a result all sorts of resources have gone missing ... stolen money ... stolen inventory ... over invoicing ... under delivering. Embezzlement of all sorts ... petty corruption and grand corruption.

Part of the problem is that all of the participants have a very narrow interpretation of their responsibilities for transparency and accountability ... essentially every organization thinking of itself in a bilateral relationship with the donor or source of funding ... and the public having no stake in anything. In this arrangement it is relatively easy for a bilateral relationship to provide fertile ground for weak performance and worse.

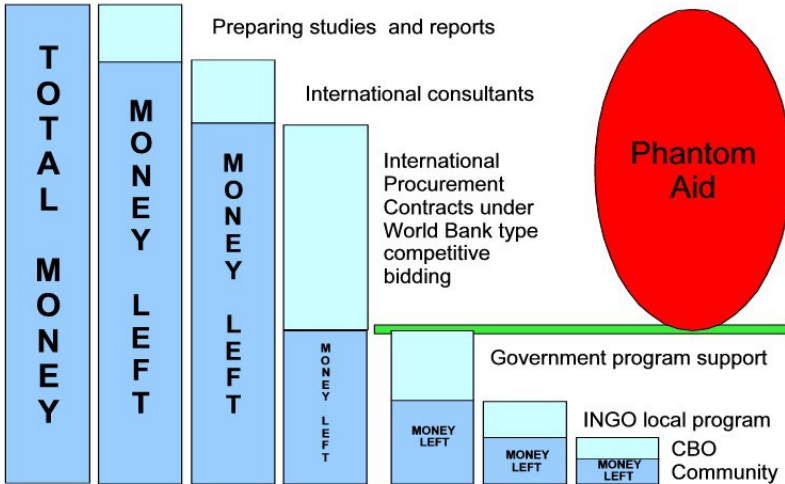
Little has been done over very many years to end this comfortable arrangement, and all the incentives in place encourage its continuation.

The amount of money being raised for international relief and development assistance is huge. Fund raising in the aftermath of natural disaster is especially impressive, and shows how supportive many people are of development initiatives. But sadly the relief and development industry is less than candid about how the resources are used and what is being accomplished.

Phantom Aid

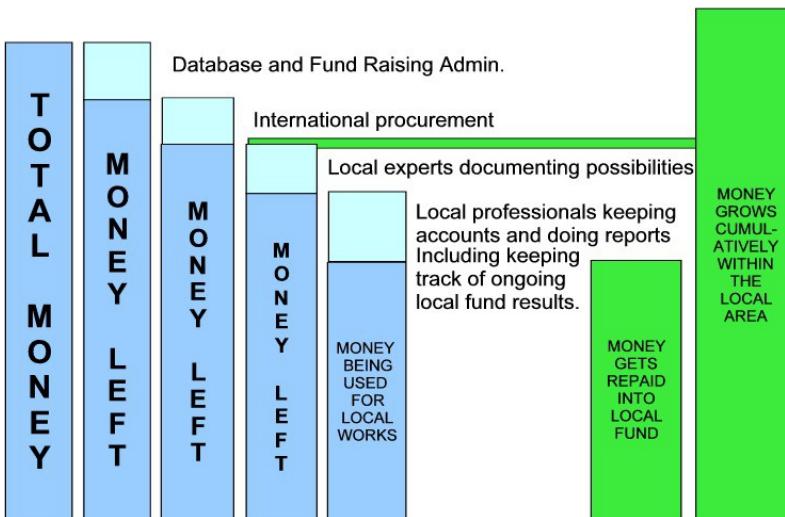
In 2003 a well know NGO based in the UK called this Phantom Aid. Others before had called the phenomenon “Black Hole Development” implying that no matter how much fund flow there was, the results would still be the inconsequential.

Relief and Development Fund Flows
How donor resources are used.



This is a better model for development with the money getting used on the ground for real work that can deliver meaningful results.

Relief and Development Fund Flows
The Tr-Ac-Net model for fund flows.



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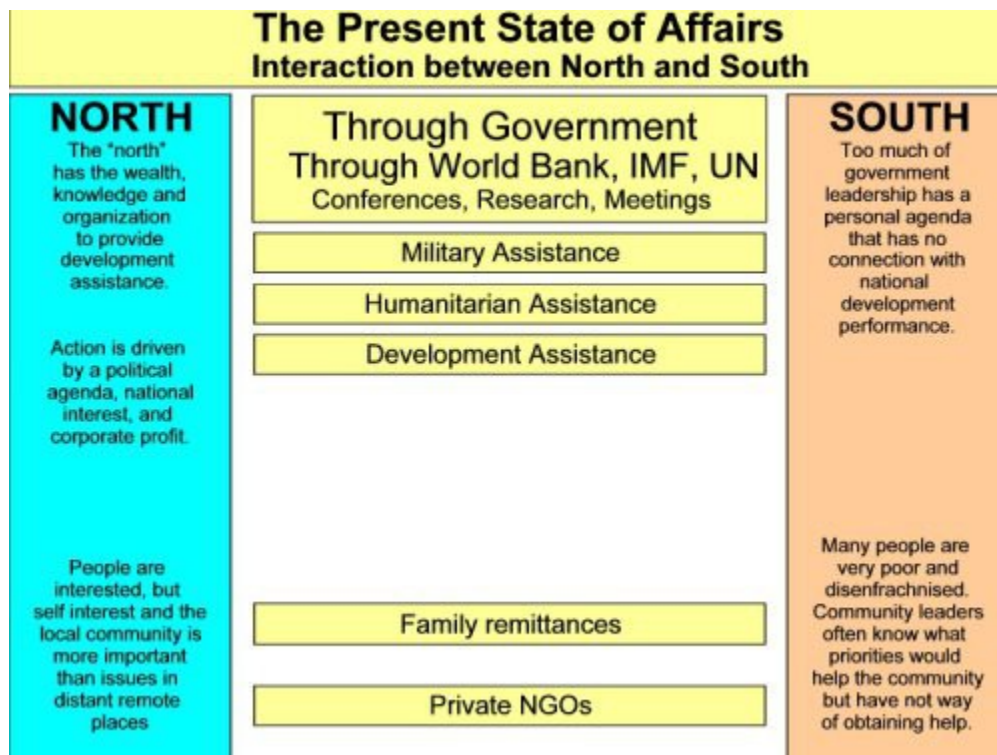
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OUTDATED INTERACTIONS

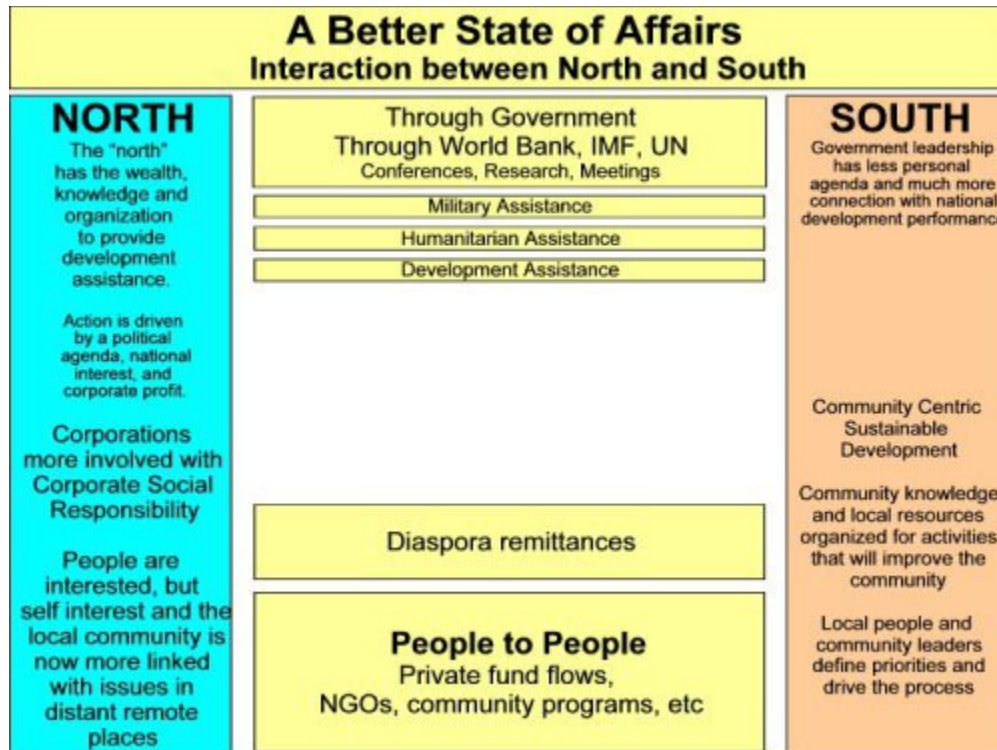
Wrong modes of interaction and wrong way information flows

The main interaction between north and south over the past several decades has been “official” through government and institutions like the World Bank, the IMF, UN, bilateral government agencies, etc.. Private NGOs and family remittances were small.



It would be far better if the people to people interaction was much larger and the various 'official' interactions were relatively smaller. An important flow of resources and ongoing interaction is the remittance from diaspora.

It can never be totally clear when the interaction is driven by official channels to who are the main beneficiaries of the interaction. This is especially true when the interaction is associated with the military and is described as 'security'.



TRANSPARENCY AND ACCOUNTABILITY

Accountability

The first step in making the society and the economy better is to get the information that are needed to hold decision makers throughout the society accountable for what they do and what they do not do. This applies everywhere ... not just in government, but in the corporate organizations, in politics, in schools and healthcare, in religious organizations and in sports and entertainment. Everywhere.

I have helped developing country government staff coordinate development assistance. It is not a pretty sight. On the one side there are the local people, some in positions of considerable power who want projects for their own reasons, some good and some not so good. On the other side there are donors who want projects that serve their own set of interests. A prioritization of projects to optimize the use of resources and the realization of development progress is nowhere to be found in most development coordination efforts. It should be. It can be. But not without

information that is accessible to the public and accountability that goes beyond anything we are doing at the moment.

There has been a lot of talk about holding government in developing countries of the SOUTH accountable for what they are doing in terms of resource management and development, but there is far less talk about holding the governments and the institutions of the NORTH accountable in the same way. It is my impression that there is a big accountability problem in the NORTH, just as there is in the SOUTH. My educated guess is that the value diversion associated with lack of accountability in the NORTH is an order of magnitude bigger than in the SOUTH. The diversion of moneys from potentially high economic value adding works for the SOUTH to much more “politically acceptable” but far less valuable work is endemic throughout the ODA community. It has been a problem for decades, and became front page news in connection with US plans for reconstruction contracts after the Second Gulf War. As someone who did planning for the reconstruction of Afghanistan after the Soviet withdrawal in the early 1990s and participated in the failed advocacy for the continued interest of the United States in the region at that time, I am appalled at the information gap that ensures there will be little enduring accountability for anything. Yes, historians may have a chance at finding out what went on, but what about today's people.

The challenge is simple. There needs to be a universal accountability system that is run independently of government and the official development assistance (ODA) community and international financial institutions and corporations. And this is not really a very big thing. It is not anything like as ambitious as the WalMart data mining system. In its first stages it is quite a modest technical challenge. Depending on “demand” it could evolve into a more highly functional system in the future, but the first steps can be quite modest.

And with this information, there can be accountability.

But more important, with this information there can be improved management.

My most satisfying work was when I was a CFO working with a CEO who understood the economic dynamics of his business, and who used the financial numbers and the operations analysis that we were able to do to confirm the decisions that he had already made. He knew what the company performance had been based on past management information. He made decisions to try to make it better as soon as there was preliminary information that suggested an improvement possibility. He looked to the next set of management information to confirm that his decisions had been effective. If the information suggested something different would be better, then that would be tried. This was excellent use of management information, including the critical aspect of feedback

The opportunity is to do the same thing, but with society as a whole.

//////////

No transparency

Lots of talk ... not much walk

The lack of transparency and the lack of accountability is one of the great shortcomings of modern governance. In the last two decades there has been a great deal of talk about transparency and its importance, but very little action to make transparency the norm rather than the exception.

Instead of reasonable transparency that would allow an interested public to be able to understand how things are being done and what is being accomplished, there is instead a growing amount of selective information ... arguable pure spin and misinformation ... that serves the interest of the people of the organization and not much the interests of the public. This “public relations” driven transparency is not at all what is needed.

Relief and development fund flows are substantial. In resource rich countries there are other huge fund flows. It is absolutely imperative for there to be a high degree of transparency so that the public can be informed about the use of these resources. Senior people are playing for high stakes, and when the stakes are this big, it is “hard ball” and not smart to get in the way.

No basis for accountability

The great news for the ORDA community is that with no transparency and a weak analysis capability there is no basis for accountability. Performance does not have to be good, because nobody is going to be accountable.

There is strong accountability in the corporate world where failure to live up to profit performance expectations has quick consequences. In a political structure loyalty more than performance has a higher value ... and at the limit, there are many who are involved in governance structures who have loyalty and are held to account for nothing.

More generally, it would be valuable if there is an expectation that there should be an accountability to the public. The public should expect that resources are being used in ways that are effective and appropriate.

The following section is meant to be 2-11 ... Race to the bottom but this comes up

The 2-11 file does not exist ... THERE IS EDIT AND WRITING WORK TO BE DONE

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FAILED ACCOUNTING

No accountants in the mainstream

The ORDA world is dominated by economists, and political and social science experts. There are also some technical specialists in agriculture and engineering. But there are almost no accountants that have anything to do with operations.

There are accountants who handle expense reports and travel advances. At the World Bank there are accountants that handle the financing side of the Bank's work. But accountants are not deployed in the analysis of development performance. There is almost nothing that addresses how to do accounting so that there is management information for development.

I used to think that the ethics of professional accountancy would make a difference ... but incidents over a little more than fifteen years suggest that the ethics of the professional accountant are as compromised as almost every other group.

The system of analysis I learned in accountancy is very powerful, and when used in an independent and objective way is a great foundation of decision making and solving problems.

Weakness in accounting

I have always been struck by the weakness of accounting and management oversight in development. It is difficult to understand how the World Bank and the other donor organizations allowed accounting to become one of the weak links in development. My view of the problem in the 1980s was quite simple. At the time I wrote:

I have concluded that it was essentially a “racist” thing. How can we (whites) in the NORTH possibly ask these ignorant (black) natives in the SOUTH to do good accounting?

But later on I realized that the issue was partly this but also even more serious and deeply ingrained in the ORDA culture. In another situation I wrote:

Or it might be because the World Bank and the donor community never had any good accountants on their staff and in their leadership. They never understood the value of good accounting, and just ignored it.

The real reason that accounting is so bad is probably both of these. But it may also be more sinister. I am horrified that accounting is one of the failures in development, when it could so easily have been one of the great successes of development. But the advantage of weak accounting is that huge amounts of money have been able to be diverted to all sorts of personal benefit, at the expense of development performance.

Every accountant knows that without transparency and accountability there will be problems. So the question of how ORDA funds disappear is not difficult to answer. ORDA funds disappear very easily, because there is a terrible lack of accounting, transparency and accountability throughout the ORDA community.

When from time to time some information suggests that there is a problem, it is rare for there to be suitable and visible accountability. The whole culture of accountability, with people taking real responsibility for decision making and the outcomes is virtually non-existent.

I made a proposal to the Administrator's Office in UNDP on "Responsibility Accounting" for management in development early in the 1990s. After the presentation I was advised by a friend that UNDP saw no need and had no understanding of the key words that I had been using throughout my presentation ... analytical accounting, responsibility, management, performance, etc. Sad. But I should have known.

How can huge amounts of funds disappear? Very easily when the accounting system is as deficient as it is throughout the ORDA community. The system in place would work quite well for a small, simple organization where the culture of ethical behavior was to a high standard. But the ORDA institutions are huge, are complex, are spread around the world, and the internal culture is complicated by multiple nationalities, backgrounds and professional agendas. Missing funds is no surprise. The system supports losing funds.

More than anything else, the ORDA world is driven by the correctness of individual transactions, a system that is common in government organizations and has transferred naturally to the ORDA world. What this means is that each individual voucher gets approved, but the totality of the vouchers can end up being quite dramatically wrong and nobody pays much attention. It also means that properly authorized wrong vouchers can go through the system and create inappropriate fund flows.

How can so much bad accounting take place and not cause much concern? The ORDA world does not have very much expertise in accounting and analysis. In fact it is almost better to say simply that the ORDA community has none.

UNDP is a good example. Budgets are prepared for a project. After many meetings, a project budget is approved based on a justification for objectives and activities and outcomes. When the project has been funded and implementation is complete the system used to be for the budget to be adjusted to reflect actual disbursements. It was also common for a project revision to be processed so that the projects objectives, activities and outcomes would be the same as what was actually accomplished. In this process projects were always perfectly performed. The ridiculousness of this process is obvious to any reasonably professional accountant or manager, but was the accepted way of doing things at UNDP for years.

It really is no wonder that funds are badly used and funds cannot be found

INTERNATIONAL DEVELOPMENT EXCUSES

Conclusion: What a mess!

It is a sad commentary on 40 years of development effort that there are now a record numbers of people in poverty, and there is a global fear of terrorism and there is hopelessness more than there is hope.

Failed development

The phrase “failed development” is not in common usage, but it should be. Development performance is not just failure at the margin. It is failure that affects the whole of the global economy. It has a devastating impact among the world's poorest.

There is something wrong when the functioning of the global economy results in around 50% of the planet's population being in abject poverty and hungry ... while the rich countries have a problem with obesity. Something is surely wrong. I have the temerity to suggest that this is not a chronic problem, but a problem of poor decision making and misused resources, and a dysfunctional global system that allows this to happen, not once, but over and over again

In the broadest sense the development paradigm that has prevailed for the past three or four decades just does not work. Bits of it work OK, but most of it consumes resources and destroys economic value.

Bluntly put, the world is neither more secure nor much happier, nor much better fed than fifty years ago. The euphoria and expectations for post-independence countries in the 1960s has not in any way been realized in the past four decades. So little of what was projected by the development experts of 50 years ago has been achieved. The only people who appear to have been right are the reactionary critics of independence who said that developing countries would never amount to anything.

Thirty years ago there were a lot of trends that were favorable, and expectation of life, a very basic measure of economic performance, was going up. But in recent years, this very basic measure is going down. That failed development is causing a vast number of people to be dying prematurely makes the need for solution to the development crisis so very important.

There has been immense technological and economic progress in some parts of the world, but as much as 50% of the world's population is hungry, and will be hungry for their whole lives. Most of the world's people live a life that is best described by the old phrase “Life is brutish and short”

Not now, but soon, the crisis of development failure is not going to be confined to the poor people of the world who just get hungrier and die quietly. The crisis of development is going to get translated into a different sort of crisis where poor people get angrier and angrier and though weak, will start to challenge the comfort and security of the world's rich. The SOUTH is not going to let the NORTH have it all. The stage is set for global terrorism in a way that has never been seen before. It might be very messy. In time, failed development is going to have a devastating impact on the quality of life in rich countries.

I first wrote the above some years before 9/11. The events of 9/11 should have been a wake up call about global wealth and the opportunity gap, but instead those in power chose the policy option of a global 'war on terror' that had no element that would address the root cause of discontent and a key driver of anti-social violence.

The developing world, the SOUTH, is facing economic disaster. Even though health and education have been improved, the standard of living is far worse for most people in developing countries today than it was 50 years ago

For fifty years, most development resources have flowed through the public sector, with questionable results

The paradigm for development has not worked and is not working. There has been a long time continuum of economic value destruction in most developing countries.

Look at the market price history of all of the products originating in developing countries and see what these countries have to deal with.

In this chapter some of the symptoms of failure will be looked at, recognizing that treating symptoms does not cure the underlying disease. But what we will see is a generalized pattern that seems to suggest a way forward that can be extremely successful.

As a starting point, then, the following:

1. Hunger and famine (food, water and basic necessities)
2. Violence, war and insecurity (also refugees, IDPs and victims of trauma)
3. Poverty, economic value destruction and the distribution of wealth
4. Balance of trade, currency crises and government insolvency
5. Health pandemics

Development performance ... a mess

What has been done in the name of relief and development for the past forty years has been ineffective. Why ... and equally important ... how?

The ways in which development is implemented, in particular the “project” form of organization that dominates official development assistance (ODA) are ineffective and result in “economic value destruction”.

Most interventions in the past forty years have removed wealth from developing countries rather than creating wealth in these countries. How? Why? Development resources are used ineffectively throughout the ODA community. How? Why?

The processes in development do not result in minimum cost and maximum outcome. The procedures and systems will not allow that to happen. Good people are beaten by bad systems and bad processes and ineffective organizations.

Development has failed because of process. There are examples of success, of development excellence, but in the aggregate development has failed. While the amount of money involved in “development” is small compared to the funding of the international oil industry, or the trade in illegal drugs, it is substantial. There have been some successes, but the total performance of development expenditure is terribly poor. The development situation would have been better served by putting development money

into a savings account and just leaving it to accumulate than using it in the way we have, and now having to face an enormous debt overhang, that just will not go away.

Clearly something is wrong.

Why is development analysis so poor?

Incompetent analysis

The outcome of analysis suggests that the analysis has been incompetent ... but the problem is much more systemic than it is personal. If the questions being asked are wrong, then the analysis is likely to be wrong as well. I believe there is actually a lot of very good analysis ... but it is about the wrong things. Neither institutions nor the key leadership wants analysis that highlights what is wrong and needs to be fixed, rather, they want analysis that shows how good the performance has been.

Good analysis is dangerous

The fund flows in development are huge ... with most of the money important to a whole chain of beneficiaries to the process. The use of money to deliver value to the nominal beneficiaries of the fund flow is detrimental to those that are feeding from the process.

*The ORDA world is not much different from the corporate world.
Independent objective analysis is not welcome anywhere ... the only
analysis people want is analysis that shows what people want to share ...
and people want to be in control of the analysis. So much for
independence ... and so much for objectivity.*

Too much an academic exercise

There is lots of analysis of development, but it is not very useful. Most describes the condition, in more or less detail. Almost none of the analysis results in action oriented information or management information. The mindset is research not management. Most analysts seem to have a mindset to have rigor no matter what the cost, rather than most useful at minimum cost. In one case a good outcome is to have data for a research agenda ... in the better case the outcome is to have better development progress.

Highly aggregated reports

The World Bank, UN agencies and others produce a plethora of highly aggregated reports. One of these is the World Bank's World Development Report. Most of the UN specialized agencies produce something similar with respect to their own sector. Over and over again ... year after year ... these reports show that development has failed, and quantifies the scale of the failure.

The key information that I would like to see is the relationship between resources used and results achieved.

In my corporate career we knew a lot about how much things cost. I spent a lot of time understanding not only how much things cost in a static situation, but how costs varied as various production conditions changed. It was not always easy, but it was vital to making the company as profitable as it could be. It was the foundation for strategy and action plans that would work and deliver results.

When I started working in the ORDA world this sort of information was not being used at all. Nobody knew what I was talking about when I wanted to know about costs and the behavior of costs under different project scenarios. That is not to say that there was little numerical analysis. The World Bank has used numerical analysis to support its decision making process. But the World Bank does a lot of economic analysis, and almost no accounting analysis.

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The development data about Africa are serious. The numbers highlight the RESULTS of a failed paradigm for development that has been used for several decades.

I have tried to draw attention to the need for change and the possibilities that change can result in success. I have tried to draw attention to the many dimensions of the development process that are of great importance, but not being addressed in any meaningful way. This was written in 2003:

Solutions are possible, but not until people who have control of policy and control of resources allow changes to be made.

There are many issues:

- When I first started working on development issues in Africa in the early 1970s, guns were far less widespread..... where do all the guns come from? Who pays for them? What development value do they have?
- What about refugees and internally displaced people? ICARA I and II in the early 1980s highlighted the problem. Why so many? What are the root causes?
- What about hunger? Is the problem food production or food trade or food aid? Or is it poverty?
- What about oil and minerals? Is foreign direct investment (FDI) a blessing or a curse?
- Are the oil companies creating economic value adding in Africa, or is it just for corporate stockholder added value? What about foreign mining companies?
- What about diamonds and gems and gold..... and civil war..... and timber..... and guns and landmines? Where is the economic value adding for the people of Africa?
- What about the health and HIV-AIDS crisis? Is this just another excuse for investors to avoid business and development investment in Africa..... it certainly is having a devastating impact on economic value adding in Africa.

I have been trying to ask meaningful question about the why and how of development failure. I have been trying to get people to think about “value adding” and “value destruction” This was also written in 2003:

The prevailing development process flows almost all the available resources into activities that do very little economic value adding in Africa. Worse, this has been going on for decades. Under the prevailing development paradigm economic value is being systematically removed from Africa..... with benefit accruing to others.... but not Africa.

But nobody is going to pay any attention because the information about development is voluminous but essentially useless. More from 2003:

There is a terrible shortage in information that can help pinpoint what is good and bad about development, and get resources allocated to expanding the good activities. What is clear is that most of the available resources do NOT produce significant economic value adding in Africa. (If I am wrong... give me the facts... and I will be as outspoken about success as I am trying to be with respect to failure.)

These main characteristics of failed development in Africa are rarely talked about by the leading spokespeople on Africa's economic crisis, especially this associated with the official development assistance (ODA) community (World Bank, IMF, UN, USAID, DFID et al.). And ways forward to address these issues do not seem to be forthcoming from our ODA leadership.

Because the high profile academics and development experts don not understand the reasons why and how development has failed, it does not mean that the why and how is not known. This was written in 2003:

I sense that my African professional friends understand the issues very clearly, and would be delighted to see new ways for development resources to be mobilized for use in activities that will address priority development and investment needs in their communities. This is NOT about more welfare handouts, but making it possible to create new opportunities and create economic value in Africa's back yard using new resource flows outside the prevailing FDI and development cartel.

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Colonial overhang

When 'development' first started in its modern form, that is after independence of the former colonies in what I am referring to as the SOUTH, there were a lot of experienced former “colonial” civil servants who were able to do a career change and become 'development' experts and advisers. To the extent that they knew something of the geography, and the culture and the problems and the potentials, these people were an enormously valuable resource. And they made a significant contribution, especially when

they were appointed to appropriate positions in the UN and the World Bank and the bilateral development agencies. But they did not succeed as well as they might have, and the reasons for this are many. And of course, much easier to see now with the benefit of hindsight than at the time.

One of the issues that these former colonial officers had to contend with was the whole issue of 'colonialism'. A lot of younger professionals in the development arena had the view that the SOUTH's economic circumstances were a result of "colonialism" and that with the colonial issue out of the way development would now be easy. This view was also popular in government circles in the SOUTH, and development was going to be easy. Essentially a simple equation: money in results in development out. If only it had been that simple.

In the 1980s, there have been lots and lots of times when I have tried to address the issue of development performance with World Bank and UN staff, and the response has been couched in terms that it was a problem carrying over from the 'colonial' era. This was used as an excuse for everything. This happened in Nigeria. This happened in Madagascar, This happened in Ghana. This happened almost everywhere I worked. And it was not long before the dialog between beneficiary government and the donor organizations picked up on this and created a universally acceptable excuse for failing projects

WRONG USE OF AUDIT AND INSPECTORS GERERAL

The US General Accountability Office

The US General Accountability Office (GAO) is a watchdog agency in the US Government structure, and there are other oversight agencies that have been charged with looking into the accounting and performance issues in connection with US fund flows to Iraq ... but nothing much of substance seems to have been produced. There is a lot wrong about this, and someday there should be an accounting about this. From what appears in the press it is multiple \$ billions that are unaccounted for.

WRONG USE OF GOVERNMENT IMPLEMENTATION

Implementing arrangements

Governments are the implementing partner

Governments are the implementing partner for ORDA. Some \$50 billion a year are channeled to governments as part of the ORDA process. It is enough to make a big difference if it was used productively. But governments are not good at using resources productively.

As one of my English friends said early in my career – the government could not organize a “piss-up” in a brewery.

Governments have a terrible track record in production and efficiency. This is not just a “south” phenomenon. A study prepared during Mayor Koch's administration in New York by a business group compared the costs of a whole range of city operations with the equivalent activities in the private sector. The results were laughable if they were not so serious. Government costs were frequently 10 times what the equivalent was in business.

The reason why government is the implementing partner goes back to the origins of development assistance. The core structures engaged in international official development assistance were all created around the time of World War II or immediately afterwards ... and these organizations were created with an expectation that governments would be taking a big role in the development process and were given the mandate to work with governments. The ORDA system was designed to use government as the key implementing partner. That is the mandate that there is!

Why does it not get changed? Because most of the key decision makers in the ORDA community is quite happy with the status quo. The status quo facilitates all sorts of inappropriate uses for funds, and the system is so dysfunctional that nobody is ever going to be held accountable.

INSTITUTIONAL CONSTRAINTS

Institutional constraints

In my assessment, the biggest set of problems were the constraints that were self imposed by the World Bank, the UN and its specialized agencies and all of the other ODA organizations that were doing the funding. And over the years, as development performance got worse and worse, the solutions were to go more and more into solving the problem by strengthening the framework of constraints. It was a feedback loop gone mad.

For some time in the late 1980s I did a number of supervision and evaluations assignments for the World Bank and UNDP. The Terms of Reference always called for identification of the 'constraints' or in French the 'goulots d'etranglements' and, of course, it was understood that the constraints would be ones that were 'acceptable' to institution that was hiring the consultant.

WRONG SCALE

Wrong scale

There was a realization during the 1980s that scale was an issue. But it seemed that the scale had to be big, because the problems were so huge.

When I started to write “privately” about performance of development early in the 1980s one of the issues that I wanted to see addressed was the question of scale. Schumaker wrote his classic “Small is Beautiful” and he made the case very well for “appropriate scale”

In my view Schumaker got it wrong in the second part of his book where he advocates for “government” solutions. When was government ever the “appropriate” scale? Especially when the solution is that scale should be “small”!

In the 1980s and the 1990s big projects were failing. There were references to White Elephant projects reflecting not only the inappropriateness of the project but also the scale. But the projects were not only failures in themselves, they were also creating economic side effects that were damaging. In the 1980s I wrote something along these lines:

I have become convinced that “big” projects are failing because of size, and the distortion that this size has brought to the economy, the society, the private and government institutions. I have tried talking about “distortion” with the experts but have never found any of the UN staff or the World Bank staff I have worked with having any interest or understanding of this issue.

But it was worse. I started to realize that the World Bank economists were very much committed to the idea of economy of scale, and did not understand much about underlying technical and management realities.

In the fisheries sector in Yemen (PDRY) there were several World Bank financed fisheries projects.

One in particular was a fish meal factory in Markala. It was started as a pilot with two fishing vessels and a rather small fish meal production plant. After a year the fishing vessels failed to catch an adequate amount of fish, and the plant was losing money rather dramatically. The World Bank experts solved the problem by increasing the number of fishing vessels and increasing the size of the fish meal plant at very considerable capital cost expecting everything now to be OK because of economies of scale. Of course more fishing vessels cost more to run, and caught far less fish per vessel than when there were just two vessels. The big fish meal plant was still only able to operate at a fraction of its capacity. Net net the project now had a very much bigger capacity to lose money, and that is what it did.

The consultants and the World Bank experts got it wrong. Big is not best in all circumstances, and certainly not in the fishing industry where natural resource constraints should be the determining factor.

Project management does not scale simply. Typical World Bank projects are totally unmanageable because they are big and complex.

I did a review of a big education project in Latin America. I tried to draw a corporate style management schema and organization chart to do the management accounting for the project. It was hopelessly complex. The project read well because everything imaginable was going to be addressed. In reality nothing was going to get done well. Funds were going to disappear into the project account, disbursements were going to be made against approved vouchers, and nothing would every be reported in a way that allowed anyone to see what was going on.

I knew this project had the potential for huge rip-off. It was beautifully designed to leak everywhere. The World Bank staff had no idea how the design had evolved into a disaster waiting to happen. Needless to say when I raised the possibilities, I was treated with contempt and ignored. How could I know anything. I did not work for the World Bank!

THE PROFIT MAXIMIZING AGENDA

A profit maximizing enterprise agenda

The capital market profit maximizing system has a long history of facilitating progress ... but at what cost. If we look at what the enterprise system has done well, it is remarkable. There has been enormous progress over the past fifty years or so, and in the process many fortunes have been made. According to this system, and the rules of this game, the people with fortunes are winners.

But a game that only makes part of the world ... less than 50% of the global population successful ... is too narrow. The game should have a broader base. It is not good enough to have an economic system that is makes money by “conning” the clients and earning for one group at the expense of another.

A profit maximizing enterprise agenda is not good enough. There has to be value creation ... and the key stakeholders are customers and clients as much as managers and owners.

The global profit maximizing enterprise sector and the financial markets have invested heavily where they have seen opportunity to invest for high profit ... but in the process they have created bubble and bust cycles that have not served to optimize socio-economic progress.

If the PME sector sees opportunities to earn profits, there will be investment. There is a lot of money flowing through the capital markets that will invest for high return, even

where there is substantial risk. Much of this capital will invest for high profit, and not concern itself too much with how the profit is earned.

I remember doing work in Thailand in the early 1980s. Part of the work concerned an assessment of the investment potential of Thailand and the enabling environment of law and culture and institutions that would make Thailand a good place to invest. Of course the analysis of law and the banking sector and the regulatory environment and everything else made one draw the conclusion that Thailand was not going to be a good place to invest. Not to mention that very few people spoke English and the language and even the alphabet was incomprehensible. But before I concluded my work, I asked another simple question. Why was it that money was being invested in Thailand? And of course it turned out that a lot of money could be made in Thailand if it was invested in profitable enterprise. Money flow was not constrained by things that I had been studying. It was all about economic value adding and earning profit. Brothels, tourism were profitable. End of analysis.

Development will never be successful as long as the financing of development is limited to the initiatives of the official development assistance (ODA) community. Most of their decisions are driven by a social dimension that has little to do with economic value adding and profit. And after forty or more years of this, the flow of funding for ODA work is miniscule.

I was in Thailand again in the early 1990s ... in fact 1992. I was struck by the amount of new construction and leisure facilities like golf courses that stretched for miles in every direction around Bangkok. As I traveled around I noted how few of the houses were occupied and how much of the construction was not totally completed and ready for use. Clearly there was something of a mismatch between what had been financed and built ... and what needed to be sold ... and probably be financed. The banks were not yet reporting problems ... but clearly they were heading towards a crisis. And of course it eventually came. In 1997, the Asian financial crisis hit as the banks realized that they had over-lent to developers and it would take time for the market to absorb the inventory.

BAD DECISIONS

Why so many bad decisions?

How has ORDA failed? Bluntly put, the wrong people have been in charge. Too much of the decision making has been made with a political agenda, and rather little of the ORDA decision making has been made by people with the interest of the poor and needy foremost in mind.

I was really disappointed when I attended a program of Bread for the World in New York and the presenter made it very clear that we should advocate for more development assistance in part because very little of it actually left the country, and it was very good for the US economy to have more ORDA resources. This is a ridiculous argument that suggests little or no understanding of the crisis and what needs to be done.

In the beneficiary countries the people in charge are the country's leadership which would work if the leadership agenda was primarily the efficient use of relief and development resources. This is far from the case. Resources are allocated for local priorities and there is very little that donors can do about it. Donors and funding organizations are faced with legitimate questions of “sovereignty” and they have caved in for years over the equally legitimate question of transparency and accountability.

People that truly have the interests of needy people in poor communities have rarely been part of the mainstream of ORDA programs and fund flows. It is apparent that very little ORDA funding finds its way to remote poor communities, or even to nearby poor urban communities.

Few have much interest in getting resources to poor communities where the resources are needed and can do a lot of good.

WRONG METRICS

What constitutes success?

Success is when the implementing NGO satisfies the funding institution that the money has been disbursed well. This leads to sustainability for the NGO that remains in a favored position to get more funding. But of course this type of success has nothing to do with actual success in development. Success in development requires that there is tangible value delivered to the beneficiaries. The critical things for a community are related to economic value adding, whether in the form of more productivity from their local labors, or more jobs created by outside investors, or better water, or health services or education opportunities, or water or electricity or telephone or Internet. In some communities the priorities may have to be related to security and safety and staying alive.

At the start of the 3rd millennium, socio-economic conditions in SOUTH are horrendous. From a purely financial perspective most of the governments are essentially bankrupt.

Something has gone dramatically wrong. There are enough people. There are enough resources. There is enough technology. Why is it that it does not come together to deliver success.

For Africa its even worse. There is a population of around 800 million people who are amongst the world's poorest. Yet the resources of Africa are enormous. The wealth of Africa is drawn down every year as financial and material resources are shipped out of Africa to pay debt or to satisfy foreign investors' claims. The process of development used for most of the period since independence has failed.

I responded with some additional observations. I thought that Claudio's set of data showed results, and there is general agreement that results are awful. But the data I want to see is the transaction data that will show why we have these very unsatisfactory results. It will show not just that the results are terrible, but that the process does not function.

Year after year the development experts report on the disaster of development. The macro-numbers are reported, and some heart-rending individual stories about the human dimension to the crisis. But that is about as far as it goes. I have responded to these reports over and over again. This was written several years ago.

NGOs

A few mega-NGOs dominate the aid fund flows

The emergence of the NGO has something to do with the perception that government is not an efficient implementing agency ... so a non-governmental organization, an NGO would be a better solution.

Certainly a private sector organization ... together with a market driven decision framework and funding ... is likely to do a far better job of almost anything than a government agency and a bureaucracy, but many, if not most, NGOs are not really private sector at all. They get the bulk of their funding from government aid agencies ... they serve as contractors for beneficiary governments agencies ... and a good number of their key staff have been government employees.

BAD BANKING AND FINANCE

And something else has been going on. As the failure of development became a pandemic, which probably happened in the late 1970s, the financial community has sought to limit its losses, more often than not by tightening the terms and in fact making failure more certain. What was bad in 1980 had become horrendous by 2000. But almost all was due to bad lending into economic value losing propositions, and a bad problem was made even more serious by the financial community's strategy.

And as this was going on the major financial organizations created communities of interest to ensure that the borrowing nations were even more limited in their options. The UN Round Tables and the Paris Club negotiations ensure that fifty big institutions are

able to gang up on a small developing country and get it to do whatever they call for. In any other field of trade or commerce this would be called a cartel, and would be the subject of great criticism, but I do not think I have seen anything in the NORTH press that sees this as an undesirable feature of the international financing scene.

Actually, this would not be too bad a way to move forward if the financial community was asking for economic value adding initiatives. But in fact the international financial community rarely has this on the agenda, and the outcomes are frequently very damaging to the SOUTH country.

Over the years I have had assignments where I have been collaborating with IMF and World Bank teams, and I have seen some of the work they do. And some of it is very bad. Not only is the work done too fast, it is done with too little understanding of the problems. The agenda is from the NORTH, and the SOUTH country has little or no say in the negotiation or the conclusions. It is a terrible process. It is worth commenting that the IMF and the World Bank have some great and experienced staff, but they are likely to be working on the big high profile problems, while the staff working on the boring problems of any of 100 or so poor SOUTH countries are not so likely to be of this caliber, and even if they are good, do not they have the seniority to get policy changes made when they are needed. This is a terrible process.

The basic financial flows do not serve development well. The World Bank and the other Regional Development Banks (RDBs) are able to borrow money from the capital markets. They then onlend to SOUTH governments who onlend to programs. The repayment flow is essentially SOUTH people fund SOUTH government to repay WB and RDBs. The missing link is that program should benefit people so that people are able to repay without it being a problem. But this missing link has been missing for decades. In theory the programs benefit people, but it is pretty apparent from the ODA publications that most programs have resulted in rather little benefit for the people and their is a growing debt arising year after year with little development progress.

There is a debt dilemma. The financial sector in most developing countries is in a difficult situation, and the debt crisis does not make it any better. Solving the debt crisis is not best handled by getting tough about repayment and debt service, it is much more about getting tough about economic value adding in the debtor countries. This may to some extent be addressed by improved governance and better policy options from government, but it also needs to be addressed by improved financing modalities and focus on economic value adding activities.

The problem goes far beyond just corruption in SOUTH governments. It is also about the whole framework of economic value destruction that arises with much of the existing flows of investment and assistance to developing countries. Economic value destruction in developing countries is being aggravated by a lot of Foreign Direct Investment (FDI), by a lot of the rule making going on in the Geneva based international organizations such as the WTO and the ICU. It is not a pretty sight.

BAD GOVERNANCE

Lack of good governance

Governance is a high profile issue, with some terrible examples of tyrannical regimes running roughshod over society.

There are three levels of governance: local, national and global.

For the past two centuries national government has been at the forefront of governance. And to some extent during the colonial era international was a mere extension of national so that national had a far longer reach from the home country to all the colonial possessions.

In the post independence world governance has remained focused on the national level, but another level of international governance has emerged. This new global reach of governance is delivered through the UN and its specialized agencies. The governance process is getting more and more complex, but the net impact is becoming institutionalized disadvantage to the SOUTH

GEO-POLITICS

The general view is that SOUTH has poor governance, and is corrupt and difficult to do business with. This is only part of the story.

The problems of SOUTH governance have been enormously aggravated by the behavior of most of the leading countries in the NORTH. During the cold war being “against” the Soviet Union was enough to make a government a “friend” of the United States. And a lot of wasteful and damaging fund flows and trade transactions took place in these “friendly” relationships. The US relationship with Mobuto in Zaire is one high profile example of a string of convenient and corrupt relationships.

The magnitude of the global damage to long term development and financial stability is difficult to assess, but it is almost certainly far bigger than the ODA fund flows that we know about.

The Soviet Union was in the same mode as the United States during the cold war.

I have worked in a number of countries where the Soviet Union (as it then was) had a lock on government initiatives. The Soviet Union had helped fund their wars of independence and they expected something in return. Nobody seemed to know what they “owed” the Soviet Union in tangible financial terms. There did not seem to be a bill, but just the threat of a bill. And a big one. So, not surprisingly, the Soviet Union was able to set the terms of a lot of their “investments” and “joint ventures” in ways that (in my view) were very favorable to the SOUTH client. This tactic was being used to give the Soviet distant water fishing trawlers access to rich fishing

grounds, with almost no benefit to the host country. Value destruction at its worse.

The following section is in the right place, but is incorrectly numbered

TRANSPARENCY AND ACCOUNTABILITY

BRIBERY AND CORRUPTION

Accountability

The first step in making the society and the economy better is to get the information that are needed to hold decision makers throughout the society accountable for what they do and what they do not do. This applies everywhere ... not just in government, but in the corporate organizations, in politics, in schools and healthcare, in religious organizations and in sports and entertainment. Everywhere.

I have helped developing country government staff coordinate development assistance. It is not a pretty sight. On the one side there are the local people, some in positions of considerable power who want projects for their own reasons, some good and some not so good. On the other side there are donors who want projects that serve their own set of interests. A prioritization of projects to optimize the use of resources and the realization of development progress is nowhere to be found in most development coordination efforts. It should be. It can be. But not without information that is accessible to the public and accountability that goes beyond anything we are doing at the moment.

There has been a lot of talk about holding government in developing countries of the SOUTH accountable for what they are doing in terms of resource management and development, but there is far less talk about holding the governments and the institutions of the NORTH accountable in the same way. It is my impression that there is a big accountability problem in the NORTH, just as there is in the SOUTH. My educated guess is that the value diversion associated with lack of accountability in the NORTH is an order of magnitude bigger than in the SOUTH. The diversion of moneys from potentially high economic value adding works for the SOUTH to much more “politically acceptable” but far less valuable work is endemic throughout the ODA community. It has been a problem for decades, and became front page news in connection with US plans for reconstruction contracts after the Second Gulf War. As someone who did planning for the reconstruction of Afghanistan after the Soviet withdrawal in the early 1990s and participated in the failed advocacy for the continued interest of the United States in the region at that time, I am appalled at the information gap that ensures there will be little enduring accountability for anything. Yes, historians may have a chance at finding out what went on, but what about today's people.

The challenge is simple. There needs to be a universal accountability system that is run independently of government and the official development assistance (ODA) community and international financial institutions and corporations. And this is not really a very big thing. It is not anything like as ambitious as the WalMart data mining system. In its first stages it is quite a modest technical challenge. Depending on “demand” it could evolve into a more highly functional system in the future, but the first steps can be quite modest.

And with this information, there can be accountability.

But more important, with this information there can be improved management.

My most satisfying work was when I was a CFO working with a CEO who understood the economic dynamics of his business, and who used the financial numbers and the operations analysis that we were able to do to confirm the decisions that he had already made. He knew what the company performance had been based on past management information. He made decisions to try to make it better as soon as there was preliminary information that suggested an improvement possibility. He looked to the next set of management information to confirm that his decisions had been effective. If the information suggested something different would be better, then that would be tried. This was excellent use of management information, including the critical aspect of feedback

The opportunity is to do the same thing, but with society as a whole.

////////////////////

No transparency

Lots of talk ... not much walk

The lack of transparency and the lack of accountability is one of the great shortcomings of modern governance. In the last two decades there has been a great deal of talk about transparency and its importance, but very little action to make transparency the norm rather than the exception.

Instead of reasonable transparency that would allow an interested public to be able to understand how things are being done and what is being accomplished, there is instead a growing amount of selective information ... arguable pure spin and misinformation ... that serves the interest of the people of the organization and not much the interests of the public. This “public relations” driven transparency is not at all what is needed.

Relief and development fund flows are substantial. In resource rich countries there are other huge fund flows. It is absolutely imperative for there to be a high degree of transparency so that the public can be informed about the use of these resources. Senior people are playing for high stakes, and when the stakes are this big, it is “hard ball” and not smart to get in the way.

No basis for accountability

The great news for the ORDA community is that with no transparency and a weak analysis capability there is no basis for accountability. Performance does not have to be good, because nobody is going to be accountable.

There is strong accountability in the corporate world where failure to live up to profit performance expectations has quick consequences. In a political structure loyalty more than performance has a higher value ... and at the limit, there are many who are involved in governance structures who have loyalty and are held to account for nothing.

More generally, it would be valuable if there is an expectation that there should be an accountability to the public. The public should expect that resources are being used in ways that are effective and appropriate.

CORPORATE CORRUPTION

But after independence there have been other forces at play. The role of big business collaborating with NORTH government to achieve local advantage in the SOUTH is a massive problem. And yes, there are many examples of high officials of SOUTH governments getting paid for to authorize some advantage, and that is considered corrupt. But the recipient of the advantage is a party to this same corruption. And yes, there is the argument that 'If this beneficiary had not paid up, then some other organization would have, and we would have lost competitive advantage.' is probably true, but no more right.

One day somebody will write a definitive story of corruption in Nigeria. The scale of this corruption is difficult to appreciate, but it is huge and the might even be legal. The big international oil companies are deeply implicated in Nigerian behavior but cannot easily be held accountable. The idea that the late President Abacha was able to accumulate a fortune alleged to be \$4 billion dollars in four years is remarkable. And while this is going on the peoples of the oil producing areas of Nigeria are as poor as almost anyone in the world. It makes no sense.

Now all business is not as corrupt as the oil business. In fact most business, and especially small sized and medium sized small enterprises are just plain honest and hard working. They do not have the deep pockets needed to get heavily involved in grand corruption, and to the extent that they get “favours” it is more because of friendship than it is base corruption.

But while national level governance has had its problems, there are other aspects of governance that should not be ignored. Local government and community organizations are very important in the regulation of society. In the eyes of the official development assistance (ODA) community local governance is downplayed. But it is the quality of local government that determines how good the quality of life people can have. It is said that “all politics is local” but it is even truer to say that “all life is local”.

In broad terms it can be said that “value adding” from the perspective of the individual associated with government is the highest at the community level. The national level is more involved with projects that have a value destroying characteristic

GOVERNMENT CORRUPTION

PETTY CORRUPTION

SINGLE SECTOR FOCUS

MUCH TALK ... LITTLE WALK

CORPORATE PROFIT ... SOCIAL PAIN

Corporate profit ... social pain

In 2008, as demand for crude oil increased worldwide, crude oil prices hit record levels ... and so also did the reported corporate profit of the major (Western) oil companies. This is perfectly understandable ... most of the production is based on investments made long ago at lower costs and gas pump prices have increased in sympathy with the crude oil prices.

But, prior to Community Accountancy, there have been no systems of metrics to address the cost to society of higher gas prices ... and even though it is recognized that there is social pain, in the traditional working of the economy, there is no incentive or mechanism for corporate gain to be matched against social pain.

Understanding has both a technical dimension and a human dimension ... they are both important. If there is understanding of the behavior of all the key metrics ... then it is possible to move towards an optimization of performance. At the moment there is optimization, but it is all about profit optimization and not about achieving an optimized balance of profit reward and social progress. There is technical expertise, but nothing in

the analysis that explicitly looks at social value, nor the various aspects of the human dimension.

The technical metrics are cost, prices and values ... and the derivatives of these which are productivity, profits and value adding. The human dimension is an integral part of some of the behavior of these items, but there are other factors where human behavior is particularly important. What are the incentives that help to drive decisions ... and what can be done to bring an ethical dimension to the decisions being made that affect society.

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DYSFUNCTIONAL MARKETS

Adam Smith wrote about markets in his famous book 'The Wealth of Nations' published in 1776, almost 250 years ago. He talked about many things, but most people remember the idea of 'the invisible hand' of the market that helps to optimize the economy so that there is the best allocation of resources.

This idea has worked better than, for example, the communist system of state control of the economy.

In my view the old communist bloc of the cold war had two separate issues: (1) the economic idea that there should be state control of the economy; and (2) the concept of totalitarian control of the individual by the state. Both were bad ideas, but for me, it is helpful to separate the two issues.

The market system described by Adam Smith still works very well, but most modern markets especially those in the developed countries are very different. When Adam Smith did his study most economic activity was done in very small entities, and there were many participants in the market place. In contrast, today a huge amount of the economy is controlled by just a few producers, just a few wholesalers, and just a few retail outlets. In developed countries the consumer is expected to pay the price that has been determined by the retailer and the opportunity to 'haggle' over the price has been almost completely removed. The so-called market is no longer something where ordinary people engage in a market negotiation but something entirely different where large oligopolistic organizations control the outcomes.

The market mechanism has been called into play to help define what “price” should be ... but it really does not work very well. And when it is decided that the government can administer price better than the market, the results are usually horrendous. Examples abound:

Staff costs in the relief and development sector

Staff costs are important ... and especially the huge difference between the remuneration paid to local staff and remuneration paid to international staff. This subject has not been much discussed though it is very important in the design and cost effectiveness of almost every development intervention.

Frankly ... this subject has been kept off the table for at least the last three decades because it is key to most development experts' career planning ... and many who aspire to this group. But it is too important a matter not to get it addressed.

Powdered milk – impact of subsidy

I tried to organize the supply of powdered milk for an importer in West Africa ... and what I expected to be relatively easy was a nightmare. The cost of milk is very variable depending on how much subsidy the farmer has negotiated and where the cows are located. Both the European Union and the United States have highly subsidized cows. Of course the ex-farm price of milk becomes a component of the cost of powdered milk ... but then on there are programs that encourage export of agricultural products including powdered milk, and these programs are further subsidies. With the maximum of subsidy the price of powdered milk turned out to be about \$1,050 per MT in Europe and \$1,100 per MT in the United States ... and by the time shipping and insurance were factored in the cif cost was going to be somewhat lower from Europe than the United States.

But then it appeared that there were quantity questions ... and if the quota was exceeded and all the subsidy used, then the prices would not be \$1,050 and \$1,100 respectively but more like \$2,050 and \$2,100. At the lower price, the price being paid by our West African importer would have generated a modest trading profit ... at the higher price, a considerable loss. And then it started to appear that the problem of the missing subsidy on the supply side would go away if we ordered immediately with some premium to be negotiated. In other words everything had a price.

Meanwhile, our customer in Africa was relatively new to this business ... and the established importers did not want new competition. Suddenly his bank needed all sorts of additional information, and it became pretty clear that there was what amounted to an import cartel that also had influence in the bank.

Lesson ... while the market may be powerful as a theoretical construct, it is puny relative to the many different centers of economic power that control and profit from the status quo. The incentives that really matter ... the profits in the value chain are complex and usually driven by some important private relationships.

Tea auction – Malawi The conventional wisdom is that I

Cashew – farmgate prices in Kerala I

Controlled prices for everything – Guinea Bissau I

Coffee auction - Burundi I

Exchange control distortion – Nigeria I

Price projections – World Bank getting it wrong I

TVM Value Accountancy identifies some of these and helps get them addressed.

TVM Value Accountancy aims to put data about community economics into a balance sheet ... and see what are the constraining factors ... and how they can be removed so that the community progresses.

MILITARY INDUSTRIAL PROFITS

War, insecurity and violence

War and insecurity have resulted in a massive loss of economic value in developing countries over the past decades. Getting a more peaceful world and a more secure world will have enormous value in developing countries.

What war and military expenditure does in the SOUTH is disastrous. Spending on military hardware and supplies wrecks the budget. Use of military hardware and supplies kills and maims people, and uproots people from their homes and their normal occupations and creates refugees and internally displaced people (IDPs). Both do serious economic damage and destroy economic wealth,

Refugees and internally displaced peoples (IDPs) are a quiet crisis of our time. In the last twenty years in Africa there has been a continuing crisis of refugees and IDPs, but the crisis is not on the media agenda. UNHCR talks about their own crisis. Not having enough money to look after the refugees. But that is not the issue. The real issue is why do we have refugees and IDPs in the first place.

There is something wrong with a world where poor people have guns and do not have potable water. There is something terribly wrong when governments can buy F16 fighter jet aircraft and cannot buy basic medical supplies. What is wrong is not only the focus on destruction but the totally immoral allocation of scarce resources.

The video “Arms for the Poor” produced in 1998 shows some of the issues of military arms sales to poor governments. The jobs and profits of arms manufacturers are a key driver of the problem, and difficult to get stopped.

Governments cannot stop the escalation of military equipment sales. The politics will not allow it. But if it is not stopped the world's future is going to be increasingly dangerous and increasingly poor.

The killing and maiming of both combatants and civilians is a global disgrace. But for some reason the preconditions for war and insecurity are off the international development agenda until there is hot conflict and there is a resultant humanitarian crisis.

The anti-social behavior of soldiers is another disgrace with rape and pillage in our time as bad as it was in our history books. Rape in particular with high prevalence of HIV-AIDS in the population is tantamount to murder.

President Carter, to his credit, has made the challenge of conflict resolution one of his missions in life as a past-President of the United

States. But the issue of peace not war should be high on the agenda of every human being. It is a basic requirement of civilization. It is the foundation of natural law.

The sad fact about war is that there are enormous profits to be made when war is being waged. The economic history of the United States shows how immensely profitable war can be ... as long as the nation is a supplier of the materials of war, and is not being destroyed by the process of war. In the period 1914-1918, when the First World War was being waged in Europe, the United States was able to consolidate its position as the richest nation on earth. In the period 1939 to 1946 when the Second World War was being waged around the world, the United States again advanced its position as the richest nation on earth and emerged as a superpower. The great foreign wars helped make the United States wealthy. But the little foreign wars do the same thing. Guns and ammunition and land-mines and aircraft and other military supplies all add up to big and profitable business. But the problem of peace is that there is a reduced demand for weapons of war, and weapons of war are jobs and profits in the NORTH, and it is the NORTH that is in a position to set the global agenda.

The mindset that the Second World War helped to get the US economy out of the depression of the 1930s is still a factor in the way in which people think about military spending and jobs. In the USA, cutting spending on local bases is politically very difficult, and exporting guns and military hardware is seen as good for the US economy. What these exports do for the buying nations is not part of the decision matrix.

Everything associated with war generates jobs and profits in the NORTH as long as the war is in some remote part of the SOUTH.

But this is not just the United States. This is all the European nations, it is Japan and the Asian nations, it is Russia and the newly independent republics of the former soviet union. Every nation seems happy to sell armaments to other nations. Profit for the supplier, but potential mayhem for someone else.

The sad fact of war is that enormous profits can be made. Manufacturing organizations that produce military equipment and supplies can make huge profits. And, sadly, there is no accounting and accountability for the terrible economic value loss and human trauma that arises as a direct consequence of these materials. Not to mention the economic disruption and chronic shortages of a war economy and the rationing of essentials and the anti-social role of “black market” business

The essential immorality of profiting from war has been with me since my first memories as a toddler in London during the Second World War. There is always money to be made when there are shortages and rationing and the market system is subjugated to regulation. The black market was profitable and corrupt.

A land mine can be made for a few dollars, of which a substantial part is profit. But a land mine can blow off the legs of an unsuspecting civilian farmer thousands of miles away and years later. If the civilian does not die immediately, the persons farming

performance is going to be terribly diminished, and he and his family are going to suffer horribly. Replicate this thousands of times, and it is real damage to the society.

While litigation in the United States on behalf of victims of dangerous materials like tobacco and asbestos has generated billions of dollars of claim settlement on behalf of the “victims”, there is no similar movement to make claims against the manufacturers of weapons of war, though arguably, weapons of war are inflicting far more damage and devastation on the world's people than tobacco and asbestos.

Economic value flows are all from SOUTH to NORTH. By participating in the NORTH to SOUTH arms trade, developing countries are exchanging their tangible resources for the best that is produced for economic value destruction. And by choosing value destruction the SOUTH has landed in a situation where it has an impoverished economy and a disenchanted people who are largely hopeless.

The arms trade has been and continues to be one of the aspects of the global economy that makes development fail.

DISTRIBUTION OF WEALTH

MONEY, BANKING AND FINANCE

YOUTH EDUCATION AND UNEMPLOYMENT

VALUE DESTRUCTION

Poverty, economic value destruction and the distribution of wealth

Probably half the world's population is poor and hungry. Even while the world's aggregate wealth has been growing enormously over the past fifty years, faster than at any time in history, the number of poor people has grown as well. Debilitating poverty still affects about half the whole of the world's population or around 3 billion people.

Very few countries are rich, most are poor. Some people are rich, many are middle income but most are poor. The problem is the way resources are used and the way there has been economic value destruction in poor countries and economic value creation in rich countries. The problem is the process of economic value creation and the way it is managed for the benefit of the managers.

The same economic drivers serve to help rich people get richer and poor people stay poor. The fact that so many are poor is a worry to the rich, but it tends to be a reason for defending wealth and the wealth creating processes rather than being a catalyst to understand how more wealth can be created by the poor and indeed to benefit the poor.

The possibilities and promise looked for when the old European empires gave up their colonial possessions has not be realized to anything like the extent anticipated. But something is wrong when the world has half its population excluded from the possibilities.

The basis institutions that are being used to “govern” are not working very well, or at any rate are not working for the benefit of everyone. In fact the basic institutions seem to function in a way that ensures that the rich get richer and the poor get poorer. This is not by accident. It is because the basic economic model and the corporate business model that has emerged and proliferated during the past fifty years has a very limited planning horizon and short term focus.

Even though economic wealth has been created in the last fifty years at a pace never ever anticipated, it has concentrated to an extent that is dangerous. And the pace of concentration has continued to accelerate even as the boom times of the 1990s evaporate.

The role of “market economics” and the role of “globalization” have been discussed at length in a lot of places. But there is little in either of these themes that serve to explain how development has performed, how it is managed and how it can be reformed.

Just as the great fortunes of the industrial revolution and the early days of the oil industry and the automobile industry live on as major philanthropic foundations, the Carnegie Foundation, the Rockefeller Foundation, the Ford Foundation, etc. the new fortunes of the more recent past are spawning a new era philanthropic organizations. The Templeton Foundation in finance and the Melinda and Bill Gates Foundation from technology are examples.

But the underlying fact is that the same economic mechanics that made concentration of wealth happen in the “robber baron” days of 19th century capitalism still work the same in the much more highly sophisticated capitalism of modern times. And it also possible to say that the same foolishness that dominated the market in every boom time in history are still in play today.

And some of the same economic mechanics that worked in the mercantile empire era for the European empires still works for the economically powerful NORTH in its economic relations with the SOUTH. Just as colonial possessions provided raw materials for Europe's factories, now the SOUTH provides raw materials for the NORTH, and especially the United States.

And while much raw material production in colonial times had a big local labor content, modern raw material production is highly capital intensive with very little local labor and economic value adding.

In political terms the SOUTH has independence, but in economic terms the SOUTH is ruined and is facing disaster.

The world's wealth is now more concentrated in the financial centers of the NORTH than it was at the peak of empire. The difference is that New York is now bigger than Europe and Tokyo (and Beijing and Hong Kong) have important financial centers and function as part of the NORTH.

But the SOUTH is poverty stricken. Its financial base is almost non-existent. Even the oil rich exporting countries have failed to move solidly into the NORTH and remain outside the exclusive club of global leadership.

The idea that a single individual can get paid \$1 million for a year's work raises lots of questions. The idea that more and more at the top of the NORTH are getting paid \$10 million, \$100 million or more is even more questionable. While a family in the SOUTH may not even get paid \$500 a year. And a poor family in the USA may only be getting \$10,000 a year, a lot more “money” than they would get in the SOUTH, but still true poverty because of the high cost of a lot of essentials in the NORTH.

The global economic system as it has been operating for the last few decades is doing some things very well, but it is by no means perfect, and the way that rich and those in control positions are able to augment their riches while the poor are on an everlasting cycle of working to survive. In the NORTH the survival is “economic”. In the SOUTH survival is “staying alive”.

TRADE FLOWS

Balance of trade, currency crises and government insolvency

The balance of trade, the evolution of currency and government public finance are all in the disaster category for countries in the “south”. Nothing has gone right for the countries in the “south”. What on earth is wrong.

I became interested in the history of trade partly because of history, partly because of my interest in geography, partly because of my interest in ships and technology, partly because of my interest in economics. I got to use it practically as the CFO of a shrimp fishing company that was very nearly bankrupt in the aftermath of the 1970s oil shocks. I learned about the history of the shrimp industry and how trade and prices had behaved since the industry first went international after the end of WWII. Our company's knowledge of the market soon made us as good as any company in the world, and I testified at a Congressional inquiry about the shrimp industry based on our company's expertise.

And then I found myself working with the experts of the World Bank, and trying to understand the work they were doing. Myself and a number of other external World Bank consultants found ourselves at odds with the World Bank projections.

These World Bank projections produced in the period from about 1978 to 1982 were really wrong. They were prepared by people who knew statistics (a lot better than I did) but had very little understanding of the dynamic of industry, the decision making of investment and the impact of changing variables on a market.

The “south” has been a currency disaster.

I learned as a student that money was both a store of value and a medium of exchange. HA! Not true when the currency is a “south” currency and everything has gone wrong with the economy. Hardly any “south” currency has maintained any value at all.

The reason for failed currency is simply that there has been failed development.

And public finance has been another area of disaster. It has been a low priority for World Bank until it was too late. Huge projects fail under the guarantee of a sovereign government and it is a no brainer that the government is going to be practically bankrupt, while not having any ability to be bankrupt. The system makes no sense, yet the ORDA community fights hard to preserve the fiction.

THE BUSINESS OF HEALTH

Health pandemics

For a while it looked as if the biggest success in post colonial ORDA was going to be in the health arena. Health improved a lot as a result of some excellent work in the health sector spearheaded by UNICEF, and guided well by the WHO. The accomplishment of getting almost every child on the planet immunized was impressive and as a result critical diseases like chicken pox, measles and polio were reduced worldwide.

Expectation of life increased almost everywhere by about 15 years and almost everywhere reached near 60. An impressive improvement.

But there have been new challenges, including HIV-AIDS. This pandemic is reducing expectation of life and the progress achieved is being lost. Botswana, a country badly impacted by HIV-AIDS is expected to have a life expectancy of around 35 years in the next few years.

And the health of the economy is translating into the health of the government and its ability to have a working health sector. The expectation is that there will be government health services. In practice there is little or no money.

At the end of the colonial era there were many initiatives to address the problem of malaria. Most of these programs terminated. A WHO initiative years ago had a high profile for a while but funding ended and malaria has become a killer in the “south” on a scale similar to AIDS. This is unconscionable given that it is relatively easy to address. Places like the State of Florida in the USA no longer have malaria, simply because funds have been used to control mosquitoes and in turn control malaria.

Some parts of the world had success in reducing the burden of malaria ... but essentially almost nothing was done in Africa to control mosquitoes and abate malaria.

Death from failed development is running at the rate of perhaps 20,000 a day ... say 7 million a year.

How can the worlds leaders not pay any attention in the face of this. But then, the world's leaders did not do much in the face of the holocaust in Europe, or Cambodia's killings, or Rwanda's genocide

MIGRATION ... HUMAN TRAFFICKING

But migration to where?

The rural economy in the modern world with the present development paradigm is not able to support people as it might have done in the past. There are market pressures and there are population pressures. But migration from a failing rural area to a typical urban area is essentially “out of the frying pan, into the fire”. The people who are having difficulty succeeding in the rural setting are also likely to be in trouble in the urban setting, and maybe worse.

Development initiatives have got to get to the root cause of rural economic failure. There are many elements to be addressed.

The first responsibility of rural communities in developing countries should be related to food security. Rural communities should be able to produce a good surplus of food over what they need for their own consumption and for seed requirements. Food is first. If they can also produce other crops to earn cash, then that is a bonus. But the first job is to produce food.

And rural communities should be able to get easy access to safe potable water. This is perhaps the top job for community leadership. If there is no water, there cannot be much community.

The next issue is probably fuel, and this is likely to be fuelwood. There is a global energy crisis, and it is fuelwood. Rural populations have grown and the fuelwood supplies have been depleted and the problem of deforestation is accelerating all the time. And rural productivity degradation continues in a vicious cycle. Because of deforestation there is more soil erosion and less productive agriculture, and then less food and more hunger.

This is a big problem. We will come back to it again.

FAMINE

Hunger and famine (food, water and basic necessities)

The issue of lack of food, and lack of safe water and lack of basic necessities is having an impact on about half the population of the world, some 3 billion people. The experts of the official development assistance (ODA) community know about this, and the leaders of nations in the NORTH and the SOUTH know about this, yet it is a problem that not only persists, but gets worse.

'Global Banquet' is a video produced in 1998 that shows some of the issues of poverty and food shortage in a world where plenty is possible. Its thesis is that large scale corporate mono-culture supported by subsidy has defeated value adding labor intensive sustainable multi-culture. Corporate win, people defeated

The video's thesis is well intentioned. But the problem is both broader and deeper. Without understanding a lot more about the global economy and local cultures and area issues, it is very difficult to sort out what are the symptoms and what are the fundamental underlying problems. After forty years of development effort, it is sad that there is no apparent consensus about a way forward for development that looks like being successful. What became clear very early on in my development consultancy career was that success in development required progress on many fronts at the same time. My experience in Nigeria showed me very clearly that money flows on their own would not result in development success. It was also clear to me that good people and good intentions were not going to make a difference as long as control of the process was subject to corruption and fraud.

The failure of world development was already becoming apparent in the 1970s, and in the 1980s famine became headline news, especially the famine in Ethiopia. As a result a lot of money was raised for famine relief in Ethiopia, and also for other famine affected areas. I did some planning work during that period in futile attempts to integrate emergency and development initiatives. I tried to get "Band Aid" funds to be used

effectively, but could not get heard. It was heartbreaking. The decisions were tough. Feed the dying or build a future for the living.

The commitment of good people working in the emergency organizations is amazing. They do incredible work in impossible circumstances. But the fact that they are needed is a problem.

There are multiple systemic and process problems that make needed changes very difficult if not impossible. People being hungry is partly cause by shortage. People cannot have food and water and the other basic necessities when there are none to be had. But it is not the only problem. Another critical problem is that while food and water and basic necessities are available, poor people just do not have the economic means to buy them.

The two problems are quite distinct, and different strategies are needed to have a lasting impact on these problems. There are linkages, and there are ways for the strategies to be effective.

On a global basis there is no shortage. But at a local level there may well be a physical shortage. If the community has no buying power, there is no market mechanism that will solve the shortage problem. With no demand the market suppliers will not make any offers of supply, and the shortage will continue.

If it is impossible to have value adding economic activities of any sort in an area, then the people are well advised to move. Economic migration has been a part of history, and is with us as much today as it has ever been. If people cannot survive in terms of food and water and basics, and the local environment does not allow for any productive economic activity, then migration is what should happen.

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