

**Community  
Metrics  
for  
Accelerating  
Socio-Economic  
Progress**

# Community Metrics for Accelerating Socio-economic Progress

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**By Peter Burgess**

**Published by  
Tr-Ac-Net Inc**



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**Management  
Information  
for Relief and Development.**

**Community  
Metrics**

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Dedicated to my family and friends.

# Community Metrics for Accelerating Socio-economic Progress

## **Some Conventions Used in the Book**

### **“North” and “South”**

Instead of referring to “developing countries”, the “underdeveloped countries”, the “least developed countries”, the “Third World”, etc. I use the term “south”.

For the “industrialized countries”, “rich countries”, or whatever, I use the term “north”.

Obviously this does not fit into a rigorous geographic interpretation, with Australia and New Zealand, for example, being part of the “north”, but I prefer these labels to any others.

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**Symptoms ... Results.** Huge sector ... huge failure. The relief and development sector. Documented failure. Poverty bigger killer than terrorism. Where did it all go wrong. The problem of war, violence and terrorism. The problem of poverty and hunger. The problem of disease and premature death. The problem of education. So much intolerance.

## 2. Problems ... Causes

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**Value destroying activities.** What is value destruction? Development projects and programs. Technical assistance. [Box: Examples]. Foreign direct investment (FDI). [Box: Nicaragua]. Parastatals. [Box: Parastatal Performance]. [Box: Liberia ...Early 1980s]. Privatization. [Box: Laos ... Privatization]. Trade and a global market economy. [Box: Malawi – Tea].

**Grand corruption.** A long history. In my own experience. Nigeria is bad, but probably not the worst. [Box: Nigeria in the 1970s]. Widely distributed. [Box: Making Corrupt Money in Fisheries in Burma].

**Expensive organization and process.** Really expensive. [Box: Location of Industry]. Work Factor analysis. [Box: Work Factor]. Information systems from the Stone Age. Overhead without information is expensive. [Box: What a Lot of Overhead]. Overly expensive organizational structures. [Box: World Bank]. [Box: Juba – UNDP Sub-Office]. A lot of expensive stupidity. [Box: Lesotho].

**Poor Information.** Lots of Data ... Not Much Use. Why is so much data compiled? Are data really needed for decisions? [Box: Are Data an Integral Part of Decision Making?]. Technical data. Economic data. But NO financial data. UNDP information going backwards. [Box: Why Was the DCR Discontinued]. OECD DAC Reporting. [Box: DAC Data Accuracy]

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**Organize and Implement.** Critical for performance improvement. Implement. Small steps. Getting improvement that sticks. [Box: Balloons and Wrenches]. There is no one best way. [Box: Getting Good Results When There is Chaos]. Make best use. [Box: Getting the Most for the Least]. Resources. People ... who needs opportunities. Infrastructure. [Box: The Challenge of Infrastructure]. Organization. Natural Resources. Knowledge. Money. People, knowledge and money. Constraints.

**Measurement.** Why? [Box: Ignorance is Bliss]. Without information, anything goes. [Box: Sports Performance]. Measure costs ... activities ... and outcomes. Measure, collect data. Measure ... make it easy. Distributed analysis. Organize the data. Communicate and consolidate the data. Result of measurement.

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**Audit.** Audit is not an oversight tool.

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**Internal Accountability.** Accountability to whom? What really is accountability? Who is to blame? Whistle blowers. A system without accountability. Who wants good accounting? Accounting and accountability. Responsibility accounting. [Box: Management Accounting for UNDP].

**Public Accountability.** Accountability to whom answered. What is public accounting and accountability?

**Transparency.** A new dialog. What is transparency? Organizations and transparency. Global Fund. [Box: The Global Fund]. World Bank. [Box: The World Bank].

**Information Infrastructure.** Information ... communications. Management information, planning and process. Management information system. Documenting success.

**Ethics, culture and religion.** Is it right or wrong? Is it legal? Whatever happened to right and wrong. Different systems of law. Corporate responsibility. [Box: The Crime is Getting Caught].

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**Accounting: At the core of management information.** A powerful and universal management tool. A coherent framework. Accounting. [Box: Delayed Accounting is NO Accounting]. Accounting is very different from economics. Accountants need to be critics. [Box: I am a Good Critic]. Accountants do not create good performance. Rules versus principles. [Box: Rules Versus Principles]. Balance sheet. [Box: What is a Profit?]. Transactions. Voucher based bookkeeping. [Box: Lots of Accounting ... and No Information]. Keeping people honest and on the right track. [Box: ROI – Risk of Incarceration]. Who understands accounting? [Box: Accounting Not Understood]. Professionalism. Public sector accounting. [Box: Cash Versus Accrual].

**Financial Control. Control of Money.** There's a hole in the basket. Very little of the funding gets to beneficiaries. The central cost of financial control. Money ... catalyst for performance. Money, the root of all evil. Money laundering. Building trust. Keeping control of the money. Knowing what is done with the money. Making information accurate. Control through measuring performance.

**Reports ... and Reporting.** Purposes of financial and operational reporting. Complete report sets. Reporting can have different formats. [Box: Reports]. Reporting to stakeholders. [Box: Less is More].

**Cost Accounting.** How much does it cost? Management accounting and strategic decisions. [Box: Cost Analysis as Foundation for Strategic Decisions]. Accounting to analyze performance. [Box: Improve Profits by Understanding Cost Behavior] Profit centers. Keeping score. Ignorance of costs has bad consequences. [Box: Bad

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Technology ... the Enabler. Walking not just talking. [Box: Phantom Aid]. Moore's Law and missing productivity. Infrastructure.

Information ... the Value. The nature of information. Information media. Information flows. The value of information. Managing information for effectiveness and security. Start making measurements. [Box: Measuring Performance]. Mere measurement improves performance. [Box: Mere Measurement Improves Performance].

Networks ... the Connections. Enabled by new technology. What an opportunity. The network effect. But it is better. Are data needed for academic progress?

A Public Accounting Utility. Why is a public accounting utility needed? What about the press? What about the World Bank, IMF, etc.? The main elements. Information. A communications network. An information storage capacity. A data mining or data analysis capacity. Information about everything. [Box: Database of Community Information].

## **8. Afterword**

**Can We have Success?** Certainly ... but only if. What's in it for me.

**What Success will Look Like.** Not at all sure.

## Foreword

### Broad brush ... subject to criticism

I am well aware that what I am writing about is not something that people in the relief and development sector want to hear. I will be criticized for not having the sort of information that allows my writing to be put through a peer review process. But I am not writing to start an academic career, but to make a tangible contribution to relief and development sector performance, and specifically to get a culture of “management information” in play so that better decisions can be made, and value destroying waste and corruption minimized.

I am very critical of Governments, the Breton Woods Institutions (World Bank and IMF), the UN system, the bilateral donors and the international NGOs. They are powerful entities that have failed to get reasonable progress in relief and development. I believe that they should have done a lot better and deserve criticism.

I am also critical of a powerful business and political elite that has been willing to embrace unlimited private wealth creation without much concern about ethics, social responsibility and the common good. I am critical of an international corporate culture where anything goes as long as profits grow.

Broad generalizations need caveats. I want to exclude from my broad criticism a big number of staff in the relief and development sector that work hard and exceptionally well in dangerous conditions without much regard to their own safety and do amazing things. But the overall system is so ineffective that the good work being done by good people is offset by an organizational setup that leaves relief and development a disaster.

## Chapter 1 - Setting the Stage

# **Chapter 1**

## **Setting the Stage**

# Community Metrics for Accelerating Socio-economic Progress

## **Chapter 5**

# **Elements of Management Information**

## Chapter 2 - Metrics About Community

## Chapter 2

# Metrics About Community

### Community is the Center of Everything

Where do people live?

It is said that “All politics is local”, and I would extend that to say that “All life is local”.

But to the extent that powerful people may not want management information that shows performance ... or lack of it ... relief and development performance at the community level has never been on the agenda.

### Information

In order to be supportive of community activities, information about local community and country organizations needs to be very good.

But information not only needs to be good, it also needs to be accessible, and it needs to be current and reliable.

Modern technology would allow community information to be updated in real time. What is happening today in the community, and how can the community do better? When we go about asking this question and insisting on answers that make sense, we will start to see some sustainable progress. Up to now remote rural communities that are also poor do not have access to much information, and it is a big challenge to bring them into a process that delivers desirable socio-economic development.

Much is possible, but it requires a new framework for the management of management. Such a framework is technically feasible, and some organization should commit to making this possible, sooner rather than later. But such a framework also needs people who understand the potential and are also committed to the concept.

### Good place for performance metrics

The community is a good place to see socio-economic progress ... or regression. It is very obvious what is happening, and how it is happening. Sometimes it is less obvious why it is happening. The community is where the measurement of relief and development progress should be taking place, and where incremental resources should be used.

I have always enjoyed visiting new places. Within a very short time it is possible to get an impression of what sort of a place it is. This is a function of geography, of people, of history, of culture ... it is a big mix, and almost every place has a different feel to it. This seems to suggest that “progress” is going to be optimized by different approaches and priorities in different places. It suggests that a universal standard “silver bullet” approach is never going to work, and it also suggests that this is a good place to do performance and progress measurements.

We also know that the infrastructure to facilitate the free and easy flow of information is a problem in many poor parts of the world, and especially in the global “south”.

And we also know that there is some corporate operating information in remote communities in the “south” that is better not easily accessible to the general public and those who want to monitor and assist in community progress.

So while community information should be easy ... it is not as easy as all that.

The relief and development sector data collectors have done a lot of data collection, but almost none of it is about community nor organized in a useful way for relief and development performance analysis. Sometimes there is a focus on individuals and households, or some aspect of sector activity, such as health, but nothing that is

## Chapter 2 - Metrics About Community

about the performance of the community and the impact therefore on people and families.

The leaders of the community probably know what to do to make the socio-economic conditions better, and they also know the constraints they have to face.

### Collecting community information

A lot of information about communities is known, but it is often in forms that are difficult or impossible to access using any form of modern technology. Old people know lots about their communities, but it is in their heads. It needs to be collected and put into some sort of record. And some of the information then needs to be put into some sort of electronic record. This is easier said than done, but I believe it is both worthwhile and quite possible.

Probably the best way to do this is to encourage it to be done by community people for their own information and guidance ... and to get it put into a form that can also be used as a component of a universal system of public accounting.

It is worth noting that some of the best information about communities is contained in travel books. The information included in travel books is information that the authors consider will be useful for people who are visiting, mainly for their own amusement and pleasure. Much of this information is also of considerable value for understanding the socio-economic status of the community and what the community should be doing as a priority to improve its socio-economic situation. Travel books are often improved by feedback from travelers. Community economics information can be improved by anyone with better or more information.

Of course, there is a lot of information about communities in various military information systems. This information is not usually easily accessible by the public at large.

And there is probably a lot of interesting information compiled in various political party data systems. This information also is not usually easily accessible to the public at large.

It is possible to learn about a community, but sadly, in our modern world, more is probably known about communities around the world so that they can be bombed than is known so that they can be helped.

This should be changed. The technology to do it is quite easy, but it is not yet organized to be used in this manner.

### Metrics for community progress

Tr-Ac-Net has pioneered some of the ideas of socio-economic performance reporting. Specifically Tr-Ac-Net has been an advocate for using the community as the key focus for socio-economic performance metrics. An organization may be here today and gone tomorrow, so also a project, but the community stays in the same location for ever.

#### Okehampton, my home town

Okehampton is a small town in Devon, England. My family moved to Okehampton when I was five, at the end of the Second World War. At that time it had a population of about 4,000 people, slightly up from a pre-war AA book listing that reported around (as I recall) 3,800 people.

It was a small farming town. Nothing really special. In fact it was rather less important in 1945 than it has been almost 900 years before. William the Conqueror came to England in the UK, and almost immediately documented what was in England in the Domesday Book. Information about Okehampton is in the Domesday Book, and to consolidate the western frontier a Norman castle was built to fortify the village.

I learn from this that a geographic community has a near perpetual existence that is very valuable when developing management information. People, organizations, projects, and governments come and go, but the place is for ever.

### **Metrics of the Community**

Where is the community

Physical geography of the community

Economic activities of the community – by sector

Economic activities of the community – by organization

The for profit enterprise sector is

The not for profit private sector is

Cooperative organizations are engaged in

National government organizations are engaged in

Natural resources of the community

Who owns what?

Community governance

Area and national governance

Landmines, UXOs and post conflict constraints

The community goods

Community revenues

About the people

Culture ... caste

Migration

Youth

Sports

Religion

## Chapter 2 - Metrics About Community

### Infrastructure

Roads

Housing

Utilities – electricity

Utilities – gas

Utilities – telephone

Impact of globalization on the community

Community plans

Community potential

Community constraints

Community priorities

Sustainability of the community

Water

Fuelwood and charcoal

Quality of life

Jobs ... employment

Laws ... justice

Population ... people

Tribes ... clans

Housing

Community facilities

Warehouse ... go-downs

Food security

Transport

Who owns what vehicles.

Public transport

Health

Dynamics of development

Education

Child care

Orphans

## Metrics of Community Progress

### The community balance sheet

In the corporate world there are balance sheets, operating statements or profit and loss accounts and cash flow statements. They all form a complete and integrated reporting package suited to the for profit corporation. The balance sheet is, more than anything else, the part of the financial package that shows the results of good performance.

Progress is when a community increases its net resources over a time period. This is very similar to the idea in corporate accountancy that a profit is the difference between two balance sheets.

A similar concept can be used to document the performance of a community. What is the state of affairs at one point in time? What is the state of affairs at another later point in time? What are the changes?

The metrics of community progress can be quite simple ... or very detailed and complicated.

If the resources and situation in a community are documented at a point in time, and then the same documentation is done a some time later, for example the beginning and the end of a year, then the difference shows what has happened over this time.

There is “progress” if a year later the same set of information shows there has been an “improvement”. There is regression if the information shows that there has been a “deterioration”.

In most communities to stay the same requires a year of hard work from everyone. If the rains are good, and the harvest is plentiful, then the work for the year may show a situation that is significantly improved over the prior year situation.

On the other hand if there is drought, then the crops fail and the situation will deteriorate over the prior year situation.

Progress can be measured looking at the change in the status of the community over time, and without having to know very much about the activities of the community in the time. But if there is also some measurement of the activities, it then becomes possible to see why the community has performed in the way it has. When this is understood it is possible to design development interventions that are the least cost way of improving the communities performance.

## Chapter 2 - Metrics About Community

The community has many benefits that make it an ideal entity for planning and tracking development progress. Every community has a unique combination of resources and potentials and constraints. Each community has reached a unique place in the process of development and has a certain unique standard of living and social structure. A community can benefit the most when the planning and development actions are optimized for the specific community and its unique conditions.

### Establishment of trust

Most poor, small or remote communities do not have an incorporated structure and any global visibility that is “trustable” by the “north” ... and this has to be addressed. Without an acceptable level of “trust” it is impossible to get external funding assistance to a community in an efficient way. The issue of trust can be addressed with a combination of information and organization as discussed elsewhere.

### Community based metrics

The community has a very different view of priorities than when they are identified from the donor's home office or the local central government.

And relief and development sector performance also has a very different view when it is done from a community perspective rather than that of an implementing organization or a donor.

## Community Metrics

The basic metrics needed to understand socio-economic development progress at the community level are best described as being: (1) information about the community at the beginning of the time period; (2) information about the normal activities of the community; (3) information about the incremental relief and development activities in the community; and (4) information about the community at the end of the time period. This information is a true public accounting of community level socio-economic progress.

The information needed is what is important in the context of the community. This is usually quite obvious in a small community, though it becomes a lot more difficult in a bigger and more complex community. In a complex situation the community analysis can be done in stages, breaking down the community into several affinity groups with similar activities, and then combining into a single spatial community.

The conceptual framework for community analysis is not very different from the system of financial accounting and analysis used in the corporate world with balance sheets and operating statements. In both cases resources are being used to improve the values appearing in the balance sheet.

Starting in 2003, Tr-Ac-Net started to develop a data management system to put public accounting of community level information into an easily accessible database or data warehouse.

What is the point? These data will show rather graphically: (1) how little of the relief and development resource actually gets into a community; and, (2) how valuable a small amount of incremental resource can be when applied correctly. When these data are used by financial analysts interested in global socio-economic progress they will recommend change to improve performance, just as they do with present day corporate and municipal equity and bond financing.

## Linkages

There are important linkages between people, communities, organizations, projects, sectors and functions

It is said that “All politics is local” and I like to say the “All life is local”. Quality of life is something that is determined as much as anything by what goes on in our own community. What goes on at any distance from my community may be interesting, and may have

## Chapter 2 - Metrics About Community

an indirect impact, but is nowhere as near as important as what goes on in my community.

And within the community, my family is far and away the most important. To the extent that people are interested in far away places, it is often because a family member is there.

Organizations have a role in society, but it is an artificial role, or a role that is needed for efficiency, rather than being something of inherent importance to society.

Sectors also are a somewhat artificial construct. They serve to help organize thinking and the specialized expertise needed in that area of socio-economic activity.

Within a community, an organization and a sector there are a number of common functions. Functions are the activities that are needed in a community, organization or sector that have common characteristics. Accounting for example is a function that exists in communities, organizations and sectors. Marketing is a function. Transport is a function, as well as being a sector. Thus, an ambulance is part of the transport function in the health sector.

The success of relief and development and socio-economic progress depends on how all of this comes together.

## Resources

Performance depends on both process and resources. It is possible to get good results or bad results from available resources, but if there are no resources, there can be no results. The critical challenge for the relief and development sector is to understand what resources there are, and to use them in the best possible way. The main resource groups are described briefly below: (1) people; (2) organizations; (3) infrastructure; (4) natural resources; (5) knowledge; and. (6) money. Constraints must also be identified, understood and steps taken to mitigate their impact.

## Organization

The organization of society is complex and important. It also varies a lot from community to community. What seems to be the best way to organize for a company like Wall-Mart or McDonalds may well be absolutely the worst for an organization in the middle of Africa or South Asia.

Organization and organizations in a community are very definitely assets. Things get done because of organization and organizations. Most substantial work requires a group of people, and groups have to be organized in some way.

## Infrastructure

Infrastructure helps to make a society productive, and helps to improve quality of life. In the “south” the lack of infrastructure is a serious constraint whether it is national scale infrastructure like trunk roads, ports and railways, or the little feeder roads around the community.

What about roads, and railways, shipping and air transport. What about the vehicles and the services?

What about electrical power, telecommunications and Internet?

What about water and sewage?

What about the education system, the schools and the knowhow?

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What about health system; the local clinics, the district hospitals, the trauma centers and teaching hospitals?

What about the enabling environment of laws and rules and regulations..

### Natural Resources

Natural resources ought to be a source of local wealth, but too often it appears that natural resources merely serve to enrich others. Local people give up very valuable rights for token payments simply because they have absolutely no understanding of what is at stake.

What natural resources are in the neighborhood?

What are the prevailing laws, rules and regulations concerning natural resources?

What are the property rights associated with natural resources. Who owns them?

When the facts about natural resources are available it becomes much clearer about who is benefiting from natural resource exploitation. Too often the local people are not seeing much value creation in their communities.

### Machinery & Equipment

Factories and their machinery and equipment are important assets, and should be included in the understanding of community resources. Business machinery and equipment is an essential for business employment, and business growth is frequently constrained because there is not enough machinery and equipment.

### Working Capital

Working capital is another important asset, and one that frequently constrains business growth. In order to grow a business needs adequate inventory and it often needs the ability to finance accounts receivable. If there are banking services, a business can cooperate with the bank to finance working capital, otherwise this has to be funded by the business owners.

### Knowledge.

Without knowledge very little can get done. There is a huge pool of knowledge that has accumulated over the years, and it new

knowledge is accumulating at a record pace. Relatively little of this knowledge is about matters that affect relief and development performance.

Accordingly, there needs to be a focus on getting together knowledge that is of importance for success in socio-economic development, and especially knowledge that is useful in the community setting, whatever that is.

### Money

Money is often identified as the constraint on socio-economic progress. There is a lot of talk about “not enough money” but from all I know about relief and development, the amount of money is not the problem, it is much more a problem of getting the money to the right place and doing the right things.

Lack of money is both a cause of business failure and also a reason why business was never able to start. Money is a limiting factor in business and almost all economic activity, but it is not the most important determining factor for success. Money is needed to fund things like infrastructure, or machinery and equipment, or working capital, or payrolls ... all things that make it possible to carry on economic activities and for value creation to take place.

But a lot more can be done with available money if there is a complete optimization of the use of all available resources and there is the best possible organization of all the resources.

### Constraints

Constraints are the lack of any of these resources or anything else that gets in the way of progress.

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## Chapter 3 - What Next?

## **Chapter 3**

### **What Next?**

**People, Technology,  
Information, Networks,  
Organizations, Management,  
Measurement, Methods**

### **A Public Accounting Utility**

#### Why is a public accounting utility needed?

A public accounting utility is needed because the public ought to have easy access to information that they reasonably have a right to see, study and understand.

#### What about the press?

This is, more or less, the argument for the press ... the media ... to have rather unusual rights under the Constitution of the USA and its amendments. One can argue that the press serves as a public accounting utility, but they have also, arguably, failed in this, because they are so much obligated to a commercial profit model of performance.

The press is also in the business of news more than they are in the business of information. Maybe, the analysis of information might become news ... and a public accounting utility serves as a way for information to be brought together to be accessible to the interested public.

#### What about the World Bank, the IMF, etc?

The World Bank, the IMF and the UN agencies are natural repositories for public information about relief and development sector performance ... except that they are also key actors in the relief and development sector, and also key actors that are under more or less critical review.

In fact, a lot that is wrong with the relief and development sector seems to have arisen because these institutions have failed to make information a priority and as time has gone by decisions seem to have been based more on more on opinion and less and less on what the information showed was working.

What is the point of anything, unless there are users. In the case of public accounting, the users are eventually the people and the representatives of the people, and those that advocate for the people, and the 4<sup>th</sup> estate, the media, that reports on anything and everything to inform the people.

## The main elements

The main elements of a public accounting utility are: (1) information; (2) a communication network; (3) an information storage capacity; (4) a data mining or data analysis capacity; and, (5) users.

## Information

The meta data for information needed for public accounting is already well defined, but not presently conveniently presented. Rather, different bits are in a variety of different places.

Information can be collected from all sorts of sources and organized to be in a common form and available for open access use.

## A communication network

A communications network used to be a very expensive proposition, but that changed with the deployment of the Internet. Sadly the Internet is still difficult to access for most of the poor “south” and to the extent that it is available it is expensive. Access availability and expense are constraints, but the underlying Internet technology can be deployed at affordable costs.

## An information storage capacity

A database of information can be built relatively easily. The relational database that originated with Cobb in 1978 made organizing data a lot more efficient than it had been previously. The relational database is the foundation for almost all modern accounting systems, and any large body of organized data.

The relational database can be deployed in: (1) a private computer center; (2) at the desktop; or, (3) in the Internet space. All variants have their place. The private computer center has the advantage of security, the desktop the advantage of being accessible in the community and the Internet of being accessible from anywhere. I have not yet embraced the idea of the database on a mobile I/O device, but it can also be envisioned.

Modern information storage technology is now making it possible for enormous quantities of electronic digital data to be stored economically. The technology is available. The challenge is to get it deployed in a useful manner.

### A data mining or data analysis capacity

Again, modern technology is available. The challenge is to bring suitable technology together with the information and the storage so that useful results can be easily obtained.

### Information about everything

A public accounting utility can be used to put all the relief and development fund flows into an accounting framework. It can also be used to get a lot of data from the “south” that can be used to inform the “north” about the fund flows and the performance of relief and development sector activities.

#### Database of Community Information

Getting a database of community information built is something that is priority for the Transparency and Accountability Network (Tr-Ac-Net). A start has been made, but the work is far from complete, and it does not have any value unless there are also other initiatives working so that the information can be maintained and effective use made of the data.

In a first phase, a lot of data was compiled using a Wiki ... it was a success in terms of demonstrating that information could be collected in a reasonably disciplined manner. But it was useless for analysis.

In the next phase an Internet based relational database was used to pull together data about various aspects of relief and development, including community information. This showed a lot of potential. It was not very elegant, but it worked.

In the next phases, the community information will be combined with various sets of organization information, project information, and fund flow information to provide a community view of the whole of the relief and development sector, and especially funds disbursed contrasted against the aggregate of community level activities and the value of these activities. It could get interesting.

## Chapter 4 - Financial Resources

## **Chapter 4**

# **Financial Resources**

# Chapter 4 - Financial Resources

# Community Metrics for Accelerating Socio-economic Progress

## **Capital Markets**

### Capital Markets and High Net Worth

There are massive amounts of financial wealth that are controlled by the capital markets and people with high net worth.

## **Mobilizing Money**

### **Funding Raising**

Fund raising outside of the existing relief and development sector framework needs to be established and the right sort of information made available so that it can be scaled up to millions and billions. This is entirely possible with the effective use of information.

Funding raising is a critical component of the modern relief and development sector, but it really needs reform. Developing countries have a huge need for capital investment for development, but they have no access to capital markets, other than through ineffective intermediaries that includes the World Bank and the IMF.

The availability of capital in the world's capital markets, and in various philanthropic funds has recently reached record levels. But these funds are not available for relief and development investment where it is most needed. What is needed is a new class of intermediary organizations that make it possible for low cost funds to be mobilized at low risk for the lending institution and be available for investment in community projects at a higher risk and at a higher price. The selection of community projects should be done not using “north” type MBA analysis based on number crunching spreadsheets, but using analysis that links the investment to community needs and the value to the community of making the investment. This is the same value logic to be found in an MBA's spreadsheet except that the entity is the community and its people, rather than a simple legally constituted corporate organization.

### New financial instruments were created for New York

When it was New York City that was in a financial crisis in the early 1970s, Wall Street was able to create a workable solution (See Box). It is possible to do a similar thing for the world's small communities so that nobody loses and everyone is a potential winner.

#### When New York was in financial trouble

But the communities referred to are not large, nor are they corporate entities. But they do have something in common with New York City back in the 1970s. New York was out of cash, its tax revenues had diminished dramatically as the “Go-Go” years of the late 1960s were replaced by Wall Street cut backs, and New York was in dire financial straights. Felix Rohatyn, a senior partner at Lazard Freres, was seconded to the city to help put the fiscal house in order. In a matter of weeks a new structure was created that made it possible for New York City not to go bankrupt, not to disburse money it did not have to its bond holders, and to get a substantial infusion of new cash using a new type of financing through the Municipal Assistance Corporation (MAC). Bottom line, New York City probably did have a future, there was cash in the overall economic system, and what was needed was a way to bridge the gulf without anyone losing and everyone a potential winner.

## World Bank for Public Finance

The World Bank should be one of the key intermediaries, but it should be a builder of financial stability for the “south” rather than being a huge and amorphous programming monster that does thousands of things, and hardly any of them well. (See Box)

### World Bank for Public Finance

The World Bank was meant to be one of these key intermediaries, but it has really failed. The World Bank can be, once again, an important and effective part of a high performance relief and development sector.

Wall Street is already comfortable financing the World Bank, but the World Bank has disbursed the monies raised in ways that have resulted in value destruction in the beneficiary countries, and too much debt that is highly onerous for the beneficiary societies. The reasons for this have been already discussed at some length in earlier chapters.

But the World Bank is an ideal intermediary for the rebuilding of the “Public Finance” sector of the “south”. This is one of the areas where World Bank scale is appropriate.

In some ways this is what Structural Adjustment should have been able to do, but never did. But a World Bank program that funds the “Public Finance” sector and insists on just three basic things: (1) excellence in accounting and financial reporting; (2) management information about socio-economic progress; and, (3) a high standard of fiscal responsibility.

## Mutual Funds for Socio-Economic Investment

The financing of socio-economic progress in the “south” should be as broad and diverse as the mutual fund industry. This industry was very small 50 years ago, but now is a big part of the securities industry. The history of the investment clubs that expanded and morphed into the Unit Trust and Mutual Funds with professional management might soon be repeated, but this time the focus of investment or philanthropy being socio-economic performance rather than stock prices and profits. (See Box)

### Investment Clubs

I was introduced to investment clubs in the early 1960s in the UK. They were an interesting idea imported from the USA and a way for ordinary people to learn about the stock market. I ran a small investment club, and also did the accounting for one of the largest investment clubs in the country. This subsequently became one of the first Unit Trusts in the UK, a financial vehicle somewhat similar to a Mutual Fund in the USA.

The Unit Trust and the Mutual Fund industry has had its fair share of scandals and inappropriate behavior over the years and has become quite highly regulated. But the underlying idea of the institutional structure is interesting and valuable.

The same sort of idea is emerging around the USA today, where people are having small group meetings to choose ways to do “philanthropy” and to make a real difference.

### Engaging the world's financial leaders

If the financial crisis and latent opportunities in the communities referred to above were in major US cities or big corporate entities located in the “north” or in a fashionable “emerging market”, the Wall Street community would very quickly find a way to release the latent potential and turn it into value, together with an exit strategy to turn this value into cash.

### Mobilizing Money

Investment clubs in the 1950s and 1960s expanded to be the Unit Trust and Mutual Fund movements. The clubs that are organizing today to talk about and support philanthropic causes should be encouraged to grow and perhaps morph into Social Investment Funds to support high performance community level activities. In order for this to happen, there needs to be not only the ability to transact an investment, but also the ability to get good reliable information easily. There also needs to be a growing range of alternative social investment funds so that people have choice and can also diversify their activities and their risks.

There are a lot of things that need to be done in the “social” sectors of the “south”. Most social sector funding should come from the local economy, but this is not practical at the present time. Accordingly there needs to be fundable programs that address social needs. One

such program is being developed to address the malaria crisis in the “south”, mainly in Africa. This program will make it possible to provide all the support needed to implement an integrated mosquito and malaria control (IMMC) program in Africa. The program is being organized by The IMMC Consortium which brings together world class experienced malariologists. The program can be paid for either by local communities, the local government, funding organizations like the Global Fund for AIDS, Malaria and Tuberculosis (GFATM) or philanthropic foundations, or by corporate investors. The IMMC program has two main dimensions: (1) information and analysis; and (2) multiple area programs.

### Intermediate Investment Vehicles

Organizations that control the world's money ... and high net worth individuals are in a hurry. At the same time they are not interested in failure ... they want success. They want success and fast!

## Chapter 4 - Financial Resources

## Chapter 5 - Government

## **Chapter 10**

# **Management Information for Government**

# Chapter 5 - Government

## Government Accounting

### A Cash Based System

#### Control of government funds

Governments have had a problem with the management of money as long as government has been the dominant institution of governance. The tension between the ruler, the Monarch and the legislature has been around for ever. The power to tax was very convenient for enriching the ruler, but not the intent of taxation, which was needed for more pressing needs like paying for wars and building ships. Eventually the idea of a single treasury account emerged into which all revenues of the state would be deposited, and which would in the control of the legislature. The budget is the authorizing legislation that allows funds to be disbursed from the single treasury account.

While government accounting around the world may not be functioning perfectly, the use of a budget to authorize government disbursement is common.

And it is also a common requirement that the government accounts are presented periodically to the legislative body for review and approval. Sadly, this part of government financial control seems to be absent in too many places.

#### Budget and Accounts

I was in the Cote d'Ivoire some years ago and had a conversation with of the Deputies in the National Assembly. I asked about the budget and he confirmed that this was approved every year by the legislative body without much of a problem ... it was a precondition to everyone getting paid. But when I asked him about the Government accounts being presented and approved by the legislative body, he said that was a different matter. He told me the government accounts had not been completed and presented for 14 years ... nobody wanted to be associated with approving accounts that might subsequently be found to be fraudulent in some way!

This was just a conversation ... but it supported my observation that government accounts are almost totally absent from the public space.

It is no wonder, therefore, that misuse of government funds is more the norm rather than the exception.

# Chapter 5 - Government

## **Government Accounting for Projects**

The Accounting is a Mess

Should be easy ... but is not

Every single donor has their own rules about how projects are to be accounted for. It is a mess.

## Government Accounting for Loans

### Should be easy

I would have thought that the accounting for government loans would be one of the easier aspects of government accounting, but for some reason, the accounting for loans has become both complex and out of control.

I am not sure why governments lost control of the loan situation, except that loans did help fund a lot of desirable works where side payments could be substantial and personally advantageous. (See Box).

The accounting for loans can be done very simply and very precisely. Only a few pieces of information are needed, and even in complex cases, it is quite easy to project what the repayments are going to be and what the interest is going to be.

Yes ... there is a little complexity because of the various exchange rates that might be involved, but this is not really very much of an accounting challenge. If it is a challenge, then perhaps better accountants should be engaged ... this said with some frustration because many of the experts I have had to work with over the years were expert in everything except accountancy.

### How Do Loans Work?

It is easy to see how a loan could be used to give advantage to everyone except the national economy. A donor or development bank is able to disburse, a supplier is able to profit from the business, some local intermediaries are able to be paid more or less legitimately and the local powers that be can be remunerated from all of this according to local custom. The loan becomes a liability of government to be handled at a later date ... and the date can be very late when the debt is never recorded anywhere in the government system where the information is easy to see.

The bigger the loan, the more all the payments to the beneficiaries are going to be. Something big tomorrow is not going to be a problem until sometime in the future, and the future is in the future. Never mind.

## Debt

If there is so little investment ... so little infrastructure ... how come there is so much debt? There are some simple answers: (1) money has been lent badly by the World Bank and other lenders; and, (2) the money has been used badly by the borrowers, with the borrowing governments and their crony's the worst.

Back in the 1970s when the international financial system was in turmoil after the oil shocks, Walter Wriston, the CEO of Citibank from that era summed up the financial opportunity saying something along the lines that developing countries “needed the money, paid high interest, and could not go bankrupt” and the international financial community was happy to oblige. Many commercial banks eventually lost some in the eventual restructure and debt forgiveness that subsequently has taken place, but overall they did very, very well. The World Bank participated in the flurry of lending, but in the case of the World Bank did not do much to forgive its debt when the “projects” failed to deliver much “development”.

There has been around 20 years of dialog about debt forgiveness and debt restructuring or rescheduling or whatever ... but much less discussion of how and why the debt came into existence in the first place, and specifically who are the responsible people involved.

The leadership of the relief and development sector has never taken any meaningful action to get at the culpability of the various actors and to hold them accountable.

## Debt cancellation, restructuring ... whatever

There are many advocates for debt cancellation or some form of radical restructuring. There have been “agreements” about this over and over again, but also conditionality. There has been some debt cancellation, but only after the beneficiary country has jumped through hoops to satisfy the terms and conditions. The way the process works is typical of the relief and development sector, a huge amount of study and reports and meetings and negotiations before any agreement and any useful action.

The media and the advocates for debt reduction have periodic press bonanzas, but for the poor people in poor countries it is all invisible. The 2005 G8 Summit hosted by Prime Minister Tony Blair highlighted commitments about debt reduction, but for all practical

purposes not very much can be seen from the perspective of the poor communities. It gets headlines in the “north” and does practically nothing in the “south”.

The whole debt discussion is a cruel hoax on the world's poor and vulnerable. Without other interventions these people remain poor and vulnerable.

### Value Destruction Aggravated with Debt

#### Debt is a result

Debt is a result of decisions and actions. Unsustainable debt has come about in the “south” because the lending has been bad and the use of resources has been bad.

The “south” suffers from a shortage of investment ... too little infrastructure ... too little of public services ... so how come there is so much debt? There are some simple answers: (1) money has been lent badly by the World Bank and other lenders; (2) the money has been used badly by the borrowers, primarily borrowing governments and their crony's; and, (3) the structuring of the loans so that they are denominated and repayable in a basket of “hard” currencies.

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The whole debt discussion is a cruel hoax on the world's poor and vulnerable. Without other interventions these people remain poor and vulnerable. The “south” needs to get financing for the things that it needs so that it can do critical things on a timely basis and on a meaningful scale.

Some of the relief and development experts in the “south” understand the issues, but do not often have a forum for their views to be heard and taken into consideration.

### Minister in Namibia Had It Right

When I was working in Namibia I was present at a meeting of the donors with the Minister of Finance of Namibia. The purpose of the meeting was to move forward the country's strategy for development and how it would be funded. As is the custom in these meetings all the donors had an opportunity to say their piece.

When it came to the turn of the Commonwealth Secretariat, represented as I recall by a Canadian, Namibia was encouraged to gain membership of the Breton Woods organizations (World Bank, IMF et al) so that they could borrow for development.

The Minister asked some pertinent questions including about rates or interest and the currencies of the loans, and was told that the interest rates would be low, and that the currency would be a basket of currencies like the US dollar, the Canadian dollar, the Swiss franc, and so on.

The Minister then asked about project performance from such financing, and specifically what rate of return and what cash flow would be projected. The donor representatives present started to be a little uncomfortable, and no real answer was provided.

The Minister went on saying more or less the following: “I think you know, our currency is the South African Rand. This is a currency that is being rapidly devalued because of the economic sanctions against South Africa ... which we support ... but it does mean that our currency is devaluing at a rate of more than 20% per annum. If we borrow, we have a real interest cost of 20% plus whatever the low interest that is being charged by the lenders. And up to now, I have not seen any development project that is going to be able to support debt financed development in Namibia”.

This was one of the best summaries of a critical development dilemma. The Minister was absolutely on target with his analysis. Sadly, I am not sure the donor representatives really understood. Most were not as well educated and experienced as this Minister.

### Debt cancellation, restructuring ... whatever

There has been around 20 years of dialog about debt forgiveness and debt restructuring or rescheduling or whatever ... but much less discussion of how and why the debt came into existence in the first place, and specifically who are the responsible people involved. The leadership of the relief and development sector has never taken any meaningful action to get at the culpability of the various actors and to hold them accountable.

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The media and the advocates for debt reduction have periodic press bonanzas, but for poor people in poor countries it is all but invisible. The 2005 G8 Summit hosted by Prime Minister Tony Blair in Scotland highlighted commitments about debt reduction, but for all practical purposes, not very much can be seen from the perspective of the poor communities. There are headlines in the “north” nothing to be seen in the “south”. The reorganization of the “debt” is not more more than a bookkeeping exercise with far too little of financial substance.

## Chapter 6 - Sustainability

## **Chapter 10**

# **Metrics about Sustainability**

# Community Metrics for Accelerating Socio-economic Progress

### **Sustainability**

#### Value destruction is unsustainable

The relief and development sector has done very little that is sustainable in the past few decades. After years of relief and development sector mismanagement none of the poor countries in the “south” can operate independent of its donors. Very little can be sustainable without a complete rethink of how relief and development operates.

There are many areas where sustainability should be accomplished: (1) in the family; (2) in the community; (3) in the organization; and, (4) in the country. The idea of sustainability is clear in the corporate for profit organization, because if the company fails and goes bankrupt, it will be liquidated. In the relief and development sector, there is no equivalent.

#### Environmental sustainability

Environmental sustainability is talked about, but rather little is being done about it. There is increasing concern in the public dialog, but this is not translating much into actions that make a difference.

Over the past 30 years plus I have taken flights in small planes over various parts of the “south” ... and places that used to be covered in trees are now, for all practical purposes, desert. Trees go, and soil erosion increases dramatically. Less trees, more global warming. Less trees, and a fuelwood crisis for poor communities.

The rich “north” has cleaned up its rivers over the past 50 years. The air looks cleaner, but colorless gases increase as energy consumption increases and more and more industrial materials are produced. Air pollution is notorious in urban areas of the “south” and especially the richer countries in the “south”.

Why is this? In the north of England in my youth there was a saying “Where there's muck, there's money”. This is still very much true today, except that it is also unsustainable ... and will get much worse.

## Sustainability of the community

While the countries of the “south” may not be sustainable without donor involvement, communities in the “south” have had no choice. They may not have progressed, but they have kept going with little or no external support from either their own government or the international community.

From time to time, events have impacted communities in terrible ways. Natural disasters like earthquakes and tsunami waves have wiped out communities, as well as drought and famine. Violence in its many forms also has a big affect on communities. It is in the community that the impact of failed relief and development is at its most visible. It is not pretty.

## Organizational sustainability

The biggest challenge for organizations in the relief and development sector is to ensure that their budgets get funded, and that the staff remuneration is covered without too much staff attrition or too much challenge around pensions and other long term benefits. Keeping the organization sustainable is “Job 1” in any organization, and impact on the relief and development process is subservient to this.

Keeping donors happy is an essential aspect of organizational sustainability, and making reports to donors is very important for this reason. This has, however, little to do with relief and development performance, and the use of funds to get the most relief and development benefit.

Some of the ways in which donors are “kept happy” are of a questionable nature. The revolving door between donor organizations and the community of primary recipients is wide open.

An organization expecting to be funded by USAID needs to structure itself to suit USAID. One that gets its funding from World Bank projects has a structure that suits the World Bank. The same goes for organizations looking to get funding from the various philanthropic foundations.

And USAID must organize itself to get its funding from the Congress of the USA, and similarly for other bilateral aid agencies, and the World Bank from its funding stakeholders. Mostly this means that administrative resources go into study of the funding sources ... and it

can be said that the organizations that are getting a lot of funding are taking care of this part of the business.

Organizations do not have a priority to look “down” towards the intended beneficiaries. There is much less imperative to have a strong relationship with the downstream organizations, and little or no incentive to invest money and effort to be strong on the ground. Clearly there has to be enough of a field presence to be able to stay in the front rank of donor interest, but best to have data and evidence that spins well rather than hard cost and performance information that could prove embarrassing.

### Project sustainability

Most projects play lip service to sustainability. It is almost always talked about in the project documentation, but the reality of sustainability is not given much consideration.

Almost by definition a typical World Bank, UN or donor funded project cannot be sustainable. Almost everything that makes up the project mode is artificial relative to the host economy, and it is rare for the project to be able to transition into the general economy.

### National sustainability

The problem of national sustainability has not been taken seriously by the relief and development community. The arguments about relief and development performance tend to ignore the crisis of national accounts and the failure of the national economy to be viable in its relationship with the global society.

This is a silent crisis that has been permitted because it really has had little impact on anyone except the people of the “south”. Why is it that the exchange rate for almost every “south” currency is a fraction of what it was 40 years ago?

It should matter. But when the financing institutions of the relief and development community denominate their loans in external hard currencies, what goes on with the local currency does not matter very much. If you are an ordinary person in the society, however, it can have a terrible impact.

## **Sustainable Initiatives**

### **What criteria to use?**

It is rare for national level development planning to be done around making the country sustainable. Where it is done, it makes a difference. Sadly not many countries are being facilitated to do planning for sustainable development by the local leadership or the donor community. Rather there are disjointed projects based on thematic ideas that may or may not fit with local national development strategy and plans.

Making a development project sustainable is impossible unless the country has some level of sustainability itself, which is not really true in any of the very poor “south”. For a development project to be sustainable it needs to be value adding, and it needs to be providing benefits that have value that exceeds the cost. Where development projects are funded by loans, a project must be very valuable in order to be able to service the debt.

There has not been enough arguing about how to make projects sustainable and value adding ... and rather too much of facilitating approval of loans for financing by fudging the numbers. Where I have been involved with project supervision it is too much evident that the project planning and appraisal was seriously flawed, and therefore could not be sustainable. This needs to be fixed so that poor countries get valuable projects funded, and not value destroying boondoggles.

### **Value destruction is unsustainable**

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It should matter. But when the financing institutions of the relief and development community denominate their loans in external hard currencies, what goes on with the local currency does not matter very much. If you are an ordinary person in the society, however, it can have a terrible impact.

## Chapter 7 - Making Money ... Any Way

# **Chapter 7**

## **Making Money ... Any Way**

# Community Metrics for Accelerating Socio-economic Progress

**Drugs, Sex, Gambling, etc.**

**Big Businesses ... Making Money**

What have these got to do with anything?

Sadly, anything that is associated with a lot of money is going to create problems for management information, accounting and accountability.

It is human nature. People love money ... and people are easily addicted to drugs, sex and gambling. So drugs, sex and gambling are a big factor in everything.

# Community Metrics for Accelerating Socio-economic Progress

## **Chapter 40**

# **Emergency Rescue and Relief**

# Community Metrics for Accelerating Socio-economic Progress

### **Humanitarian Relief is Big Business**

#### Accounting and accountability

The accounting and accountability in the relief arena ranges from pretty good to very bad. When I was working closely with UNHCR, the systems they were using had many of the characteristics that I look for in good management information systems, including strong feedback and processes to quickly learn from experience.

But most of the other organizations seem to have weak accounting and almost no meaningful accountability, and little capacity for institutional learning.

Three major natural disasters that have taken place in the past three years: (1) the tsunami in South Asia; (2) the Katrina and Rita hurricanes in the USA; and, (3) the earthquake in Pakistan. In all three cases the global public responded with great generosity, especially in the case of the tsunami. An enormous amount of money flowed into the relief and development sector ... into all sorts of organizations, and in very large amounts.

Nobody knows how much or how little flowed out to do the work needed to provide help to needy beneficiaries.

## Tsunami Accounting and Accountability

People who reported back to me from various places in the tsunami affected area were angry at how so much money could do so little ... they reported on the number of new white Toyota Land Cruisers that quickly arrived on the scene, and relief visitors doing surveys and preparing reports ... but actual fund flows to beneficiaries were not so much to be seen.

Friends told me of how effective the Indian army seems to have been in all sorts of remote areas ... and doing very worthwhile practical work ... army engineers rebuilding bridges and helping to fix fishing boats.

But I was also told of how funds intended for tsunami affected areas in Sri Lanka were allocated to projects in Colombo. Money is fungible ... and without good accounting and a system for accountability, essentially anything goes.

I have not been able to find out much about how several billion dollars that were paid into the relief and development sector organizations in connection with the tsunami were actually used ... nobody is doing the overall accounting. After some very public announcements, I thought that PriceWaterhouseCoopers was going to help with this, but I was wrong about that ... seems it was more PR than serious help.

There does not seem to be a single major organization that has the sort of information that allows for a full accounting for expenditures, the activities funded, and the results achieved.

## Value destruction in disaster

The socio-economic impact of natural disaster is huge. The value of the relief assistance that comes in after a disaster is substantial, but tiny relative to the terrible value destruction that takes place as a result of major natural disaster. Putting things back together consumes a vast amount of scarce resources, and slows down the progress that otherwise would be made.

I have visited a number of places where natural disasters have struck ... years later the scars are everywhere. Some buildings get rebuilt, but many do not. Each building that is not rebuilt probably has a family financial disaster, or worse, associated with it. Much of this never gets into the record, and is forgotten.

But it does not appear that important lessons are drawn from disaster. We are more and more living in areas prone to disaster ... we live

## Chapter 8 - Emergency Rescue and Relief

closer to the coast ... we live more and more on flood plains ... we have major cities growing on earthquake fault lines ... and so on.

## Chapter 9 - About People

## **Chapter 10**

# **About People**

# Community Metrics for Accelerating Socio-economic Progress

### **People ... Human Resource**

#### People

In almost all economic activity, people are a critical resources. But people are rather infrequently identified as an important resources, and in most developing countries, many people is seen as a problem rather than being an important abundant resource.

There is a challenge is to make it possible for people to be an asset rather than a liability, both in their local community and for the larger economy, because there are all sorts of shortages or constraints.

#### Jobs

Jobs are a key to prosperity. Many people who are poor are engaged in subsistence activities. People work hard and at the end of it are just surviving. Their productivity is as low as it can be. With lower productivity they would be dead. Jobs that help people move from subsistence to paid work is progress, even if the job is menial and not very inspiring.

#### Health

#### Education

#### Fertility

#### Longevity

#### Census ... many years apart

Family origin

How many people? ... Doing what?

Who owns what?

Education ... age ... potential

Jobs ... opportunities

Culture ... and constraints

Performance ... value adding

Quality of life

Wealth

Lifetime ...

Intergenerational progress

Health

Diseases

Family income

Family expenses

Family assets

Dynamics of the family

## When good people meet bad systems

Good people need to get paid, they need their salaries. They work hard and would willingly put themselves on the line to get good outcomes in an emergency. These people do get into the news from time to time as they work against all odds to mitigate the impact of disaster. But good people are also stuck with whatever system and culture there is, and can do little to change them. Good people get beaten by bad systems, bad processes, and ineffective organizations. They work in institutions that make it very difficult for them to perform well and get the best possible results. When it comes to day to day work these institutions are huge bureaucracies with all the problems associated with a big and clumsy bureaucracy.

## Chapter 10 - Metrics for Organizations

## **Chapter 22**

# **About Organizations**

# Community Metrics for Accelerating Socio-economic Progress

## **Where Does the Organization Fit**

The main implementing structure

Organizational goals

Organizational sustainability

Internal and public metrics

## **Internal Metrics**

Overview

Transactions

Activities

Results ... value

Balance sheet – value

Periodicity

Monthly

Quarterly

Yearly

Timeliness

What, if anything, needs to be real time

What staff need to know

## **Public Metrics**

Regulatory imperatives

What society needs

Accounting to the community

# Chapter 10 - Metrics for Organizations

## Chapter 11 - Projects and Programs

## Chapter 12

# Projects and Programs

### Failed Projects and Programs

#### Why?

There are many reasons why projects and programs have failed. As an outside observer it seems pretty clear that there is a systemic problem ... and nothing in the organizational framework that gets to grips with solving the problems.

#### The project and the project cycle

The project form of organization and the project cycle are key reasons why relief and development has failed.

The “project” form of organization dominates the relief and development sector, but it is not an organizational form that well suited to relief and development interventions. The “project” form of organization is arguably the best way to organize for a “one-off” project such as the construction of a dam, bridge or power station, but this form of organization is unsuited to providing financial support for routine activities of public institutions like education and health.

The project cycle the following elements: (1) Identification; (2) Preparation; (3) Appraisal; (4) Negotiation; (5) Implementation; and, (6) Evaluation.

In the course of my career I have been involved with all the different parts of the project cycle, and it is really no surprise that the projects

## Chapter 11 - Projects and Programs

end up costing a lot, creating debt, and not accomplishing very much. Too much money is spent on identification, preparation, appraisal and negotiation, and the management and oversight dimension of implementation is almost totally absent. The ex-post evaluation stage is too little and far too late.

The project rarely has any life after the funding. This makes anything that a project does almost certain not to be sustained. The project form of organization adds another constraint to an already difficult situation.

Over the years I have worked with many World Bank projects. Almost all of them are designed in such a way as to be almost impossible to manage. They are too complex. They are often too big. They are often too constraining. They are too rigid. They do not go on long enough. They are just plain unmanageable.

The project approach to development has been the dominant mode for development since the very early days. The project form was adopted as a means to accelerate development, but has probably had the reverse effect. Rather than addressing the fundamental causes of development delay, the project approach avoids problems, rather than solving them. After multiple generations of "projects" the problems still remain, and may well have been aggravated.

The project form of organization suffers from: (1) a short life; (2) an impermanent artificial structure; (3) issues of starting up; (4) issues of closing down; and, (5) all sorts of economic distortions, not least of which pay scales.

The damage done to government and civil services cadres by "projects" recruiting good people out of the permanent government system into the project is a serious and a huge cost to the "south". Worse, good people have also had their local careers disrupted, though some have been able to move from local "project" to being part of the international elite in the relief and development sector.

### Fish Meal in Malachal, Yemen (PDRY)

I visited Malachal, Yemen (PDRY) to see the fish meal industry as part of a World Bank mission in the late 1980s to evaluate performance of the fisheries investments. There was a big fish meal plant, but very little fish were being caught to supply the plant. Apparently some incompetent “experts” had recommended that the economies of scale of a bigger fish meal plant would solve the problem of failed smaller plant.

The problem was not the fish meal plant, but the fish resource. Two seiners had been operating and were catching much less than anticipated ... and with the resource in question it was quite irresponsible to invest a lot of money in a bigger fish meal processing operation.

In the original planning for the fish meal plant investment it was clearly set out that validation of the resource was a critical first step to be done before there was a major investment in fish meal processing. Subsequent consultants ignored this, as did the World Bank experts and the government.

## Value destroying projects

The relief and development sector operates largely through projects. Not many of them are value adding, rather they a value destroying. At one point in my career I was retained by UNDP to evaluate (desk review) their project portfolio. I was not asked to repeat the exercise, and my work was probably totally ignored. But the overriding theme was disbursement of money for work that sounded worth doing, but beyond that could not and would not do very much.

The feedback of performance information to the head office showed that money had been spent, and some things had been done, but rarely that anything of substance had been achieved.

It is this lack of substance in things being done that is one of the many issues in the performance of the relief and development sector.

## Value destruction with projects and programs

The relief and development sector operates largely through projects. Not many of them are value adding, rather they a value destroying. Though the project form of organization works well for the construction of major civil works such as dams, roads, ports, etc., it

## Chapter 11 - Projects and Programs

works very badly as support for work in the social sectors like health and education.

The performance of projects and programs is one of the best kept secrets in the relief and development sector. There is a lot of focus on how much money is disbursed, but very little about the value that is accomplished using the money. Without measurement and effective oversight, then project performance becomes unimportant.

### Value Destroying Projects

At one point in my career I was retained by UNDP to evaluate (desk review) part of their project portfolio. I was not asked to repeat the exercise, and my work was probably totally ignored. But the overriding conclusion was that there was much disbursement of money for work that sounded worth doing, but the activities and the results rarely did anything like what was projected.

All the projects were worth doing, based on the project proposals, but feedback of performance information to the head office showed that money had been disbursed, some things had been done, but rarely anything of substance had been achieved. The costs were there, the durable value was not.

Though it was very clear that disbursement of money had been done for work that sounded worth doing, it was equally clear that not very much was being accomplished. The feedback of performance information to the head office showed that money had been spent, and some things had been done, but rarely that anything of substance had been achieved.

### Value Destruction in South Sudan

For years and years UNDP funded a small capacity building project in South Sudan. The project consisted of a single CTA working in an advisory capacity with the local government. The expenditures were a generous UN rate salary together with normal living and transport allowances ... perhaps 50 times what he would have earned in a government job in his home country. The CTA had an office in the government administration building and by all accounts was “on seat” around 10 hours per week. The project goals were never achieved, but every year someone in the local government wrote glowing letters asking that the project be continued, and it was, over and over again, despite considerable staff objections. Nobody knows who was paying who, but it is almost certain that this was the underlying problem.

The problem of project performance has been systemic. Why was it that a project with almost 100% value destruction in South Sudan kept on going year after year ... the funding agency had official government letters saying the project was important, and that was all it took for the funds to be reallocated year after year. Not a great outcome.

A World Bank / DANIDA funded shrimp project in Yemen (YAR) at Hodieda is another example of value destruction going on because of a bad project. Almost everything about this project was wrong, but the disbursement kept on going ... even after a supervision mission had recommended an immediate end to the funding.

### Shrimp Project in Yemen (YAR)

I worked with a World Bank mission in Yemen (YAR) to help assess progress on a shrimp project based in Hodieda. As a former CFO with an international company in fisheries (shrimp) I know something about the fisheries business and I was shocked by almost everything I learned about the project .

The World Bank and the Yemen authorities had taken perfectly good resources and converted them into into a operational liability and created a big debt repayable to the World Bank. This was an almost 100% value destruction performance.

Similar project performance is relatively common. It is something the World Bank and others in the relief and development sector should be ashamed of. Having a failure once in a while is understandable, but failing almost all the time is unforgivable.

Why on earth did the World Bank, UNDP and the broader relief and development community do little or nothing for years about pathetic project and program performance.

### Oversight and measurement

The idea of oversight and measurement needs to be made an integral part of the project operations. The sort of measurement needed is simple normal rigorous accounting and timely reporting. The specifics will change from project to project. Just as they do from department to department in the corporate world ... but there should be timely accounting for all economic, that is financial, transactions.

## Chapter 11 - Projects and Programs

Every month, the oversight managers should get a simple report about what has been spent and what it has been used for ... basic management accounts. From time to time there should be reporting against key performance benchmarks ... whatever is appropriate.

None of this is a change in project cycle and project design ... but it is a change in the way things have been done. Much more attention needs to be paid to accounting, to the professionals in accountancy and to the information that the accountants are presenting. Rather than being an unusual part of the oversight team, a professional accountant should be right in the middle of most of the oversight process.

### What About the Multiplier?

I learned my economics in a Keynesian environment. When there are big fund flows, there is a lot of economic activity ... a multiple of the incremental money flowing. That is the good news, and is a positive outcome from project or program activity.

But just as important, when an activity ends, and the money stops flowing, then there is a negative multiplier effect. This is bad news.

Sadly the World Bank, the UN and others do not do much to incorporate the bad news into their project planning and analysis. After justifying a project based on a lot of the good news, they discount everything that is going to happen at the end of the project and to all extent ignore it ... with disastrous consequences.

If projects and programs were subject to the same intensity of analysis during their implementation and at the conclusion of the project ... using all of the the techniques (and resources) used in the planning and appraisal phases, there would be a new and very interesting body of knowledge. I have done some of this (with very limited resources) and it is rare to find a project or program in the relief and development sector that has been worth doing. More than anything else, the activities have been value destroying.

## Chapter 12 - Sector Specific Metrics

## **Chapter 47**

### **Sector Specific Metrics**

#### **A**

Hundreds of sectors

## Extractive industries

The value chain for the extractive industries end to end from the natural resources to the consumer is not usually presented for publication and easy access. In spite of big investment and great profits, it seems that there are huge durable value problems in many of the host communities while the “north” corporations and their stockholders are enjoying stupendous profits.

### Value Destruction in a Mining Enterprise

An investor comes into the country to open a mine. The host community has an area that is rich in ore. The investment is estimated to be \$500 million. The host country does everything to welcome the investor, and the investor arrives.

A large amount of mining equipment arrives ... the reported cost is around (say) \$400 million and work commences. Some local staff are employed and trained, but the local payroll is tiny relative to the expatriate payroll. The mine does well and soon over a \$billion of ore has been removed, processed and exported. The investor is well pleased.

The mine is now ready to be transferred to local ownership. The mine comprises a huge hole with the best ore already gone, and worn out mining equipment that is almost fully depreciated. Keeping it profitable is going to be a challenge.

The community has had some economic activity for a few years, and now has a dirty polluted area with not much future. The value has been extracted and the community has not a great lot to show for it.

In this typical scenario the investors probably make \$100 of profit for every \$1 of value that is realized in the community. In some cases the pollution of ground water turns FDI into a disaster for the local community ... with absolutely no recourse for community people.

This should not be possible, but money talks. There is usually an elite group in the “south” that is also able to profit mightily from foreign direct investment. Rigorous value analysis shows that, more often than not, FDI extracts value from the host country rather than putting value into the local economy ... and combining this with the pattern of bribery and corruption, there are big value distortions when corruption is out of control.

### Infrastructure construction

Infrastructure investment is very much needed ... but does infrastructure building in the “south” need to be as expensive as it is. Where there is international FDI the driver is the maximum of corporate profit, rather than being the the maximization of durable socio-economic benefit.

There are hundreds ... no, thousands ... of PhD level economists at the World Bank and around the relief and development sector organizations yet they do not seem interested or capable of doing the analysis to show that there is an optimum way of doing construction in the “south” to get the maximum of socio-economic benefit. Instead for many years now the “south” has been getting infrastructure projects that are designed in a way that makes profit at the expense of tangible socio-economic improvement. Maybe Bechtel benefits, but the “south” does not.

## Coffee, cocoa, tea, cashew, palm oil, etc., etc.

There is something fundamentally wrong with the value chain. At retail in the “north” the prices have gone up along with everything else. At the farmgate, however, the prices are more or less the same as they were years and years ago ... and costs have risen for farm inputs and everything else a family has to buy. Net net the farmers doing coffee, cocoa and tea are increasingly poor.

What is the problem? In large part the World Bank got it terribly wrong 30 years ago when they were predicting rapidly increasing demand and prices for all these items.

### World Bank's Rotten Projections

Over and over again in the late 1970s and early 1980s I objected to the World Bank's rotten commodity projections. They had a department that occupied itself with price projections and a new-fangled computer program that gave them the definitive answer about the future ... but it got it wrong ALL THE TIME.

I had recently moved on from being a corporate CFO who needed to get price projections for our products right in order to have profits ... and in the areas I knew very well they were getting it very wrong.

I then worked in a variety of agricultural project appraisals and supervisions ... and every single projection made by the World Bank staff was considered wrong by the expert independent consultants involved ... using the World Bank projections these projects were adequately beneficial for approval ... using the independent consultants' views, the projects were not good enough. In every case the World Bank view of the world was the one they used ... with totally predictable results.

### Workshops and conferences

All workshops and conferences have a cost, but not all of them have value. It takes a substantial expenditure to run a workshop or conference both on the part of the organizers and the participants.

Some workshops and conferences are popular because the participants are paid to attend, and receive travel and per diem allowances as well. These payments can be substantial relative to the pitifully low salaries paid to civil servants in most of the countries in the “south”, including quite high positions in the civil service system. For these people there is a money value that is quite tangible, but is an inappropriate justification for the workshop or conference.

Workshops and conferences may have a high professional value in facilitating networking and sharing professional experience. Some professionals may get significant value from this, and where this is going on, the costs may well be justified.

But more often than not, workshops and conferences do little more than cost money and do not very much. Even so, donors seem to be willing to support them because they are a quite visible way of showing that there is some activity actually going on that is tangible and can be used in support of public relations efforts to feed the media and other stakeholders.

Using metrics that measure relief and development progress, the majority of workshops and conferences do rather little in relation to their cost and the effort expended.

## Research and studies

All research and studies have a cost, but not all of them have value. They represent a very substantial investment that is almost total value destruction. There is a huge archive of research and studies which is very difficult to access and use.

### A Study of Studies in Lesotho

I was part of a team doing research on the rural sector in Lesotho in 1987. The TOR called for us to review the studies that had already been completed and not carry out any “new” work. When we arrived in Maseru to start the work, UNDP had collected for us most of the reports that we should review. The collection was stacked against a wall of the conference room and measured some 3 feet high and some 12 feet long.

The cost of preparing these reports was probably upwards of \$20 million, a substantial amount in the context of Lesotho. The practical “on the ground” investment in rural sector development was tiny. Much less than the cost of all the studies. Value destruction in progress.

Research and study have no value in themselves. Their value is only realized when the results of the research and study are incorporated into some practical activity that improves socio-economic conditions in some tangible and durable way.

### The academic community

The academic community has a significant involvement in the relief and development sector, but it is not clear that it is value positive. Certainly it ought to be, but looking at the performance of the relief and development sector it raises questions about the role of the academic sector in this performance.

It looks very much as if what has been “taught” about relief and development and the operation of all the institutions and activities might not be right. In fact it might be significantly wrong. This is a serious problem and one that does not seem to be getting much attention, if any.

#### Teaching Relief and Development Methodology

I first realized that academia was part of the relief and development performance problem when a USAID staff member retired and soon afterwards was teaching a course at a well known university on USAID's Logical Framework. This happened soon after I had been working on a USAID project and had been faced with a logical framework that ensured the project would fail, unless the project, based on this logical framework was redesigned.

I also ran into a similar problem where the World Bank was recruiting just graduating students and then training them on how the World Bank did things ... ensuring that the World Bank methodology was applied, and ensuring that the World Bank methodology would never be the best that it could be and should be.

It also looks as if the “research” being done in the academic arena is of very little importance. Most research is done as a “requirement” for some academic credential, and though this is important in the academic context for the individual, it is not of much importance in the mainstream of relief and development. To the extent that this research is often funded using grants that come from budget lines that ought to be used for important work in relief and development, this is an inappropriate diversion of scarce relief and development resources.

Academia should be an important and valuable component of the relief and development arena, but it does not appear that they are adding value. As in most things, there are exceptions, but the role of academia in the “north” putting some really valuable into the mix

seems still-born. From my perspective as someone with an interest in management information, the typical academic and statistical approach to information is dangerous, and not an appropriate way of proceeding. Rather it would be better if a little bit of academic effort that costs a lot were to be replaced by a lot of good relief and development information that would cost rather little.

### Political metrics

Valueless political rhetoric and press releases

There is a lot of political posturing and press releases, mainly about plans, or reports that have been prepared, but never about moneys disbursed, activities undertaken and results achieved.

This is not surprising because many activities do not achieve much in the way of result. In order to have relief and development success, resources have to reach the intended beneficiaries, and be funding activities that are useful for the beneficiaries.

## Subsidies and unfair trade practices

Subsidies dramatically distort economic activity. The “north” has a big system of subsidies, mainly, but not exclusively in the agriculture sector. The scale of subsidy is substantial, typically larger than the fund flows into international relief and development. Subsidy is difficult to end in a democratic system because beneficiaries of subsidies wield considerable political power, and ending subsidy is fraught with political risk.

### Distortion arising from subsidies

At one time I tried to export some powdered milk from the USA to West Africa. It took me a while to figure out all the possible combinations of buying prices in the USA and Europe that we might be faced with, as well as the likely selling prices in Africa. If we bought at a price that made a US or European farmer a modest profit the cost would be around \$2,500, but if we were able to buy within the quota of available subsidized product in the USA the cost would be around \$1,200. At this cost, with transport, insurance and duties we would have a landed cost of (say) \$1,450. But if a competing trader was able to buy in Europe at a subsidized price of \$1,000, then his landed cost would be around \$1,200.

It was not clear whether or not the subsidized product would be available from Europe, but African buyers were not in a position to commit to transaction based on the US higher costs, because they knew that they also would be stuck if lower cost product were to come through from Europe.

And they were also careful because from time to time the market would get flooded with “free” product that was originating somehow through the World Food Program (WFP).

Because the market was all over the place because of the subsidy regimes of the USA, Europe and WFP, traders had to protect themselves with absurdly high margins ... to the detriment of the African consumer. It was also apparent that some of the subsidy “decisions” were also influenced by political and more inappropriate relationships.

Not a pretty situation.

### Military Dimensions

The materials of war are big business. The powerful need to be able to win a violent confrontation in order to maintain their positions, and the powerful keep a close grip on the money. Military procurement is big, always presented as a priority, and usually with a high claim on the available monies. The profits being made because of the prevalence of war and violence is huge. There is a lot of secrecy and, for the most part, the details of military commerce are difficult to see. The profits are huge, but paltry compared to the worldwide value destruction that results from war and violence.

The settlement of disputes through violence has been a part of human history. But it has changed in recent times with a lot more destructive power in the hands of the combatants.

And terrorism has now become a global affair. Terror is not new, but it has been a growing issue over the past few decades. Terror has been used by citizen groups of all sorts to get the attention of government, in Latin America, in Europe, in Africa, in South Asia but it has achieved a new notoriety since the events of 9/11 in 2001 in the United States.

I would argue a major failure in the relief and development sector.

Chapter 13 - Old Text

### Economic hit men

The business of business is “hard ball”, and the same goes for international affairs. It should come as no surprise that all sorts of inappropriate behavior is the norm rather than the exception.

The publication of information about “Economic Hit Men” is not really surprising<sup>1</sup>. I did similar work to John Perkins, but without the “connections” that he had, and without the need to satisfy clients. Rather I spent a lot of effort trying to get the relief and development agencies to change their project design so that it would actually do some good for the intended beneficiaries.

Eventually I was deemed a non-conforming consultant and did very little work after that. A few bank staff who wanted objective assessment, no matter what the outcome, continued to give me assignments, but that is a small group.

Overall it is sad to say, the experts who advised inappropriate projects were able to get more funds and failure ... and therefore debt, than people like myself who did not want to do a project unless it was designed to do some good, and be repayable.

### Foreign direct investment

Foreign direct investment (FDI) is a two edged sword when it comes to socio-economic development. It should be a winner for the beneficiary country, the communities hosting the investment activity and the people. But more often than not, FDI is a disaster for people, the host communities and even the country ... though there is usually an elite group that is able to profit mightily from foreign direct investment.

### The value chain and value destruction

Value analysis will show a lot about the impact of corruption on the economy, and especially on the economy in the host community. The value chain from mine to consumer is not usually published and easily accessible, but it seems that there are huge value problems in many host communities and great value additions where the mining

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1 John Perkins. Confessions of an Economic Hit Man

companies and oil companies have their tax shelters and home offices.

Value analysis shows that, more often than not, FDI extracts value from the host country rather than putting value into the local economy ... and combining this with the pattern of bribery and corruption, there are big value distortions when corruption is out of control.

### Complexity

Anything involving people is going to have some level of complexity, but the actual activities associated with relief and development should not be complex. In almost all cases, however, they are complex, and the World Bank especially, but also other organizations in the relief and development sector, seem to believe that complexity is not only acceptable, but desirable.

In my private corporate career the idea “Keep It Short and Simple” - the KISS principle was always being invoked.

### Globalization

Globalization ought to be a good thing, but there is not a global market with a flat playing field, but one that is controlled in all sorts of ways. The global economy and the relief and development sector have two parts: (1) is the international monetized economy; and, (2) there is the informal and largely un-monetized economy. The international monetized economy reaches the elites in capital cities, and wherever there are pools of foreign direct investment, but that is only 20% of the people of the “south”. The informal sector and the un-monetized sector ... also often remote and rural has no part in the globalization discussion.

In fact, more than 50% of the world's population has little knowledge of anything beyond what they can see and have personally experienced ... some 3 billion people. Included in this huge number are a high proportion of children, and a large proportion of these children will die prematurely, and of those that survive, many will never get an education.

Globalization ought to be helping, but it seems more than helping, it is polarizing and facilitating value flows from poor places in the “south” to the already rich countries of the “north”.

### Market economics

The idea of a free market is academically appealing, but the free competitive market can be a very rough. A decent modern society is unlikely to be achieved merely by letting free markets to operate without any form of ethical intervention whatsoever.

There are very different market behaviors in surplus economies and in shortage economies ... and market behavior changes dramatically when there are cartels, oligopolies or monopolies. In most market situations there is some intervention, usually by groups that benefit from the system.

Though markets are difficult and sometimes produce results that are not the socio-economic best, they are often very much better than prices set by some political or administrative process. The economy of the Soviet Union was ruined by a system that made little use of market driven enterprise ... but though

### Management by Objective (MBO)

Years ago the corporate world embraced “Management by Objective” or “MBO” as a valuable management tool, but almost as quickly gave up on it. They gave up on it because it was difficult to articulate in a simple way and by universally applicable. Something a lot more nuanced was needed. The corporate world recognized that achieving an objective had little value if the objective did not help the organization achieve the ultimate corporate objective of better profit performance.

However, almost 30 years later, objectives are still a big part of project documents, and achieving objectives a measure of accomplishment. The MBO style of management is still in vogue in the organizations of the relief and development sector rather than more powerful systems of management information and performance analysis. This would not be an issue if the objectives related closely to socio-economic progress, but usually they are merely completing activities with or without any tangible results.

### Change

Change is a results, and not an action. One does things and the result is change.

## Explaining Organizational Performance

I had the opportunity to become involved with understanding organizational performance in my first job which was in the heavy engineering industry and the building of integrated iron and steel mills. I was part of the first generation of university trained engineers, and part of what I had learned was to see things, and be interested in how they could be better. But I was also fortunate in that I had also been taught economics, and had a tutor that was interested in analysis and who encouraged me to get the data, do the analysis and draw my own conclusions. His position was that good data and good analysis might easily be better than much of what had gone before ... and he encouraged thorough analysis rather than mere parroting of what was in print and popular.

### You don't know what you don't know

Often people don't know what information they are missing. It is important to look at the knowledge base that exists within a community. Then look to evaluate is everything known that needs to be known to positively direct the community and stimulate local business. This can include training or understanding about participation in the global information community. Then the other part of that equation is to make sure that the external partners know what they need to know and are as up to date as possible, so that all decisions are being made by informed parties.

### Value Adding or Value Destruction

The idea of value adding or value destruction is a powerful way of analysis for the relief and development sector. It has not been commonplace in the past, and nothing has been done to ensure that relief and development activities are value adding. With little oversight, and no value analysis, the relief and development sector is dominated by value destruction activities

The rule of the game for development are: (1) Plan, (2) Organize, (3) Implement, (4) Measure, (5) Feedback and (6) Adjustments. This systems approach built on a community centric mindset can deliver a dynamic process with multiple parallel tracks all progressing to success in the best way possible. It is a process built on engineering and accounting rather than policy and economics. It is a process that respects individuals, family, community. It works to make community better, one community at a time, but brings to bear everything that might be helpful.

### Value chain

Using value analysis in a business value chain from original source to final consumer results in

### Data architecture

## Easily accessible from anywhere

Modern information and communications technology (ICT) can get information instantly anywhere in the world where there is Internet infrastructure. The next challenge then is how Internet infrastructure can become universally accessible. Community centric development and information about people and resources that can be communicated and responded to in a timely fashion will aid development progress a thousand-fold.

## Management Reports

A key to success is that information be made useful, independent, reliable, and universal. There are several strategies and tactics for using this information to create enormous value. It can be used to make good plans, to get well organized, to get funding, to implement well, and to provide excellence in transparency and accountability. However, as valuable as the information can be, it is also important to handle the problems or errors, insecurity, hackers, fraud, and incompetence.

## Resources

Performance depends on both process and resources. It is possible to get good results or bad results from available resources, but if there are no resources, there can be no results. The critical challenge for the relief and development sector is to understand what resources there are, and to use them in the best possible way. The main resource groups are described briefly below: (1) people; (2) organizations; (3) infrastructure; (4) natural resources; (5) knowledge; and. (6) money. Constraints must also be identified, understood and steps taken to mitigate their impact.

## Organization

The organization of society is complex and important. It also varies a lot from community to community. What seems to be the best way to organize for a company like Wall-Mart or McDonalds may well be absolutely the worst for an organization in the middle of Africa or South Asia.

Organization and organizations in a community are very definitely assets. Things get done because of organization and organizations.

Most substantial work requires a group of people, and groups have to be organized in some way.

### Infrastructure

Infrastructure helps to make a society productive, and helps to improve quality of life. In the “south” the lack of infrastructure is a serious constraint whether it is national scale infrastructure like trunk roads, ports and railways, or the little feeder roads around the community.

What about roads, and railways, shipping and air transport. What about the vehicles and the services?

What about electrical power, telecommunications and Internet?

What about water and sewage?

What about the education system, the schools and the knowhow?

What about health system; the local clinics, the district hospitals, the trauma centers and teaching hospitals?

What about the enabling environment of laws and rules and regulations..

### Natural Resources

Natural resources ought to be a source of local wealth, but too often it appears that natural resources merely serve to enrich others. Local people give up very valuable rights for token payments simply because they have absolutely no understanding of what is at stake.

What natural resources are in the neighborhood?

What are the prevailing laws, rules and regulations concerning natural resources?

What are the property rights associated with natural resources. Who owns them?

When the facts about natural resources are available it becomes much clearer about who is benefiting from natural resource exploitation. Too often the local people are not seeing much value creation in their communities.

### Machinery & Equipment

Factories and their machinery and equipment are important assets, and should be included in the understanding of community resources. Business machinery and equipment is an essential for business employment, and business growth is frequently constrained because there is not enough machinery and equipment.

### Working Capital

Working capital is another important asset, and one that frequently constrains business growth. In order to grow a business needs adequate inventory and it often needs the ability to finance accounts receivable. If there are banking services, a business can cooperate with the bank to finance working capital, otherwise this has to be funded by the business owners.

### Knowledge.

Without knowledge very little can get done. There is a huge pool of knowledge that has accumulated over the years, and it new knowledge is accumulating at a record pace. Relatively little of this knowledge is about matters that affect relief and development performance.

Accordingly, there needs to be a focus on getting together knowledge that is of importance for success in socio-economic development, and especially knowledge that is useful in the community setting, whatever that is.

### Money

Money is often identified as the constraint on socio-economic progress. There is a lot of talk about “not enough money” but from all I know about relief and development, the amount of money is not the problem, it is much more a problem of getting the money to the right place and doing the right things.

Lack of money is both a cause of business failure and also a reason why business was never able to start. Money is a limiting factor in business and almost all economic activity, but it is not the most important determining factor for success. Money is needed to fund things like infrastructure, or machinery and equipment, or working capital, or payrolls ... all things that make it possible to carry on economic activities and for value creation to take place.

But a lot more can be done with available money if there is a complete optimization of the use of all available resources and there is the best possible organization of all the resources.

### Constraints

Constraints are the lack of any of these resources or anything else that gets in the way of progress.

### Creating value from natural resources

It is important to evaluate what the local resources are that can be used as an economic driver for the area. Unfortunately, far too often the natural resources are exploited in ways that make them a local liability and only an asset to foreign stakeholders. They are usually depleted without adequate thought to the future. The key is to find resources that can help improve the local economy in a way that is sustainable over the long-term.

### Who makes decisions?

People make decisions, and the best decisions are usually those that are made with the best information, and as near the action as possible.

It is essential to keep people informed so that they are able to participate in priority setting and decision making and making accountability a factor in development performance.

### Make local knowledge a key driver

Local knowledge is a missing element from most of the relief and development effort of the past 40 years. It is important to evaluate what the local resources are that can be used as an

### Make community the focus of development

The local community needs to be the center of development. When the local community is made the center of development and activities are integrated with the routines of the community, then development can be successful and sustainable.

### Ownership

The idea of ownership is very powerful, and is one of the underlying drivers of the capitalist enterprise economy. But there are many different “things” that need to have ownership including not only physical goods and real property, but also intellectual property and on

to ownership in common property, ownership in government, ownership of society and ownership of the environment.

The last types of “ownership” are being increasingly recognized, but the understanding is incomplete, and the practice somewhat incoherent.

Nevertheless the idea has importance, because it helps to design an organizational framework that can be sustainable. As we have noted elsewhere (see page ) successful sustainable socio-economic progress requires both a public and private sector that is stable and capable together of socio-economic value creation.

### Deploying best practices

Best practices are not universal. There can be a universal standard of quality for an “output”, whether it is a product or service, but not for the best way to achieve the output. There are many variables, and some of them are very important.

### Community Finance Units

There is a need for locally well respected intermediaries to be responsible for community finance. This is going to be an entity that is most trusted in the community, and understands the role of “trust” both with respect to the community and to the funding stakeholders.

In the “north” it is possible to bring investment funds into a community in many different ways. For example: (1) a municipality can float municipal bonds; (2) it can attract developers to build in the community; (3) it can attract a company to open a business in the community, maybe a factory, maybe a store; and, (4) it can attract a bank to open in the community. Something similar should be possible in the “south”. The scale may be different, but the financial and economic concepts are the same.

For the socio-economic progress of the community, it does not really matter whether the funds flow through public or private entities, but it matters very much what they do. There needs to be enough accessible public accounting information so that it is absolutely clear how money is being spend and what is being accomplished.

## The FAO Project in Shenge, Sierra Leone

I had the good fortune to do the evaluation of a wonderful FAO project in Shenge, Sierre Leone some years ago (around 1989 I think). This project used its rather limited resources and created community benefit that was perhaps as much as 100 times more than was anticipated for the project. How was this achieved? Two very competent Chief Technical Officers (CTOs) controlled the money and used it to do what would deliver a lot of value in the community ... and people paid for it. Economics 101 says, if I remember well, that price is determined by supply and demand. If you offer something that has a good value, people will pay for it, if they possibly can. So everything done by the project had a price, and to the extent that it was valuable people paid for it.

The project had a valuable inventory of spare parts for fishing boats and outboard motors, and fishing gear. These were not given away, but sold at the local market prices with the money flowing back into the project. The project bought more inventory, and expanded to have a fuel store with a substantial inventory. The fisherfolk went fishing much more rather than having to spend valuable time hunting for fuel, gear and spare parts. The project trained a mechanic to fix outboard motors, and in turn this mechanic started to train other young men to be mechanics. His salary was paid for by small fees paid by the students, and all of them (teacher and students) made money being paid to service the outboard motors in the community.

The same dynamic took place in the fish smoking area. The project was meant to teach six local women about fish smoking, but an initial six had expanded into a group of 60 who were learning new skills and applying them in the market, and prospering. More fish were being caught. More fish were being processed for the market. The community was on its way.

But the community needed to expand its horizon. The road was impassable in the wet season, and the government was not maintaining the road. The government had a road crew in the area, but not paid all the time and never with any material for repairs. Courtesy of the project resources, some modest amount of gravel and cement was obtained, culverts were installed and the road was made functional. The fisherfolk and traders later paid back the project.

What else could the project do? The IDA school built some years before and idle for years because of government budget constraints had great facilities, but no operating funds. The project started to run evening courses at the school using the facilities including electric generators, carpentry and metal working shops, sewing equipment, etc. with people in the village learning and earning at the same time, and the project being paid so that the project could pay ... and never have to stop.

# **Chapter 1**

## **Performance Metrics for the Community**

Chapter 14 - Community Centric

# **Chapter 1**

## **Community Centric**

# Chapter 14 - Community Centric

## **Community is the Center of Everything**

### Where people live?

It is said that “All politics is local”, and I would extend that to say that “All life is local”. People live in communities. Communities are a reflection of people, more than anything else.

But to the extent that powerful people may not want management information that shows performance ... or lack of it ... relief and development performance at the community level has never been on the agenda.

### Information about community

In order to be supportive of community activities, information about local community and community organizations needs to be very good.

But information not only needs to be good, it also needs to be accessible, and it needs to be current and reliable.

Modern technology makes it possible for community information to be updated in easily and often. What is happening today in the community, and how can the community do better? When we go about asking this question and insisting on answers that make sense, we will start to see some sustainable progress. Up to now remote rural communities that are also poor do not have access to much information, and it is a big challenge to bring them into a process that delivers desirable socio-economic development.

Much is possible, but it requires a new framework for the management of management. Such a framework is technically feasible, and some organization should commit to making this possible, sooner rather than later. But such a framework also needs people who understand the potential and are also committed to the concept.

### Where does the community fit in?

Where does the community fit in? Community is a natural focal point for relief and development planning and incremental support. This is something very different from the Gosplan type World Bank style centralized development planning and decision making. A planning framework that is community centric may well be the answer.

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Decentralizing to the “south” government is a step, but not enough. There are some things that work at the national planning level, but most optimize around plans done at the community level.

In my work over the years I have always been struck by both the similarities and the differences between communities. Each community has different problems, different resources and different thinking about how best to move forward. There are different ways of organizing and providing community governance, and different relationships with the national organizations and the political structure. With so much difference, any universal common solution for all communities was much more likely to be wrong than ever to be right.

The priorities of communities is a very good way to change the key drivers of relief and development sector performance. Much can be accomplished very quickly as soon as small practical activities are supported. But this can only be done if the right sort of information that is relevant at the community level is available.

## Community Has Permanence

### Good place for performance metrics

The community is a good place to see socio-economic progress ... or regression. It is very obvious what is happening, and how it is happening. Sometimes it is less obvious why it is happening. The community is where the measurement of relief and development progress should be taking place, and where incremental resources should be used.

An organization may be here today and gone tomorrow, so also a project, but the community stays in the same location for ever. My home town is a good example.

#### Okehampton, My Home Town

Okehampton is a small town in Devon, England. My family moved to Okehampton when I was five, at the end of the Second World War. At that time it had a population of about 4,000 people, slightly up from a pre-war AA book listing that reported around (as I recall) 3,800 people.

It was a small farming town. Nothing really special. In fact it was rather less important in 1945 than it has been almost 900 years before. William the Conqueror came to England in 1066 winning the Battle of Hastings, and almost immediately documented what was in England in the Domesday Book. Information about Okehampton is in the Domesday Book, and to consolidate the western frontier an 11<sup>th</sup> Century Norman castle was built to fortify the village.

I learn from this that a geographic community has a near perpetual existence that is very valuable when developing management information. People, organizations, projects, and governments come and go, but the place is for ever.

I have always enjoyed visiting new places. Within a very short time it is possible to get an impression of what sort of a place it is. This is a function of geography, of people, of history, of culture ... it is a big mix, and almost every place has a different feel to it. This seems to suggest that “progress” is going to be optimized by different approaches and priorities in different places. It suggests that a universal standard “silver bullet” approach is never going to work,

## Chapter 14 - Community Centric

and it also suggests that this is a good place to do performance and progress measurements.

We also know that the infrastructure to facilitate the free and easy flow of information is a problem in many poor parts of the world, and especially in the global “south”.

And we also know that there is some corporate operating information in remote communities in the “south” that is better not easily accessible to the general public and those who want to monitor and assist in community progress.

So while community information should be easy ... it is not as easy as all that.

The relief and development sector data collectors have done a lot of data collection, but almost none of it is about community nor organized in a useful way for relief and development performance analysis. Sometimes there is a focus on individuals and households, or some aspect of sector activity, such as health, but nothing that is about the performance of the community and the impact therefore on people and families.

The leaders of the community probably know what to do to make the socio-economic conditions better, and they also know the constraints they have to face.

## **A Basic Understanding of Progress**

Progress is not so much what I want, but what the people in the community wants.

### **About the Community**

#### Introduction

The following are some of the many elements that can be identified as of interest in a community. As soon as information is known about some or all of these things, it is possible to start measuring progress ... or the lack of progress.

Experience has shown us that everything seems to be connected to everything else in some way ... and not always in the same way. Measure as well as possible and note whether or not progress is being achieved. If not ... why not?

The listing is in alphabetical order ... not in order of importance. Importance is something that is apparent from the situation in the community.

#### Children

How many children?

Age profile

Education profile

Child care

Orphans

Children's health status

Children's nutrition status

#### Community constraints

#### Community facilities

#### Community governance

#### Community market

Community plans

Community potential

Community priorities

Community revenues

Culture ... caste

Dynamics of development

Economic activities of the community – by sector

Agriculture, fisheries and food

Artisanal production

Industrial production

Service sector

Social services

Public sector ... governance

Economic activities of the community – by organization

The “for profit” private formal enterprise sector is

The “for profit” private informal enterprise sector is

The “not for profit” private sector is

Cooperative organizations are engaged in

National government organizations are engaged in

### Education

Primary education

Secondary education

Tertiary education

### Food security

Storage infrastructure ... warehouses and go-downs

Stocks of food at the community level

Stocks of food at area level

Stocks of food at country level

### Fuelwood and charcoal

## Globalization impact in the community

### Governance

Community governance

Area governance

National governance

### Health

Health infrastructure – clinics ... primary health care

Health infrastructure – hospitals

Medicines

Diseases

Medical staff

### Housing

### Infrastructure

Roads ... local roads in the community

Roads ... main roads to big towns

# Community Metrics for Accelerating Socio-economic Progress

## Housing

Utilities – electricity

Utilities – gas

Utilities – telephone

## Jobs ... employment

Laws ... justice

## Location

Where is the community

## Migration

## Natural resources of the community

## Orphans

## Ownership

Who owns what?

## Physical geography of the community

## Population ... people

About the people

## Retail traders

## Public safety

Landmines, UXOs and post conflict constraints

Public transport

Quality of life

Religion

Sports

Sustainability of the community

Transport

Who owns what vehicles.

Tribes ... clans

Youth

Warehouse ... go-downs

Water

Wholesale traders ... middlemen



### **Linkages at the Community Level**

#### Linkages

There are important linkages between people, communities, organizations, projects, sectors and functions

It is said that “All politics is local” and I like to say the “All life is local”. Quality of life is something that is determined as much as anything by what goes on in our own community. What goes on at any distance from my community may be interesting, and may have an indirect impact, but is nowhere as near as important as what goes on in my community.

And within the community, my family is far and away the most important. To the extent that people are interested in far away places, it is often because a family member is there.

Organizations have a role in society, but it is an artificial role, or a role that is needed for efficiency, rather than being something of inherent importance to society.

Sectors also are a somewhat artificial construct. They serve to help organize thinking and the specialized expertise needed in that area of socio-economic activity.

Within a community, an organization and a sector there are a number of common functions. Functions are the activities that are needed in a community, organization or sector that have common characteristics. Accounting for example is a function that exists in communities, organizations and sectors. Marketing is a function. Transport is a function, as well as being a sector. Thus, an ambulance is part of the transport function in the health sector.

The success of relief and development and socio-economic progress depends on how all of this comes together.

# Community Metrics for Accelerating Socio-economic Progress

### **Community Performance Metrics**

#### Community based metrics

The community has a very different view of priorities than when they are identified from the donor's home office or the local central government.

And relief and development sector performance also has a very different view when it is done from a community perspective rather than that of an implementing organization or a donor.

#### **Community Metrics**

The basic metrics needed to understand socio-economic development progress at the community level are best described as being: (1) information about the community at the beginning of the time period; (2) information about the normal activities of the community; (3) information about the incremental relief and development activities in the community; and (4) information about the community at the end of the time period. This information is a true public accounting of community level socio-economic progress.

The information needed is what is important in the context of the community. This is usually quite obvious in a small community, though it becomes a lot more difficult in a bigger and more complex community. In a complex situation the community analysis can be done in stages, breaking down the community into several affinity groups with similar activities, and then combining into a single spatial community.

The conceptual framework for community analysis is not very different from the system of financial accounting and analysis used in the corporate world with balance sheets and operating statements. In both cases resources are being used to improve the values appearing in the balance sheet.

Starting in 2003, Tr-Ac-Net started to develop a data management system to put public accounting of community level information into an easily accessible database or data warehouse.

What is the point? These data will show rather graphically: (1) how little of the relief and development resource actually gets into a community; and, (2) how valuable a small amount of incremental resource can be when applied correctly. When these data are used by financial analysts interested in global socio-economic progress they will recommend change to improve performance, just as they do with present day corporate and municipal equity and bond financing.

## The community balance sheet

In the corporate world there are balance sheets, operating statements or profit and loss accounts and cash flow statements. They all form a complete and integrated reporting package suited to the for profit corporation. The balance sheet is, more than anything else, the part of the financial package that shows the results of good performance.

Progress is when a community increases its net resources over a time period. This is very similar to the idea in corporate accountancy that a profit is the difference between two balance sheets.

A similar concept can be used to document the performance of a community. What is the state of affairs at one point in time? What is the state of affairs at another later point in time? What are the changes?

The metrics of community progress can be quite simple ... or very detailed and complicated.

If the resources and situation in a community are documented at a point in time, and then the same documentation is done a some time later, for example the beginning and the end of a year, then the difference shows what has happened over this time.

There is “progress” if a year later the same set of information shows there has been an “improvement”. There is regression if the information shows that there has been a “deterioration”.

In most communities to stay the same requires a year of hard work from everyone. If the rains are good, and the harvest is plentiful, then the work for the year may show a situation that is significantly improved over the prior year situation.

On the other hand if there is drought, then the crops fail and the situation will deteriorate over the prior year situation.

Progress can be measured looking at the change in the status of the community over time, and without having to know very much about the activities of the community in the time. But if there is also some measurement of the activities, it then becomes possible to see why the community has performed in the way it has. When this is understood it is possible to design development interventions that are the least cost way of improving the communities performance.

## Chapter 14 - Community Centric

The community has many benefits that make it an ideal entity for planning and tracking development progress. Every community has a unique combination of resources and potentials and constraints. Each community has reached a unique place in the process of development and has a certain unique standard of living and social structure. A community can benefit the most when the planning and development actions are optimized for the specific community and its unique conditions.

# Community Metrics for Accelerating Socio-economic Progress

### **Collecting Community Information**

A lot of information about communities is known, but it is often in forms that are difficult or impossible to access using any form of modern technology. Old people know lots about their communities, but it is in their heads. It needs to be collected and put into some sort of record. And some of the information then needs to be put into some sort of electronic record. This is easier said than done, but I believe it is both worthwhile and quite possible.

Probably the best way to do this is to encourage it to be done by community people for their own information and guidance ... and to get it put into a form that can also be used as a component of a universal system of public accounting.

It is worth noting that some of the best information about communities is contained in travel books. The information included in travel books is information that the authors consider will be useful for people who are visiting, mainly for their own amusement and pleasure. Much of this information is also of considerable value for understanding the socio-economic status of the community and what the community should be doing as a priority to improve its socio-economic situation. Travel books are often improved by feedback from travelers. Community economics information can be improved by anyone with better or more information.

Of course, there is a lot of information about communities in various military information systems. This information is not usually easily accessible by the public at large.

And there is probably a lot of interesting information compiled in various political party data systems. This information also is not usually easily accessible to the public at large.

It is possible to learn about a community, but sadly, in our modern world, more is probably known about communities around the world so that they can be bombed than is known so that they can be helped. This should be changed. The technology to do it is quite easy, but it is not yet organized to be used in this manner.

# Community Metrics for Accelerating Socio-economic Progress

### **Any Other Issues**

#### Establishment of trust

Most poor, small or remote communities do not have an incorporated structure and any global visibility that is “trustable” by the “north” ... and this has to be addressed. Without an acceptable level of “trust” it is impossible to get external funding assistance to a community in an efficient way. The issue of trust can be addressed with a combination of information and organization as discussed elsewhere.

Chapter 15 - Performance Metrics for the Organization

## **Chapter 11**

# **Performance Metrics for the Organization**



## **What is “Performance” in a Not-for-Profit?**

### What is “performance” in a For-Profit?

In most corporate organizations performance is best when profits are maximized, there is revenue growth and the stock price rises. With stock market value the single most important measure of corporate performance ... in practice if not in theory ... then every subsidiary level of performance is linked to this. Anything that does not feed into this metric is not important.

### Corporate social responsibility (CSR)

Discussion about corporate social responsibility (CSR) is not mainstream by any means. There is more dialog about CSR today than ten years ago, but very few major organizations have changed much in their internal operations to make CSR a driver of decisions.

CSR has more impact as a “risk” that must be managed than as a value that can be optimized. CSR becomes important merely because the media and bad publicity might perhaps have an impact on the profit ... and that risk must be managed.

### Performance for a typical “Not-for-Profit”

The typical not-for-profit probably thinks of performance in terms of number of staff and the total funding of the organization. There are two ways of looking at these measures: (1) in absolute terms; and, (2) in growth terms.

Big staff, big revenues and big growth are the dominant determinants of quality performance for a typical not for profit.

### Sustainability

Sustainability might be another measure of organizational performance ... in this context meaning that the organization is sustainable, and the staff will continue to be employed.

Where Does the Organization Fit  
The main implementing structure

Organizational goals

Organizational sustainability

Internal and public metrics

## **Internal Metrics**

Overview

Transactions

Activities

Results ... value

Balance sheet – value

Periodicity

Monthly

Quarterly

Yearly

Timeliness

What, if anything, needs to be real time

What staff need to know

### **Public Metrics**

Regulatory imperatives

What society needs

Accounting to the community

## Chapter 16 - Performance Metrics for the Project

## **Chapter 12**

# **Performance Metrics for the Project**

# Community Metrics for Accelerating Socio-economic Progress

## Failed Projects and Programs

### Why?

There are many reasons why projects and programs have failed. As an outside observer it seems pretty clear that there is a systemic problem ... and nothing in the organizational framework that gets to grips with solving the problems.

### The project and the project cycle

The project form of organization and the project cycle are key reasons why relief and development has failed.

The “project” form of organization dominates the relief and development sector, but it is not an organizational form that well suited to relief and development interventions. The “project” form of organization is arguably the best way to organize for a “one-off” project such as the construction of a dam, bridge or power station, but this form of organization is unsuited to providing financial support for routine activities of public institutions like education and health.

The project cycle the following elements: (1) Identification; (2) Preparation; (3) Appraisal; (4) Negotiation; (5) Implementation; and, (6) Evaluation.

In the course of my career I have been involved with all the different parts of the project cycle, and it is really no surprise that the projects end up costing a lot, creating debt, and not accomplishing very much. Too much money is spent on identification, preparation, appraisal and negotiation, and the management and oversight dimension of implementation is almost totally absent. The ex-post evaluation stage is too little and far too late.

The project rarely has any life after the funding. This makes anything that a project does almost certain not to be sustained. The project form of organization adds another constraint to an already difficult situation.

Over the years I have worked with many World Bank projects. Almost all of them are designed in such a way as to be almost impossible to manage. They are too complex. They are often too big.

They are often too constraining. They are too rigid. They do not go on long enough. They are just plain unmanageable.

The project approach to development has been the dominant mode for development since the very early days. The project form was adopted as a means to accelerate development, but has probably had the reverse effect. Rather than addressing the fundamental causes of development delay, the project approach avoids problems, rather than solving them. After multiple generations of "projects" the problems still remain, and may well have been aggravated.

The project form of organization suffers from: (1) a short life; (2) an impermanent artificial structure; (3) issues of starting up; (4) issues of closing down; and, (5) all sorts of economic distortions, not least of which pay scales.

The damage done to government and civil services cadres by “projects” recruiting good people out of the permanent government system into the project is a serious and a huge cost to the “south”. Worse, good people have also had their local careers disrupted, though some have been able to move from local “project” to being part of the international elite in the relief and development sector.

### Fish Meal in Malachal, Yemen (PDRY)

I visited Malachal, Yemen (PDRY) to see the fish meal industry as part of a World Bank mission in the late 1980s to evaluate performance of the fisheries investments. There was a big fish meal plant, but very little fish were being caught to supply the plant. Apparently some incompetent “experts” had recommended that the economies of scale of a bigger fish meal plant would solve the problem of failed smaller plant.

The problem was not the fish meal plant, but the fish resource. Two seiners had been operating and were catching much less than anticipated ... and with the resource in question it was quite irresponsible to invest a lot of money in a bigger fish meal processing operation.

In the original planning for the fish meal plant investment it was clearly set out that validation of the resource was a critical first step to be done before there was a major investment in fish meal processing. Subsequent consultants ignored this, as did the World Bank experts and the government.

### Value destroying projects

The relief and development sector operates largely through projects. Not many of them are value adding, rather they a value destroying. At one point in my career I was retained by UNDP to evaluate (desk review) their project portfolio. I was not asked to repeat the exercise, and my work was probably totally ignored. But the overriding theme was disbursement of money for work that sounded worth doing, but beyond that could not and would not do very much.

The feedback of performance information to the head office showed that money had been spent, and some things had been done, but rarely that anything of substance had been achieved.

It is this lack of substance in things being done that is one of the many issues in the performance of the relief and development sector.

### Value destruction with projects and programs

The relief and development sector operates largely through projects. Not many of them are value adding, rather they a value destroying. Though the project form of organization works well for the construction of major civil works such as dams, roads, ports, etc., it works very badly as support for work in the social sectors like health and education.

The performance of projects and programs is one of the best kept secrets in the relief and development sector. There is a lot of focus on how much money is disbursed, but very little about the value that is accomplished using the money. Without measurement and effective oversight, then project performance becomes unimportant.

#### Value Destroying Projects

At one point in my career I was retained by UNDP to evaluate (desk review) part of their project portfolio. I was not asked to repeat the exercise, and my work was probably totally ignored. But the overriding conclusions was that there was much disbursement of money for work that sounded worth doing, but the activities and the results rarely did anything like what was projected.

All the projects were worth doing, based on the project proposals, but feedback of performance information to the head office showed that money had been disbursed, some things had been done, but rarely anything of substance had been achieved. The costs were there, the durable value was not.

Though it was very clear that disbursement of money had been done for work that sounded worth doing, it was equally clear that not very much was being accomplished. The feedback of performance information to the head office showed that money had been spent, and some things had been done, but rarely that anything of substance had been achieved.

### Value Destruction in South Sudan

For years and years UNDP funded a small capacity building project in South Sudan. The project consisted of a single CTA working in an advisory capacity with the local government. The expenditures were a generous UN rate salary together with normal living and transport allowances ... perhaps 50 times what he would have earned in a government job in his home country. The CTA had an office in the government administration building and by all accounts was “on seat” around 10 hours per week. The project goals were never achieved, but every year someone in the local government wrote glowing letters asking that the project be continued, and it was, over and over again, despite considerable staff objections. Nobody knows who was paying who, but it is almost certain that this was the underlying problem.

The problem of project performance has been systemic. Why was it that a project with almost 100% value destruction in South Sudan kept on going year after year ... the funding agency had official government letters saying the project was important, and that was all it took for the funds to be reallocated year after year. Not a great outcome.

A World Bank / DANIDA funded shrimp project in Yemen (YAR) at Hodieda is another example of value destruction going on because of a bad project. Almost everything about this project was wrong, but the disbursement kept on going ... even after a supervision mission had recommended an immediate end to the funding.

### Shrimp Project in Yemen (YAR)

I worked with a World Bank mission in Yemen (YAR) to help assess progress on a shrimp project based in Hodieda. As a former CFO with an international company in fisheries (shrimp) I know something about the fisheries business and I was shocked by almost everything I learned about the project .

The World Bank and the Yemen authorities had taken perfectly good resources and converted them into into a operational liability and created a big debt repayable to the World Bank. This was an almost 100% value destruction performance.

Similar project performance is relatively common. It is something the World Bank and others in the relief and development sector should be ashamed of. Having a failure once in a while is understandable, but failing almost all the time is unforgivable.

Why on earth did the World Bank, UNDP and the broader relief and development community do little or nothing for years about pathetic project and program performance.

### Oversight and measurement

The idea of oversight and measurement needs to be made an integral part of the project operations. The sort of measurement needed is simple normal rigorous accounting and timely reporting. The specifics will change from project to project. Just as they do from department to department in the corporate world ... but there should be timely accounting for all economic, that is financial, transactions.

Every month, the oversight managers should get a simple report about what has been spent and what it has been used for ... basic management accounts. From time to time there should be reporting against key performance benchmarks ... whatever is appropriate.

None of this is a change in project cycle and project design ... but it is a change in the way things have been done. Much more attention needs to be paid to accounting, to the professionals in accountancy and to the information that the accountants are presenting. Rather than being an unusual part of the oversight team, a professional accountant should be right in the middle of most of the oversight process.

### What About the Multiplier?

I learned my economics in a Keynesian environment. When there are big fund flows, there is a lot of economic activity ... a multiple of the incremental money flowing. That is the good news, and is a positive outcome from project or program activity.

But just as important, when an activity ends, and the money stops flowing, then there is a negative multiplier effect. This is bad news.

Sadly the World Bank, the UN and others do not do much to incorporate the bad news into their project planning and analysis. After justifying a project based on a lot of the good news, they discount everything that is going to happen at the end of the project and to all extent ignore it ... with disastrous consequences.

If projects and programs were subject to the same intensity of analysis during their implementation and at the conclusion of the project ... using all of the the techniques (and resources) used in the planning and appraisal phases, there would be a new and very interesting body of knowledge. I have done some of this (with very limited resources) and it is rare to find a project or program in the relief and development sector that has been worth doing. More than anything else, the activities have been value destroying.

## Chapter 17 - Performance Metrics for the Government

## **Chapter 13**

# **Performance Metrics for the Government**

## **Government Accounting**

### **A Cash Based System**

Most government accounting systems are cash based systems rather than being based on complete accrual within the accounts of all assets and liabilities. This is a disastrous political expedient which has serious implications for the effective control of government revenues and expenditures and proper accounting to the oversight authorities and the public.

Under cash based systems there is no integral control of assets ... either inventory or fixed assets ... and it is easy to ignore them and lose control. Oftentimes this is politically convenient ... though an outrageous tactic.

Under cash based systems there is also no integrated control of liabilities. Under a cash based government accounting system the receipt of moneys is a good event, and it is not required that there is a corresponding addition to liabilities when the receipt is associated with borrowing and the creation of a debt. In part this made the build up of global government debt easy ... and ignored until it reached crisis levels.

There is considerable confusion in Iraq today about the state of the government accounts and the assets and liabilities of government. With a cash based system of accounting it is likely that the amount of debt will be determined more based on politics than on accounting ... which is highly undesirable, but very common.

## **Government Disbursements**

### Control of government funds

In most government jurisdictions the budget is the way in which disbursements are authorized and controlled.

Governments have had a problem with the management of money as long as government has been the dominant institution of governance. The tension between the ruler, the Monarch and the legislature has been around for ever. The power to tax was very convenient for enriching the ruler, but not the intent of taxation, which was needed for more pressing needs like paying for wars and building ships. Eventually the idea of a single treasury account emerged into which all revenues of the state would be deposited, and which would be in the control of the legislature. The budget is the authorizing legislation that allows funds to be disbursed from the single treasury account.

While government accounting around the world may not be functioning perfectly, the use of a budget to authorize government disbursement is common.

And it is also a common requirement that the government accounts are presented periodically to the legislative body for review and approval. Sadly, this part of government financial control seems to be absent in too many places.

## Budget and Accounts

I was in the Cote d'Ivoire some years ago and had a conversation with of the Deputies in the National Assembly. I asked about the budget and he confirmed that this was approved every year by the legislative body without much of a problem ... it was a precondition to everyone getting paid. But when I asked him about the Government accounts being presented and approved by the legislative body, he said that was a different matter. He told me the government accounts had not been completed and presented for 14 years ... nobody wanted to be associated with approving accounts that might subsequently be found to be fraudulent in some way!

This was just a conversation ... but it supported my observation that government accounts are almost totally absent from the public space.

It is no wonder, therefore, that misuse of government funds is more the norm rather than the exception.

# Chapter 17 - Performance Metrics for the Government

## **Government Revenues**

Control  
Governments

# Community Metrics for Accelerating Socio-economic Progress

# Chapter 17 - Performance Metrics for the Government

## **Government Accounting**

The Accounting is a Mess



## Government Accounting for Loans

### Should be easy

I would have thought that the accounting for government loans would be one of the easier aspects of government accounting, but for some reason, the accounting for loans has become both complex and out of control.

I am not sure why governments lost control of the loan situation, except that loans did help fund a lot of desirable works where side payments could be substantial and personally advantageous. (See Box).

The accounting for loans can be done very simply and very precisely. Only a few pieces of information are needed, and even in complex cases, it is quite easy to project what the repayments are going to be and what the interest is going to be.

Yes ... there is a little complexity because of the various exchange rates that might be involved, but this is not really very much of an accounting challenge. If it is a challenge, then perhaps better accountants should be engaged ... this said with some frustration because many of the experts I have had to work with over the years were expert in everything except accountancy.

### How Do Loans Work?

It is easy to see how a loan could be used to give advantage to everyone except the national economy. A donor or development bank is able to disburse, a supplier is able to profit from the business, some local intermediaries are able to be paid more or less legitimately and the local powers that be can be remunerated from all of this according to local custom. The loan becomes a liability of government to be handled at a later date ... and the date can be very late when the debt is never recorded anywhere in the government system where the information is easy to see.

The bigger the loan, the more all the payments to the beneficiaries are going to be. Something big tomorrow is not going to be a problem until sometime in the future, and the future is in the future. Never mind.

## Debt

If there is so little investment ... so little infrastructure ... how come there is so much debt? There are some simple answers: (1) money has been lent badly by the World Bank and other lenders; and, (2) the money has been used badly by the borrowers, with the borrowing governments and their crony's the worst.

Back in the 1970s when the international financial system was in turmoil after the oil shocks, Walter Wriston, the CEO of Citibank from that era summed up the financial opportunity saying something along the lines that developing countries “needed the money, paid high interest, and could not go bankrupt” and the international financial community was happy to oblige. Many commercial banks eventually lost some in the eventual restructure and debt forgiveness that subsequently has taken place, but overall they did very, very well. The World Bank participated in the flurry of lending, but in the case of the World Bank did not do much to forgive its debt when the “projects” failed to deliver much “development”.

There has been around 20 years of dialog about debt forgiveness and debt restructuring or rescheduling or whatever ... but much less discussion of how and why the debt came into existence in the first place, and specifically who are the responsible people involved.

The leadership of the relief and development sector has never taken any meaningful action to get at the culpability of the various actors and to hold them accountable.

## Debt cancellation, restructuring ... whatever

There are many advocates for debt cancellation or some form of radical restructuring. There have been “agreements” about this over and over again, but also conditionality. There has been some debt cancellation, but only after the beneficiary country has jumped through hoops to satisfy the terms and conditions. The way the process works is typical of the relief and development sector, a huge amount of study and reports and meetings and negotiations before any agreement and any useful action.

The media and the advocates for debt reduction have periodic press bonanzas, but for the poor people in poor countries it is all invisible. The 2005 G8 Summit hosted by Prime Minister Tony Blair highlighted commitments about debt reduction, but for all practical

## Chapter 17 - Performance Metrics for the Government

purposes not very much can be seen from the perspective of the poor communities. It gets headlines in the “north” and does practically nothing in the “south”.

The whole debt discussion is a cruel hoax on the world's poor and vulnerable. Without other interventions these people remain poor and vulnerable.

### Value Destruction Aggravated with Debt

#### Debt is a result

Debt is a result of decisions and actions. Unsustainable debt has come about in the “south” because the lending has been bad and the use of resources has been bad.

The “south” suffers from a shortage of investment ... too little infrastructure ... too little of public services ... so how come there is so much debt? There are some simple answers: (1) money has been lent badly by the World Bank and other lenders; (2) the money has been used badly by the borrowers, primarily borrowing governments and their crony's; and, (3) the structuring of the loans so that they are denominated and repayable in a basket of “hard” currencies.

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The whole debt discussion is a cruel hoax on the world's poor and vulnerable. Without other interventions these people remain poor and vulnerable. The “south” needs to get financing for the things that it needs so that it can do critical things on a timely basis and on a meaningful scale.

Some of the relief and development experts in the “south” understand the issues, but do not often have a forum for their views to be heard and taken into consideration.

### Minister in Namibia Had It Right

When I was working in Namibia I was present at a meeting of the donors with the Minister of Finance of Namibia. The purpose of the meeting was to move forward the country's strategy for development and how it would be funded. As is the custom in these meetings all the donors had an opportunity to say their piece.

When it came to the turn of the Commonwealth Secretariat, represented as I recall by a Canadian, Namibia was encouraged to gain membership of the Breton Woods organizations (World Bank, IMF et al) so that they could borrow for development.

The Minister asked some pertinent questions including about rates or interest and the currencies of the loans, and was told that the interest rates would be low, and that the currency would be a basket of currencies like the US dollar, the Canadian dollar, the Swiss franc, and so on.

The Minister then asked about project performance from such financing, and specifically what rate of return and what cash flow would be projected. The donor representatives present started to be a little uncomfortable, and no real answer was provided.

The Minister went on saying more or less the following: “I think you know, our currency is the South African Rand. This is a currency that is being rapidly devalued because of the economic sanctions against South Africa ... which we support ... but it does mean that our currency is devaluing at a rate of more than 20% per annum. If we borrow, we have a real interest cost of 20% plus whatever the low interest that is being charged by the lenders. And up to now, I have not seen any development project that is going to be able to support debt financed development in Namibia”.

This was one of the best summaries of a critical development dilemma. The Minister was absolutely on target with his analysis. Sadly, I am not sure the donor representatives really understood. Most were not as well educated and experienced as this Minister.

## Chapter 17 - Performance Metrics for the Government

### Debt cancellation, restructuring ... whatever

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There are many advocates for debt cancellation or some form of radical restructuring. There have been “agreements” about this over and over again, but also conditionality. There has been some debt cancellation, but only after the beneficiary country has jumped through hoops to satisfy the terms and conditions. The way the process works is typical of the relief and development sector, a huge amount of study and reports and meetings and negotiations before any agreement and any useful action.

The media and the advocates for debt reduction have periodic press bonanzas, but for poor people in poor countries it is all but invisible. The 2005 G8 Summit hosted by Prime Minister Tony Blair in Scotland highlighted commitments about debt reduction, but for all practical purposes, not very much can be seen from the perspective of the poor communities. There are headlines in the “north” nothing to be seen in the “south”. The reorganization of the “debt” is not more than a bookkeeping exercise with far too little of financial substance.

Chapter 18 - Performance Metrics for the Nation

## **Chapter 14**

# **Performance Metrics for the Nation**

# Community Metrics for Accelerating Socio-economic Progress

## Chapter 18 - Performance Metrics for the Nation

### Chapter 19 - Test

# Chapter 20

## Test

Chapter 20 - Data Architecture

# Chapter 20 - Data Architecture

## **Chapter 15**

# **Data Architecture**

# Chapter 20 - Data Architecture

## **Data Design - MetaData**

### Organize the data

There is a need to organize data and start to get it into the relational format so that it can be accessed easily by anyone with a basic knowledge of SQL.

There is a need for logical organization of management data. There is no widely used logical organization of management data for relief and development decision making. There is no universal metadata system so that the data are comparable.

There is text ... a lot of it. There are few numbers, and the numbers are difficult to understand. Until the information is organized so that it has the characteristics of management information, it will be difficult, if not impossible to get a relief and development sector that is driven by facts and especially facts about performance.

### Incredibly badly organized

In the international relief and development sector, there is a lot of data, but most of it is incredibly badly organized. There are a very large number of different database systems in use and almost no compatibility and coherence between the different sets of database tables. There are a large number of data collections that have been compiled using spreadsheet software without consideration of the (meta)data design and long term implications of spreadsheet data administration. On the other hand, there are data stored within very sophisticated and expensive systems that could just be as well be in a simple spreadsheet environment.

### Need for database design improvement

There is a lot of data, but little of the data are organized so that the database structures can be used in an easy and analytically powerful manner. Even some of the most well known large international organizations still use disorganized spreadsheets as their “database” more than 20 years after the relational database model was adopted for large scale information management. There are a lot of data hidden behind software that is good, but too expensive for most people to be able to afford, including most of the GIS software.

### Use database technology

Modern database technology enables information to be much better able to be stored and retrieved, but use of the technology should not limit access but improve access. Much more use should be made of the relational model for data storage, and there needs to be much more training in how to design efficient, easy database systems with proper normalization.

## Data Quality

### Problem of misinformation

There is a problem of misinformation that manifests itself in many ways. Heavy reliance on aid for most of the last two decades has created a need for a continuum of crisis in order to sustain the community that benefits from the crisis industry. This is unfortunate, and makes it difficult for true development success to be recognized and success replicated.

#### Drought ... or Just a Dry Spell?

In the past few years there has been dry weather in Niger. It is difficult to tell whether this was a serious drought crisis or a mere manipulation of the information so that the donor community could mobilize emergency assistance when it would have been better to use resources in a more developmental fashion.

The data and the presentation of information are easy to spin ... and the result is poor decision making, and continuing failed outcomes.

### Use peer review to reduce bad information

There needs to be quality control over information on development and socio-economic progress. One way to get better information is to have systems of feedback so that there can be comment about the data and some sorting out of data that are valid and data that are unacceptable. This has some of the characteristics of peer review.

### Use the data ... they get better

When data are used, the data are rapidly improved. People will not tolerate criticism based on data that is wrong, and they will explain exactly what is wrong, and what would be right. Correct the data based on this feedback ... correct any systemic data management problems if that is needed. Soon the data and the analysis will be improve, at which point people getting criticized are faced with good information, and perhaps really poor performance that needs to be improved.

### **Easy Access to Important Information**

#### Secrecy ... hiding corruption and inefficiency

By having easy access to important information, there are all sorts of good benefits, notably making corruption more difficult and making inefficiency less acceptable.

Easy access means more than putting information on a website ... though that is better than nothing. Easy access means that the information can also be seen in ways that are meaningful.

Important information ... or management information is not have one little bit of information in a multitude of different forms ... it is about having rather little information in a way that is useful and tells the story clearly.

## Reports

### Reports ... report design

Easy access to important information is probably best obtained from well designed reports. Easy access to important information implies that information is being delivered in some form of report ... not merely as a bit of information that still has to be related to a lot of other bits of information in order to have much meaning.

### Repositories to facilitate easy access

Knowledge about development should be available both in public and private institutions. It is much more cost effective to have multiple copies of information than to have to recompile basic information.

### MetaData ... and organizing data

Having a strong organizing function for the data can go a long way towards getting the information into a form that is easy to access and produce useful management reports.

## Chapter 20 - Data Architecture

## Chapter 21 - Academic Community

## **Chapter 22**

# **Academic Community**

### **Academic Community**

#### The academic community and information

The academic practice of being secretive about the data, though promoting the conclusions derived from the data, may be something to do with the way in which academic credentials are evaluated and awards made. The effect of the practice is to make use of data much more difficult, and the reduce the socio-economic value of the academic efforts.

#### The academic community has a key role to play

The academic community is a community around a common interest. In another context I have written rather unfavorably about the academic community.

#### **A View of the Academic Community**

The academic sector has several important impacts on relief and development performance including: (1) substantial use of relief and development funds; (2) a substantial influence on thinking and public perception about relief and development; (3) a big role in “teaching” relief and development to students and future policy makers; and (4) being controllers of information about relief and development.

The academic community has a challenge to show that its work in the relief and development area is net value adding. There is some evidence that relief and development resources are being used to a considerable extent to fund academic programs while there is little tangible benefit at the community level in the “south” where needy beneficiaries live.

But in the situation in Iraq the academic community has a huge and urgent role to play. There is so little knowledge about Iraq in the world community ... and without knowledge it is wishful thinking that policy will be optimized. Accordingly it is important that academics in Iraq become as much engaged as they can be in helping well-wishers to understand the depth of the culture and the issues that bring Iraq together and might possible make it break apart.

## Community Metrics for Accelerating Socio-economic Progress

For our part, that is the international community, we should make it possible for Iraqis to talk about their country in as many places as possible and help with better understanding of the possibilities.

## Chapter 21 - Academic Community

## Chapter 22 - Metrics about Sustainability

Chapter 23 - Drugs, Sex ... Making Money

## **Chapter 17**

### **Drugs, Sex, Gambling, etc.**

#### **Big Businesses ... Making Money**

What have these got to do with anything?

Sadly, anything that is associated with a lot of money is going to create problems for management information, accounting and accountability.

It is human nature. People love money ... and people are easily addicted to drugs, sex and gambling. So drugs, sex and gambling are a big factor in everything.

# Community Metrics for Accelerating Socio-economic Progress

## Chapter 40

# Emergency Rescue and Relief

### Humanitarian Relief is Big Business

#### Accounting and accountability

The accounting and accountability in the relief arena ranges from pretty good to very bad. When I was working closely with UNHCR, the systems they were using had many of the characteristics that I look for in good management information systems, including strong feedback and processes to quickly learn from experience.

But most of the other organizations seem to have weak accounting and almost no meaningful accountability, and little capacity for institutional learning.

Three major natural disasters that have taken place in the past three years: (1) the tsunami in South Asia; (2) the Katrina and Rita hurricanes in the USA; and, (3) the earthquake in Pakistan. In all three cases the global public responded with great generosity, especially in the case of the tsunami. An enormous amount of money flowed into the relief and development sector ... into all sorts of organizations, and in very large amounts.

Nobody knows how much or how little flowed out to do the work needed to provide help to needy beneficiaries.

## Tsunami Accounting and Accountability

People who reported back to me from various places in the tsunami affected area were angry at how so much money could do so little ... they reported on the number of new white Toyota Land Cruisers that quickly arrived on the scene, and relief visitors doing surveys and preparing reports ... but actual fund flows to beneficiaries were not so much to be seen.

Friends told me of how effective the Indian army seems to have been in all sorts of remote areas ... and doing very worthwhile practical work ... army engineers rebuilding bridges and helping to fix fishing boats.

But I was also told of how funds intended for tsunami affected areas in Sri Lanka were allocated to projects in Colombo. Money is fungible ... and without good accounting and a system for accountability, essentially anything goes.

I have not been able to find out much about how several billion dollars that were paid into the relief and development sector organizations in connection with the tsunami were actually used ... nobody is doing the overall accounting. After some very public announcements, I thought that PriceWaterhouseCoopers was going to help with this, but I was wrong about that ... seems it was more PR than serious help.

There does not seem to be a single major organization that has the sort of information that allows for a full accounting for expenditures, the activities funded, and the results achieved.

## Value destruction in disaster

The socio-economic impact of natural disaster is huge. The value of the relief assistance that comes in after a disaster is substantial, but tiny relative to the terrible value destruction that takes place as a result of major natural disaster. Putting things back together consumes a vast amount of scarce resources, and slows down the progress that otherwise would be made.

I have visited a number of places where natural disasters have struck ... years later the scars are everywhere. Some buildings get rebuilt, but many do not. Each building that is not rebuilt probably has a family financial disaster, or worse, associated with it. Much of this never gets into the record, and is forgotten.

But it does not appear that important lessons are drawn from disaster. We are more and more living in areas prone to disaster ... we live

## Chapter 24 - Emergency Rescue and Relief

closer to the coast ... we live more and more on flood plains ... we have major cities growing on earthquake fault lines ... and so on.

## Chapter 25 - Sustainable Development

## **Chapter 41**

# **Sustainable Development**

### **Sustainable Initiatives**

#### What criteria to use?

It is rare for national level development planning to be done around making the country sustainable. Where it is done, it makes a difference. Sadly not many countries are being facilitated to do planning for sustainable development by the local leadership or the donor community. Rather there are disjointed projects based on thematic ideas that may or may not fit with local national development strategy and plans.

Making a development project sustainable is impossible unless the country has some level of sustainability itself, which is not really true in any of the very poor “south”. For a development project to be sustainable it needs to be value adding, and it needs to be providing benefits that have value that exceeds the cost. Where development projects are funded by loans, a project must be very valuable in order to be able to service the debt.

There has not been enough arguing about how to make projects sustainable and value adding ... and rather too much of facilitating approval of loans for financing by fudging the numbers. Where I have been involved with project supervision it is too much evident that the project planning and appraisal was serious flawed, and therefore

could not be sustainable. This needs to be fixed so that poor countries get valuable projects funded, and not value destroying boondoggles.

## Chapter 26 - Metrics About People

## Chapter 20

# Metrics About People

## People ... Human Resource

### People

In almost all economic activity, people are a critical resources. But people are rather infrequently identified as an important resources, and in most developing countries, many people is seen as a problem rather than being an important abundant resource.

There is a challenge is to make it possible for people to be an asset rather than a liability, both in their local community and for the larger economy, because there are all sorts of shortages or constraints.

### Jobs

Jobs are a key to prosperity. Many people who are poor are engaged in subsistence activities. People work hard and at the end of it are just surviving. Their productivity is as low as it can be. With lower productivity they would be dead. Jobs that help people move from subsistence to paid work is progress, even if the job is menial and not very inspiring.

### Health

Education

Fertility

Longevity

Census ... many years apart

Family origin

How many people? ... Doing what?

Who owns what?

Education ... age ... potential

Jobs ... opportunities

Culture ... and constraints

Performance ... value adding

Quality of life

Wealth

Lifetime ...

Intergenerational progress

Health

Diseases

Family income

Family expenses

Family assets

Dynamics of the family

## When good people meet bad systems

Good people need to get paid, they need their salaries. They work hard and would willingly put themselves on the line to get good outcomes in an emergency. These people do get into the news from time to time as they work against all odds to mitigate the impact of disaster. But good people are also stuck with whatever system and culture there is, and can do little to change them. Good people get beaten by bad systems, bad processes, and ineffective organizations. They work in institutions that make it very difficult for them to perform well and get the best possible results. When it comes to day to day work these institutions are huge bureaucracies with all the problems associated with a big and clumsy bureaucracy.

## Chapter 27 - Metrics About Community

## **Chapter 21**

# **Metrics About Community**

## Chapter 28 - Sector Specific Metrics

## **Chapter 47**

# **Sector Specific Metrics**

**A**

Hundreds of sectors

### Extractive industries

The value chain for the extractive industries end to end from the natural resources to the consumer is not usually presented for publication and easy access. In spite of big investment and great profits, it seems that there are huge durable value problems in many of the host communities while the “north” corporations and their stockholders are enjoying stupendous profits.

#### Value Destruction in a Mining Enterprise

An investor comes into the country to open a mine. The host community has an area that is rich in ore. The investment is estimated to be \$500 million. The host country does everything to welcome the investor, and the investor arrives.

A large amount of mining equipment arrives ... the reported cost is around (say) \$400 million and work commences. Some local staff are employed and trained, but the local payroll is tiny relative to the expatriate payroll. The mine does well and soon over a \$billion of ore has been removed, processed and exported. The investor is well pleased.

The mine is now ready to be transferred to local ownership. The mine comprises a huge hole with the best ore already gone, and worn out mining equipment that is almost fully depreciated. Keeping it profitable is going to be a challenge.

The community has had some economic activity for a few years, and now has a dirty polluted area with not much future. The value has been extracted and the community has not a great lot to show for it.

In this typical scenario the investors probably make \$100 of profit for every \$1 of value that is realized in the community. In some cases the pollution of ground water turns FDI into a disaster for the local community ... with absolutely no recourse for community people.

This should not be possible, but money talks. There is usually an elite group in the “south” that is also able to profit mightily from foreign direct investment. Rigorous value analysis shows that, more often than not, FDI extracts value from the host country rather than putting value into the local economy ... and combining this with the pattern of bribery and corruption, there are big value distortions when corruption is out of control.

## Infrastructure construction

Infrastructure investment is very much needed ... but does infrastructure building in the “south” need to be as expensive as it is. Where there is international FDI the driver is the maximum of corporate profit, rather than being the the maximization of durable socio-economic benefit.

There are hundreds ... no, thousands ... of PhD level economists at the World Bank and around the relief and development sector organizations yet they do not seem interested or capable of doing the analysis to show that there is an optimum way of doing construction in the “south” to get the maximum of socio-economic benefit. Instead for many years now the “south” has been getting infrastructure projects that are designed in a way that makes profit at the expense of tangible socio-economic improvement. Maybe Bechtel benefits, but the “south” does not.

### Coffee, cocoa, tea, cashew, palm oil, etc., etc.

There is something fundamentally wrong with the value chain. At retail in the “north” the prices have gone up along with everything else. At the farmgate, however, the prices are more or less the same as they were years and years ago ... and costs have risen for farm inputs and everything else a family has to buy. Net net the farmers doing coffee, cocoa and tea are increasingly poor.

What is the problem? In large part the World Bank got it terribly wrong 30 years ago when they were predicting rapidly increasing demand and prices for all these items.

#### World Bank's Rotten Projections

Over and over again in the late 1970s and early 1980s I objected to the World Bank's rotten commodity projections. They had a department that occupied itself with price projections and a new-fangled computer program that gave them the definitive answer about the future ... but it got it wrong ALL THE TIME.

I had recently moved on from being a corporate CFO who needed to get price projections for our products right in order to have profits ... and in the areas I knew very well they were getting it very wrong.

I then worked in a variety of agricultural project appraisals and supervisions ... and every single projection made by the World Bank staff was considered wrong by the expert independent consultants involved ... using the World Bank projections these projects were adequately beneficial for approval ... using the independent consultants' views, the projects were not good enough. In every case the World Bank view of the world was the one they used ... with totally predictable results.

## Workshops and conferences

All workshops and conferences have a cost, but not all of them have value. It takes a substantial expenditure to run a workshop or conference both on the part of the organizers and the participants.

Some workshops and conferences are popular because the participants are paid to attend, and receive travel and per diem allowances as well. These payments can be substantial relative to the pitifully low salaries paid to civil servants in most of the countries in the “south”, including quite high positions in the civil service system. For these people there is a money value that is quite tangible, but is an inappropriate justification for the workshop or conference.

Workshops and conferences may have a high professional value in facilitating networking and sharing professional experience. Some professionals may get significant value from this, and where this is going on, the costs may well be justified.

But more often than not, workshops and conferences do little more than cost money and do not very much. Even so, donors seem to be willing to support them because they are a quite visible way of showing that there is some activity actually going on that is tangible and can be used in support of public relations efforts to feed the media and other stakeholders.

Using metrics that measure relief and development progress, the majority of workshops and conferences do rather little in relation to their cost and the effort expended.

### Research and studies

All research and studies have a cost, but not all of them have value. They represent a very substantial investment that is almost total value destruction. There is a huge archive of research and studies which is very difficult to access and use.

#### A Study of Studies in Lesotho

I was part of a team doing research on the rural sector in Lesotho in 1987. The TOR called for us to review the studies that had already been completed and not carry out any “new” work. When we arrived in Maseru to start the work, UNDP had collected for us most of the reports that we should review. The collection was stacked against a wall of the conference room and measured some 3 feet high and some 12 feet long.

The cost of preparing these reports was probably upwards of \$20 million, a substantial amount in the context of Lesotho. The practical “on the ground” investment in rural sector development was tiny. Much less than the cost of all the studies. Value destruction in progress.

Research and study have no value in themselves. Their value is only realized when the results of the research and study are incorporated into some practical activity that improves socio-economic conditions in some tangible and durable way.

## The academic community

The academic community has a significant involvement in the relief and development sector, but it is not clear that it is value positive. Certainly it ought to be, but looking at the performance of the relief and development sector it raises questions about the role of the academic sector in this performance.

It looks very much as if what has been “taught” about relief and development and the operation of all the institutions and activities might not be right. In fact it might be significantly wrong. This is a serious problem and one that does not seem to be getting much attention, if any.

### Teaching Relief and Development Methodology

I first realized that academia was part of the relief and development performance problem when a USAID staff member retired and soon afterwards was teaching a course at a well known university on USAID's Logical Framework. This happened soon after I had been working on a USAID project and had been faced with a logical framework that ensured the project would fail, unless the project, based on this logical framework was redesigned.

I also ran into a similar problem where the World Bank was recruiting just graduating students and then training them on how the World Bank did things ... ensuring that the World Bank methodology was applied, and ensuring that the World Bank methodology would never be the best that it could be and should be.

It also looks as if the “research” being done in the academic arena is of very little importance. Most research is done as a “requirement” for some academic credential, and though this is important in the academic context for the individual, it is not of much importance in the mainstream of relief and development. To the extent that this research is often funded using grants that come from budget lines that ought to be used for important work in relief and development, this is an inappropriate diversion of scarce relief and development resources.

Academia should be an important and valuable component of the relief and development arena, but it does not appear that they are adding value. As in most things, there are exceptions, but the role of academia in the “north” putting some really valuable into the mix

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seems still-born. From my perspective as someone with an interest in management information, the typical academic and statistical approach to information is dangerous, and not an appropriate way of proceeding. Rather it would be better if a little bit of academic effort that costs a lot were to be replaced by a lot of good relief and development information that would cost rather little.

## Political metrics

Valueless political rhetoric and press releases

There is a lot of political posturing and press releases, mainly about plans, or reports that have been prepared, but never about moneys disbursed, activities undertaken and results achieved.

This is not surprising because many activities do not achieve much in the way of result. In order to have relief and development success, resources have to reach the intended beneficiaries, and be funding activities that are useful for the beneficiaries.

### Subsidies and unfair trade practices

Subsidies dramatically distort economic activity. The “north” has a big system of subsidies, mainly, but not exclusively in the agriculture sector. The scale of subsidy is substantial, typically larger than the fund flows into international relief and development. Subsidy is difficult to end in a democratic system because beneficiaries of subsidies wield considerable political power, and ending subsidy is fraught with political risk.

#### Distortion arising from subsidies

At one time I tried to export some powdered milk from the USA to West Africa. It took me a while to figure out all the possible combinations of buying prices in the USA and Europe that we might be faced with, as well as the likely selling prices in Africa. If we bought at a price that made a US or European farmer a modest profit the cost would be around \$2,500, but if we were able to buy within the quota of available subsidized product in the USA the cost would be around \$1,200. At this cost, with transport, insurance and duties we would have a landed cost of (say) \$1,450. But if a competing trader was able to buy in Europe at a subsidized price of \$1,000, then his landed cost would be around \$1,200.

It was not clear whether or not the subsidized product would be available from Europe, but African buyers were not in a position to commit to transaction based on the US higher costs, because they knew that they also would be stuck if lower cost product were to come through from Europe.

And they were also careful because from time to time the market would get flooded with “free” product that was originating somehow through the World Food Program (WFP).

Because the market was all over the place because of the subsidy regimes of the USA, Europe and WFP, traders had to protect themselves with absurdly high margins ... to the detriment of the African consumer. It was also apparent that some of the subsidy “decisions” were also influenced by political and more inappropriate relationships.

Not a pretty situation.

## Military Dimensions

The materials of war are big business. The powerful need to be able to win a violent confrontation in order to maintain their positions, and the powerful keep a close grip on the money. Military procurement is big, always presented as a priority, and usually with a high claim on the available monies. The profits being made because of the prevalence of war and violence is huge. There is a lot of secrecy and, for the most part, the details of military commerce are difficult to see. The profits are huge, but paltry compared to the worldwide value destruction that results from war and violence.

The settlement of disputes through violence has been a part of human history. But it has changed in recent times with a lot more destructive power in the hands of the combatants.

And terrorism has now become a global affair. Terror is not new, but it has been a growing issue over the past few decades. Terror has been used by citizen groups of all sorts to get the attention of government, in Latin America, in Europe, in Africa, in South Asia but it has achieved a new notoriety since the events of 9/11 in 2001 in the United States.

I would argue a major failure in the relief and development sector.

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## Chapter 29 - SolaRoof Initiatives

## Economic hit men

The business of business is “hard ball”, and the same goes for international affairs. It should come as no surprise that all sorts of inappropriate behavior is the norm rather than the exception.

The publication of information about “Economic Hit Men” is not really surprising<sup>1</sup>. I did similar work to John Perkins, but without the “connections” that he had, and without the need to satisfy clients. Rather I spent a lot of effort trying to get the relief and development agencies to change their project design so that it would actually do some good for the intended beneficiaries.

Eventually I was deemed a non-conforming consultant and did very little work after that. A few bank staff who wanted objective assessment, no matter what the outcome, continued to give me assignments, but that is a small group.

Overall it is sad to say, the experts who advised inappropriate projects were able to get more funds and failure ... and therefore debt, than people like myself who did not want to do a project unless it was designed to do some good, and be repayable.

## Foreign direct investment

Foreign direct investment (FDI) is a two edged sword when it comes to socio-economic development. It should be a winner for the beneficiary country, the communities hosting the investment activity and the people. But more often than not, FDI is a disaster for people, the host communities and even the country ... though there is usually an elite group that is able to profit mightily from foreign direct investment.

## The value chain and value destruction

Value analysis will show a lot about the impact of corruption on the economy, and especially on the economy in the host community. The value chain from mine to consumer is not usually published and easily accessible, but it seems that there are huge value problems in many host communities and great value additions where the mining

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1 John Perkins. Confessions of an Economic Hit Man

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companies and oil companies have their tax shelters and home offices.

Value analysis shows that, more often than not, FDI extracts value from the host country rather than putting value into the local economy ... and combining this with the pattern of bribery and corruption, there are big value distortions when corruption is out of control.

### Complexity

Anything involving people is going to have some level of complexity, but the actual activities associated with relief and development should not be complex. In almost all cases, however, they are complex, and the World Bank especially, but also other organizations in the relief and development sector, seem to believe that complexity is not only acceptable, but desirable.

In my private corporate career the idea “Keep It Short and Simple” - the KISS principle was always being invoked.

### Globalization

Globalization ought to be a good thing, but there is not a global market with a flat playing field, but one that is controlled in all sorts of ways. The global economy and the relief and development sector have two parts: (1) is the international monetized economy; and, (2) there is the informal and largely un-monetized economy. The international monetized economy reaches the elites in capital cities, and wherever there are pools of foreign direct investment, but that is only 20% of the people of the “south”. The informal sector and the un-monetized sector ... also often remote and rural has no part in the globalization discussion.

In fact, more than 50% of the world's population has little knowledge of anything beyond what they can see and have personally experienced ... some 3 billion people. Included in this huge number are a high proportion of children, and a large proportion of these children will die prematurely, and of those that survive, many will never get an education.

Globalization ought to be helping, but it seems more than helping, it is polarizing and facilitating value flows from poor places in the “south” to the already rich countries of the “north”.

### Market economics

The idea of a free market is academically appealing, but the free competitive market can be a very rough. A decent modern society is unlikely to be achieved merely by letting free markets to operate without any form of ethical intervention whatsoever.

There are very different market behaviors in surplus economies and in shortage economies ... and market behavior changes dramatically when there are cartels, oligopolies or monopolies. In most market situations there is some intervention, usually by groups that benefit from the system.

Though markets are difficult and sometimes produce results that are not the socio-economic best, they are often very much better than prices set by some political or administrative process. The economy of the Soviet Union was ruined by a system that made little use of market driven enterprise ... but though

### Management by Objective (MBO)

Years ago the corporate world embraced “Management by Objective” or “MBO” as a valuable management tool, but almost as quickly gave up on it. They gave up on it because it was difficult to articulate in a simple way and by universally applicable. Something a lot more nuanced was needed. The corporate world recognized that achieving an objective had little value if the objective did not help the organization achieve the ultimate corporate objective of better profit performance.

However, almost 30 years later, objectives are still a big part of project documents, and achieving objectives a measure of accomplishment. The MBO style of management is still in vogue in the organizations of the relief and development sector rather than more powerful systems of management information and performance analysis. This would not be an issue if the objectives related closely to socio-economic progress, but usually they are merely completing activities with or without any tangible results.

### Change

Change is a results, and not an action. One does things and the result is change.

### Explaining Organizational Performance

I had the opportunity to become involved with understanding organizational performance in my first job which was in the heavy engineering industry and the building of integrated iron and steel mills. I was part of the first generation of university trained engineers, and part of what I had learned was to see things, and be interested in how they could be better. But I was also fortunate in that I had also been taught economics, and had a tutor that was interested in analysis and who encouraged me to get the data, do the analysis and draw my own conclusions. His position was that good data and good analysis might easily be better than much of what had gone before ... and he encouraged thorough analysis rather than mere parroting of what was in print and popular.

### You don't know what you don't know

Often people don't know what information they are missing. It is important to look at the knowledge base that exists within a community. Then look to evaluate is everything known that needs to be known to positively direct the community and stimulate local business. This can include training or understanding about participation in the global information community. Then the other part of that equation is to make sure that the external partners know what they need to know and are as up to date as possible, so that all decisions are being made by informed parties.

### Value Adding or Value Destruction

The idea of value adding or value destruction is a powerful way of analysis for the relief and development sector. It has not been commonplace in the past, and nothing has been done to ensure that relief and development activities are value adding. With little oversight, and no value analysis, the relief and development sector is dominated by value destruction activities

The rule of the game for development are: (1) Plan, (2) Organize, (3) Implement, (4) Measure, (5) Feedback and (6) Adjustments. This systems approach built on a community centric mindset can deliver a dynamic process with multiple parallel tracks all progressing to success in the best way possible. It is a process built on engineering and accounting rather than policy and economics. It is a process that respects individuals, family, community. It works to make community better, one community at a time, but brings to bear everything that might be helpful.

### Value chain

Using value analysis in a business value chain from original source to final consumer results in

### Data architecture

### Easily accessible from anywhere

Modern information and communications technology (ICT) can get information instantly anywhere in the world where there is Internet infrastructure. The next challenge then is how Internet infrastructure can become universally accessible. Community centric development and information about people and resources that can be communicated and responded to in a timely fashion will aid development progress a thousand-fold.

### Management Reports

A key to success is that information be made useful, independent, reliable, and universal. There are several strategies and tactics for using this information to create enormous value. It can be used to make good plans, to get well organized, to get funding, to implement well, and to provide excellence in transparency and accountability. However, as valuable as the information can be, it is also important to handle the problems or errors, insecurity, hackers, fraud, and incompetence.

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### Creating value from natural resources

It is important to evaluate what the local resources are that can be used as an economic driver for the area. Unfortunately, far too often the natural resources are exploited in ways that make them a local liability and only an asset to foreign stakeholders. They are usually depleted without adequate thought to the future. The key is to find resources that can help improve the local economy in a way that is sustainable over the long-term.

### Who makes decisions?

People make decisions, and the best decisions are usually those that are made with the best information, and as near the action as possible.

It is essential to keep people informed so that they are able to participate in priority setting and decision making and making accountability a factor in development performance.

### Make local knowledge a key driver

Local knowledge is a missing element from most of the relief and development effort of the past 40 years. It is important to evaluate what the local resources are that can be used as an

### Make community the focus of development

The local community needs to be the center of development. When the local community is made the center of development and activities are integrated with the routines of the community, then development can be successful and sustainable.

### Ownership

The idea of ownership is very powerful, and is one of the underlying drivers of the capitalist enterprise economy. But there are many different “things” that need to have ownership including not only physical goods and real property, but also intellectual property and on to ownership in common property, ownership in government, ownership of society and ownership of the environment.

The last types of “ownership” are being increasingly recognized, but the understanding is incomplete, and the practice somewhat incoherent.

Nevertheless the idea has importance, because it helps to design an organizational framework that can be sustainable. As we have noted elsewhere (see page ) successful sustainable socio-economic progress requires both a public and private sector that is stable and capable together of socio-economic value creation.

### Deploying best practices

Best practices are not universal. There can be a universal standard of quality for an “output”, whether it is a product or service, but not for the best way to achieve the output. There are many variables, and some of them are very important.

### Community Finance Units

There is a need for locally well respected intermediaries to be responsible for community finance. This is going to be an entity that is most trusted in the community, and understands the role of “trust” both with respect to the community and to the funding stakeholders.

In the “north” it is possible to bring investment funds into a community in many different ways. For example: (1) a municipality

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can float municipal bonds; (2) it can attract developers to build in the community; (3) it can attract a company to open a business in the community, maybe a factory, maybe a store; and, (4) it can attract a bank to open in the community. Something similar should be possible in the “south”. The scale may be different, but the financial and economic concepts are the same.

For the socio-economic progress of the community, it does not really matter whether the funds flow through public or private entities, but it matters very much what they do. There needs to be enough accessible public accounting information so that it is absolutely clear how money is being spend and what is being accomplished.