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Community Impact Accountancy (CIA)

WHY CIA IS NEEDED

Some of the socio-economic background
based on a slide presentation – April 2008

CAVEAT

A work in progress – rapid multiple changes are being made

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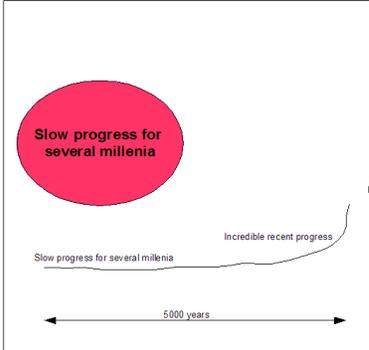
Community Impact Accountancy (CIA)

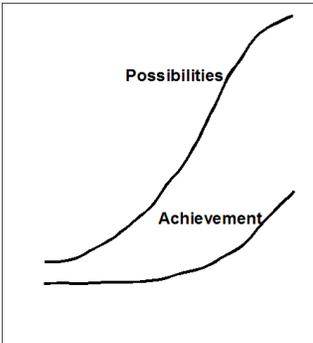
WHY CIA IS NEEDED

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WHAT, HOW AND WHY.

<p>Fixing Failed Development Socio-economic history of the past 5,000 years</p> 	<p>For the past 5000 years ...</p> <p>Slow progress for several millennia and now incredible recent progress.</p> <p>No longer a world where shortage and hunger are endemic ... rather a planet where there is the possibility for everyone to be out of poverty and enjoying a reasonable standard of living.</p>
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<p>Fixing Failed Development The Age of Science and Technology Performance not as good as it could be</p> 	<p>Recent performance ...</p> <p>Achievements are pathetic compared to what they could have been! Why is this? How is this?</p> <p>The power of science and technology has been far more than expected ... it is amazing ... it is accelerating ... it offers huge potential ...</p> <p>But why has science and technology not translated into a much better quality of life, not only for a relatively few, but for the multi-billions that still live in abject poverty around the world.</p>
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PAST ... FAILED DEVELOPMENT

Fixing Failed Development
Development Expectations
50 years ago

The "north" had expectations for progress starting at a higher base

The "south" was expected to progress faster because of independence

Development expectations 50 years ago

A lot was changing ... the economic power of the United States was at a peak ... the Axis powers had been defeated and the Allies were economically and spiritually exhausted.

The European colonial empires were ending ... the old European powers no longer had the financial resources to sustain them, and the global clamor for colonial independence was a chance to move into a better new way.

The North would progress. The South would progress faster and start to catch up.

Fixing Failed Development
Socio-economic history of the past 50 years

The "north" has doubled its wealth every decade for five decades

The "south" has lost wealth every decade for five decades

What has happened has been very different ...

The north has doubled its wealth every decade for the past five decades.

The south has lost wealth every decade for five decades.

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

The result is failed development with about half the population of the planet in poverty and hungry.

Fixing Failed Development
Development Expectations and Actual
Over past 50 years

"North" has done better than expectations due to amazing scientific progress

"South" actual reflects tragic impact of failed development

Development expectations and actual ...

The north has done better than the expectation due to amazing scientific and technological progress.

The south reflects the tragic impact of failed development.

We know enough to have had a success ... the fact of failure suggests something is terribly wrong.

FUTURE ... TWO POSSIBILITIES

<p>Fixing Failed Development Today's Development Expectations With current prevailing development paradigm</p>		<p>"North" has difficult future because of a foundation that depends on unfriendly global partnerships</p>	<p>"South" has no leverage to change anything</p>	<p>Today's development expectations ...</p> <p>The north is going to have a difficult future because of an approach that depends on unsustainable consumerism and unfriendly global partnerships.</p> <p>The south has no leverage to change anything</p> <p>This will play out with a new geopolitical balance of power where the old economic predominance of the United States and Western Europe is overtaken by China, India, Russia and powerful new alliances involving raw materials and energy producers.</p>
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<p>Fixing Failed Development Today's Development Expectations With a better development paradigm</p>		<p>"North" has all sorts of possibilities because of well intentioned global cooperation</p>	<p>"South" has huge capacity but needs cooperation</p>	<p>With a better development paradigm ...</p> <p>The north has all sorts of possibilities with well intentioned global cooperation ...</p> <p>The south has huge capacity in terms of human resources and raw materials but needs well intentioned global cooperation to make these abundant resources productive and valuable.</p> <p>A better development paradigm is not more money spent the same old way ... it is one where the legitimate hopes and aspirations of the multi-billion people in poverty can start to be fulfilled.</p>
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NORTH SOUTH INTERACTION

The Present State of Affairs Interaction between North and South		
<p>NORTH</p> <p>The "north" has the wealth, knowledge and organization to provide development assistance.</p> <p>Action is driven by a political agenda, national interest, and corporate profit.</p> <p>People are interested, but self interest and the local community is more important than issues in distant remote places</p>	<p>Through Government Through World Bank, IMF, UN Conferences, Research, Meetings</p> <hr/> <p>Military Assistance</p> <hr/> <p>Humanitarian Assistance</p> <hr/> <p>Development Assistance</p> <p>Family remittances</p> <hr/> <p>Private NGOs</p>	<p>SOUTH</p> <p>Too much of government leadership has a personal agenda that has no connection with national development performance.</p> <p>Many people are very poor and disenfranchised. Community leaders often know what priorities would help the community but have not way of obtaining help.</p>

Interaction between the north and south ...

The main interaction between north and south over the past several decades has been "official" through government and institutions like the World Bank, the IMF, UN, bilateral government agencies, etc.

Private NGOs and family remittances were small.

This did not work well ... the structure has been dysfunctional and the result has been failed development.

A Better State of Affairs Interaction between North and South		
<p>NORTH</p> <p>The "north" has the wealth, knowledge and organization to provide development assistance.</p> <p>Action is driven by a political agenda, national interest, and corporate profit.</p> <p>Corporate community more involved with Corporate Social Responsibility</p> <p>People are interested, but self interest and the local community is now more linked with issues in distant remote places</p>	<p>Through Government Through World Bank, IMF, UN Conferences, Research, Meetings</p> <hr/> <p>Military Assistance</p> <hr/> <p>Humanitarian Assistance</p> <hr/> <p>Development Assistance</p> <p>Diaspora remittances</p> <hr/> <p>People to People Private fund flows, NGOs, community programs, etc</p>	<p>SOUTH</p> <p>Government leadership has less personal agenda and much more connection with national development performance.</p> <p>Community Centric Sustainable Development</p> <p>Community knowledge and local resources organized for activities that will improve the community</p> <p>Local people and community leaders define priorities and drive the process</p>

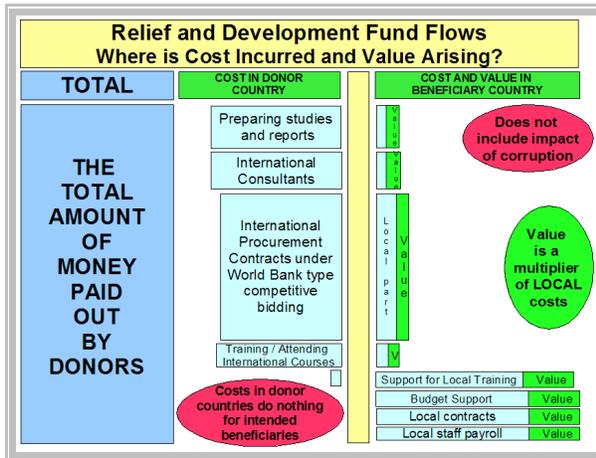
A better situation ...

Less official interaction and much more private and people to people interaction.

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

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

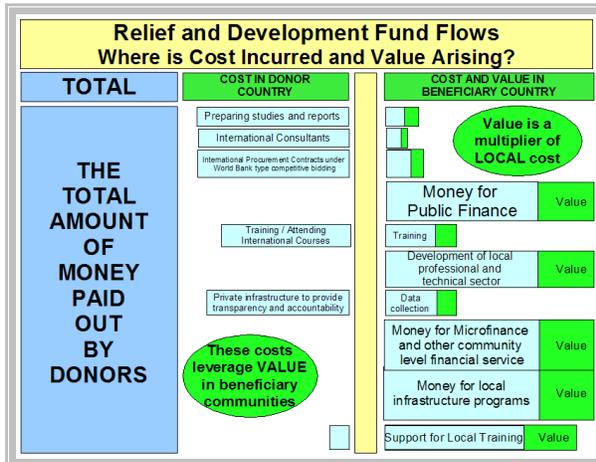
WHERE IS THE VALUE ADDING?



Where is cost incurred and value arising? ...

Over the past decades a very large proportion of the international official development assistance has been disbursed in the north, doing not much for intended beneficiaries in the south.

Where funds have been disbursed in the south, there is direct benefit and there are associated multiplier effects.



A much better way ...

When funds are disbursed in the south, the impact of international official development assistance is very good.

Local disbursement in beneficiary communities not only has a direct benefit, but delivers other economic improvement through the multiplier effect.

A better way is not simply glowing more money ... it is making much better use of the available money.

COMMUNITY FOCUS

Community Centric Sustainable Development Community without development activity		
STATE 1	ACTIVITIES	STATE 2
<p>In this case the value stays the same. Subsistence community making no progress</p>		
<p>VALUE 1 The value of the community based on what it has at the start of the period.</p>	<p>Routine activities maintain the status quo for the community. The community is getting neither worse nor better</p>	<p>VALUE 2 The value of the community based on what it has at the end of the period.</p>

Community focus ...

Community centric development will improve development performance in very practical ways and impact the quality of life of individuals and families.

This graphic shows the community “balance sheet” at the beginning (State 1) and at the end of a period (State 2) ... and shows the activities of the community that go on and move the community from State 1 to State 2.

In this case the value stays the same. The community lives, but does not progress.

Community Centric Sustainable Development State 1 plus Activities equals State 2		
STATE 1	ACTIVITIES	STATE 2
<p>In this case the value increases because of surplus production</p>		
<p>VALUE 1 The value of the community at the start of the period. People Natural Resources Infrastructure Organizations Business Infrastructure Governance LESS Constraints</p>	<p>Routine activities either increase or decrease the value of the community. If there is surplus production the community gets wealthier, otherwise the community becomes poorer. Deterioration of the natural resources should also be taken into consideration</p>	<p>VALUE 2 The value of the community at the end of the period. People Natural Resources Infrastructure Organizations Business Infrastructure Governance LESS Constraints</p>

Progress ...

In this case the value at the end of the period is more than at the beginning of the period. There is surplus production ... this is progress.

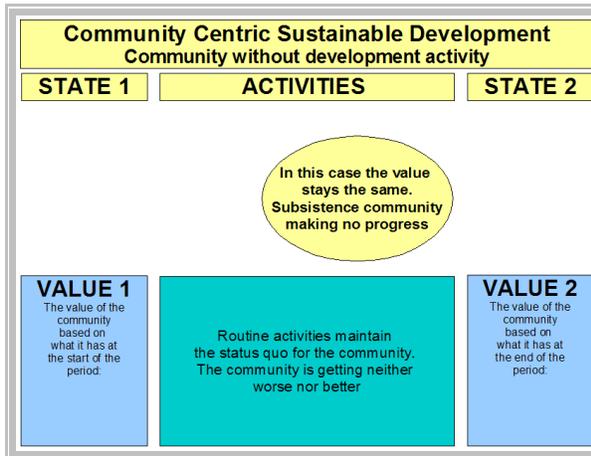
Community Centric Sustainable Development State 1 plus Activities equals State 2		
STATE 1	ACTIVITIES	STATE 2
<p>In this case the value decreases because of deficit production</p>		
<p>VALUE 1 The value of the community at the start of the period. People Natural Resources Infrastructure Organizations Business Infrastructure Governance LESS Constraints</p>	<p>Routine activities either increase or decrease the value of the community. If there is surplus production the community gets wealthier, otherwise the community becomes poorer. Deterioration of the natural resources should also be taken into consideration</p>	<p>VALUE 2 The value of the community at the end of the period. People Natural Resources etc.</p>

Going backwards ...

And in this case the activities for the period used more resources than they created value and the community value declined. There is a production deficit ... the community is going backwards.

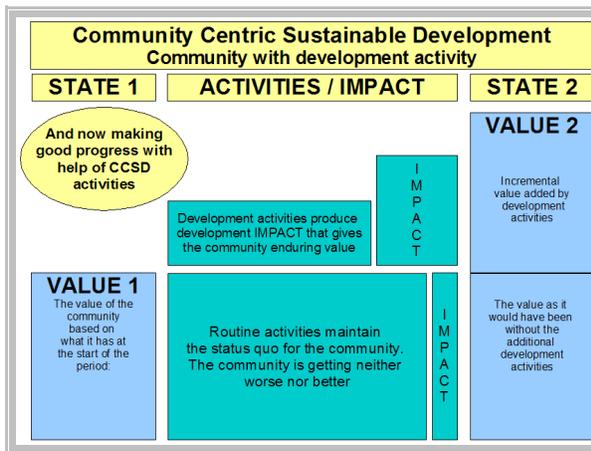
When this continues over a number of years, the people of the community are in trouble.

DEVELOPMENT IN THE COMMUNITY



In a stable community ...

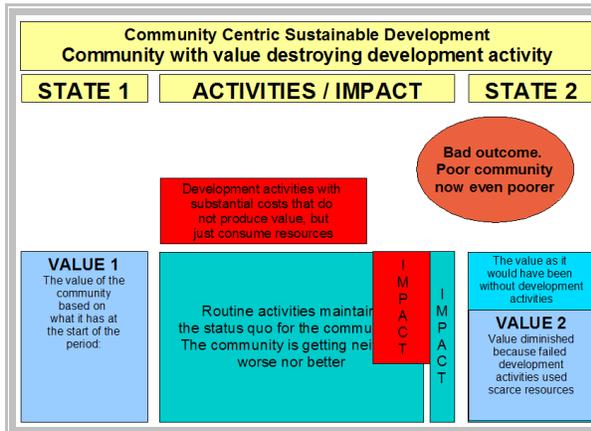
In this graphic the normal activities of the community merely maintain the status quo ... this is what happens in most of the world most of the time.



With development assistance ...

With development assistance there can be progress.

But perhaps even better is the fact that a small amount of resources used to remove constraints and improve systemic problems can have huge leverage and get results that have a value many times what they have cost in terms of resources consumed.



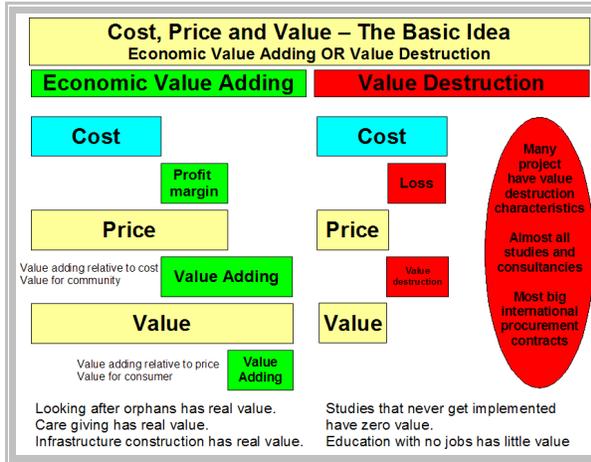
But there are also value destroying activities ...

Value destroying activities are common ... with many origins.

Local rivalries and socio-economic control by factions ... or economic control by predatory traders and middlemen ... are problems.

International and external assistance that does more harm than good is more common than well wishers would expect ... in fact it is a large part of the problem and off the table for dialog.

COST, PRICE AND VALUE



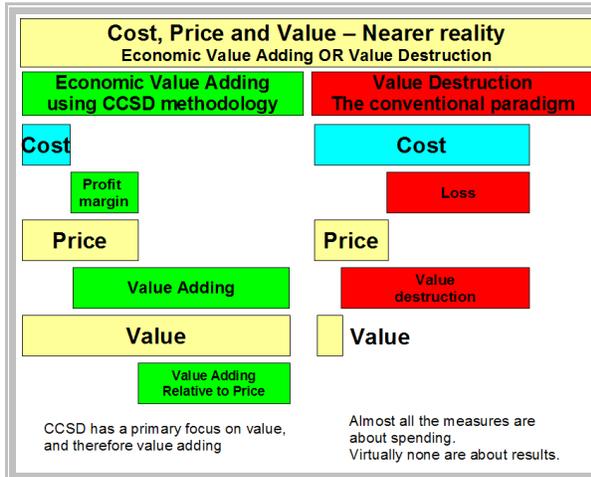
Cost, price and value ...

Understanding these three numbers makes everything fall into place.

When value is greater than cost there is value adding.

When cost is greater than value there is value destruction.

Price has nothing to do with value ... price merely defines how items get transferred from one party to another.



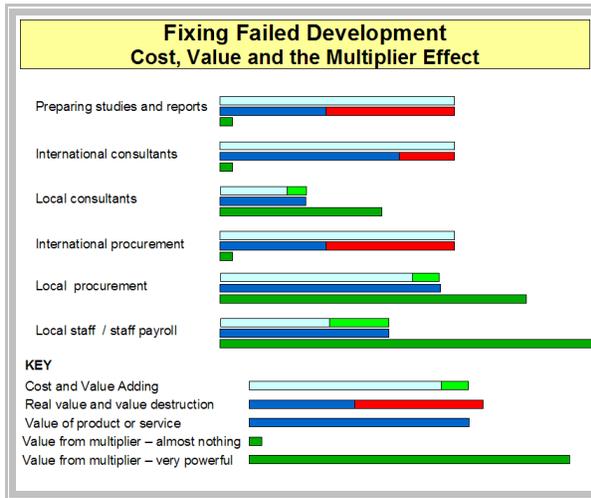
Cost, price and value in development ...

There ought to be massive added value in development activities ... low costs getting huge value increments.

But in the main, the costs are high and the value is low for two main reasons:

1. The salaries and almost all external costs are being paid for based on north rates, and
2. The benefits arising are valued at the values prevailing in the local economy ... and benefit priority not usually taken into consideration by international analysts anyway.

COST, VALUE AND MULTIPLIER

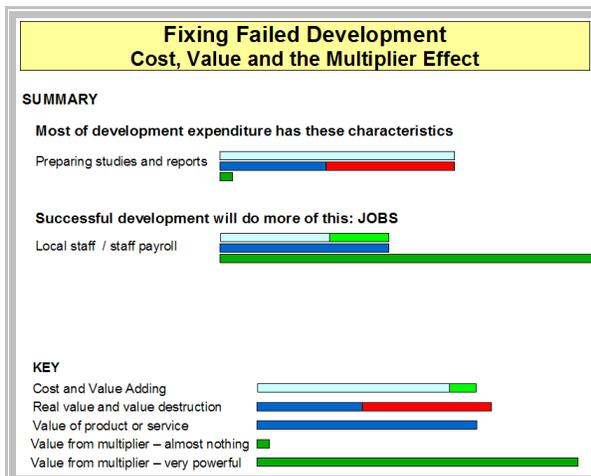


Cost, value and the multiplier ...

The multiplier is one of the tools for economic optimization that has been sidelined by the experts of the international development assistance community ...

Because of this almost all the initiatives over the past 40 years have had limited benefit, when they could have and should have had huge impact.

I learned about the multiplier in a college class ... I have observed it working all over the world. However, rarely where development experts were involved.



Cost value and the multiplier effect ...

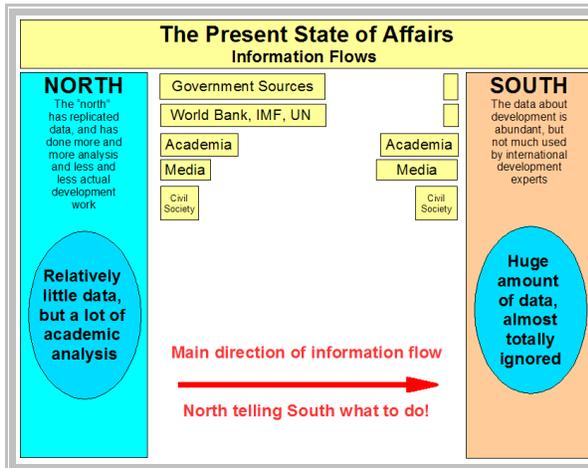
This is not a theoretical construct. In my experience modest fund flows into a community produce all sorts of favorable impact.

Big projects with foreign contractors and experts get \$1 of value for each \$1 disbursed.

Little community activities seem to be getting a dollars worth of value over and over again ... multiple times ... one loses count! Much better!

Lesson ... get a community started and it will never stop!

INFORMATION FLOWS

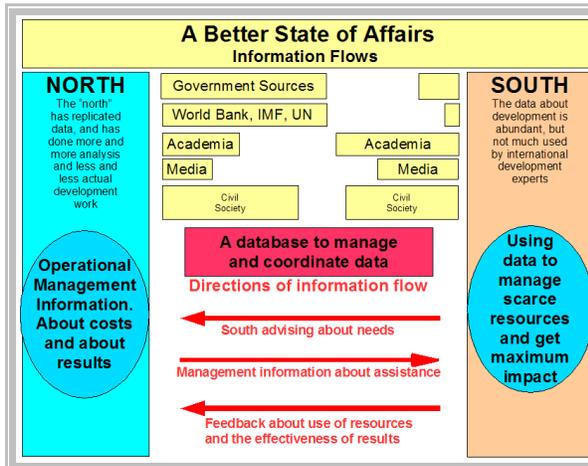


Information flows ...

The present state of affairs of for the vast effort on information flow to be to educate and inform the south ... based on the idea that north knows and south does not.

In fact the north has relatively data, even though a vast amount of analysis is done ... with conclusions that may well be without merit.

And a large pool of data in the south is almost totally ignored ... even though it would be very useful to inform decision making.

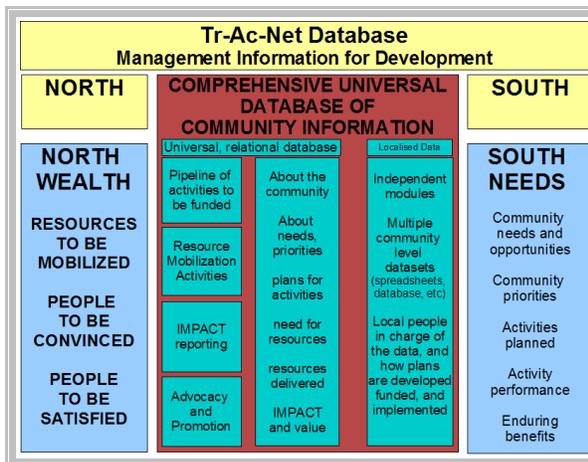


A better state of affairs ...

The north needs to get much more data from the south ... and needs to get the information into an organized form where it can be easily used for analysis.

The north can add value to the data by adding in what the north knows in terms of science and technology and access to financial resources ...

And the south can add further value by giving feedback about use of resources and the results being achieved.



Management information for development ...

The first step is getting the data ...

The second step is getting the data organized and into a data store where it can easily be accessed ...

The north has wealth ... and the resources to be enormously helpful.

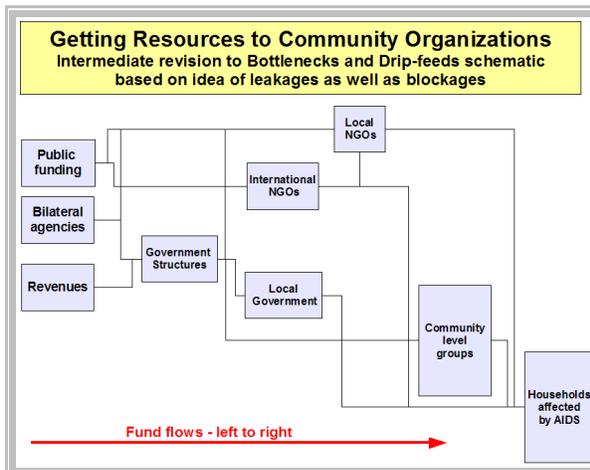
The south has needs that are urgent.

Management information is the missing element that is needed to bring the north and the south together for global benefit.

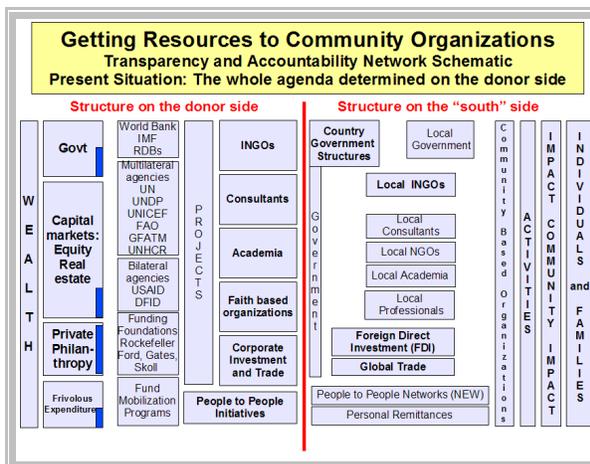
FUND FLOWS - STRUCTURE



Getting resources to community organizations ..
This graphic is based on a picture prepared by Save the Children to show how complex the fund flow was from funding sources to those in need.
And while the point they were making was valid ... my view of the situation was that it was actually very much worse.



My attempt to clarify this ...
First step was to take the same entities and make the graphic flow from left to right with donor sources on the left and the ultimate beneficiaries on the right.
It does not look very complex at all ...



My next step ...
This step is to fill in the blanks with all the institutions, agencies, etc. that are involved in the structure on the donor side ... and the space fills up very quickly.
And to fill in the structure on the south side ... and the space fills up very quickly again.
Every organization only has a small overhead ... perhaps 15% of the fund flow ... but when there are 5 or 6 or 7 steps between the original funding and the eventual beneficiary there is not much real value left for them.

		Cost center ...
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