Peter Burgess

New Wave for Development
Turning Development Upside Down

Some Critical Reforms to Catalyze Socio-Economic Progress

Peter Burgess

Turning Development Upside Down

The Essential Reforms Needed for Peace and Socio-Economic Progress

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Dedicated to my family and friends.

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.

Foreword

This book would benefit from more work and more time ... but the subject matter has an urgency because the modern global economy has been shown to be a lot less robust than the experts thought.

An earlier book "Revolutionary Change for Relief and Development" has already identified some of the issues that come up again in this book. In this book I have tried to focus on the solutions that suggest themselves based on the economic realities of the time.

The thesis about much more use of management information, and having information easy to access by the public is not popular among too much of the leadership class ... but it is vital as the framers of the US Constitution and the First Amendment recognized.

Whenever there is a human dimension to anything, simple answers tend to be wrong. This book may be aggravating this by insisting that it is people that must be at the center of everything.

And while people are the center of everything, it is also recognized that there is an organizational dimension as well ... and for this book the most important entity is the community.

Peter B.

Chapter 1 - Why this book?

CHAPTER 1

WHY THIS BOOK?

Why is this book being written? Why can the author write this book? What does the writer hope to achieve? What sort of impact will a changed paradigm for development produce?

Why on earth this book?

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

This book has been more than 20 years in the making. The first draft of this book was completed in 1987, and much of what was written then remains valid today. It did not get to the publication stage because I wanted to propose solutions and not just to redescribe the problems. I started to rework the manuscript after the events of 9/11 in 2001. The failure of development suddenly became an issue with practical security implications in the United States.

This book reflects upwards of 40 years of personal exposure to issues in relief and development and builds on the incredible potential for ordinary people to do amazing things.

> *I like to think this book reflects 40 years or more of exposure to development. I remember however the story of an old farmer in Malawi who made much the same claim. "I have 30 years farming experience" said the farmer. To which the young agricultural expert replied "No sir, in fact you have one year's experience 30 times"*

I hope I have done better than the old farmer.

This book tries to go beyond a description of the result of failed relief and development, to understand how and why and move to solutions. The goal is to help improve the performance of development. It will have been a success if there is significant improvement in the performance of development, perhaps

not everywhere, but in a good number of places. The book identifies initiatives that are central to this goal. In this regard this book is very different from most other books that address development and the related issues of globalization and poverty..

I wish I could say that this book has been a "labor of love". In fact this book is the product of a long and profound frustration. I see many possibilities for success in development, but decade after decade, there seems to be worsening failure, and an official relief and development assistance (ORDA) community that is stuck in a "business as usual" mindset that is leaving half the world poor and hungry.

This book starts from the premise that "development" has failed. And because development has failed it is time that the systems and procedures and decisions that have produced these results are looked into and get replaced with something that will succeed.

> *I used to think that more money would make development successful until I started working in developing countries and realized that there was a lot of money available, but none of it was getting to be used for development priorities. The divide between rich and poor was immense, and not closing up. And then I started to see wealth and death in the same economic community. I saw it in India. I saw it in Nigeria. No shortage of wealth. No shortage of poverty. In both place, people dying prematurely because of a systemic failure of economics.*

This book does not focus just on describing the poverty and the crisis related to failed development, but asks the big extra questions of "How do we have failed development?" and "Why do we have failed development?" The book does not stop with the "How?" and "Why?" but keeps on going to describe how relief and development can be improved significantly. This book is about solutions and reflects an approach to development that is more engineering and accountancy than policy and economics. It is a management approach rather than academic or bureaucratic.

This book will be a success if it helps to get change made that improves the performance of relief and development.

My background

My father was a schoolmaster, and a believer in the value of education. My parents skimped and saved and I was able to go to Blundell's School, a good boarding school in England, and then, in 1958, I went to Cambridge. I did what might now be called a "double major" in engineering and economics. My engineering had a lot of metrics and calculation in an era before computerized

calculations. We used the sliderule and, I maintain, learned very well the fundamentals of the calculations. My economics education had a Keynesian slant at the hands of Joan Robinson and a fine tutor, Andy Roy. Later I got a professional training in accountancy as an Articled Clerk with Cooper Brothers in London ... that joined with Lybrand Ross Bros and Montgomery to form the international accounting firm of Coopers and Lybrand and eventually merged again to form the accounting colossus of PriceWaterhouseCoopers. I became a Chartered Accountant in 1966. During the first phase of my career I worked in heavy engineering construction in the steel industry, the pulp and paper industry and civil engineering. Later I worked on corporate expansion and profit performance improvement in consumer products, high tech products and the implementation of best practice management systems for planning and control. In the mid 1970s I was the Chief Financial Officer for a US based international fishing company operating around the world in 26 separate jurisdictions. I was part of an international team in a complex industry that did the analysis well and solved problems creatively.

I am unusual in that I have practical experience in the corporate world making companies more profitable and have done my fair share of assignments associated with relief and development. I think of myself as being practical, constrained by what is technically possible, and a believer in solutions that are derived from not only understanding qualitative information but also the dynamic of technology, of economics and the accountancy of financial numbers.

In 1978 I started a consulting firm to specialize in international business and development. Since I started doing international work I have traveled to more than 60 countries on consulting assignments for the World Bank, for the UN and many of its specialized agencies and private organizations for sector planning, national planning, refugee planning, famine and drought emergency planning, national reconstruction planning, aid coordination, information technology planning and implementation, privatization, management training, etc. I have had the opportunity to do planning and analysis work at the national level, the sector level and for regions and communities. My work has been done largely in collaboration with local local staff, consultants and professional firms.

This has made it possible for me to see development in ways not normally seen by most international experts.

My consulting experience also includes work with private sector companies based in or doing business in developing countries. These assignments included work on management, marketing, international trade, management and accounting systems, strategic planning, training, computerization, privatization and arrangement of financing.

I have been associated with many planning assignments in post war and post famine situations. I did work on Afghanistan rebuilding after the Soviet withdrawal in 1990 and worked on Namibia's (formerly South West Africa) first development plan after its independence in 1991. I worked in Kazakhstan as part of the post cold war reform effort and in Africa and the Caribbean on government financial reform. I have done planning work in connection with refugee emergencies in Sudan, Ethiopia, Somalia. Malawi and Zambia. I have done AID coordination work in several African countries as well as in South Asia.

Early in my career I found myself exposed to World Bank work.

> *As a young accountant I did a review of the costing of the Kariba Dam project while I was working with Coopers and Lybrand. I was young and naive enough to want to get it right no matter what, and rocked the boat when I concluded that the World Bank estimate was only about half what it needed to be. The World Bank engineers had made good cost estimates based on the static information about costs as they were now ... but nobody seemed to have adjusted anything for the changes that surely would take place when a project of the magnitude of the Kariba dam was in progress. My calculations suggested that the actual cost would be twice what the World Bank was planning. Because I was part of Coopers and Lybrand, the firm's name carried weight and substantial changes to the estimates were made at the Bank, and the project was eventually a considerable success. Even though I was very young, within Coopers and Lybrand I had credibility because I had already worked as an engineer in the factory environment and done production costing work prior to joining the firm, and understood economics from my academic work at Cambridge.*

During my career, I have worked for more than 30 years in developing countries. In 1974 I became the CFO of an international shrimp fishing company that operated in 26 very interesting parts of the world. This was the time of the first big oil shocks and business was being challenged as energy based cost structures changed dramatically. Markets adjusted, sometimes quite violently. Shrimp prices dropped by 75% while costs doubled. I became CFO when the company was almost bankrupt, but we managed ourselves through the crisis and eventually the company became very profitable. I learned a lot about other international companies and how they operated. I did not like what I saw. Nor did I like the enormous gap between the wealth of a few and the poverty of everyone else.

Chapter 1 - Why this book?

My interest in relief and development performance goes back a long time. The defining moment was probably in Nigeria in late 1974.

> *I had a meeting scheduled in the center of Lagos at Western House, at the time one of the most prestigious buildings in Lagos. Two kids were dead just outside the building. Poverty and death in what was now a very rich oil producing nation. The juxtaposition of these things was something I had never expected. Up to then, in my youthful naiveté, I thought that money solved problems. This was a wake up call. Money is not enough.*

As a young student in engineering I learned some thermodynamics ... and especially the concept of efficiency. The idea of small resources doing big things was essentially a thermodynamic concept applied more universally. I bumped into this in India more than 30 years ago.

> *I started doing World Bank consultancy in 1978. One of my memories of this work is being driven in a Mercedes Benz through the center of a city in Kerala in South India. The streets were crowded. We were stuck in traffic and pedestrian throngs. I could feel hate from the people surrounding the car. They were well justified in their emotions. It was very uncomfortable. Next day ... because I was a "World Bank Consultant" ... I was asked to make a brief presentation at a local Rotary meeting and was on a panel with a local Catholic priest. Our World Bank project was a multi-hundred million dollar project ... which my analysis suggested would do almost no sustainable good ... and the priest had almost no money and was doing quite incredible work that was saving lives and mitigating misery. I was embarrassed ... but did my best "cover up"!*

I have not been impressed with relief and development performance from very early on in my relief and development experience. The sort of rigorous technical, economic and financial analysis that had been so effective when I had used it in the corporate world to help improve profit performance was not being used in the relief and development world.

> *During the famine in Ethiopia in the 1980s, one of my consulting colleagues became very upset about my criticism of the development process and the results it was achieving. As consultants, we were doing very well. The more that development failed, the more consultants earned. However, after working with me several weeks, and seeing the financial analysis and economic value analysis that I was doing, he understood why I was so very critical.*

I bring to the analysis of development a unique combination of technical, economic and accounting knowledge, but also a deep respect for human factors. I have an appreciation of both the limits and amazing possibilities of technology. I respect traditional values and culture that are so important in a family's quality of life. I respect other people's knowledge.

> *After spending a lot of time in African rural communities I commented that 'the fact that I do not know something, does not mean it is not known."*

I concluded a long time ago that the capacity of the international community to achieve relief and development progress required a new development paradigm.

When I read Professor Jeffrey Sach's book "The End of Poverty – Economic Possibilities for our Time" in May 2005, as I was in what I thought would be the the final rewrite of the manuscript for this book. I realized how well qualified I am to write this book. Compared to Professor Sachs I have a broader education and training, a longer and wider experience, and a very different perspective of the problems.

I have been working in "relief and development" for about thirty years. So while I am pleased with the work I have done, the real results of my work have been inconsequential. The needed paradigm change has not happened. Up to now I have been totally ineffective, just as much of the other work done in the name of development.

Development has failed

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

As it turns out this was wishful thinking.

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

Over the years, I have kept coming across little things that make me very optimistic that relief and development can be a success. I have also become very determined to get the message out that the way relief and development resources are now used means that development will never be successful. What is being done now just does does not work. The "numbers" set out in the annual reports of all the major ORDA organizations show that today's global society is just one huge big disaster.

Taken as a whole, the work done in the area of relief and development has resulted in an aggregate disaster. The following are some key big issues that show the scale of the failure of relief and development:

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

These few "big issues" incorporate hundreds and hundreds of other discreet issues. They all add up to a global picture of failed development. But there is a pattern that emerges and a way to look at the problem in a way that could result in reform and success.

What emerges are problems related to people, resources, the process and the information. In all of these areas there are major constraints to success.

Why and how development has failed

We really need to know why development has failed. If we do not know why development has failed. We also need to know how it has failed. When we know why and how, then we will know what to fix.

There is an enormous need to get answers to these questions. Almost all the writing and analysis of relief and development describes the status of development and confirms in no uncertain terms that development has failed. But none of the writers and analysts seem to want to explain why it is that development is such a failure or how failure came about.

As long as the why and the how are missing, a complete understanding of failure is impossible, and the errors of the past will be simply repeated.

The sad fact is that few in the ORDA community understand and accept that relief and development has failed. In the broadest sense the ORDA paradigm that has prevailed for the past three or four decades just does not work. Bits of it are functional, some of it is excellent, but most of it consumes resources and destroys economic value.

But it is not easy to get the ORDA community to answer these questions. The culture of the ORDA organizations has evolved in a way that makes it impossible to get a straight answer. Individuals may acknowledge the issues of failed performance privately, but the organizations themselves never answer the tough questions. This is not a failure of people, but a failure of organizations. The system is just not structured to allow performance question to get answered because it puts into focus too many issues that are best, for the organization, left undisturbed. Do not open "Pandora's" box. People know the answers, but they cannot put their careers at risk by raising questions about failed relief and development.

Development performance is not going to get addressed within the ORDA organizations. The phrase "conspiracy of silence" is a good way to sound bite the issue.

> *Over and over again in my experience with development there were cases of complete ineptness. There were cases of outright fraud. But the system protects its own. And the system does not force these incidents of failure to be addressed. The system makes it difficult to be efficient while allowing incompetence and fraud to survive.*

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

Criticism of development is not coming from the experts and organizations of the ORDA community but is coming from others who can see what is going on, and do not like what they see. Consultants will not put their fee income flows at risk. Staff will not put their salaries and pensions at risk. Someone else is going to have to take on the task.

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

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

Is development failure a matter of resources. If we think of resources in terms of money, the poor developing countries do not have enough. But the problem is not simply money. But it is more than that.

> *Many of he problems of development are blamed on lack of resources, especially financial resources. There is a lot of dialog in development about lack of resources, and the inability to achieve sustainable development because of resource constraints. Every needed resource is a constraining factor. Human resources are not good enough. Organizational arrangements are not good enough. Infrastructure is not good enough. Natural resources are huge, maybe, but that is not important for local development progress. Machinery and equipment is inadequate. Working capital in business is very limited. Financial resources are short. Knowledge is irrelevant.*

What needs to be done?

Simply put, it is time for Turning Development Upside Down.

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

The major ORDA institutions have talked about making substantive changes in the way they approached development for decades, but the reality that substantive changes have never been made. The problems that were in place in the 1980s are largely still in place 20 years later The problems continue on and on and on.

There needs to be substantially new approaches and ways of doing things. There needs to be a respect that development is a complex process, with a lot of linkages and interrelated elements.

After 40 years of post-independence development, ways to make development successful should be known. And they are. The problem is that the ORDA organizations as they now are, are not needed to make relief and development successful. Decision makers need, more than anything else, to fire themselves. And, of course, this is not going to be done as part of an internally generated process of reform, though it certainly can be done by indpendent outsiders.

But this requires more than just advocacy. It requires development of alternative organizations and structure, alternative systems and processes and procedures. It requires new ways of mobilizing resources and flowing the funds to relief and development activities.

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

Time to make waves, time for change!

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

I expect there will be many critics of this book. My work in development was never easy, because not many development experts want to work with hard numbers and do the accounting and accountability of development. People do not want to face up to the fact of failed development that good accounting in relief and development will reveal.

There are a lot of vested interests in the status quo. Doing development right will not be comfortable. My hope is that by trying to organize my thoughts about the relief and development sector into a "book", my arguments will be better prepared and my goal of an effective change that improves relief and development performance will have a stronger foundation.

Nobody seems to be willing to take on the challenge of writing about critical change. Most of the writing about relief and development is by people who have been paid to do the study and write the report, maybe as part of of a consulting assignment, or as part of "academic" research work funded by some "grant program". These writers cannot afford to upset the people that are helping to pay the bills.

Changes should have been made long ago. Relief and development was already in a failure mode in the 1980s, two decades ago. The need for change was clear, but the changes that were made aggravated the situation rather than making it better.

> *Now I am at a great advantage. At my age I do not have to reflect my employer's views and I do not have to safeguard a pension, or be careful about my next career step. I have the unusual freedom to write what I believe.*

It is time to try again. This book aims to help make changes. This book starts to describe ways out of the mess. The book is about people and resources and process and information. This book is about planning and organization and

implementation and measurement and feedback. The book is really very basic. The ideas are not knew. They are all very basic concepts of organization and management, and all have value in the relief and development context.

It is time that the ORDA community and the financial and economic and political leaders of the NORTH are challenged about the failure of development in the SOUTH. Every year millions of people are dieing prematurely because of failed development. It is time to do the accounting and reengineer and restructure the relief and development industry.

Chapter 2 - Development has Failed

CHAPTER 2

DEVELOPMENT HAS FAILED

The first challenge is to help people understand the scale of the failure of development. First, absolutely in terms of the total population that are affected by development failure. Second, relatively in terms of how some have progressed and other have not. Discussion of some of the big facts that have to be faced: famine and hunger, war and refugees, poverty and concentration of wealth.

Poverty, hunger, disease and death

It is a really sad state of affairs. The idea that around half the population of the world ... more than three billion people are in dire poverty, hungry and with no health or education is obscene. Around 30,000 young children, according to the United Nations (UN) die every day from preventable disease. Poverty, hunger, disease and death are the clear symptoms of failed relief and development. The failure is a sad reality. The quality of life for poor people around the world is rotten. It is a disgrace that half the world is poor, hungry, prone to disease and dying prematurely.

There is a huge amount of information writing about the failure of development. The official relief and development assistance (ORDA) community writes report after report that documents different aspects of the failure. The mainstream media quite frequently writes articles that chronicle failed development, often in its most hopeless areas. Professors and PhD students study and write about the failure. Film makers make documentaries.

In my own experience, I have seen a lot of failed development first hand. I was meant to be part of a process that would solve problems and make development successful. Seeing dead people and people who are going to die because the system just does not work for them changed my mindset. But it has not yet changed the system.

Failed development

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

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

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

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

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

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

Not now, but soon, the crisis of development failure is not going to be confined to the poor people of the world who just get hungrier and die quietly. The crisis of development is going to get translated into a different sort of crisis where poor people get angrier and angrier and though weak, will be able to challenge the comfort and security of the world's rich. The SOUTH is not going to let the NORTH have it all. The stage is set for global terrorism in a way that has never

been seen before. It might be very messy. In time, failed development is going to have a devastating impact on the quality of life in rich countries.

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

For fifty years, most development resources have been "expended" in the public sector, with questionable results

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

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

In this chapter some of the symptoms of failure will be looked at, recognizing that treating symptoms does not cure the underlying disease.

But what we will see is a generalized pattern that seems to suggest a way forward that can be extremely successful.

As a starting point, then, the following:

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

Hunger and famine (food, water and basic necessities)

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

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

The video's thesis is well intentioned. But the problem is both broader and deeper. Without understanding a lot more about the global economy and local

cultures and area issues, it is very difficult to sort out what are the symptoms and what are the fundamental underlying problems. After forty years of development effort, it is sad that there is no apparent consensus about a way forward for development that looks like being successful

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

What became clear very early on in my development consultancy career was that success in development required progress on many fronts at the same time. My experience in Nigeria showed me very clearly that money flows on their own would not result in development success. It was also clear to me that good people and good intentions were not going to make a difference as long as control of the process was subject to corruption and fraud.

> *The failure of world development was already becoming apparent in the 1970s, and in the 1980s famine became headline news, especially the famine in Ethiopia. As a result a lot of money was raised for famine relief in Ethiopia, and also for other famine affected areas. I did some planning work during that period in futile attempts to integrate emergency and development initiatives. I tried to get "Band Aid" funds to be used effectively, but could not get heard. It was heartbreaking. The decisions were tough. Feed the dying or build a future for the living.*

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

There are multiple systemic and process problems that make needed changes very difficult if not impossible. People being hungry is partly cause by shortage. People cannot have food and water and the other basic necessities when there are none to be had. But it is not the only problem.

Another critical problem is that while food and water and basic necessities are available, poor people just do not have the economic means to buy them.

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

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

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

But migration to where?

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

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

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

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

The next issue is probably fuel, and this is likely to be fuelwood. There is a global energy crisis, and it is fuelwood. Rural populations have grown and the fuelwood supplies have been depleted and the problem of deforestation is accelerating all the time.

And rural productivity degradation continues in a vicious cycle. Because of deforestation there is more soil erosion and less productive agriculture, and then less food and more hunger.

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

War, insecurity and violence

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

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

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

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

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

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

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

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

> *President Carter, to his credit, has made the challenge of conflict resolution one of his missions in life as a past-President of the United States. But the issue of peace not war should be high on the agenda of*

> *every human being. It is a basic requirement of civilization. It is the foundation of natural law.*

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

But the problem of peace is that there is a reduced demand for weapons of war, and weapons of war are jobs and profits in the NORTH, and it is the NORTH that is in a position to set the global agenda.

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

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

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

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

> *The essential immorality of profiting from war has been with me since my first memories as a toddler in London during the Second World*

> *War. There is always money to be made when there are shortages and rationing and the market system is subjugated to regulation. The black market was profitable and corrupt.*

A land mine can be made for a few dollars, of which a substantial part is profit. But a land mine can blow off the legs of an unsuspecting civilian farmer thousands of miles away and years later. If the civilian does not die immediately, the persons farming performance is going to be terribly diminished, and he and his family are going to suffer horribly. Replicate this thousands of times, and it is real damage to the society.

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

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

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

Poverty, economic value destruction and the distribution of wealth

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

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

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

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

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

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

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

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

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

And some of the same economic mechanics that worked in the mercantile empire era for the European empires still works for the economically powerful NORTH in its economic relations with the SOUTH. Just as colonial possessions

provided raw materials for Europe's factories, now the SOUTH provides raw materials for the NORTH, and especially the United States.

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

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

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

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

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

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

Balance of trade, currency crises and government insolvency

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

> *I became interested in the history of trade partly because of history, partly because of my interest in geography, partly because of my interest in ships and technology, partly because of my interest in economics. I got to use it practically as the CFO of a shrimp fishing company that was very nearly bankrupt in the aftermath of the 1970s oil shocks. I learned about the history of the shrimp industry and how trade and*

> *prices had behaved since the industry first went international after the end of WWII. Our company's knowledge of the market soon made us as good as any company in the world, and I testified at a Congressional inquiry about the shrimp industry based on our company's expertise.*

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

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

The "south" has been a currency disaster.

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

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

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

Health pandemics

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

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

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

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

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

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

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

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

Conclusion: What a mess!

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

> *Based on more than thirty years of development consulting and hundreds of assignments it is apparent that development performance ranges from quite remarkable to awful. Over the years I have had the opportunity to see development performance first hand, and to see the inner workings of the ORDA system. It is not a pretty site, especially for someone with an analytical background and accustomed to seeing good accounting and good performance.*

Chapter 3 - Why the failure?

CHAPTER 3

WHY THE FAILURE?

This chapter gives an overview of the problems that seem to be causing development failure. The problem of too many people. The problem of not enough development resources. The problems of the development process. The problem of information in development. This chapter starts to move beyond the symptoms of the problems to understand the root causes that are the underlying reasons for development failure. This chapter starts to identify systemic factors. A start is made to go beyond the NORTH's perceptions of development problems as commonly portrayed in the media to a view that reflects more of the SOUTH's view. Being realistic about the why and how development has failed is very uncomfortable. It might even be dangerous. But the cost of failed development is huge, and will get worse.

Why "Why?" is Never Asked

Because the answer is obscene

Why development has failed is a questions that rarely get asked. This is very convenient. But it also begs the question of how to fix the problem.

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

What happens when why is asked?

The culture of the ORDA community requires that the why is never asked. There is no career path for staff that ask these questions and no future for consultants that ask these questions.

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

Anyone that has worked closely with World Bank and other ORDA projects knows that there is a huge difference between what is written down and what really gets done on the ground.

> *I never saw an ORDA project that followed the book and was successful. Almost all of them were, by my fairly high corporate standards, abysmal failures. They did not follow the book, because that would have made them even worse. Once in a while the ORDA resources were used well, and great results were achieved. But this was not done by following the book either.*

The problem

So what is the problem. A quick look through what has been written about relief and development, or attending a conference on some aspect of relief and development will expose a zillion problems. It is not one problem, it is many. But because there seem to be a zillion problems, it is virtually impossible to figure which one of these problems is the most critical problem.

> *I had plenty of opportunities over the years to assess performance in development. It took me a long time, however, to realize that almost everything implemented in the ORDA world cost a lot and a lot of it was a complete waste of time, money and effort.*

That is not to say that there were no needs for relief and development assistance. It is merely saying that the design and implementation of ORDA initiatives was disastrous. It raised the question of how ORDA work could be done more effectively than what I was being routinely practiced.

Development performance ... a mess

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

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

Most interventions in the past forty years have removed wealth from developing countries rather than creating wealth in these countries. How? Why?

Development resources are used ineffectively throughout the ODA community. How? Why?

The processes in development do not result in minimum cost and maximum outcome. The procedures and systems will not allow that to happen.

Good people are beaten by bad systems and bad processes and ineffective organizations.

Development has failed because of process. There are examples of success, of development excellence, but in the aggregate development has failed.

While the amount of money involved in "development" is small compared to the funding of the international oil industry, or the trade in illegal drugs, it is substantial. There have been some successes, but the total performance of development expenditure is terribly poor. The development situation would have been better served by putting development money into a savings account and just leaving it to accumulate than using it in the way we have, and now having to face an enormous debt overhang, that just will not go away.

Clearly something is wrong.

Why is development analysis so poor?

Incompetent analysis

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

Good analysis is dangerous

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

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

Too much an academic exercise

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

Highly aggregated reports

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

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

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

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

No accountants in the mainstream

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

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

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

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

Weakness in accounting

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

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

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

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

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

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

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

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

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

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

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

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

reasonably professional accountant or manager, but was the accepted way of doing things at UNDP for years.

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

No system

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

No use of value analysis methodologies

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

No management information

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

No transparency

Lots of talk ... not much walk

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

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

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

No basis for accountability

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

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

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

The US General Accountability Office

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

Implementing arrangements

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

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

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

The reason why government is the implementing partner goes back to the origins of development assistance. The core structures engaged in international official development assistance were all created around the time of World War II or immediately afterwards ... and these organizations were created with an

expectation that governments would be taking a big role in the development process and were given the mandate to work with governments. The ORDA system was designed to use government as the key implementing partner. That is the mandate that there is!

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

Why do a few mega-NGOs dominate the aid fund flows?

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

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

Success is when the implementing NGO satisfies the funding institution that the money has been disbursed well. The leads to sustainability for the NGO that remains in a favored position to get more funding. But of course this type of success has nothing to do with actual success in development.

Success in development requires that there is tangible value delivered to the beneficiaries. The critical things for a community are related to economic value adding, whether in the form of more productivity from their local labors, or more jobs created by outside investors, or better water, or health services or education opportunities, or water or electricity or telephone or Internet. In some communities the priorities may have to be related to security and safety and staying alive.

At the start of the 3rd millennium, socio-economic conditions in SOUTH are horrendous. From a purely financial perspective most of the governments are essentially bankrupt. Something has gone dramatically wrong. There are enough people. There are enough resources. There is enough technology. Why is it that it does not come together to deliver success.

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

claims. The process of development used for most of the period since independence has failed.

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

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

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

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

> *Solutions are possible, but not until people who have control of policy and control of resources allow changes to be made.*
>
> *When I first started working on development issues in Africa in the early 1970s, guns were far less widespread..... where do all the guns come from? Who pays for them? What development value do they have?*
>
> *What about refugees and internally displaced people? ICARA I and II in the early 1980s highlighted the problem. Why so many? What are the root causes?*
>
> *What about hunger? Is the problem food production or food trade or food aid? Or is it poverty?*
>
> *What about oil and minerals? Is foreign direct investment (FDI) a blessing or a curse?*
>
> *Are the oil companies creating economic value adding in Africa, or is it just for corporate stockholder added value? What about foreign mining companies?*
>
> *What about diamonds and gems and gold..... and civil war..... and timber..... and guns and landmines? Where is the economic value adding for the people of Africa?*

> *What about the health and HIV-AIDS crisis? Is this just another excuse for investors to avoid business and development investment in Africa..... it certainly is having a devastating impact on economic value adding in Africa.*

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

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

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

> *There is a terrible shortage in information that can help pinpoint what is good and bad about development, and get resources allocated to expanding the good activities. What is clear is that most of the available resources do NOT produce significant economic value adding in Africa. (If I am wrong... give me the facts... and I will be as outspoken about success as I am trying to be with respect to failure.)*
>
> *These main characteristics of failed development in Africa are rarely talked about by the leading spokespeople on Africa's economic crisis, especially this associated with the official development assistance (ODA) community (World Bank, IMF, UN, USAID, DFID et al.). And ways forward to address these issues do not seem to be forthcoming from our ODA leadership.*

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

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

Institutional constraints

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

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

Why so many bad decisions?

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

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

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

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

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

Colonial overhang

When "development" first started in its modern form, that is after independence of the former colonies in what I am referring to as the SOUTH, there were a lot of experienced former "colonial" civil servants who were able to do a career change and become "development" experts and advisers. To the extent that they knew something of the geography, and the culture and the problems and the potentials, these people were an enormously valuable resource. And they made a significant contribution, especially when they were appointed to appropriate positions in the UN and the World Bank and the bilateral development agencies. But they did not succeed as well as they might have, and the reasons for this are many. And of course, much easier to see now with the benefit of hindsight than at the time.

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

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

Wrong scale

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

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

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

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

> *I am convinced that "big" projects are failing because of size, and the distortion that this size was bringing to the economy, the society, the private and government institutions. I have tried talking about "distortion" with the experts but have never found any of the UN staff or the World Bank staff I have worked with having any interest or understanding of this issue.*

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

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

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

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

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

> *I did a review of a big education project in Latin America. I tried to draw a corporate style management schema and organization chart to do the management accounting for the project. It was hopelessly complex. The project read well because everything imaginable was going to be addressed. In reality nothing was going to get done well. Funds were going to disappear into the project account, disbursements were going to be made against approved vouchers, and nothing would every be reported in a way that allowed anyone to see what was going on.*
>
> *I knew this project had the potential for huge rip-off. It was beautifully designed to leak everywhere. The World Bank staff had no idea how the design had evolved into a disaster waiting to happen. Needless to say when I raised the possibilities, I was treated with contempt and ignored. How could I know anything. I did not work for the World Bank!*

A profit maximizing enterprise agenda

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

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

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

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

If the PME sector sees opportunities to earn profits, there will be investment. There is a lot of money flowing through the capital markets that will invest for high return, even where there is substantial risk. Much of this capital will invest for high profit, and not concern itself too much with how the profit is earned.

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

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

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

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

And as this was going on the major financial organizations created communities of interest to ensure that the borrowing nations were even more limited in their

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

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

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

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

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

addressed by improved financing modalities and focus on economic value adding activities.

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

Lack of good governance

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

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

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

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

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

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

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

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

> *I have worked in a number of countries where the Soviet Union (as it then was) had a lock on government initiatives. The Soviet Union had helped fund their wars of independence and they expected something in return. Nobody seemed to know what they "owed" the Soviet Union in tangible financial terms. There did not seem to be a bill, but just the threat of a bill. And a big one. So, not surprisingly, the Soviet Union was able to set the terms of a lot of their "investments" and "joint ventures" in ways that (in my view) were very favorable to the SOUTH client. This tactic was being used to give the Soviet distant water fishing trawlers access to rich fishing grounds, with almost no benefit to the host country. Value destruction at its worse.*

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

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

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

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

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

Health … HIV-AIDS and other killer diseases

The world was becoming in healthier place as a result of some amazing advances in medicine and some well organized international interventions to intervene to end some terrible diseases like smallpox and polio. But something appears now to be going wrong. Instead of further progress in eradicating disease and reducing mortality and morbidity, there is tremendous backsliding.

There are financial constraints in public health that are constraining everything in the health sector. The amount of money for public health in almost every country in the SOUTH is so limited that health services are bound to be inadequate. International official development assistance (ODA) is not enough either. ODA does not start to address the health funding deficit.

But beyond the financing issues, there appear to be medical and scientific issues as well. The HIV-AIDS pandemic has changed the population dynamics of the whole of Africa, and in the hardest hit countries the expectation of life has dropped by more than 10 years in less than 5 years. Instead of moving up into the 60s, and a continuation of thirty years of steady progress, expectation of life has started to drop dramatically. With more than 3 million dying prematurely of AIDS related disease in a single year, the people of Africa are having to face an incredible crisis.

But it is not the only health crisis. Malaria continues to be a tremendous killer, and where it does not kill it still has a debilitating impact on an individual. Children are badly impacted by malaria. And the easy curatives for malaria are becoming less effective as more and more malaria becomes resistant to medication.

And after years of progress with tuberculosis, TB infection is again growing and becoming more and more widespread. And again, the TB strain that is spreading is one that is resistant to easy and low cost medication.

While there are many views about why disease is growing so fast now after years of progress, it is highly likely that poor medical services and lack of higuene are part of the problem. The writer is convinced that unsafe medical practices are feeding into the growing health crisis, especially unsafe injections and other procedures that result in blood contamination. The use of dirty

needles is widespread, especially in the informal settings where people expect a health intervention to include getting an injection.

The Secretary General of the United Nations, Kofi Annan, to his credit, has raised the issue of the growing health crisis at the UN, and has been instrumental in having a Global Fund for HIV-AIDS, Tubruculosis and Malara (GFATM) launched. In its inaugural year the GFATM was able to mobilize around $3 billion, a substantial achievement, even though the requirements were for something more like $10 billion.

But the health sector is a problem area. It is something of a symbol of failed development. Progress was made, but the progress has not been sustained, and now there is a high probability that poverty is going to be more and more accompanied by health crisis as well.

The Project Form of Implementation

Where there is meant to be accounting

I was under the impression that the project was the entity that permitted organizations like USAID, the UN and the World Bank to manage their assistance programs ... but rather than providing a foundation of information that helps to understand the use and value of fund disbursement, they seem, rather to add to the confusion.

Project cycle

The standard project cycle is usually described as follows: (1) Identification; (2) Preparation; (3) Appraisal; (4) Negotiation; (5) Disbursement and Implementation; and (6) Evaluation.

The basic cycle is reasonable ... but when applied in most of the present relief and development organizations there is a lot of effort associated with the first four elements, and insufficient attention to the fifth. Within the disbursement and implementation part of the project cycle there is a totally inadequate amount of accounting and measurement of performance.

Where was the money disbursed?

It should be relatively easy to get a listing of where the money has been disbursed ... that is a listing of the projects, the implementing organizations and the amounts of money disbursed.

The amount of money disbursed can be either in the form of a listing of disbursements together with dates, or a cumulative total with date of the accumulation.

A list of this sort is about as basic an accounting report that one can design ... it is lists of this sort that are the basic of good accounting control, and it is incomprehensible that such lists are not easy to access from the public space.

What was the money used for?

It is also reasonable to expect to be able to have a listing of what each of the organizations used the money for ... the cost of the various activities carried out by the organization. Every well run organization has this sort of analytical or cost accounting data ... and if there is an organization that does not have this data, then one has to wonder why this organization was selected to be a project contractor.

With information about activities carried out by the organization, it should be possible to compare the work done under this project with similar work done by other contractors both in the same country and in other parts of the world. In an efficient relief and development sector one would expect the costs to be somewhat the same, with easily explained differences based on the special circumstances of each of the project ... in fact this information is not at all similar, mainly because few of the organizations are doing this sort of analysis and they merely spend the money without much attention to cost effectiveness and performance.

Did the project produce value?

If the relief and development sector was serious about measuring performance there would be a requirement for projects to be evaluated based on the socio-economic value created. While this is a part of the appraisal at institutions like the World Bank, it is very much a theoretical construct at the time of the appraisal and not very much in evidence during the management of implementation and in the subsequent evaluation ... but this value creation is the central raison d'etre for the project ... and not having any metrics about this is nothing less than mind-boggling.

What about information?

The situation in Iraq seems to be very much “business as usual” ... in other words no more and no less accounting than is normal in the international relief and development sector.

But there is a difference that should have caused accounting to be made a central feature of project management, and that is the scale of the fund flows that are involved. Having poor accounting in a project that is disbursing $50,000 is bad enough ... but when the projects are disbursing perhaps as much as $20 billion a year ... then not have excellence in the accounting area is absolutely scandalous.

Chapter 4 - There are Ways Forward

CHAPTER 4

THERE ARE WAYS FORWARD

This chapter shows there are ways forward. The proposition is that there are new ways to think of development in terms of the four components: people, resources, process and information. The theme of the chapter is to think of people as being both the beneficiary and the driver of development, to think of resources as being abundant but needing mobilization, to think of process as a way to achieve economic value adding and information as a way to improve development performance, to measure performance and provide a new level of accountability in development.

Is Success Possible ... Absolutely

The human spirit is powerful ... but it needs to have opportunity and there needs to be motivation and incentive. To have success, the problems that constrained success in the past must be avoided. New approaches and ways of doing things have to be adopted. Development must be approached as a process that has linkages with many complex interrelated elements.

This way of looking at development sets the stage for practical solutions to the global development crisis. This way forward is a coherent whole, and can be the foundation for successful economic and social progress in the SOUTH. The way forward explicitly addresses some issues about the enabling environment for success that people in the NORTH now take for granted.

Nothing in the way forward requires difficult reform. Everything in this way forward can be done, and in a modest way is already being done.

But there has to be a deep appreciation of the problems, and an understanding and respect for people of different backgrounds and experience and capabilities.

The goal or purpose of development

What is the goal or purpose of development? It is about socio-economic progress, and improving people's quality of life and standard of living. A big

part of this depends on the culture, perceptions and priorities of the community ... a value construct that has a big element of subjectivity.

It is rare for the primary goal of development to be to get the maximum economic activity for the benefit of a few ... though it is common for this to be the investment goal for a profit maximizing enterprise. The difference between the goals of society and the goals of a PME, or many PMEs is something that has to be reconciled.

For society, the purpose of development includes giving a lot more people an opportunity to live a life that has a lot more dignity and be a lot more secure and further away from death. There are a lot of fancy ways to describe the goals of development, but a simple one is that poor people should have a better chance at life, liberty and the pursuit of happiness.

At the individual person level, and at the family level, development is easy to understand. I wrote the following more than 20 years ago in South Sudan. The area had its own civil war and was also hosting refugees from neighboring countries. A situation that has been all too common in the past decades all over the world.

Priority List

- Families do not want to be killed because there is war and insecurity all around them.
- Families do not want to die because there is no food and water for the family members.
- Families do not want to suffer and possibly die because there is not enough clothing and inadequate shelter from the elements
- And when the issue of today's survival is taken care of, the next priority is the survival of the family and procreation into the next generation. The survival of the children. The feeding and the nutrition and health of the children.
- And then the education of the children
- A taking care of the elderly and sick in the family
- And jobs for the family members
- And social responsibility for the community
- And a role in the spiritual life of the community

If all the possibilities are taken into consideration, it is apparent that success is possible. The only thing missing is an organizing framework so that it can be done. The solution that looks most promising is one that has the following characteristics:

People centric ... community centric ... development.

The focus of development is about people who are both beneficiaries and the instruments of development, either individually or through some form of organization. There is a need to envision development from the perspective of the people who are failing and hopeless under the prevailing development paradigm and optimize development from that perspective.

From a perspective of development that is people centric, people have got to be taken into consideration in every aspect of the analysis, planning and doing of development.

But people centric is difficult to organize and optimize ... rather this is better achieved by a focus at the community level. At the community level there can be impact from individual enterprise, as well as impact from team work and collaborative initiatives of all sorts. Community is society ... and people can be individual and collective ... with the totality better the sum of the parts!

Resources – use what is available.

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

And while there are massive pools of resources in the world, in fact resources are very much underutilized on a global basis, the SOUTH is short of critical resources.

Planning for development can improve outcomes by making optimum use of the resources that are available. The simplistic idea that more money will produce more development is wrong ... totally wrong. A better idea is that an optimized deployment of resources will produce more development ... and a part of this is for the available resources, especially human resources and natural resources to be used in much better ways.

Process ... activities ... value adding ... value destruction

Value adding makes progress possible. Value destruction negates progress. Some activities are value adding ... some produce value destruction. The process of development is a mix of all of these ... and successful development is when everything is arranged so that there is a maximum of value adding.

It is process that assesses needs and opportunities, mobilizes resources, allocates them to value adding development activities, uses them effectively and provides an accounting and feedback of performance. The elements all fit together as a coherent whole, and build on the success in economic and social progress that countries in the NORTH now take for granted. The failure of development is

much more about process than about people. Most people will do the right thing when they have the chance, and incidentally know that if they do the wrong thing they will get caught. But in the prevailing paradigm for development, the process just does not work.

Information

Information needs to be useful, independent, reliable and universal. The data to understand needs and opportunities, to optimize allocation of resources, use of resources and performance of development. A system to make these data understandable and useful. An Internet based secure distributed relational database makes it possible to manage the allocation and use of resources, track fund flows and use of funds and give excellent accounting and accountability and performance reporting to investors. And while there are lots and lots of data about development, there is very little information organized for performance analysis that is useful for the management of development resources.

Huge challenge ... many possibilities

There is a huge challenge. But all the possibilities for success are at hand. The way forward to development success must be something different from what we have seen before. It cannot be more of the same. What has been done up to now has failed ... and more of the same will fail some more.

Who is going to measure success?

Who is going to measure success? The measures should above all else assess development success from the perspective of the people of the SOUTH which may be somewhat different from the macro-impact that the NORTH most usually uses.

The metrics used everywhere for measuring progress are not well suited to a people or community perspective ... more they suit macro-economic planners and the capital markets, and the very large organization that no longer thinks it needs to be in touch with either its customers or its staff.

The “economic value destroying” characteristic of development that has been a common feature for decades has to end and be replaced by “economic value creation”. This means changes at the World Bank, at the UN and in most of the bilateral and international non-governmental organizations (NGOs). This means changes in the way foreign direct investment decisions and made and the typical business proposition that gets agreed between the investing company and the host country.

And to the extent that these established organizations cannot or will not make the changes needed, then it is time for other organizations to get created to step in and do the work that needs to be done.

These four elements that make up the way forward are just parts of a coherent whole. Knowing about needs is of no value unless there is support that can be directed to the needs, and delivering resources without an accounting and accountability is never going to result in anything sustainable. So there needs to be resource mobilization, there needs to be opportunities to use the resources in a value adding priority manner, there needs to be a full set of relevant information and the process needs to result in real development progress.

There will be no success if success is predicated on difficult reform. Nothing in this way forward requires much change. Everything is possible. There is nothing in this that cannot be done at a "technical" level. There are constraints, and some of these are significant and reflect legitimate issues. But many reflect man-made obstructions and more commonly organizational obstructions that have been introduced for reasons nothing to do with the goal of successful development.

I wrote the following two sections almost twenty years ago. It is sad that almost nothing that was seen as a problem then has been changed. Twenty years ago I had already had more than a decade of corporate management experience and about the same length of time doing development consultancy. The problems were already obvious to me. The solutions equally so.

But what I did not realize then was that all the official development assistance (ODA) institutions were totally ineffective. I was working with good people who were proud of their organizations.

I did not realize that the solutions could not be delivered using the organizations that were taking on the responsibility. I did not realize then that the biggest problems in development were organizational rather than people and resources. Even today, this organizational issue is not being addressed. It is still not seen as a critical issue.

My sincere hope is that readers of this book will start to appreciate the ineffectiveness of the big NORTH based development institutions in implementing development initiatives.

Economic value destruction

The common feature of development for decades has been its "economic value destroying" characteristic. After massive disbursement there is rather little of economic value to the seen on the ground. And something of the same applies for foreign direct investment (FDI). This has to change.

The way forward must look beyond what has been done and is still being done to something different. So as not to waste your time, and so that you have a good reason for reading the book, or not reading the book, let me try to summarize the conclusions at the beginning. The solution to the problem of failed development that has emerged has four elements:

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These four elements are part of a coherent whole. Knowing about needs is of no value unless there is support that can be directed to the needs, and delivering resources without an accounting and accountability is never going to result in anything sustainable. So there needs to be resource mobilization, there needs to be opportunities to use the resources in a value adding priority manner,there needs to be a full set of relevant information and the process needs to result in real development progress.

Nothing being recommended requires difficult reform. All of this is possible. There is nothing in this that cannot be done at a “technical” level. There are constraints, and some of these are significant. Some of these are understandable and reflect legitimate issues. But many reflect man-made obstructions that have been introduced for reasons nothing to do with the goal of successful development.

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People

> *The focus of development is about people who are both beneficiaries and the instruments of development, either individually or through some form of organization. There is a need to envision development from the perspective of the people who are failing and hopeless under the prevailing development paradigm and optimize development from that perspective.*

Development should not be about monetary measures, but about all the other quality of life measure that are important to people as they live from day to day. How are the members of my family doing? That is the number one question for the majority of the world's people. Most have no idea about any of the alphabet soup of economic indicators, but they do know how the family is doing. And sadly, for most of the world's people the members of the family are not doing well.

Everything about development has to be brought back to people. Development is ONLY about people. And looked at from the perspective of people, the present paradigm for development does not work. The challenge is to determine what will work.

> *Someone said the "all politics is local". I want to go a lot further and say that "all life is local"*

When development gets a new focus, and starts to do what makes success at a local level, there will be success. And what will make success at a local level is development activity around the priorities of the people and the community.

And this is quite easy.

Every single community knows what it has as priority.

And it is impossible to come up with a formula that has universal applicability.

The only thing that is going to be common, is that local people should be central to the processes that determine what are priority.

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The way forward starts with the basic position that socioeconomic progress in Africa is a failure. This is not a question of an 80% grade versus a 90% grade. It is bad failure with all that that means.

> *This is because the importance of the process of implementing change has not been well understood or adequately addressed.*

Development is about people.

In fact everything is about people, but other things get in the way.

People, as part of their nature tend to get "organized" in some form or another. The family is the most primary of nature's organization of people. It works and has been the center of human society for all of history.

And people organize a lot of other ways. There are organizations to transact business, there are organizations related to religion and there are organizations related to community. Organizations can be very formal, or work in an ad-hoc fashion. The organization can be highly structured or just some sort of network or be essentially a virtual entity. But organization is a part of the way people function.

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For development to be successful it has to be for the people. And it is likely to be supported if development is also by the people.

Affinity Organizations

There are a number of organizations that have done some amazing work in pulling people together to support good causes. The energy in these organizations is impressive. They are evidence that people want to do good and want to feel good. These organizations do a very good job of creating "feel

good" value in society. Some are faith based. Many are not. Many have a theme that centers around the social and economic problems of the disenfranchised or disadvantaged either at home or overseas. These organizations already show what can be done with "people" power when it is motivated to do something worth while.

The following organizations, networks and movements are examples

Bread for the World
Jubilee 2000
Campaign for Nuclear Disarmament
Vietnam era Peace Movement
WTO Seattle demonstrations
G8 Genoa globalization demonstrations
Civil Rights Movement
Anti-Apartheid South Africa movement
Global justice movement
Greenpeace
Sierra Club

Failed Development

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

For fifty years, most development resources have been "expended" in the public sector, with questionable results

Even today, the paradigm for development is not working and there is continuing value destruction in most developing countries.

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

Time for Change

African professionals are ready for change. What is needed is the opportunity to change.

Experts at the World Bank and other institutions know there is a need for change, but do not know how it can be done.

Economic Productivity and Value Creation

Developing countries need massive improvement in their economic productivity and their capacity for value creation

Africa has to start making for itself what it needs. This goes beyond just providing the labor. It includes doing value adding work on the materials used in production and construction

- Africa needs to build employment by bending metal and pouring concrete
- Africa needs strong small business that creates jobs and rewards investors
- Africa needs business that provides goods and services needed in the local economy.
- Scrap metal recycling, foundries, bending and shearing metal, creating metal goods, creating building materials
- Machine shops and fabrication for infrastructure building, manufacturing industry and transportation
- Processing plastics, creating plastic goods
- Everything needed to improve agriculture and the African rural economy

ODA Organizations

Most, if not all the main organizations engaged in international development were established more than fifty years ago. It was a different time in terms of distribution of world power, and it was a different time in terms of management, of information and technical and economic possibilities.

Achieving success in development in the 21st century is best done using modern organizational concepts rather than ones that should have been retired decades ago.

People and material resources and technical knowhow need to be combined in the best possible way to deliver economic value adding development benefit. And in most developing countries many small community projects, many small enterprise investments, many small micro-finance loans will do far more good than massive projects organized and implemented by government and the public sector.

Modern technology makes it possible to organize as a network and not as a hierarchical structure. Modern technology makes it possible for existing entities to become engaged by creating a financing product that serves the needs, and is accounted for within the database information framework. A possible analogy is the Visa Mastercard system.

> *Perhaps the Visa / MasterCard network is a good example of network organization. It has four elements. There is collaboration between*

> *financial institutions to provide funding for the venture and some critical system and security infrastructure. There is a point of sale service that has value to the merchant. There is credit and convenience for the card user who, more or less willingly, pays for the service. And there are the information elements that pull all the various service elements together and keep the accounting straight.*

Another organization that did something that changed the way business was done was ADP.

> *ADP started a payroll service in the 1960s when computers were becoming more powerful, but difficult and expensive to run, and the rules and regulations of payroll processing were becoming more complex. For a few pennies a check, a small or big company could "outsource" its payroll processing and have its staff focus on the company's revenue producing business. The Universal Accounting and Accountability Database is a similar service concept. In this case investors can easily invest in economic value adding development initiatives in Africa with low risk.*

Another organization that changed the way business information was managed was Bloomberg

> *Bloomberg changed the way the financial services industry got its financial information. It started off with state of the art financial information collection, storage and communication, and has stayed in that mode to the present time. The Universal Accounting and Accountability Database could serve the investment community in a similar way for development related financial information.*

Success is not about physical organizations, but about a facilitating network that allows information to be used to plan, finance and implement development in the best possible way. It is essentially a very resilient and reliable market infrastructure for development opportunities and their financing.

Not a Single Silver Bullet

Hundreds of Issues

Success in relief and development and the achievement of socio-economic progress is possible ... but only when the constraints on success are addressed. In my experience, there are hundreds of issues that constrain success, all of which need to be addressed.

Analysis of Relief

I have done many ... hundreds ... of evaluations of relief and development projects over a period of many years. Most had a single sector focus, and most did rather little in terms of creating durable value.

A big part of the failure was the hope that improvement in one sector would be of value ... when success was constrained by all sorts of issues that also needed to be addressed.

Even multi-sector initiatives failed because almost all the institutions engaged in relief and development work have limited mandates ... and at some point they are constrained from doing everything that is needed.

One of the nasty examples is how corruption has been protected by ideas like "sovereignty" and it being construed as "political" and not "economic".

The relief and development process is not simple ... in fact it is complex and chaotic. But so is light. A strategy for success must recognize complexity and chaos and organize so that can be progress.

Making sense of chaos

The challenge is to address a lot of issues ... all of the issues that are applicable to any single situation. My approach to handling chaos is to have sensible simplification, multiple solutions, many alternatives rather than a single solution, not just one way but many ways to progress ... and if something goes wrong, there are many things still going right.

Separately, I write about people and communities, and suggest that it is more practical to look for solutions at the bottom of the pyramid rather than simply at the top of the pyramid ... one set of issues in one community, and maybe another set of issues in another community. Or perhaps some issues apply to a set of communities, and another set of issues apply to another set of communities. The need is to appreciate a lot of issues, and to act to address them in an appropriate manner.

And in this regard, addressing one issue, and creating another is not a good outcome.

Managing a complex set of issues ... managing chaos ... is a challenge. What we do know is that simple, heavy handed solutions are not going to work.

Some of the issues

The following is by no means a complete set of all the issues ... but it is a start. A companion book "Hundreds of Issues that Impact Relief and Development" that was published in August 2006 contains more than 300 different issues ... and is by no means complete.

Immediately following some of the bigger issues are described ... and then in alphabetical order a lot more of the issues. Hopefully, this will make the point that managing in the face of so many issues is a challenge and not at all suited to the sort of management that is practiced in huge hierarchical organizations like the military and government, even the most democratic.

Violence ... or Peace?

How peace can be achieved

Peace can be achieved by removing the causes of conflict ... but what are the causes of conflict.

Peace takes time. The process of making peace takes a lot of dialog ... it takes months rather then days or even weeks. At the end of the process a peace that reflected the values of the community can be established and a balance of power and influence that reflects the wishes of the communities that make up the country. The area authorities, the community leaders as well as the people in government, need time to build a framework for peace that is workable.

Keeping the peace

Long term peace is only achieved when the outcome of negotiations is a fair outcome, and especially important that they look fair in the urban streets and in rural markets.

A peace oriented program enhances the peace by making development resources available on an equitable basis to all the communities and not just selected priority communities.

There is a need to understand and respect community traditions, and understand how the people of the area live together. Development and peace are facilitated by respect for these matters.

The problem of inequity

Inequitable distribution of wealth and the opportunity to get wealth contributes to tension. This is often aggravated by the incompatibility of centralized government with clan-centric governance. The centralized model of government is practiced in a variety of forms in Washington, London, Paris, Moscow as well as Baghdad.

It takes time to work out something that is fair, and it gets complicated. The Washington model includes the concept of town meetings and the idea of "States' rights" and the idea that almost all the laws are State law, and not Federal Law. It took twelve years to go from US independence to the US constitution and generations longer to add several key amendments.

The British still have not written their constitution, though they have a framework of law that goes back centuries and indeed integrates the basic fundamentals from Roman Law. The tradition of clan law goes back a long way too. There is little written about traditional clan law, but in spite of this, the rules are clear and well known to everyone in the community. Clans want their rights respected, and in turn, respects the rights of other clans. This is very similar to John Stuart Mill's concept of liberty. When the rules are not respected, there is a penalty, and at the limit, there is war.

Implementation – Activities

Small is Beautiful

I like to think that I understand macro-economics. Macro-economic performance, as I see it, is a result of lots of small decisions throughout an economic system.

Small activities that use small amounts of resource and do wonderful things for the community, for the society, for the family, even for the individual are worth doing. When small activities are encouraged, and everyone that has the ability does what they can, the economy soars and the socio-economic situation improves. Lots of small activities add up ... and really means something in the aggregate.

Big things promise a lot ... but in the implementation most of the promise is replaced by a less optimistic reality. What might have started out as a huge value adding solution often ends up as value destruction and another problem to be fixed.

Lots of small initiatives

Lots of small initiatives that are within the capacity of the beneficiary communities to absorb can deliver rapid progress. Initiatives that the community considers to be priority and implemented by local people with mainly local resources can have a big value adding impact. Many small projects can be implemented by the private sector, community groups, NGOs etc. as soon as activities have been identified and there is an implementation arrangement agreed. If funding is available communities can plan their own development with their own priorities and draw upon the program resources according to what they see their needs to be. The expectation is that there will be a very large number of small initiatives that are the right size for each individual community.

There is no one best way

Where there are hundreds of things to do, and all sorts of people and organizations engaged in doing things, there is chaos. I have some modest understanding of chaos theory, and have some appreciation of the problems of organizing for good results in complex and chaotic conditions. The situation in Iraq has a lot of the characteristics that make chaos theory the most suitable management regime.

Getting the best results out of chaos is not something academic planners do very well ... in fact the record shows that they do it very badly. The "gosplan" type economy of the Soviet Union is one example, and I will argue that the "project" planning of the World Bank is another example.

Small activities can easily be done with very little formal organization and management. Other things needs to be done at a larger scale and with more planning and oversight. Some things are best organized on an even bigger scale at the national level.

Everything should be done in the manner that is best for the particular effort. It is not only scale that varies. The mix of resources also changes from one situation to another. In order to get the best possible results, available resources should be used in the most efficient way.

Getting Good Results When There is Chaos

My experience with managing in the corporate world was a continuum of learning ... because the only constant was change, and every change created some level of chaos. The chaos was not a pretty sight ... but the outcome in most cases was a better way of doing things.

> *I was a participant in a Organization and Management Conference in the early 1990s run by OSI. One of the sessions was about managing in chaos. I forget exactly how the game was played, but I think we all had numbers, and a number of balls circulating in the group. If a ball was sent to a person number 10, the ball then had to be sent to number 11 ... but where was number 11?*
>
> *When the game started it was absolute chaos, and balls were all over the place. In a few minutes people figured out where to stand so that they were next to the person with a number different by 1 from ones own.*
>
> *And then the rules were changed ... for example 10 had to send to 20, 11 to 21 and so on ... another period of chaos, but fairly quickly everyone figured out where best to stand.*

> *There is a powerful capacity for human beings to problem solve. In complex chaotic conditions many small decisions can get a workable answer far more quickly than the academic planners , no matter how big their computers.*

While everything operational was encouraged to change ... and get improved, there was one constant. The way in which the measurement was done remained the same. We did not want phony improvement simply by changing the measures ... we wanted real improvement that would translate into tangible profit performance.

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Human resources and natural resources are two key resources that should be used as effectively as possible for success in development. Frequently, they are more abundant than money and machinery, and should therefore be used in preference to money and machinery. Money and machinery should be used to the minimum and to compliment locally available resources to achieve maximum value adding.

What this suggests is that we should organize to empower a lot of people and organizations to make decisions, and then encourage people and organizations that seem to be getting it right and getting good results. There should be metrics to identify good performance.

Make best use

In almost any organization there are some people that know how to improve performance, either because, for example, they have long experience or they have good analytical abilities or they can bring in some relevant knowledge not presently being exploited.

Good management will figure out how to use this improvement potential in a practical way ... either by some form of ad-hoc effort or by some systemic change in the organization. But it will get done. Procedure, rules and regulations will not get in the way of doing something that is worthwhile.

Getting the Most for the Least

Spending more does not mean you get more. People selling consulting services have figured this out ... as have the manufacturers and vendors of luxury goods.

> *I was responsible for running a factory at one point in my career. There was a serious capacity constraint in the foundry, and something significant had to be done quickly and at modest cost.*
>
> *The first step was to use some high end corporate consultants to advise on the problem ... they charged a big fee and recommended a $5 million*

> *capital expenditure project. The second step was a rather less prestigious consulting firm ... who had rather more modest fees and recommended a rather more modest capital expenditure program. My third step was to figure out myself what would be best to do, consulting with the experienced staff in our organization, some of whom were not at all academically trained.*
>
> *The local factory workers and supervisors knew what would work, and what would increase production enormously, at a very modest cost. Instead of investing millions and waiting for perhaps 2 years, we invested around $150,000 in some incremental equipment, and also two weekends of maintenance overtime installing and making changes ... and got the same results that the first consultants were projecting at an investment that would have exceeded $5 million.*

Measurement

Make measurement ... do the accounting

Nobody in a good corporate organization does very much without there being some sort of measurement, and for everything to do with money, there is the accounting. Measurement and accounting is the norm, and is everywhere in a good corporate organization.

But in the public sector, in the relief and development sector, and in almost everything to do with Iraq there seems to be very simplistic measurement and the minimum of accounting ... and almost nothing visible to the public.

Performance metrics ... cost and value

The community is the place where results should be most visible, and within a community there are some organizations that benefit because, for example, something is built, and other organizations that benefit because they are doing the building. The catalyst for both of these benefits is money that is being deployed to facilitate the development process.

A typical example of this might be a hospital that is being upgraded in some way, and a local contractor that is being paid to do the work. In this example, the performance metrics have three primary elements: (1) the cost; (2) the activities paid for; and, (3) the results.

The cost is the total funds disbursed and resources consumed ... a relatively easy accounting exercise. The activities paid for is a bit more complex, but still fairly normal analytical or cost accounting. The results need something that goes a little bit beyond more metrics about the activities, but more into the value to the beneficiaries, whether it is a group of people, a community, or the society at

large. Good results have value ... and good development performance is when the value of the results is considerably in excess of the cost. It should be possible to put a money value on results ... not always easy, but something that ought to be possible.

There is another useful metric which is to relate the actual cost of the activities with a norm for the cost of these activities. This has always been a standard practice in any position where I have had a management responsibility, and it helps to encourage good operational performance as well as being a strong technique for the control of inappropriate disbursements.

In an environment where value basis analysis is being done, the process of development can be of great value to many, and be financially sustainable for all the organizations without requiring subsidizing fund flows from outside.

Benchmarks

The complexity of the linkages in multi-sector community development makes measurement, analysis and managing of linkages difficult, if not meaningless or impossible. However, it is comparatively easy to measure some of the results, commonly referred to as benchmarking. For example, a community can decide that it wants to build classrooms for an addition 1,000 students, and it can quite easily report progress against this benchmark. In many situations benchmarks are not enough to constitute a useful complete framework of management information.

Feedback

Without feedback ... there is no management

And when there are metrics, and there is information about costs, activities and results ... there also needs to be somewhere for the information to be used. There are two ways in which this information should flow: (1) within the organization to improve performance; and; (2) to the public so that they are informed.

The feedback within the organization should result in a culture of continuous improvement. While this is not easy, continuous improvement is the best way of getting the most out of available resources. Why do something the same old way, if it is possible to do better.

The feedback to the public is an essential to help maintain the ethics of leadership. When powerful people can do anything they want ... they will, not particularly because they are worse than anyone else, but simply because that seems to be human nature. Conversely, when people know that their actions will be seen and they will be subject to public scrutiny, behavior is always much better.

Without improved activities ... there is no point

The implementation process goes from planning to organizing to implementing to measurement to feedback ... and then starts all over again.

The process is very basic and builds on simple control theory. By learning, it is possible to improve what is being done, and get better results in the future than has been achieved in the past.

This has been a major weakness in the international relief and development sector in the past because almost all of the implementations were designed within a project structure and were "one-off" initiatives. This does not facilitate learning, and explains in large part why the relief and development sector has exhibited a very weak learning ability.

By establishing metrics that integrate the community itself into the measuring framework, there is a perpetual basis of measurement, and a reality to performance that can be tangible for ever. A community has a perpetual life, and measurement of the community's progress has meaning at any time.

Reasons for Optimism

There are a lot of reasons for being optimistic about Africa. Technology, human resources, natural resources

Technology

Technology today is capable of doing incredible things, but it needs to be applied so that it is used for sustainable socioeconomic progress. It is being applied in a technical environment. Much less is being applied in the economic environment.

Human resources

There is a big difference between the human resource development profile of Africa in the 1990s than in the 1960s and 1970s. Immediately post independence there were few formally educated Africans with experience. In the 1990s there is a much larger number of formally educated Africans with experience, and there are a lot of younger Africans with formal education. Too many people in Africa have had to go through terrible times during the past thirty years. Many Africans have learned some important lessons the hard way. People who are living through civil war conditions do not want it to be that way. Even in the most terrible situations, most peoples' first priority is their family and particularly their children.

Experience

There is a tremendous amount of experience about what works and what does not work in development. This experience can be mobilized to make the development process a lot more effective. There are many lessons to be learned. With good will these lessons can be learned and success can be achieved. In order for the lessons to be learned the people with the experience must have a platform. Successful reform of the official development assistance (ODA) model will include ways to learn from those with experience.

Natural Resources

The incredible wealth of Africa in terms of natural resources should translate into enormous wealth for the people of Africa. So far this has not been realized. A new business model for socioeconomic progress will make it possible to Africa's enormous wealth to be the foundation for Africa to have the highest standard of living and quality of life on any continent in the world.

Professional sector

The African professional sector has been largely ignored in the prevailing development paradigm. The African professional community can be the primary source of planning inputs into a new business model for socioeconomic progress. Africa must invest in works that are of value to Africa. A network of African professionals with an aim to build economic success in Africa can make an enormous contribution. Development planning and investment should be done with strategic partnerships with key firms in the private professional sector in Africa. The professional sector in Africa has the potential to make a big difference in the performance of business investment in Africa.

Enabling environment for foreign direct investment

Many countries in Africa are working on improving the enabling environment for trade, business investment and development. A lot of the focus is on making the environment be favorable for foreign direct investment by large international operating companies. In addition the enabling environment for investment should encourage African investment in African business so that value adding profits result in a continuum of value growth in the economies of Africa.

Capacity for excellence in accounting and accountability

There is excellence in accounting and accountability in Africa, but it is rarely visible because of factors that have significant importance.

Good accounting in government is driven in large part by the political imperatives to keep the facts obscure. This is not only an African issue. It is very much in play in the United States, in Japan and in Europe, not to mention the

Russia. The modern political imperative does not lead to excellence in accounting and accountability in Government.

Good accounting in the corporate environment in Africa is also undesirable because of the weight of taxation and regulation that exists. Most documentation is “free standing” and bears little relation to the accounting and accountability of the organization as a whole.

Chapter 5 - Community Focus Development

CHAPTER 5

COMMUNITY FOCUS DEVELOPMENT

Community is the best focus for development ... this is where people live and where quality of life matters. Community centric metrics show how effectively resources are being used, not only those from external sources, but also local resources.

Focus on Community

Community is probably the best organizational structure to facilitate development. It is more effective than a single person, and has a scale that is perhaps optimum ofr progress. Resources that are available can be used in the best possible way. How can resources be used for best results? What incremental resources are needed and where are they going to come from. How to ensure that the community gets to use resources for its priority works. How are community resources going to be used to achieve maximum economic value adding and progress towards the goal of success in development. Is community the key to success? Local people often know what they need, but don't have all the resources to do what needs to be done.

Community centric development

This chapter puts community at the center of development. The community is close to people who need to be the ultimate beneficiaries, and the definers of priorities, as well as the funders of development, the implementers, the managers, and the decision makers. A community makes it possible for people to be in every facet of the development process.

It expands on the ideas that when people have opportunity they can make better use of their abilities for good benefit. But it also recognizes that people are only as good as the team they are part of. So it takes up the question of how people can be organized to get things done. And how people need to be motivated for success. It addresses how to organize for success at every level, while keeping

the priorities of people, and the enthusiasm of people so often lost in the humdrum of a typical large organization. It takes up the importance of having people well informed so that they are able to participate in priority setting and decision making and making accountability a factor in development performance.

Community is for ever

People live somewhere. That somewhere is the community. The place where one lives, where one has been born, where the ancestors are buried has a unique character in human history. While it is not anymore in the forefront of thinking in the "north" it is still very important in the "south".

One of the questions asked in accounting exams is to identify the reasons for adopting the corporate form of organization. One of the reasons is that the corporation has perpetual existence. But it is not as permanent as a geographic community.

Maps that are hundreds of years old, in fact thousands of years old make reference to the same communities that exist today. And historians ask what it is that has changed over the years. My home town in the UK is a good example. When I was growing up it had a population of around 4,000 ... 50 years before it had had a population of around 3,800 ... and 900 years before the community was written up in the Domesday Book compiled by William the Conqueror shortly after 1066. Places really do have a continuity that can be used to track progress.

And if we apply the same thinking to places in Iraq we go back to Biblical times. Each and every community has a past, and this can be used to support a positive future.

Development

People centric development holds the hope that development will result in people being both the source of development energy and ideas and as well the beneficiaries.

Development is about people. It always has been. But along the way the idea of process, and a whole set of thematic issues has overtaken the people focus of development.

For development to succeed it has to get back to people. Everyone who has worked at the "grassroots" level of development understands the importance of this. They know that failed development ends up with people who are poor and hungry and lack the basics for a decent quality of life and with little or no opportunity.

Modern development needs to move from a paradigm where the NORTH funds the SOUTH and the SOUTH does what it is told, to an era where the people of the SOUTH set the priorities in everything that affects them. The organizational model for development where decision makers are "on top" and the beneficiaries are on the bottom has to change.

The change has to happen not only at the level of the UN and the World Bank and the donor organizations, but also at the level of the developing country or beneficiary governments and other intermediary organizations.

Changing the culture of academic, corporate, government and political leadership is not going to be an easy thing, but it is vital.

Paying Attention to the Past

At one time I worked with Winston Prattley, one of the elder statesmen of UNDP. He recounted that he had been a junior officer in Iraq in the 1950s working on an FAO/UNDP irrigation project. During this work they discovered some archaeological remains, and suspended the project so that the archaeologists could study what had been found. It turned out to be the remains of an old irrigation project ... that apparently had fallen into disuse because of salinity some several thousand years before.

What goes around ... comes around. Salinity remains a problem with irrigation in the present day.

Community Centric Planning

Planning with a community focus

A community focus results in a very different dynamic for development than what has prevailed in the past. When planning is community centric, the priorities are much more likely to be of socio-economic value to the community. Plans that originate in the community have the possibility of "ownership" by the community, and there is a strong correlation between what is priority and what is done. Plans with community focus can be simple and understandable, and at the same time can be totally suitable for the community. Small is efficient and allows for the optimization of plans within a community without the compromise inherent in super-scale projects intended to satisfy everyone, and ending up satisfying no-one.

Gosplan does not work

Central planning ... Gosplan, as it was known in the Soviet Union ... is a system that makes decisions and allocates resources based on what the government thinks. A community focus for planning puts the community first, and it is the

community that drives the allocation of resources and the priorities for socio-economic development.

In Iraq since the fall of Baghdad, most relief and development resources have been sourced and controlled within government ... and mainly the within the US government and its military. All the planning is essentially at a high level with little input from the communities where people live.

Community goal - quality of life

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 near as important as what goes on in my community.

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

What is quality of life is very subjective ... it is what an individual and the family wants.

Components of community planning

The components of community centric planning are the same as for any other planning. That is: (1) Get facts; (2) Analyze and optimize; (3) Organize; (4) Implement; (5) Measure; (6) Feedback; and, (7) Analyze and adjust.

People in the community may not be well educated or academic. Most will not speak an international language. Some who know the most may not be literate, but that does not mean they do not know their community. In practical terms, they will know a lot more about the facts of their community than outsiders. They may have plans to make things better but not the resources, and they may have a rather limited appreciation of what is truly possible.

By making community the focal point of development, organizations in the community can benefit from assistance in ways that translate into tangible help for people and value adding for the community.

Types of resources

The critical resources for development are people, physical resources such as materials and equipment and infrastructure, financial resources and knowhow. The performance of development depends on how these resources are organized and used. The information and management dimension of development facilitates effective organization. This section deals with mobilizing enough of these resources.

People

People are the first critical resource. There are a lot of people in developing countries, and most are poor and many are hungry. Sadly, many are also uneducated and untrained and therefore ill-equipped to handle modern jobs. This is the community that should benefit from development excellence, but it will not show so much in this generation but in the next.

For someone of my age it is possible to think in generational terms because there have been very profound changes in the human condition over the past fifty years. While the truly poor have not progressed, the number of people in developing countries with education, and some of it very good eduction, is very large now compared to (say) two generations ago. The experience of the older people in this group is also substantial. The critical key element that is missing is opportunity so that this group can be the agents for development progress.

All initiatives in development in order to have the essential sustainable economic value adding characteristic must involve local people as an integral part of the initiative.

In the analytical framework that become feasible with a good development information system, the economic value adding analysis incorporates a people dimension so that human factors and quality of life are taken into consideration

Organizational infrastructure

People can have more power when they are organized in some way. There are a variety of organizational forms, all of which have some history that defines them and ways of operating that gives them strength.

Physical infrastructure

In most of the SOUTH the physical infrastructure is poor and dilapidated. It should be possible for the abundance of labor and natural resources to be used in an effective way to facilitate the upgrading of the infrastructure.

Natural resources

In most of the SOUTH the physical infrastructure is poor and dilapidated. It should be possible for the abundance of labor and natural resources to be used in an effective way to facilitate the upgrading of the infrastructure.

Materials and production equipment

Some physical resources are available in developing countries and some are not. There are many types of natural resources in developing countries while there is a shortage of business materials and equipment and the physical infrastructure is poor and dilapidated. It should be possible for the abundance of natural

resources to be used in an effective way to facilitate the upgrading of business materials and equipment and the upgrading of the infrastructure.

There are big questions about the manner in which natural resources are used in support of development. The history of natural resource exploitation is that local communities have suffered while outsiders have benefited. The history of exploitative behavior was supposed to end with the end of empire, but the last fifty years suggests that there are other factors at play that go beyond the issues of European colonialism.

There are enough valuable resources in developing countries, and enough business material and equipment available around th world for this not to be a constraint on development.

In the analytical framework for economic value adding, most large scale export oriented foreign financed resource exploitation projects have a low performance rating in terms of economic value adding for the host community and host country. This should not be and need not be.

On the other hand these local resources should be developed so that they serve to create and support sustainable development and economic progress.

Financial resources

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

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

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

Financial resources are available in both the institutional capital market and among private investors and philanthropic organizations. The challenge is to

organize so that these sources see a good return and a low risk from investing in development and the economic value adding of developing communities.

Know-how

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

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

Importance of Trust

Nothing works very well unless there is of trust. Trust is about knowing people and respecting people. It is an ethical or moral concept more than it is a legal construct. Trust facilitates progress in a very important way.

Most poor, small or remote communities do not have an incorporated structure and any global visibility that is “trustable” by the “north” ... and in due time this has to be addressed. But a lot can be done when trust is established with a community, initially on a personal level, and then on a bigger level.

Though it may not be possible to get major external funding assistance into a community without a formal legal structure of “trust”, a lot can be done with a combination of information, organization and personal relationships.

Framework for Community Metrics

Corporate financial reports

The corporate model for financial reporting is well understood. It is (1) the balance sheet; (2) the profit and loss account; (3) the cash flow statement; and (4) any explanatory notes and supporting schedules.

TVM community reports

The TVM community reports comprise a report on the State of the Community and a report on the Productivity of the Community. These reports are analogous to the Balance Sheet and the Profit and Loss Account in the corporate setting.

State of Community

As in a financial balance sheet, the CA State of the Community is based on the assets of the community, that is, their value, and the liabilities of the community ... the constraints and what it is that stops the community from being better than it is ... the negative value that this represents.

Assets ... resources

Resources are not just money and financial resources. They also include human and natural resources which are often abundant and valuable when used well.

- People. What is the human potential? What is needed so that people can do the maximum that they are capable of?
- Natural resources. What natural resources are there? How can local resources be used as an economic driver for the area? What is the natural economic potential of the area? What can agriculture do? Are their other local resources that have economic potential?
- Organization. What are the capabilities of existing organizations? What is needed so that they can do the maximum that they can do? What professional organizations are there and what can they do?
- Infrastructure. What is there? What is the best way to improve the infrastructure so that it can support the highest level of activity? What is the status of the roads, the communications, the clinics and hospitals, the transport systems, etc, etc?
- Production capability. What production capacity is there? Does business have what is needed?
- Working capital. Does business have access to the working capital and liquidity it needs. What needs to be done to satisfy working capital needs?
- Money. What money and financial services are available? How can salaries and suppliers be paid? What is the business model to generate

positive cash flow? What are revenues? Is it market driven? Is it government budget? Is it grant based? Is it fee based? Is it mixed?

- Knowledge. What knowledge is there? Is everything known that needs to be known. How to stay up to date. How to train new people. How to update knowledge and be in the global knowledge community.

Liabilities ... constraints

What might be possible?

It is not easy to identify what might be possible ... but this is the value that must be ascertained about any community.

For any enterprise to be profitable in any specific situation the basic cost structure must be favorable relative to the market situation ... price and demand. This will reflect the enabling environment in its most broad interpretation.

A lot depends on the ability of an entrepreneur to take on a challenge and go into business in competition with other locals and with the world.

EXPAND

There might be possibilities in the agro-production area using processing animal products ... processed meats and skins.

There might be possibilities in the petro-chemical area using the feedstocks that are available from the oil and gas sector. This could be very big business and profitable if done in cooperation with organizations that have access or control international markets.

Chapter 6 - The emerging wave of related initiatives

CHAPTER 6

THE EMERGING WAVE OF RELATED INITIATIVES

Community is the best focus for development ... this is where people live and where quality of life matters. Community centric metrics show how effectively resources are being used, not only those from external sources, but also local resources.

The P-CED Manifesto

Principles of People-Centered Economics

The P-CED Manifesto was written up in 2008, but its origins go back some twenty years or more. The following is the 2008 version of the P-CED Manifesto … a set of principles about people-centered economics.

The P-CED Manifesto

Principles of People-Centered Economics

1. The US economy transitioned from hard-asset based (gold, silver) in 1971 to Fed paper notes written solely against the 'good faith and credit' of US citizens.

2. Gold (or silver) is tangible, observable, finite: whatever is on hand, is on hand. That provides a firm, tangible, finite, objective economic anchor. There is no way to create more of it at will. One ton of gold is one ton of gold. Its quantity and value are represented in numbers. Since that time, the US national debt went from near zero to nine trillion dollars in 2008 (~5 trillion in 1996 when these points were first compiled.) That debt is backed by nothing more than paper based on numbers which may or may not even exist.

3. Adam Smith's 'invisible hand' does not mean 'non-existent', nor detached. It means what it says: invisible. That is, not observable.

4. After disconnecting from the gold standard, US economics and capitalism became purely a matter of manipulating numbers. There was no longer a hard,

observable, tangible, finite anchor. Numbers are not hard, observable, or tangible, and may not even exist outside the mind of human beings.

5. With US and Western economics and capitalism shifted to manipulation of numbers: are numbers real? That is, do numbers exist independently of the human mind and imagination?

6. Plato claimed numbers exist independently of the human mind, are real, but exist in an ideal, transcendent, unmanifest world. Numbers exist because they are in that ideal world. That ideal world is represented to us by numbers, and by extension, mathematics. Therefore, numbers exist because numbers exist. Circular logic, per his protegé Aristotle.

7. Descartes, mathematician/philosopher, finally got around some fifteen centuries later to further analyzing the questions of what exists, what is real. He went past numbers to the question of whether he himself even existed. He posited that some entity, some manner of consciousness and material world in the form he found himself, must necessarily and logically exist in order to ponder the question to begin with. He concluded "cogito, ergo sum." "I think, therefore I am." Thus demonstrating that he, and by the same argument other humans, have firm evidence that we exist, and are not mere fantasies or cognitive constructs of an Evil Genius imagining all of us, the world, and the manifest universe. Human beings exist. He was not able to reach a similar conclusion about numbers, nor has anyone else, nor is it possible to reach any such conclusion because it is not possible to separate thinking of numbers by a human being from the human being himself or herself without eradicating the human being. In which case, there would be nothing to speak or think further.

[Numbers are assumed by mathematicians to exist in a real sense for the sake of their day-to-day work six days per week, but not on the Sabbath when they feel more obliged to be honest. (reference “The Mathematical Experience", Davis and Hersh, 1981.)]

8. Capitalism based on numbers may or may not be valid, according to whether or not numbers are valid, real, existent, independent of the human mind. Positing them in Plato’s ideal realm and begging the question of their existence on that basis was and is null and void.

9. Find a 1, or a 2. Not a symbolic representation of one or two, 1 or 2. Not a quantity of 1 of something, or 2 of something, but an actual 1 or an actual 2, tangible, observable, on their own. Next, find a human being. It is possible to find a human being, one human being or two human beings. It is so far not possible to find a 1 or a 2 in this world. There are no instances in recorded history where either of those have even been located and identified as entities

independent of the human mind, nor any other number nor any mathematics nor any equation.

10. Human beings are real.

11. If (a) the independent existence of numbers is unknown, and unknowable; (b) human beings do exist; then (c) any system of human economics based on reality can only be based on human beings.

12. Positing numbers as real entities, and basing economics on that unproved and unprovable hypothesis, risks disposing of real entities (human beings) in favor of imaginary entities (numbers.) The only variable needed for that to happen is unscrupulous human beings.

13. Human-based – that is, people-centered – economics is the only valid measure of economics.

14. Manipulation of numbers, represented by currency/money, allows writing "new" money as needed. There is no tangible asset, or anchor. There are only numbers, managed by whomever might maneuver into position to do so. Economics came to be based on numbers, rather than real human beings.

15. On that basis, capitalism trumped people and therefore trumped democracy. Democracy is about people, who since Descartes are considered necessarily real, rather than numbers which are not necessarily real. An imaginary construct, numbers, rule a real construct, people. That arrangement allows for disposal of real human beings, in the name of the imaginary construct.

16. Capitalism nevertheless remains the most powerful economic system ever devised. The problem is not with the construct. The problem is with the output of the construct, wherein imaginary constructs – numbers, and currencies represented symbolically by numbers – are left to control real human beings to the material benefit of relatively few people and to the exclusion of many others. Classical capitalism has reached equilibrium in this regard. However, and consequently, many and growing numbers of human beings are excluded in the realm of finite resources hoarded by those most adept with manipulating numbers/currencies.

17. This is where we find ourselves at the advent of the third age of human civilization – the Information Age, following from the Agriculture Age and the Industrial Age. We are for the first time in human history in position to take note of where we are and what we are doing to and with each other. Or, not.

18. Modifying the output of capitalism is the only method available to resolving the problem of capitalism where numbers trumped people – at the hands of people trained toward profit represented only by numbers and currencies rather than human beings. Profit rules, people are expendable commodities

represented by numbers. The solution, and only solution, is to modify that output, measuring profit in terms of real human beings instead of numbers.

19. We can choose to not reform capitalism, leave human beings to die from deprivation – where we are now – and understand that that puts people in self-defense mode.

20. When in self-defense mode, kill or be killed, there is no civilization at all. It is the law of the jungle, where we started eons ago. In that context, 'terrorism' will likely flourish because it is 'terrorism' only for the haves, not for the have-nots. The have-nots already live in terror, as their existence is threatened by deprivation, and they have the right to fight back any way they can.

21. 'They' will fight back, and do.

22. The Information Age can become the pinnacle of human civilization, the Golden Age. Or, it can become the end of human civilization. We get to decide which way to go, and act accordingly.

23. Dismissing people and consciously leaving them to die is probably not the way to go.

24. Economics, and indeed human civilization, can only be measured and calibrated in terms of human beings. Everything in economics has to be adjusted for people, first, and abandoning the illusory numerical analyses that inevitably put numbers ahead of people, capitalism ahead of democracy, and degradation ahead of compassion.

25. Each of us who have a choice can choose what we want to do to help or not. It is free-will, our choice, as human beings.

Productivity of Community

Good place to optimize performance

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.

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.

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.

People

Communities ... Where People Live

People live in communities. If the community is working, being successful and progressing, then people are going to be progressing as well. The community appears to be the best place to put the main focus for development.

The idea of community being the center of anything has all but disappeared in the analysis of the modern economy. Everything but community seems to be of importance ... national politics ... national economics ... national security ... the global organization ... all sorts of macro-information ... but nothing much about the community.

Community focused development is probably the best modality to facilitate development. It is more practical than a single person. A community has a scale that is perhaps optimum for progress. Resources that are available can be used in the best possible way. Local people often know what they need, but don't have all the resources to do what needs to be done. It is up to the community to lead development and use outside support to facilitate its priority works.

Linkages

Modern economics

Modern economics seems to embrace the idea that there are a lot of linkages within an economy, and throughout the international economy. However, the study of econometrics is largely the study of models to simulate the actions that take place in the economy at the national and sector levels rather than from the community perspective

> *I have argued for a long time that these models were inefficient because they were usually studying the wrong things. The statistics is sophisticated, but the social equivalent of industrial engineering is absent, and most of the decisions arising from this econometric analysis tends to ignore the dynamic of the community*

When the linkages in a community are analyzed it becomes apparent what it is that is constraining the community, and what there is that might be opportunities for the community.

Linkages and community

The importance of linkages between the various sectors was recognized in the earlier work. But what was not taken enough into consideration was the importance of value chain. There are more or less important linkages between people, communities, organizations, projects, sectors and functions ... but they remain theoretical constructs until there is an understanding of the value chain, and structures that can take advantage of the value chain.

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 my 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.

Linkages ... chaotic multi-sector dynamics

There are more or less important linkages between people, communities, organizations, projects, sectors and functions.

By moving from donor centric development to community centric development, the performance of the relief and development sector can be improved substantially. A community centric development focus is a better way to approach development. It puts community needs as the priority and power into the hands of local people.

In a community there are usually a number of different sectors at various stages of development. Some sectors have potential, others do not. Some sectors are needed to support other sectors ... development of one sector is a prerequisite to success in another sector. It is not rocket science, but simply advanced common sense. Planning should take into consideration the considerable interplay and linkages between the sectors. A key sector that is non-performing can be a severe constraint on the overall success of the community.

Success with a multi-sector focus

Most community development "projects" do not have much thoughtfulness about how best to use scarce resources. I have helped evaluate hundreds of projects, and almost all of then failed because they were limited to a single

sector, and though well designed with respect to the sector, ignored the realities of failure in the other sectors.

One great success was an FAO fisheries community development project in Shenge, Sierra Leone. It was multi-sector and implemented with continuous performance improvement for the community. It would have created an amazing level of durable value for the community if the country itself had been sustainable. This project took resources and made the best possible use of them. It was wonderfully successful ... so much so that the two expatriate CTOs were honored with chieftaincies by the local community. This project worked on the basis of doing what is best for the community ... using scarce resources in the best possible way, and the results were remarkable.

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.

Sectors

There are many sectors involved in a successful community development, these include the public and the private sectors, the formal and the informal sectors, the production, infrastructure, service and social sectors, governance and so on. In the production sector there are, inter alia: agriculture, manufacturing, construction and more. In the infrastructure sector there are roads, seaports, telecom, airports, water, etc.. In the services sector there is banking, transport, trade, religion, tourism and more. In the social sector there is education and health.

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

Much more information about sectors is set out later in the book.

Functions

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.

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Organizations

What is an organization?

More than anything else any organization is people ... the human resource element of an organization is its most important component. An organization is really not much more than a container that makes it possible for people to function as a team and to have access to tools and resources that make it possible to do things that cannot be done individually.

When people stop being involved with an organization, it loses a lot ... most of all it loses a lot of its energy. Organizations need people ... either the staff of the clients in order to be meaningful.

Helping organizations to have staff come to work, and clients come ... students to school, patients to clinics ... is very important.

All sorts of organizations

There may be thousands of communities, but there are a lot more organizations. Every community has a few ... formal and informal. There are organizations, big and small, that help to do everything.

There are all sorts of organizations. In rural areas the dominant form of business is the family business where almost everyone is trying to make ends meet in agriculture on a small amount of land with not enough water. In urban areas, a lot of people are engaged in informal petty trade and service work.

> *I have had the good fortune to visit and spend time in a lot of remote communities ... mainly in Africa, but also in Latin America and in South Asia. I was in these communities in connection with refugee movements, drought, attempts at community planning, assessment of project performance ... all sorts of reasons.*

One thing I learned was that what appears at first sight to be a simple small community has all sorts of organizations and activities that are critical to its present situation and future performance. Development that ignores this, does so at its peril.

Community Governance

Community governance is organization

A community, no matter how small, is likely to have an organization of some sort that is the governing body. It might be quite informal, or quite organized. In many communities, the organizing body in some ways represents the community, and holds office with the assent of the people. Some of the traditions of these governing units go back a very long time.

In some places there may be local organizations that are affiliated in some ways with national organizations. Local political organizations can have this characteristic. In some places there may be a revenue department that arranges for taxes to be levied. Taxes can be raised in many different ways, often on trade and the movement of goods. The amounts can be sufficient to provide for many local needs.

Business organizations

While most economic activity is likely to be in the informal sector, it is possible that there will be activity undertaken by a larger business organization. A larger business organization should be engaged with development activities in the community. The contribution of a larger business entity to the community should be the subject of value analysis so that there is some equity between the value created and the value shared with the community.

Religious organizations

Religious organizations of some sort exist in communities. They are one of the stronger links between local organization and organization that spreads nationally and internationally. Local religious groups can be a valuable resources for local activities. I have been impressed how religion has a role in all communities, even those in the direst poverty. Religion ought to be a force for good, and in broad terms I argue that religion has an important role in society as part of the foundation for ethics. But the history of religion being used to foment trouble also is a reality. Religion and freedom together work well and need to be encouraged. Most people who practice their religion are good people with values that are universally common.

Self Help Groups (SHGs)

The community probably has organized itself to have Self Help Groups (SHGs) that do collectively what individuals cannot do on their own. This applies in the area of microfinance, and also many other informal economic activities.

Health - hospitals and clinics

Some health organizations are likely to be in the area ... perhaps a health clinic, but perhaps some distance from the community ... perhaps just a nurse who lives in the community.

Education - schools

Perhaps there are schools in the community ... perhaps there are schools in the area, but some distance from the community. Perhaps the only education is provided by parents.

Telecenters

A growing number of communities are finding ways to have some organization build a telecenter in the community so that there is access to the Internet and all the services now being made available with Internet access.

Water committees

Perhaps there is water committee to manage and maintain the water supply for the community ... maybe this is done by the community as a whole. Maybe the water is just for household use, or maybe it is also used for irrigation.

People to people networks

It is difficult to have constructive connections with people unless there is some organization, network or community to serve as a focus. The idea of "people to people" contact is good, but difficult to organize and manage. But it becomes more practical when there is community, network or organization also involved. There is considerable experience with networks and organizations, but rather less with communities, yet it is communities that are likely to be the most effective.

Organizations for community security

Organizations for community security are needed. The local police ought to be such an organization, and good police can be. But it is likely that more is needed than just the police. Local people have to be a part of the solution as well. Some security activities can reasonably be provided by civilian security companies, but they should be very limited in their mandate, and should be working within strict guidelines prescribed by law and the community authorities. People working through local committees can be very powerful in gaining control of

communities and making them peaceful ... especially women and respected family people.

Courts and a justice system

A functioning justice system helps to maintain security and a civil society. Small criminal activity is wrong, and should be punished in an appropriate way before it leads to bigger and badder things. Experience shows that taking care of little things helps prevent more anti-social behavior later.

Issues in the Community

Hundreds of issues

If there are people ... there are issues. But at the community level, issues are more tangible than in a bigger setting. Issues can be addressed in modest and practical ways, and issues need not get out of hand. There are hundreds of issues, but at the community level, those that are important are more obvious and can be addressed as a priority.

Do powerful people want community focus?

Though many local people might be delighted to be part of a strategy that embraces community knowledge ... there are some that do not want community information to be a freely accessible good but something that is tightly controlled.

Powerful people in the “south” and the “north” may not benefit as much with community focus ... or at any rate universal application of community focus. Political people the world over favor their own communities rather than ALL communities. Community focus is a big shift in the balance of power in society, good for a majority of the people, but perhaps not as good for the incumbent elites. Confronting a powerful elite and prevailing is not easy.

Establishing priorities ... addressing the key issues

In a community, it is easier to have a consensus about priorities than in the larger area of the country as a whole. Some of the same issues will appear in many communities ... but the solution to the issue might be different because of the underlying conditions.

What is the best pace?

In most communities, slow is usually better than fast. The US is perhaps the only place in the world where haste is revered ... in most other communities the culture works best on a slower time scale.

Problems can be solved in many cases with a deliberate use of time ... time to discuss, and consider ... over a period of weeks and months and not hours and days.

What is the language?

The best language is one that people in the community understand ... and in most communities that is not English or French or Spanish. In many places the language is the spoken language and not the written language ... but ideas can be expressed very well without having them written down.

Record keeping is best done in a written language ... and I will argue that a lot of the record keeping should be in money terms and in numbers.

Information can flow from a community that does not read or write into a modern database system as long as there is a clerk who can do the recording ... and if there are two clerks there can be a system of validation right from the start.

What is the culture?

The culture of the community should be a major determinant of what priorities should be ... people should be free to determine their own set of what they want. Planners tend to ignore the role of culture ... but success is usually heavily determined by things that are important locally.

What is the religion?

Religion can be considered part of culture .... but is might well be more than that. Religions have a history of being of tremendous importance, and history has been very much shaped by religion. Religion should not be taken lightly either by planners at a geo-political level or by people engaged in helping at the community level. Religion is, as much as anything, an omni-present force.

But religion can be a great force for good ... it is a great determinant of values, and it behooves everyone concerned to take an interest in religion and try as well as possible to understand.

What determines what?

Great care needs to be taken in understanding priority ... even in the most homogeneous of communities there will be differences, and it is a tremendous art to build consensus so that everyone can move forward in the most appropriate way so that there is progress that will be appreciated by everyone.

Community Information

Community information ... meta-data

It is vital to get to know a lot more about communities. In order to be of value, however, these data need to be compiled in a useful way that can be used for meaningful analysis. Data are most valuable when they can be used in some form of numerical analysis. Information that comes from accounting systems is denominated in money terms, and this is the conventional way of getting both financial and economic information.

In order to be supportive of community activities, information about local community and country organizations needs to be valid ... accurate and meaningful. But information also needs to be accessible, and current.

Modern technology allows community information to be updated easily, and can have considerable depth. It can document what is happening today in the community, and how the community can do better?

Good information starts to give answers that make sense, and can be the basis for some sustainable progress. Up to now remote rural communities that are also poor do not have access to much information, but perhaps more important, planners at the top of the pyramid rarely plan in ways that will get desirable socio-economic development at the bottom of the pyramid.

Metrics of community progress

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

Accounting gives a simple construct for measuring progress. If the corporate idea of balance sheet is applied to a community, then the change in the balance sheet is is a measure of progress.

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”.

What is a Profit?

Around 1960, Sir Henry Benson (later Lord Benson), at the time one of the Senior Managing Partners at Coopers and Lybrand in London, was asked by a Judge of the High Court "What is a Profit?".

After a moment of deliberation, Sir Henry replied "My Lord, a profit is the difference between two balance sheets".

This is, in my view, one of the most powerful concepts in all of accounting ... it is totally principled ... and allows for all of the issues that serve to confuse in modern legalistic accounting.

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 improved over the prior year situation. If the rains to not come, and there is a drought, then the crops fail and the situation deteriorates 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.

Much is possible, but it requires a new framework for the management of information. Such a framework is technically feasible. Maybe because powerful people do not want management information that shows performance ... or lack of it ... socio-economic performance at the community level has never been implemented on a broad scale

Getting to know about a community

There is nothing particularly difficult about getting to know about a community. Basic information about any community in the world should be reasonably easy to find. But the fact that information about communities is very difficult to find suggests that there are some important constraints.

Village People Know About Their Communities

I learned a long time ago that village people, and especially some of the old people in the village had amazing knowledge about the community, its history, its people, its problems and its opportunities.

I made visits to villages over several years and in many countries, and often with a female colleague from Ethiopia. Together, we learned a lot more than I would have on my own, especially about women and the community from their perspective. One thing that became clear was the

> *need to design development initiatives so that they were what the village needed, and not merely to do things that would satisfy our own, the donors', prejudices. Almost everywhere we went there were some modest and very tangible things identified that would have improved the village situation significantly*
>
> *After one visit to a village ... it was in Mali in the late 1980s ... I was able to learn an enormous amount about the history of rainfall in the area, going back to the 1930s. I started saying to myself after this experience that "the fact that I do not know something does not mean that it is not known".*
>
> *I learned from this that one of the big opportunities to improve the process of relief and development is to incorporate community information into the planning process, and use community priorities to drive the decisions.*

The relief and development sector data collectors ... mainly project staff ... have done a lot of data collection, but almost none of it is about community nor organized in a useful way for continuing 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 very much 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 information.

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 socio-economic information can be improved by feedback from anyone with better or more information.

Sometimes there is a lot of interesting information compiled in political party data systems. This information is not usually easily accessible, but it is sometimes of considerable value.

There may also be valuable information about communities in military information systems. This information is not usually easily accessible by the public at large, and much is geared to destruction rather than construction. Sadly, in our modern world, more is probably known about communities so that they can be bombed than is known so that they can be helped ... something that ought to be changed.

Community information to support a development process is needed. The technology to do it is quite easy, but it is not yet organized to be used in this manner.

Allocating Resources

Important Caveat

A community focus for development should be for all communities and not just for a select few. Over the years there have been a number of initiatives where a lot of money has been deployed in limited areas ... in my view a very bad idea. The idea of outsiders selecting communities to support seems to me to be totally inappropriate. I have seen UN experts trying to do this in the past, and it goes on today, but it is just plain wrong.

Focal Point for Development – A Wrong Idea

I am reminded of a discussion in Ethiopia some years ago (around 1990) with (I think) one of the UNDP's Deputy Resident Representatives who was explaining that because of a shortage of development resources that the UNDP was recommending that there be focal points of development. What UNDP had in mind was that scarce development resources would be concentrated in just a few locations in the country, leaving the rest of the country unserved by the international relief and development community. I was horrified by the idea ... development experts essentially choosing to play God in terms of who deserved assistance.

In a place of chronic resource scarcity, this was a potential death sentence for people in the unserved areas ... but a convenient rationalization for a failure of the international system to be effective.

Making community development a "reward" is not a good strategy ... such a strategy does more to set the stage for future conflict than it helps to move to a peaceful future.

A new coalition

Development has to be implemented in a different way. The resources flowing to developing countries in the SOUTH under the present arrangements are insufficient and badly used.

A new coalition is needed to stop the deterioration of the world's quality of life. People have the possibility for a much better standard of living, but the present leadership group and decision makers are ignoring the SOUTH.

The global financial community needs to be a part of a new coalition. They should be in the coalition because they will benefit from a new era of development success.

The people of the NORTH need to be part of the new coalition. They have a key role because it is people who make decisions. The people of the NORTH will

leverage their possibilities through advocacy groups and affinity groups and networks.

The people of the SOUTH need to be part of the new coalition. Their efforts in combination with other resources will bring reward to themselves and a satisfactory return for the funding investors.

Business is a critical part of the new coalition. Business in the NORTH can be of great assistance to business in the SOUTH, but the terms must be fair to both and the economic value adding shared between NORTH and SOUTH

Standard of Living and Quality of Life

Socioeconomic progress is all about people and improving their standard of living and the quality of life. This is not just about economics and money, it is about relationships and the environment and hopes and possibilities, not to mention the spiritual dimension.

Progress is not simply improving the indicators that the NORTH thinks are important. Progress is different for different people, and depends on the current priorities of the individuals, the families and the communities.

- For people who are hungry and thirsty, progress is more food and water
- For people with "everything" progress may be a slower and more tranquil life
- For people faced with insecurity and war and violence, progress might be peace and security
- For people faced with the crisis of the health and HIV-AIDs pandemic progress might be more spiritual and material and financial support
- And for parents with children it might be easier access to good education and health care services
- For business people progress might be a better economy and a better market and easier regulations
- For families where there is spousal abuse or child abuse, progress might be psychiatric counseling and treatment

Economic Security

The oil resource

There should be no issue of economic security in Iraq. The oil revenues for the next few decades should be sufficient to ensure that all Iraqis are well taken care of, to the extent that they do not individually accumulate substantial wealth.

The commercial economy

The large scale commercial economy has economic security in the form of savings, some in the form of overseas holdings. The small scale trader also may have savings, but small. The latter group needs the economy to succeed in order to have economic security.

Employees

The formal employment sector is not the only economic sector in Iraq. The current rules about employment and wage levels do not provide much economic security. Employees need the economy to succeed in order to have jobs in order to have economic security.

Vulnerable groups

Vulnerable groups, particularly female headed families, disabled and aged are a particular problem. These groups have traditionally been cared for within the community as a whole, and this is the best way for this problem to be addressed for the long term. The community will do a good job caring for these groups if the community itself is stable and reasonably economically secure. For these groups, the value of caring and belonging is important, just as getting money or getting food.

From emergency to development

Analysis of the development process suggests there must be a very strong commitment to ending emergency interventions and putting the available resources to work in a development mode to build economic growth. In an emergency intervention, the assumption is that the beneficiaries have no economic security, and must rely totally on the provision of emergency goods and services. Sustainable economic growth will not result in an end to the "need" for emergency assistance as long as there is the possibility of emergency assistance.

Income generation and employment

The foundation for economic security is a solid base of income generating activities and employment. Almost all the initiatives proposed for the sustainable development of the area and the reintegration of refugees, returnees and displaced persons are based on the concept that the economic base must be strengthened. To this end, the various proposals for upgrading of physical infrastructure are seen not only as long term investments for the improvement of the economy, but also as critical short term stimulus to employment in the economy.

Vulnerable groups

Vulnerable groups make up a special case. Many people in this group have lost the community links that would have helped them in more ordinary times. This is a problem that must be solved in a manner that is compatible with the social structure and community structure. Money and assistance may continue to be given to this group during a transition period, but must be taken over by a community based initiative within a limited time frame. Funding for the community initiative should be systematically transferred from official international aid to becoming a local responsibility together with other forms of aid and charity.

Chapter 7 - Resources: Natural Resources

CHAPTER 7

RESOURCES: NATURAL RESOURCES

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

An Asset of the Community

Not so quick

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

Not simply money

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

- Human resources, and
- Natural resources

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

- Organizational infrastructure
- Enabling environment
- Physical infrastructure
- Production equipment
- Working capital

- Money
- Knowledge

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

Making the best use of resources

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

Resources

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

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

Importance of local resources

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

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

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

If we look at the resource situation from a global perspective, there are enormous resources. If we look at the way the resource flows are going on, there is a total disconnect between resources available and resources needed. This is a

process problem. This is not a resource problem, at any rate from a global perspective.

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

Resources are being wasted

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

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

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

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

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

What are resources used for?

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

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

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

The formal sector organizational infrastructure for success in development in the SOUTH is not strong. This includes government, the legal and regulatory frameworks and the banking sector and the local enterprise sector. But in spite

of this NORTH business seems to be able to invest and profit when it sees opportunity for itself.

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

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

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

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

Using resources for net value adding

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

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

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

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

Financial resources

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

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

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

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

Know-how

And there is also enough technical know how for development success to be achieved anywhere modern people with resources choose to work. Good management of limited development resources will not encourage do anything

anywhere development, but will aim to focus the use of development resources where there can be the most economic value adding, and the most benefit to the host community and the local people.

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

Natural resources.

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

Natural resources – badly utilized and depleting

Natural resources not well understood

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

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

Natural resources

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

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

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

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

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

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

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

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

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

Energy – petroleum

Energy – coal

Energy – solar

Energy – wind

Energy – uranium

Energy – hydro
Energy

Water

Lumber

Agricultural land

Bio-resources – fauna

Bio-resources – flora

Minerals – bauxite

Minerals – iron ore

Minerals – diamonds

Minerals - gemstones

Minerals – gold

Minerals – copper

Minerals – phosphate

Energy

Petroleum

Petroleum products are usually very expensive.

Electricity

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

Fuelwood

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

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

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

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

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

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

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

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

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

> *Attempts to control the trade are so inadequate - says Global Witness - they border on 'astonishing complacency'.*
>
> *Similar allegations are made about diamonds, with stones sent from Sierra Leone to Liberia and then on to Belgium.*
>
> *Failure to enforce tighter regulation, says Global Witness, will ensure that terrorists and organized crime, will continue to rely on the trade in precious stones.*
>
> *"The group came to trade in the rare gemstone known as tanzanite - a beautiful blue stone, only found in one tiny area of Tanzania" Global Witness*

Chapter 8 - People

CHAPTER 8

RESOURCES: HUMAN CAPITAL ... PEOPLE

People are the key to everything. They are the latent force and the limiting constraint. People are human, with all the problems that go along with that. What is the human potential? What is needed so that people can do the maximum that they are capable of? An increase in population should be a positive for development success rather than being a negative that reduces wealth. Recent development thinking has people as liabilities and users of scarce resources rather than being human assets that help produce and create wealth. The chapter challenges some of the issues about people that are used to explain development failure but which are more about the way organizations and societies fail people. It raises the question about people's wasted potential, lack of opportunity and disorganized organizations. It takes up the issue of how organizations with ineffective systems and processes destroy the potential of good people to do great work.The focus of development is about people who are both beneficiaries and the instruments of development, either individually or through some form of organization. There is a need to envision development from the perspective of the people who are failing and hopeless under the prevailing development paradigm and optimize development from that perspective.

Make the very best use of people

How can people be put at the at the center of development. How to get people to be more important than institutions. How to get people in every corner of the development process? When people have opportunity they can make better use their abilities for good benefit. But people have more power as a team so that leads to the question of how teams should be established and how people can organize to get things done. What are the incentives that motivate people? What

way to organize for success at every level, while keeping the priorities of people, and the enthusiasm of people so often lost in the humdrum of a typical large organization. How 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.

People – too many not doing much

The logic of the economic thinking used by most in the ORDA world is that a human being is a liability. This is a fundamental problem that pervades economic calculations.

Many of the problems of development are blamed on increase in population, and population pressures. But that begs the question of people as having value and their role as a resource. This treats people as liabilities and users or consumers rather than as assets and producers. The chapter challenges some of the issues about people that are used to explain development failure but which are more about the way organizations and societies fail people. It raises the question about people's wasted potential, lack of opportunity and disorganized organizations. It takes up the issue of how organizations with ineffective systems and processes destroy the potential of good people to do great work.

Development should not be about monetary measures, but about all the other quality of life measure that are important to people as they live from day to day. How are the members of my family doing? That is the number one question for the majority of the world's people. Most have no idea about any of the alphabet soup of economic indicators, but they do know how the family is doing. And sadly, for most of the world's people the members of the family are not doing well.

Everything about development has to be brought back to people. Development is ONLY about people. And looked at from the perspective of people, the present paradigm for development does not work. The challenge is to determine what will work.

> *Someone said the "all politics is local". I want to go a lot further and say that "all life is local"*

When development gets a new focus, and starts to do what makes success at a local level, there will be success. And what will make success at a local level is development activity around the priorities of the people and the community.

And this is quite easy.

Every single community knows what it has as priority.

And it is impossible to come up with a formula that has universal applicability.

The only thing that is going to be common, is that local people should be central to the processes that determine what are priority.

The human resource dimension of development has probably been more successful than any other dimension of development. In the 1960s and 1970s there were relatively few people in the South with education. During the past thirty years, education has become far more widely available, and parents in the South have embraced education whenever they have had the opportunity.

But while education has become significantly more available, the jobs have not kept pace. Most of the poor countries have far too few jobs in the formal sector for those with education, and for the world as a whole, basic education is not enough to do the work that is more and more needed. The result is huge frustration and a level of unemployed and literate youth that is very very high.

> *The SOUTH has people. Almost an unlimited supply. The people of the world are numerous. More numerous than at any time in history, and in fact better educated than ever.*

The single biggest opportunity in the SOUTH is to make productive use of people. The labor pool in developing countries is enormous, but they are mainly unemployed or underemployed.

And in some ways many are "unemployable". This is more a question of opportunity that has been missing than anything else, but it is a critical challenge. Though there has been more education in the last three decades than in prior periods, education is not as good as it could be and there is not enough of it. Sometimes, where it is available, the poor cannot afford what is needed to be enrolled and to participate

In order for everyone to get opportunities there has to be a range of work opportunities. Work opportunities are required to suit the capacities of the people available.

> *The theme of this book has been "Turning Development Upside Down". The typical corporate mindset is to design the best possible configuration of manufacturing and staffing, and then recruit the type of people needed to implement the corporate plan. In order to make best use of the SOUTH's labor resources for community economic value adding, the need is to design jobs on top of the available labor.*

The best way for people to be helped is to make it possible for people to help themselves. This cannot be done simply be wishing it so. There has to be specific action to make it happen. The way people will help themselves is by having the opportunity to do productive value adding work.

> *Another theme of this book is that success is achieved when a lot of small things happen, rather than a single large thing. Everywhere in the SOUTH there are needs, and there are people to satisfy the needs, but no financial means to bring the two together. Nobody works. No needs are satisfied. So financial means need to be available to make it possible for jobs to be created and work done, and for market demand to be stimulated. This is the Sears credit initiative of the early 1900s being repeated again a hundred years later.*

People need to be trained. But people should not be trained in a vacuum. They should be trained in ways that are immediately useful so that they can do a better job, create more value and get paid more. The work opportunity should include include training within the workplace or in the community so that people have a chance to do something more productive and be more valuable and earn more.

And people's opportunities to learn more and do better should never be constrained. Because someone was born poor and missed out on early education should not preclude them from doing well and being part of tomorrow's success.

> *I was helped in one assignment by a Somali. By the time I was working with him, he had a US university PhD and knew his subject very well. But as a child he only got a very rudimentary education and spent most of his time looking after animals. A responsible job, but part of the traditional unpaid family labor system. Then there was war .... and drought and famine. He eventually got his advanced education through the UNHCR refugee support program.*

As efforts are made to improve people's education and training, care must be given to be assured of economic value adding. Education and training and unemployment is economic value destruction. Education and training only becomes value adding if the person can get to do something productive with the incremental education and training.

Value destruction in connection with the people resource gets to be very high when people are disabled or die prematurely. The economic value profile of a human being changes over time.

> *Let us take the case of a NORTH individual. Health and education and training for one child is an investment of (for the sake of the example) $200,000. It is unlikely to be less, and may be very much more. But over a working life of 40 years, this investment will be paid back many times. A good education opens earning opportunities that are not available without a good education, so the initial investment in education and health has an economic payout, and there is a life that earns more, and*

> *has an economic value adding characteristic. But if the person dies young. Then the return has not been earned, and it is an economic value destruction situation.*

This is an important idea. Africa and the SOUTH already had economic value adding problems, but with the health and HIV-AIDS crisis the problem is now getting far worse.

> *Well trained teachers are dying in their twenties and thirties rather than their sixties and seventies. Instead of getting 40 years to add value, they have just a few short years. It is of course a human tragedy. But it is also an economic value adding crisis.*

There is a lot of work that has value that is not monetized in most modern society. Mothers looking after their children is not usually "paid", and yet it is of immense importance and value to society. In the NORTH "day-care" for children is paid for, is expensive, and may well be far less valuable than the unpaid care from a parent. Value adding activities are not just about money and what is paid for and what is not. Value is created when something that people need and want is created. Unpaid parents are creating value in the family and in the society or the community.

In the SOUTH, the health and HIV-AIDS crisis is creating all sorts of needs for care and help for those unable to care for themselves. A lot of the care is being given by family and friends and community. There is not much funding for this. But there is enormous value.

> *Because there are now perhaps 30 million people living with HIV or AIDS, and maybe as many as 10 million orphans, maybe as many as 100 million people are in the community of people directly affected by the crisis. These people are doing much of value, without it being reflected anywhere in the system of "keeping accounts". Helping these people to do their valuable caring by "paying" something for the work that they are doing would seem to be fair, and needs to be arranged.*

There is a big global movement in place that is mobilizing financial resources for microcredit. A subsection of the global microcredit industry might be in the best position to address this problem

The potential of people to create value is often constrained by their access to land and other means of production. There are initiatives to give people access to credit so that they can engage in small entrepreneurial activity. And this should be encouraged. It is unlikely that more than a tiny proportion of the people who could use microcredit have the opportunity at the present time.

But there is a need also for people to work together in larger groups. The small or medium sized business has the potential to be a very much more effective way to have economic value adding that will make a difference at the community level, rather than just at the personal level. Business needs to get organized so that people can be organized, and so that the human resource of the business can be combined with other business resources to be productive.

> *An SME contractor in the SOUTH can easily have a well trained owner or manager, and ten or twenty or a hundred workers, and some equipment and some working capital, and do excellent work for the community at costs that are tiny compared to international contractors. Financing these works creates long term jobs for the workers and enormous value adding for the community.*

Human resources

People are both the reason for development and one of the primary resources for development.

People add "something" that goes beyond science and engineering, and makes it possible for some of the limitations that one would expect to constrain success to be overcome. People bring intellect and ingenuity into play. Instead of always being in a zero sum situation, people can help make things become win-win instead.

But that is not what has happened in development. The world has got into a vicious spiral of failure rather than the virtuous spiral of success. People are thought of as liabilities and not as assets. Overpopulation is seen as a problem.

People are engaged in the economic game of winning. But it is the game of my side winning, and "to heck" with the losers. And this game can be more vicious today than at any time in history. The power of peoples' intellect has been used to create the most productive and powerful military machinery in all of history, and the winnings in the game of military economics are enhanced enormously when military machinery and the related military supplies are consumed. But all sorts of "good things" get sidetracked and lost when the global economy gets dominated by the military economics component.

While people have emerged as winners in the modern economies of the NORTH. People are losers in the SOUTH. Poverty and hunger are widespread. In simple terms, about half the worlds population, some 3 billion people fall into the poor and hungry category. This is ridiculous and makes no sense. Something is wrong.

But in the main development planning has been based on giving the poor and hungry something. A welfare model of development. Under this model, with

half the world needing gifts, and the NORTH not feeling very generous, development has to fail. And it is no surprise that it has failed. What is surprising is that the "experts" in the field are not seeing this failure for what it is. A stupid concept, bound to fail.

John Kennedy had the right idea when he said "Do not ask what the country can do for you, but ask what you can do for your country". The development equivalent should be to ask what people can do for themselves, and not what the NORTH needs to do for them.

While the poor and hungry and busy, very busy, trying to make ends meet and stay alive, they are also terribly unproductive. Having a job is only part of the answer. Getting paid for doing nothing is not a solution. What needs to be going on is that people should be doing things that need to be done and have value in the community. And people should be paid something that is related to the incremental value that they are creating.

When people do work, get paid and create value there is the foundation for a sustainable and successful economy.

But not many people working in development in the SOUTH fit into a favorable profile of work, pay and value. Too many people are engaged in work without adequate pay. Or too many people are paid to create results that have little or no value. The whole issue of economic value adding must be integrated into the issues of how people become a resource for development

Population demographics

The world's population is now considered to be a "development" problem. Overpopulation has become a justification for poverty and failed development. Analysts of development form the NORTH think of people as a liability in the poor countries of the world, in the SOUTH. Yet classical economic analysis in the NORTH used to complain of lack of population growth as slowing down economic growth and the potential for market driven profitability. There is a disconnect. What is it?

Clearly there has been a very rapid growth of population in the SOUTH. And this growth has stressed local resources, especially the local natural resources including land. But the problem is not so much the number of people, but the lack of a full set of resources to make it possible for them to engage in "economic value adding" activities.

> *It is more than twenty years ago that the World Bank started to put a focus on encouraging "subsistence agriculture" in Africa. The idea that development investment funds would be allocated to encouraging "subsistence" anything seemed to me then, and still seems to me now,*

be ridiculous. But it does have the advantage of tremendously lowering expectations from development investment.

In order for people to be a valuable resource for development, people have got to have an opportunity to so something valuable. People with no formal education cannot do some of the things that the NORTH might see to be valuable, but that is not the view that should be being used. Can people do something that has value in the local community? And then the next question is, what is it that will enable them to do something many times more valuable for the local community?

The local value of a woman walking several kilometers to collect firewood every day, or to collect water every day, is enormous. It can be the difference between life and death for the family. But it is something that the NORTH does not think about very much. Water is instantly accessible in the kitchen, in two and a half bathrooms and at several faucets in the garden. Hot and cold on demand, and safe to drink. And energy likewise is instantly accessible. Heating is all electric, gas, oil ..... and easily and always working. For quite small payments, the NORTH gets its water and its energy essentially instantaneously. But the SOUTH must spend hours every day to get water and fuelwood that is so much lower quality. What a waste of the SOUTH's people resource.

And if someone from the SOUTH gets an education, what does one actually do with the education. Where are the jobs? Getting educated does not create a job. The investment in education has a cost, but it only has a value when there is opportunity to make use of that education in some gainful way.

And if someone from the SOUTH is healthier, that is good, but is it valuable. The person lives longer, but what good is that if there is nothing gainful for the person to do. Another person to feed. Another person to share in the very limited economic pie.

What is needed is healthy, educated, motivated people who have opportunities to make use of their talents to do economic value adding activities in their communities.

Population growth

The spiraling growth of the world's population is a dangerous fact. There are now more than 6 billion people alive, up from around 3 billion ____ years ago, The way the world is presently organized and the way the global economy operates, population growth is a reality with very bad consequences.

In broad terms the population of the NORTH is stable or even declining. And the population of the SOUTH is growing dramatically.

Ironically it is success with health interventions such as universal immunization against childhood diseases that is a root cause of the population explosion. There has been a big reduction in infant mortality over the past fifty years and as a result more children able to survive and add to the population. Over the past century there has been a big drop in the birthrate in the NORTH, but so far there has not been a similar big drop in birthrate in the SOUTH.

The health and HIV-AIDS pandemic is changing population dynamics enormously. In highly affected areas, and change the population dynamic may result in depopulation rather than just a reduced population. But sadly it will also serve to reduce even more the already low level of economic productivity.

And what about population growth. Better health increased longevity and increased population. All the initiatives to reduce family size are going to achieve limited results until there is education and understanding of its benefit. Its important to note that the impact of HIV/AIDS will not help family planning in the short run. A simple solution with limited impact will have to be addressed; unemployment has to be addressed through business investment and jobs. And there has been little done within the current system (ODA or otherwise) to get business investment increased and jobs created.

Building human capital

Training

The importance of training is paramount. The strategy for training includes the idea that the accountancy professional as a whole is the key to strong accounting, accountability and transparency. Accordingly the plan is to engage the national accountancy profession as a whole in the goal of excellence in accounting in both the private and the public sector.

The opportunity will then exist for training to be an ongoing process from education and professional qualification at the start of an accounting career to later experience based learning and continuing professional education.

The staff of government will undergo training that is aimed at accounting improvement in both the short term and over a longer term. The vast majority of the junior staff of government are expected to need training so that their daily work is done better, More senior staff will need training so that the processes of accounting and improved and the control systems are in place and operating effectively. Both senior accounting staff and other middle and senior members of the civil service will need training in the use of the accounting system and the analysis of accounting reports.

Brain drain

African countries have lost a lot of their brain power during the last thirty years simply because the economic opportunities in their home countries are so poor relative to world possibilities.

North America and Europe are the primary destinations for educated Africans. Now, several decades after independence African academics and professionals are to be found doing work in the NORTH that would be immensely valuable in the SOUTH. But at a personal level it makes no sense to stay poor in the SOUTH when good opportunities are open in the NORTH.

People ... reason for everything

Development ought to be all about people.

But it isn't.

More people are in social and economic difficulty now than forty years ago. There has been progress. But there has been more backsliding. On balance most people have not benefited over the past several decades in the way that might reasonably have been expected.

> *This is not what the relief and development experts at the World Bank, in the UN and at donor organizations like USAID want to hear. And in order to legitimize their position they have started to redefine poverty so that it is split between extreme poverty and just plain old poverty, and then they can say that extreme poverty is down, even while basic plan old vanilla poverty still is huge, and bigger in absolute numbers than ever before.*

Something is wrong. People were meant to have been the beneficiaries of progress. But instead something else is going on.

Some people are getting wealthy, very wealthy. The prevailing organizational and legal and economic structures are working to facilitate wealth creation. Not surprisingly, wealth is concentrating around those with decision making power.

And some people are getting poorer, and some poor are in the stage where survival is an issue.

This is not the end of the 19th century. Supposedly the era of the "robber barons" is over. This is the beginning of the 21st century. This is not a world were most people are ignorant. This is a world where knowledge is widespread. But power and decision making still remains highly concentrated.

The organizational framework is wrong. Decision making is is concentrating wealth and power rather than achieving broad based people progress.

Chapter 8 - People

Development is about people. It always has been. But along the way the idea of process, and a whole set of thematic issues has overtaken the people focus of development.

For development to succeed it has to be about people. Everyone who has worked at the "grassroots" level of development understands the importance of the people dimension of development. They know that failed development ends up with people who are poor and hungry and lack the basics for a decent quality of life and with little or no opportunity.

The basic thesis is that people are the key component of society and of development. And human rights are central to the people dimension of development.

Just as economics had to rethink its arguments when labor became a component of both the production side and the consuming or market side. Development needs to do the same thing. People are part of the engine that drives success in development and people are the primary beneficiaries of development.

It is a long time ago, but corporate business moved on from the corporate era of the robber barons (circa 1880) to a more enlightened era where management and labor would work together for the good of the company and the workers.

The world is full of good people. And the world has half of its people poor and hungry.

But people in general have little interaction with the world at large. They just interact with their own local family and community. What happens beyond that is of little concern. This is the nature of the individual human being, and their families.

Over time people have organized in order to do things that individuals cannot do alone. And as organizations have been created, leaders have emerged to make these organizations run. And leaders have emerged to control the activities of organizations, and in some cases to benefit unfairly from the organizations.

Some organizations have been created to govern. Other organizations to conduct business and build things. Other organizations around the spiritual dimension of humanity.

All organizations have links with history. All organizations are created within a context that reflects what society expects, whether it is through law and regulation, or by tradition.

And all organizations evolve to reflect the pressures from inside and outside the organization. Some do it well. Some do not.

But all organizations essentially are people.

And organizations sometimes make it possible for good people to do bad things. In fact, it is argued that modern organizations actually make good people do bad things.

> *The corporate world expects profit improvement year after year after year. This is not a normal feature of corporate reality, it sometimes happens for a few years in a row, but rarely continuously for ever. Where it does, there is usually some bad reason for it being that way. And in recent times it has been people doing bad accounting and corrupt and greedy corporate leadership that made the unreal appear possible.*

The Official Development Assistance (ODA) community has more "good people" than most groups of organizations, but the various organizations that make up the ODA community are not able in any way shape or form to deliver the sort of "good performance" that might be expected from good people. This is not a problem of good people, this is a problem of organization. It is just not possible to get good performance out of organizations whose structure makes it impossible.

And in the SOUTH, there is poverty and there is hunger and all sorts of other problems. But people are mostly good. Sadly, the circumstances make it possible for the cunning and the greedy to be "successful" at the expense of the poor. The organization of society favors the rich and the powerful, often at the expense of the poor. Good people abound, and even the good people among the rich and powerful are limited by the organization of society to be of much help to the poor.

> *There is defeatism among many good people. They argue that the poor have always been with us, and that this will always be. I argue that there was a time when this had to be, when technical and economic productivity was still very low, but those times are long past. People used to say that people would never fly. The idea that people would go to the moon was pure science fiction. But these things have been accomplished. Poverty and hunger can be solved when good people get committed to doing it.*

Good people can do amazing things. They need to get organized to do what needs to be done. Good people have got to avoid the organizations that are constraining factors in getting good performance, they need to use the best processes and the resources they need. And they need information to help them get the job done.

People have been left out of the development process.

This is not entirely true. People in ODA organizations are part of the development process and they have become the controllers of the process.

But people in the SOUTH have been left out. The people of the SOUTH should have been the beneficiaries of development, but instead their lives are arguably considerably worse now than they were many years ago. Certainly the gap between the well to do of the world and the poor of the SOUTH is as wide today as at any time in history.

The World Bank has been heavily criticized over the years for ignoring the input of the people of the SOUTH and in 2001 rectified this problem by carrying out more than 60,000 interviews. The outcome of these interviews, and other World Bank studies of people of the SOUTH was reflected in the World Development Report of that year, but one has to ask why was it necessary to have 60,000 interviews and how do you make any sense out of this number of interviews within the World Bank process for development decision making.

The people of the SOUTH have got to be beneficiaries. Their communities should benefit from progress, but on terms that suit the people. The achievement of progress is a process. It is organic, and will never be the same in two different places or at two different times.

People centered development

The idea of people centered development is popular. In fact it is touted as the solution to a lot of the malaise of development. But action speaks louder than words, and in fact people centered development is mainly words with rather little action.

In fact, development is centered around organization and procedure and thematic concepts that have become an excuse for practical tangible activities that have a value for people.

Put People at the Center of Everything

People are the key engine for development

People need ways to do what is essential for themselves and their family in an efficient way. People are essentially enterprising, and will do a lot if it benefits themselves, their families and their community.

People will work long and hard to make a living ... and they would prefer to work long and hard for good money than just enough to get by. This is a function of the efficiency of the work available and the buying power of the community and the country.

In poor places, people walk long distances to get health care. They would prefer to walk a short distance, and not lose so much working time. People have their children walk long distances to go to school, but would prefer it if the children could go to a school that is close by.

People are often constrained by a lack of education and experience. Don't try to get people to do what they cannot reasonably be expected to do, but figure out what it is that they can do that is valuable, needs to be done and is worth paying for.

People ... human resource

People are the most under-appreciated asset, and because of this planning often excludes their impact on the process of development, and little goes as planned. When people are pulling the process there is a very different outcome than when the process is trying to push the people.

The best way to make a person valuable is to organize so that they have something valuable to do, and they can do it efficiently. People who are educated and healthy and unemployed doing nothing are of little socio-economic value ... worse they can create civil strife ... but give people like these an opportunity to work in a good organization and get paid for it, then there is a big value and good progress.

Some of the most successful organizations give credit for their success to the quality of the staff ... and they are absolutely right to do so.

Rebuilding after World War II

The rebuilding that took place after World War II was funded ... but the success is attributable not only to money but also to people and motivation. People can do almost anything if they want to do it, they are encouraged to do it, and there is a reasonable level of funding so that the needed materials are available.

> *The success of the Marshal Plan in helping to rebuild Europe after World War II is explained in large part by the willingness of the people to do a lot of the work. Provided there was some money, some food and some materials, people could put the society back together.*
>
> *There was a lot of red tape, but it was not doing planning as much as it was trying to be reasonable about the allocation of scarce resources. The speed of Europe's recovery, and especially Germany, was frequently referred to as a miracle.*

Time for Change

African professionals are ready for change. What is needed is the opportunity to change.

Experts at the World Bank and other institutions know there is a need for change, but do not know how it can be done.

The many dimensions of people

There are many different dimensions of people, all of which have an impact on the development process and performance.

- Individual
- Organization
- Economic
- Spiritual
- Material
- Emotional
- Pragmatic
- Social
- Sexual

All of these dimensions of people are present and conflicting at the same time.

More Good People Than Bad People

The world is full of good people

Most of the people I know seem to be "good" people. Wherever I have worked (something like 60 countries) I have found that most people are good. This experience transcends both religion and race ... I have had the good fortune to work with good people of many different religions and races.

In spite of this, global society as a whole and especially the socio-economic situation is a disaster. There has to be a reason why good people do not have a more livable global society. Good people need income to pay their bills. To support their family, good people have to work and are constrained by the opportunities available.

When good people meet bad systems

A lot of good people are stuck in jobs where systems are not very good and the organizational culture is ethically challenges, but they can do little to change the situation. Good people get beaten by bad systems, bad processes, and ineffective or unethical organizations. They work where it is very difficult for them to perform well and get good results. The situation in Iraq is no different ... plenty of good people with an enabling environment for socio-economic progress that needs help.

Good people live in bad societies ... and no matter how hard they try, they are stuck in a bad situation and can do very little about it without help.

Good people ... working hard

In government ... public service ... and in the international relief and development sector, there are a lot of good, ordinary people who work hard and willingly put themselves on the line to get good outcomes. From time to time these good people put themselves in harms way, and sometimes get into the news as they work against all odds to mitigate the impact of disaster.

I have become convinced that most people are good people at heart, in spite of some outward appearance to the contrary, and some aberrant behavior from time to time. If people can be as successful being good as being obnoxious then there would be more people looking good, but sadly, being obnoxious is often the best way to get ahead. The challenge, then, is to give good, hard working people more of a shot at doing well.

How Should People Organize?

People organizations

There are all sorts of ways that people can organize informally to do collectively what they may not be able to do individually. An example of this is the way children will organize themselves in order to play a team game like soccer.

People organizations like trade unions have had a very important role in getting a balance between the greed of capital in the 19th century and the dignity and value of the worker. Eventually a strong middle class emerged and later the role of collective bargaining and the union diminished. There is still a legitimate role for organizations to advocate for good conditions and workplace safety for workers around the world.

How does this get coordinated?

Broadly speaking ... the less coordination the better. Sustainable development will perpetuate itself as soon as there are incentives that pull development, and decisions are made automatically ... organically, if you will ... by community groups. It is a distributed decision model. It has been described in economics as the working of the “invisible hand”.

Some modest level of active coordination is required in order to get the best possible results. A market that is manipulated because of the lack of balance between buyers and sellers, or inappropriate access to information or the exploitation of monopoly power does not result in good outcomes from the market.

Getting people organized – teamwork.

People can do a lot when they are organized, and all pulling in the same direction. There is a lot of people energy wasted on disagreement and conflict. People will not put a lot of energy into doing something that they oppose ... but

will put a huge amount of effort and energy into doing things that they want to be done.

This is not a complex idea ... we see it everywhere.

When people have opportunity, they usually make good use of their abilities. But the most value usually comes when people are part of a team and the team acts together to do something of value. This leads to the question of how teams can be established and how people can organize to get things bigger done.

How do you build teams? The better question is how do teams get built ... because a team that works is going to be one that has a natural birth. They can be encouraged, but they cannot be created from the exterior.

How everyone can help ... a little bit

There is a need for everyone to help. A small amount of help many times over works very well. Everybody should be doing something to help.

Everyone can be a part of this. Planning becomes local and is not dominated simply by Soviet style Gosplan or the World Bank style equivalents. Planning is done in a "distributed mode" where people close to the problems identify priorities and how progress can be made. And people who are remote from the problems and can help have opportunities to build linkages that can assist in a practical manner.

It is understandable that there are busy people who are fully committed to their work, their families and their social activities ... and already do more than their fair share in their own communities ... so cannot reasonably become engaged in helping the "south". But they can help by ensuring in their day to day activities that they are not supportive of anything that is fundamentally wrong and doing socio-economic damage in the "south".

Ordinary people can have an important impact wherever they are. When everyone is intolerant of global bad behavior, and is prepared to make just some modest action to make things right, there can be a sea change in relief and development performance.

There are many competent people who are not able to do very much of value because present organizational structures do not embrace merit very much and opportunities are limited. Competent people are doing good work, but at nothing like their full potential. Getting the most from a community of people is not done from the top of the pyramid, but by a lot of knowledge at the bottom ... something that is possible in a community and in a small organization, but rarely of much effectiveness at the top where everyone has become a number.

Local folk can do a lot

There is a prevailing assumption that local people cannot do very much. This is a fundamental mistake. Local people can do a lot within the limits of their resources. It is worth noting that the things local people cannot do are things that are often not needed. Studies and master plans and baseline studies and the like are needed not to achieve development but in order to satisfy the requirements of a process. The process is not essential to development. The process may be useful and facilitate development, or the process may actually constrain development. In too many cases the process has become more important than the resulting development.

> *Field visits to communities in many parts of the world resulted in some valuable feedback. "Why ..." we were asked by community leaders ".... do we have to buy things we do not need, in order to qualify for a credit package that we do need" Meanwhile "development experts" were asking the question why so much of what was being sold never got used. What the planners had succeeded in doing was to create waste and inefficiency and high costs for the community that indeed did need credit, and indeed did need some items in the "package", but rarely all the package, and the unneeded stuff was bought and then discarded. In theory the planners may have been right, but in practice the planners had it wrong.*
>
> *I was working with Mozambican refugees in Malawi. There was a fire at one of the camps and some 40,000 refugees lost their shelter. UNHCR was faced with a serious problem, but the refugees themselves drove the process that rebuilt shelter almost instantly. UNHCR facilitated the organization of the refugee community so that they were able to rebuild their huts, and UNHCR provided some materials that would not be available easily to the refugees. Essential UNHCR provided nails. The refugees did the rest, using locally available materials. If this rebuilding had been done using the normal development paradigm, with formal planning and studies and external resources, it would have taken a long time and cost a lot more.*

What Do People Need?

Basic needs

Everyone needs the basics ... food, water, shelter, clothing. At the bottom of the pyramid it is not self-evident that even the basics are going to be available.. and if they are available, are they going to be affordable. In Iraq, the national wealth should make it easy to all to have a lot more than the basic needs. Everyone

should be able to share in a quality of life that is of an internationally high standard.

People need opportunities

If people have opportunities, almost everything else will fall into place. But in the real world there are constraints on opportunity that are draconian. Developing opportunity requires a careful matching of people and possibilities.

People need opportunity, and not to be constrained by everything around them. Everyone needs to think more about what people are doing, can be doing and should be doing.

Making better use of people is a huge opportunity. Local people need opportunities to go to work and do something useful. Organizing so that people in the community can do things that are needed by the community and valuable is one of the big opportunities.

More than anything else the opportunity at the bottom of the pyramid should be something that does good for the community. People need places to work where they get paid and do something of value. They need jobs. They need profitable ways of using their time.

People have all sorts of skills ... there needs to be some sensible matching of skills with needs. Education can help, but it is the vocational rather than the academic that is probably the most use ... the practical rather than the theoretical.

What someone does is not important, merely that what someone is doing should be of value to the family and the community.

People need health

People get value from a good health system. A good health system is one that makes it possible for all to get adequate health care without an undue economic burden, and be better able to contribute productively to society.

People need education

People get value from a good education system. The cost of education is low compared to the life-time value of being educated ... but of course that value is only realized in a society where people have the opportunity for work and pay. Though one of the biggest successes over the past 40 years has been the increase in the number of the “educated” around the world, this has not been matched by an increase in the number of decent jobs. Because of better education, things are possible today that could not have been reasonably contemplated a generation ago. But the number of people who have opportunity for gainful and productively employed is not enough. There are very large numbers of people

who are either unemployed or underemployed ... and there are also people who are employed but unpaid.

People need religion

And people get value from their religion. Religion and the spiritual dimension of life and the society should be adequately recognized, and taken into consideration when trying to understand what priorities should be given to various options.

I like to think of religion as an enormous force for good ... and when that is not what I am seeing, it is usually because guns have taken over and religion is merely being used as a front for secular militarism.

Chapter 9 - Organizations

CHAPTER 9

ORGANIZATIONS

What are the capabilities of existing organizations? What is needed so that they can do the maximum that they can do? What business organizations? What financial organizations? What professional organizations are there and what can they do? What community organizations? What faith based organizations and activities? How can people organize themselves in the best possible way so that they can progress. How can people organize so that they can best help themselves.

Organizations are a resource

People do not live in isolation. People are part of a society, and "organization" is essential to a functioning society. The nature and characteristics of organization have been the subject of debate from time immemorial. People need organization, and societies benefit from organization. Organizations are needed to get things done. Organizations are needed for economic efficiency.

But organization should suit the people, and the needs of people and the local society and the local community.

Throughout history organization seems to have been a vehicle to manage and channel power. But also through history there has been the realization that people also had a stake in the nature of organization.

People need to be organized not only through "government" but in all sorts of other ways. And "democracy" where the leaders of government have their authority simply because they were voted in by a majority of the voters is not sufficient to achieve good leadership and a good society

> *Margaret Thatcher, the former Prime Minister of the UK, when asked what she thought about elections and democracy in Africa said that being ruled by leaders elected by the majority required also a framework of institutions to protect the minorities.*

This observation made a long time ago has enduring value. In the USA, few people are aware of the amazing rights that minorities have both under the US Constitution and in fact through the advocacy and activism of all sorts of citizen organizations. And few people have any appreciation of how destabilizing an election can be when a majority wins, and there are few, if any, protections for the numerical minorities.

But in order to get things done, people have to get organized. Governments, especially the governments of empire have always needed a strong and effective military organization that could carry out the commands of the leaders and keep peace in the empire. Some things never change. And leaders throughout history have justified the use of the military as the furtherance of peace. And so it may be.

But life is not about the military, life is meant to be civil. And a good life is about getting organized to realize some prosperity and some happiness. And "life is local" to corrupt the commonly used phrase that all "politics is local". The fact is that for almost all people life is about family and friends and community, all of which are essentially "local".

And it is therefore "local" that needs to get organized. And in the United States we see in any local neighborhood all sorts of little local organizations: small business of all types where people work and products are bought and sold; schools; places of worship; entertainment; places to eat; transport services; places to exercise and relax; services of all sorts. In a community there is everything that is needed for life and living. It is a complex mix of activities.

And in developing countries, communities try to have everything they need for life and living. There is business of many sorts, there is buying and selling, there are services, there is worship and entertainment and places to eat. The level of "wealth" may be different, but the nature of the economics and the essentials of the society are very similar.

The organizations that need to be strengthened in developing countries so that development can succeed are those organizations that contribute to the economic success of the community. Any or all of the entrepreneurs and the small and medium sized enterprises (SMEs) that are the foundation of the economic life of the community. And there should also be strengthening of community organizations that are going to provide communal services of importance to the community, such as water supply and possible activities in education or in health and support for needed infrastructure.

Why America works?

In any discussion about development, and especially about failing development I try to ask what it is that makes America work. There are always some unusual individual perceptions, but there is also a lot of common ground. The following list is one set of reasons that were collected at a workshop discussion "Turning Development Upside Down" in New York in 2001.

> ***Why America Works***
>
> *capitalist system / available to everyone / appreciation of creativity / individual rights well protected / justice / court and legal system / individual initiative / freedom / freedom of speech / entrepreneurship / infrastructure / infrastructure for communications / stable economy / high rate of employment / jobs / population is big / scale / legalization of corruption (campaign finance) / individual and family focus / control of international institutions (NATO ... World Bank ... UN) / control of resources / large centralized corporations / anti-trust laws / OPPORTUNITY / job opportunities*

These items are listed in the sequence they were mentioned by the workshop participants. I particularly noted that the first two mentioned were "capitalism" and "available to everyone". The United States and Americans are not at all shy of capitalism and the "for profit" economy.

Development success is going to be facilitated when the characteristics included in the "Why America works?" list are widely established. This is a very different list of things to do than will typically come from the World Bank, but is not too far different from the list that might emerge from discussion with professionals, entrepreneurs and community leaders in the SOUTH.

These characteristics are not a "package". The characteristics of a successful society that can succeed economically and in all the other value dimensions of society will not always be the same. There is no "Coca Cola" franchise solution.

My broad characterization of the United States is that it is the place where an individual has the most opportunity to do amazing things. And because of this the performance of America in economic terms is far better than might otherwise have been expected.

But the amazing opportunity that is available in the United States is to a surprisingly large extent taken advantage of by immigrants. This is also a great strength of America. And in some ways a weakness for the rest of the world since it helps to drive the economics of "brain drain" migration. But it does confirm that people from all over the world can do great things if the society allows it and if the infrastructure supports it.

Understanding these elements gives a basis for setting some broad direction.

A new framework

It is going to be very hard to have development success using the ODA framework that has dominated development for the past forty years. Big organizations change slowly, and it is time for development to get moving, having lost so much time and opportunity.

So we need a new framework. But this is not a framework to constrain, it is a framework to facilitate.

> *The image of a framework must be one that is positive. The image should not be a framework as a cage, but more in the form of a ladder. The framework must make it possible to work together, and to work independently, doing the most that is possible with the available resources.*

Getting people organized

The big opportunity is to get people organized. But it is not just getting them organized, it is also getting people to do something that is useful. The key is getting people to help in a process that delivers on economic value adding for the SOUTH, and does it with the right mix of resource support from the NORTH. Instead of having people in the NORTH spend money and effort on advocacy to focus more on the failed old paradigm, the challenge is to help people choose activities that will provide tangible real benefits for the SOUTH.

There have been amazing successes in getting people mobilized, and the ways to do this have become even more efficient with the advent of the Internet and efficient ways of handling communications with large groups. As people get organized this time, the aim is not to make a noise, it is to make advantageous changes.

People to people – the SOUTH is ready

People in the SOUTH are sick and tired of the failure of development. People do not want to have to live with the failure. They want to see success. They are ready for change. But the change has to make sense.

There is a lot of knowledge. People know things can be better. But people do not have opportunities to make things better. They are looking and will do something if something is possible.

African people are ready. African leaders are ready. But they do not have the funding to be successful. African political leaders are stuck with trying to lead without the resources to make good on the political promises that they might

make. African business leaders know their priorities and how to grow their business and their employment needs, but do not have the financing. African communities know their priority needs and how to improve the community's quality of life, but they do not have the resources.

Future role for existing ODA organizations

There are important future roles for the existing ODA organizations. There are many things that they can do well, but taking responsibility for success in development is not one of them.

The Breton Woods institutions and the regional development banks are useful financial intermediaries. These international financial institutions (IFIs) have an enormous and ongoing role in helping to strengthen the “public finance” in the SOUTH. They have a valuable role to play in lending money to major projects and to the primary financial institutions in countries in the SOUTH.

Projects should be phased out, except for major capital construction. And the IFIs should limit their involvement in projects to financing. They should withdraw from the role that they have taken on of “supervising” projects without taking on “responsibility” for the projects. They should stay just with financing.

The UN specialized agencies should be scaled back so that their work is technical and advisory with almost no “project” work.

The UN specialized agencies should not be operating as technical departments of a global “colonial office”, but should reengineer their operations to focus on specialized knowledge and a clearing house for best practices.

The UN should get strengthened as a government with a global mandate, and with agencies that support its core work of improving global governance for the 21st century.

The financing for development should become a function of the global capital markets with limited interaction with the UN. The IFIs serve as intermediaries between the pubic institutions of the SOUTH and the global capital markets.

Family dynamics

Family is the basic building block of human society. The importance of the family unit has been eroded in modern society as the super surplus economies in the NORTH make hedonistic materialism a possibility. But most of society in developing countries are still faced with shortage economies and the mutual support of family is still a very important part of society and the economy.

As an economy moves from agrarian to modern industrial the economics of children changes. In the traditional agrarian society children provide the energy

that is needed for a lot of the routine chores in agriculture and they are important during the harvest season as well. And children are important for a lot of the household chores and the preparation of food, not to mention collection of water and firewood.

And children are also the basis for society's social safety net. Children grow up and then they are able to look after their parents as they become older. And the cycle goes on.

So big families have economic value. Children are value adding in the family structure. With more children more work can get done.

African families and communities

ATCnet is founded on the concept that families and communities know what is best for their community even though it may not be what the NORTH thinks is best. It is clear that families and communities are very clear that staying alive is the highest priority, especially that children stay alive. This relates directly to security issues, food, water, shelter, clothing, health. Other priorities include education and economic security and other aspects of quality of life.

The solution for Africa is the people of Africa. The people need access to resources in an easy and fair way. With access to resources communities can progress, not in a one step to 21st century modernity, but can progress forward in a direction that will serve the community well. Community development in all its dimensions is what is needed, not for one or two communities selected by the international community, or indeed the government, but all communities, everywhere. This should not be based on writing of proposals but rather from a portal or database of organizations at grassroots level across the continent that can be tested, verified and improved to serve the priorities of their respective communities. ATCnet is a people based organization and all our effort seeks the people dimension of development.

I would observe that the same goes for Afghanistan. Afghanistan’s will have success if the people are given a chance.

Learning organization

ATCnet is a learning organization and a work-in-progress. The challenge is huge, but the people resources to address the challenge are bigger. ATCnet needs help to make it possible for existing professional human resources in Africa to join forces with technology and finances and material resources and friends so that all the resources are able to work collaboratively to address the problems. ATCnet is actively recruiting friends and supporters in both the NORTH and the SOUTH.

The Spirit of Africa

The people of the continent of Africa are rich in spirit. The spiritual dimension of Africa is healthy while the material dimension is chronically ailing. The growth of the community of Christians in Africa is matched only by the growth of the Islamic community in Africa. Africans essentially come from a spiritual tradition that can readily embrace the theology and practice of the Christian Church.

People get organized

People get organized, but as they do the organization becomes the focus rather than the people. When organizations mature they get to have a life and a character of their own. Even though an organization is largely people, it is policy and procedure that rule and not the ordinary people in the organization. And in a big organization with many people, it is often just the few people in control that define the goals and the modus operandi of the organization.

The primary reason why people organize is that many people can do things that a single person cannot do. The need for people to organize seems to have been a constant for thousands of years, and history shows that people power can be enormous.

There are all sorts of organizations. The following are some ways in which people organize. They organize as:

- Communities
- Local government
- State government
- National government
- Corporations
- Cooperatives (COOPs)
- Business associations (like the International Chamber of Commerce)
- Multilateral institutions (like the UN, the World Bank)
- Bilateral institutions (like USAID)
- Advocacy groups
- Networks
- Non Governmental Organizations (NGOs, INGOs)
- Faith organizations (FBOs)
- Community based organization (CBOs)
- Military
- Police
- Affinity groups
- Net communities (Listserves)

Life is local

The reason that "all politics is local" is that "all life is local". Because of this people in the NORTH are going to have a very low interest level in development that is taking place overseas and thousands of miles away from home.

People in the NORTH have no need to be interested in the performance of development

It is not surprising that people in the NORTH have little interest in the performance of development. There is not much appearance of any linkages to local impact in "my back yard". People can feel safe and secure in "their own back yards". But that is not the way the global economy works. Almost everything that makes people comfortable in "their own back yard" is a result of an amazing linked global economy, that functions as one huge global village.

People of the SOUTH get no benefit when development resources are being used without delivering useful outputs. They are affected by the fundamental failure of the present development process. They are affected by development performance. They benefit when resources are used well.

Affinity Organizations

There are a number of organizations that have done some amazing work in pulling people together to support good causes. The energy in these organizations is impressive. They are evidence that people want to do good and want to feel good. These organizations do a very good job of creating "feel good" value in society. Some are faith based. Many are not. Many have a theme that centers around the social and economic problems of the disenfranchised or disadvantaged either at home or overseas. These organizations already show what can be done with "people" power when it is motivated to do something worth while.

The following organizations, networks and movements are examples

Bread for the World
Jubilee 2000
Campaign for Nuclear Disarmament
Vietnam era Peace Movement
WTO Seattle demonstrations
G8 Genoa globalization demonstrations
Civil Rights Movement
Anti-Apartheid South Africa movement
Global justice movement
Greenpeace
Sierra Club

Religious communities in Africa

Religion is very important in Africa. The Christian community is large, it is growing and it is committed to the values of the Church. And so also is the Islamic community. The spiritual dimension of Africa is strong, and in large part explains why Africans are so positive in the face of material deprivation and crisis.

Religious leaders and the people have the moral authority to be leaders now not only in the spiritual growth of Africa but also in the building of an economic foundation for Africa.

Organization

Organizational infrastructure

The organizational infrastructure ought to be making development a success. Instead the organization infrastructure is helping to constrain development and is a significant part of the disaster of development.

People need an organizational framework in order to achieve their full potential. The whole idea of teamwork that enables a group to do far more than an individual can do on their own is a perfectly good example.

For some reason I always think of the pyramids as being an example of people getting organized to do something pretty amazing.

But there are all sorts of others. In fact the industrial revolution could never have succeeded if there had not been an ability to get people organized.

The building of great canal systems and railroad systems in the 19th century required enormous organizational initiatives.

And of course the history of great armies is largely a history of organization.

And the history of Empire is another form of organization, and more complex. The organization and management of Empire had many dimensions. On the one side there were the mercantile and business and trade dimension, that worked in collaboration with the administration and military apparatus that "facilitated" the application of organizational rules. From the perspective of the controllers of Empire the system worked well and served as a value creating system that enormously enriched the global economic system, though not necessarily with equity for all.

Countries in the NORTH now have a complex set of organizations, and organizational rules. But in general, it can be said that the organizations are ones that have emerged by a process of evolution to suit the society and serve the community and facilitate ongoing wealth creation in the economy.

But the organizational framework in the SOUTH is not so effective. Post Second World War, and the collapse of Empire, a new organizational framework emerged. This organizational framework reflected mainly the structures that were carried over from the colonial era. This organizational framework did little to integrate the strength of local traditional organizations into the framework. The handover, in retrospect was a disaster waiting to happen. And it did.

Organizational infrastructure

The organizational infrastructure is a resource.

> *The importance of the organizational infrastructure was highlighted for me at a meeting on government financial managers and auditors around 1992. Someone on the Canadian Auditor General's staff pointed out in his presentation that everything was able to move anywhere anytime, especially investment funds, people and knowhow, materials and equipment, but the organizational infrastructure of the country was what made the country worse or better than anywhere else. The government could really make a difference if it delivered on good governance and created a favorable environment for people and investment.*

The NORTH countries tend to have an organizational infrastructure that is well defined in law and well understood by the international business community and investors. The same cannot be said of countries in the SOUTH. The organizational structure in the SOUTH does not have the same stability or the same dynamic as the organizational structure in the NORTH

> *Many business people who have worked in the SOUTH have had the experience of being asked "What law do you want?" in response to inquiries about the prevailing laws and especially investment laws and regulations. Sadly, a lot of business people from the NORTH have interpreted this as a reflection of their "power" and importance, when it would have been better considered a reflection of a culture gap that is both wide and deep.*

The SOUTH has a lot of organizational infrastructure, but it is not at all the same sort of structure that makes the NORTH function more or less successfully. There is a lot of "traditional" law and a lot of expectations within society that determine how people behave. Few people from the NORTH have much understanding of this side of the SOUTH's organizational framework and they look for the laws and regulations and institutions that are common in the NORTH. What they may well find are NORTH looking laws and regulations and institutions, but not necessarily with the same spirit and culture. There is a need to find not only these elements, but also the traditional SOUTH

organizational structures, and understand the role these are having on the way the society functions.

And we also need to remember that much of the traditional rules are not written down, but passed from generation to generation orally. And while the modern economy in the SOUTH may have a corporate or international structure and legal form, the majority of the population in the SOUTH operates in a traditional SOUTH framework of traditional law and culture.

Organizational infrastructure

> *But the SOUTH does not have a well functioning organizational infrastructure. And the NORTH's usual mindset for organization for the SOUTH does not usually work well for the SOUTH.*

The NORTH has an extensive organizational infrastructure, with a large body of law and regulation surrounding most social and economic activities.

Most of the SOUTH does not have the same level of organizational infrastructure, and its body of law and regulation is also not at the same level as the NORTH. But the SOUTH does have framework of societal rules and business rules that are traditional and ancient. To some extent these old traditions have been dismantled in the rush to colonize and the rush to modernize.

But in order to engage the people that are presently outside the "formal" organized modern economy, there has to be some organized way of doing business that allows everyone to participate.

> *We must get beyond the "one size fits all" and be in a position to have an organization in any community anywhere in the world that has community respect and will honor its obligations. Every community and every person should be able to interface with some organization that has universal trust and total integrity*

The laws and regulations that apply in any country and in any community are very important in the success of development.

But organizational infrastructure is more than just the written laws and regulations, it is the way that people integrate laws and regulations into the way that they conduct their lives and carry out their business dealings.

> *People do not mind what the laws and regulations are in a situation where everything is going right and business is doing well and everyone is satisfied with the outcomes. I saw this in Thailand in the early 1980s when it was clear that the organizational framework was weak. But investment flows were booming because investors were making money*

The organizational infrastructure is everything that is needed in order for people to benefit and people to do economic value adding activities. Government is part of this infrastructure and can facilitate making the rest of the organizational infrastructure as efficient as it can be.

> *A Canadian government employee made the point some years ago, that government was the one institution that could never relocate. If the country was going to be a good place to live and do business and attract investment, then government had an important job to do to make sure that people and business and investment wanted to come to Canada instead of going somewhere else.*

But organizational infrastructure goes beyond government structures and the laws and regulations. It also includes business organizations.

But there is a need also for people to work together in larger groups. The small or medium sized business has the potential to be a very much more effective way to have economic value adding that will make a difference at the community level, rather than just at the personal level. Business needs to get organized so that people can be organized, and so that the human resource of the business can be combined with other business resources to be productive.

> *An SME contractor in the SOUTH can easily have a well trained owner or manager, and ten or twenty or a hundred workers, and some equipment and some working capital, and do excellent work for the community at costs that are tiny compared to international contractors. Financing these works creates long term jobs for the workers and enormous value adding for the community.*

Organization and Organizations

Organizing, organization and organizations

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.

Do as much organizing as possible but only do what is essential. Do what is easy, and do not waste time and money trying to do things that cannot be done reasonably easily. Move on to the next stage, and come back later to do more organizing.

The process of organizing needs to be iterative. In the organize stage, identify who or what organization is doing things and where the resources are going to come from.

Chapter 9 - Organizations

The result of organizing is organization. But getting into a state of organization is frustrating in a complex arena, and in any chaotic situation organizing has to go on for ever.

Organizations are structures that help to do things, to get things done. They can have many forms, and the best organizations are ones where the metrics of performance are the best ... that is where the value of the results are the most relative to the resources used.

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.

A critical determinant of success

An individual rarely has much power or influence. An individual cannot be very efficient. The industrial revolution was successful because of the invention of all sorts of new technology, and also helped by the emergence of ways to organize large groups of people and to manage and control these huge organizations.

Getting the organization right and staying in control using effective management techniques is a key to success.

Just as a community serves to be a way to manage activities that support socio-economic progress when there are many people in a geographic location ... an organization serves as a way to manage more specific activities either within a community or over a bigger area.

Community

There is a need for the community to have a good level of organization, and there is also a need for the community and the area to have organizations that can do things.

It is in organizations at the community level where the most important activities of socio-economic progress are seen. The organizations at the community level have already described (starting on page 65) and will not be repeated again here.

Some, perhaps many, of the organizations at the community level are part of a larger area, national or international organization.

Business organizations

The economy of a modern prosperous country is based very much on the success of its business organizations. Virtually all modern wealth is created by business organizations ... and is a part of the national wealth by virtue of its location and the domicile of its owners and its employees.

Governance organizations

The civility of a modern prosperous country is assured by its governance organizations. For these to work well they must be fair and they must reflect the values of the culture. The exact form of governance organization needs to evolve over time, and be arrived at by a process that achieves consensus between all the parties affected. The process is complicated, and the stakes are high when there is a lot of wealth involved.

At the National Level

The organizations of government

There has been a lot of focus by the coalition on establishing the organizations of government in Iraq so that the country could become peaceful and prosper. There has been a focus on the idea that this government would operate on "democratic" principles and therefore the country would be a success.

At some level, there has been progress ... I think ... but I really do not know.

There really is rather little information that is reliable and validated about what has been accomplished that I can easily access.

But this ought not to matter too much, because socio-economic progress takes place, not at the national level, but at the community level and is driven by people and organizations carrying out useful activities all over the country.

Government ministries

Government ministries have, broadly speaking, sector responsibility, and are the apex organization of the sector with responsibility for the whole country. The performance of these organizations will have a considerable impact on the performance of the sectors all over the country. There are a number of issues that need to be monitored: (1) the budget allocated to the ministry; (2) the allocation of resources to various programs that are supported by the ministry; (3) the spatial allocation of money round the country; (4) the performance of the programs, and the relationship between costs incurred and value delivered.

Area organizations

There may be value in having area organizations so that programs can be more suited to the area. In the governance of many nations there is a system of regions, or states, or provinces that has government structures for the area that supplement those that are at the national level. There is a lot to be said for area organizations because of the possibility that they can be more sensitive to issues of physical geography, local cultures, religious beliefs and history. Designed well, and implemented well, area organizations can be a great benefit to the socio-economic performance and to fair governance. The downside is that area

organizations can also be another level of overhead that adds little, and make it easier for funds to be misappropriated and used uselessly.

The oil sector

The oil sector is big and the fund flows coming out of the Iraq oil sector are large by any standard. The government is expected to earn more than $40 billion from its oil revenues in 2007 ... and perhaps more than anything else it is this fund flow that is causing a lot of the instability in Iraq and in the region.

Big contractors

Big national contractors can do a lot of the work that is required for the reconstruction of Iraq. With money they can buy any technical support and equipment they need, and they can employ local staff to get the work done. A few big contractors can concentrate economic power in Iraq in ways that are not good for competition and maybe not good the Iraq.

Health sector

The health sector is coordinated at the national level ... but operates at the local community level.

Education

The education sector is coordinated at the national level ... but the students all come from communities.

At the Supra-National Level

The global corporation

The global corporation has proved to be a very efficient way of generating wealth ... but the success of the global corporation in generating wealth for its stockholders has been out of proportion relative to the contributions these organizations have made to the common good.

A global corporation has all sorts of ways of moving wealth from one jurisdiction to another and in so doing deprive some countries of the wealth they need and deserve while facilitating the expansion of wealth for stockholders.

The efficiency of these organizations and their ability to create wealth is impressive ... but their role in creating the maximum of socio-economic value is much less impressive.

The oil industry giants

The oil industry giants have a lot of power in the global market place ... and though there will, one day, be a shortage of crude oil ... at the present time there is crude oil in considerable abundance. The money is made as much as anything during the refining, transport and marketing of the refined products.

While the producer countries have the crude oil ... it has little value as long as it stays in the ground ... and it is the oil industry giants that presently have the control of the markets.

The oil industry giants are huge. Each of the major international companies in the oil industry are bigger by almost any economic measure than most of the countries in the world ... and by virtue of their scale they are powerful. And while Europe and North America have spawned the biggest oil giants in the past, more and more there will be giants also from countries like Russia, China and India.

Banks and financial institutions

There are a growing number of global giants in the banking and financial services sector. They have the potential to be a powerful force for good ... but what is good for an economy when they choose to fund an economy is bigger, more powerful and worse when the capital they control is in flight.

Big banking and finance is very impersonal ... and though the industry has been very profitable for a number of years, and very good for some of the stockholders and senior management and traders, it is far from clear how much damage has been done by the industry at the bottom of the global economic pyramid.

Drugs, arms and human trafficking

The illegal international trade in drugs, arms and human beings is very large, and very profitable. Trade in these areas is illegal, but goes on with the authorities charged with stopping the trade quite impotent. The profits can fund almost anything ... and anything goes, including murder.

In the case of Iraq, what this means in practical terms is that any weaponry needed is easily obtained ... it just requires money, and money is one thing that Iraq has in abundance.

Production infrastructure

> *Machinery and equipment. What production capacity is there? Does business have what is needed? Do the people have access to machinery so that big jobs can be done by small people. Poor countries have little production capacity. What is the best way to get more horsepower into the hands of people.*

Production facilities

Production enterprises need working capital and fixed capital. They need inventories and they need production equipment. Few companies in the SOUTH

have enough investment in working capital nor enough investment in good production equipment.

Those companies that have been able to invest in materials and equipment and as a result produce goods to world class quality standards have a chance to compete in the global market place. But few companies in the SOUTH have done this.

Most companies in the SOUTH do not have the financial backing to invest as much as is needed. Few companies have the balance sheet to support a larger investment in working capital and equipment.

The main development support organizations provide little of no help to SOUTH companies with need for more materials and equipment.

> *I have worked in many countries in Africa. I recall in Ghana, trying to help a small business get incremental bank financing to support its expansion. Even though the company had a solid record of profit and a solid history of growth, the local bank would only consider more credit against 100% marketable collateral, and wanted a 42% annual interest payment. The expansion plans were very realistic, building on a multi-year track record of profit and growth. The bank had no interest in lending to this client.*

Without the materials and equipment to improve the production and the productivity of the enterprise sector of the SOUTH it will be impossible to have development success in the SOUTH. The SOUTH needs to be able to make things that it needs for itself, and the SOUTH needs to have a range of products that can compete in world markets

> *A lot of enterprise is owned and operated by the "uneducated". They do a lot of work without much support, and they cannot improve much because this "informal" business cannot speak the language of the local bank and the international community. They are stuck. And as long as they are stuck, so is the local economy.*

My experience suggests that these enterprises are an enormous opportunity for an innovative financial institution

Source of wealth

> *And the SOUTH does not have a good efficient physical infrastructure. Usually the NORTH's solution to the infrastructure deficit is a high capital cost big infrastructure project rather than the lower profile upgrade to infrastructure that removes the critical constraints*

Production materials and equipment

Production materials and equipment are short in the SOUTH and a big constraint. Production materials are short in the SOUTH because of limited working capital finance and a weak supply chain. Production equipment is short in the SOUTH because of lack of enterprise finance. In the NORTH there is much more finance for industry and there is an abundance of production equipment. There is both new and used equipment in the NORTH to satisfy almost any requirement imaginable.

Working capital

> *Working capital. Does business have access to the working capital and liquidity it needs. What needs to be done to satisfy working capital needs? Business can only function if there is inventory and enough financing for the business to operate. These component of progress are sadly missing for poor businesses serving poor people and communities*

The problem of working capital is endemic in the SOUTH.

Working capital is the capital needed to keep an enterprise operating. It is also the capital that is needed to keep a national, a community or a family economy operating.

> *I find the spending of money on study and analysis to be an obscene waste when there is a chronic shortage of working capital to fund the solutions that any analysis of shortage will demand. The Famine Early Warning System (FEWS) that has been funded at considerable expense by USAID over a number of years. It is a classic example of the problem. The system shows that food supply has become short. But the solution to hunger is not much about knowing whether or not there is hunger, but in doing something to mitigate the catastrophic impact of no food and no water for a long time. Emergency food stocks need to be easily available and working capital is needed to fund this.*

It is essentially everything except the "fixed" capital, that is, the land and buildings and machinery and equipment of the enterprise. Production enterprises need the resources to buy their raw materials, the pay wages and salaries to convert then into salable product and maybe give credit to their customers. This is working capital.

And resources to fund working capital are chronically limited in the SOUTH.

Middlemen and traders

One source of working capital in the SOUTH economy is the "middleman" or "trader". This role has been written about negatively for centuries and with

some justification. But most social writing about middlemen and traders fails to report on the useful services that they provide.

Middlemen and traders are as much a part of the natural market mechanism as stockbrokers are on Wall Street. They exist because they do things that are needed in the market system.

Do they serve the best interest of the economy as a whole? Almost certainly not. But that is not the way a market economy functions. Each participant in the market does the best they can. And the way the market exists almost everywhere in the SOUTH, the middleman wins and everyone else loses. The problem is not the middlemen and traders, it is the chronic failure of production and producers on the one side and buyers and consumers on the other to respond to the messages from the market. And further it is the chronic failure of the official development assistance (ODA) community to understand what is going on and help to facilitate appropriate changes.

> *I visited a little village in Liberia in the early 1980s. Doe had just taken over as the President of Liberia. This was Doe's home village. As President he was now constructing an airfield that was big enough for a Boeing 737 aircraft, and an army barracks for a brigade. I met for the whole afternoon with the local village heads. They wanted more than anything else, to own some little pickup trucks so that they could take their agriculture product to Monrovia, the capital, to sell themselves rather than to have to continue selling to the middlemen. They knew the prices. They knew they could earn more by owning their own transport. But they could not do it. The reasons were many, including no financing for the trucks, including the possibility of physical violence as they initiated a change that would dramatically change the favorable status quo for the middlemen, including political involvement in maintaining the favored situation, etc.*

Nobody with any power of money was interested in handling a small transaction that was valuable to the village community. The community and its needs had no place in the economic development model. Nothing in the ORDA structure was ever going to be helpful to this remote community.

Chapter 10 - Enabling Environment and Governance

CHAPTER 10

ENABLING ENVIRONMENT and GOVERNANCE

What is the enabling environment of law and regulation? Is it a facilitating environment or a constraint on success? What would help the community to progress? What are the ways forward so that peace and prosperity wins over war and mayhem?

A lot goes into this

The enabling environment incorporates everything needed to make a community productive. There are several core elements: (1) those that relate to governance; (2) those that relate to the physical infrastructure; (3) social services like health; (4) social services like education; and (5) economic services like banking and insurance.

Governance

A good enabling environment has been largely absent during the past few decades.

The enabling environment is usually looked at from a perspective of the "north" and is usually measured by comparison with the prevailing enabling environment in the home base country of the "north".

> How does the law and regulatory environment compare with the law back home. The degree of difference usually determines how the enabling environment is evaluated.

Subsidy

Subsidy is one way in which an enabling environment can operate to favor one group at the expense of others. The distortion of markets is catastrophic through the massive subsidy programs of north countries. This was written in June 2003.

> *The scandal is that the money required to write off the debts of the whole of sub-Saharan Africa is, in global terms, barely significant. It has been costed at little over $6.4bn spread over five years. Compare that with the $350bn that rich countries use to subsidize their farmers every year.*
>
> *Julian Filochowski writing in the Independent, June 1, 2003*

This is an enormous cost to taxpayers. Subsidy is not usually designed to reduce prices to the consumers, but to increase the wealth flow to farmers, and often not the small family farmer but the corporate farmer who oftentimes is paid NOT to grow a crop to reduce production.

It really is very sad. Money to do good things is never available. But to do not so good things is easy.

Governance

System and processes

In Iraq, there are administrative systems and processes that are long standing. Whether or not they are adequate to satisfy all the needs of the government at the present time needs to assessed. In general it is likely that the systems and processes are that carry over from the autocratic regime of the past will be effective, though needing change to reflect new leadership priorities.

While government goals and policies have been changed very substantially, the systems and processes can be effective without much change. There is a need to review these systems and processes and revise the way the work is done so that they are easier to operate and more effective from a financial and administrative perspective.

Administrative capacity

Administrative capacity in Iraq substantial. Some new administrative offices have been established and some modest progress made towards building a framework of good governance. The administrative system to sustain the initiatives for good governance has to be established, preferably by taking as much of the present system as the foundation.

Technical planning

The capability of the Iraq administration to do planning is untried. There are some staff with good knowledge and capability, and there are staff with substantial knowledge about the region and the technical subject matter. But to what extent these people are engaged in the present planning process is unknown, and the extent of cooperation with the international experts and the local experts is also unknown.

Planning and budgeting

The capability of the Iraqi staff to do financial planning and budgeting is unknown, but I would expect it to be good. There are many educated Iraqis who can easily take technical plans and convert them into financial plans and budgets. It is more likely that the planning constraint is more to do with language and the international experts than it is to do with Iraqi competence.

Policy framework

The policy framework needs to be strengthened by adding substantial new areas of policy that have not yet been formalized.

Training staff

The administrative capacity should be strengthened for the long term with a continuing program of training. Training should be carried out so that all of the staff have access to training, and are able to learn skills that are of practical use in their work. The training should be organized expecting that a large number of staff who benefit from the training will choose to use their new skills in other organizations. While this does not strengthen the organization, it is of value and importance to the community at large, and should be part of the national plan for human resource development.

Upgrading available equipment

Government offices are sometimes short of needed equipment. The staff should have access to the equipment that they need to do their work. There should also be a good system for tracking office equipment, furniture, fixtures and fittings.

Governance and administration sector

The essential activities of governance and administration are supportive in nature, and only result in tangible economic benefit when there are also productive activities in the economy. Bad governance and administration can be a huge constraint on success, and improvement or diminution of the bad activities in governance and administration can be very favorable.

Getting rid of corruption is the obvious big issue, but there are a lot of other smaller issues that can be addressed. For example, reducing the complexity of procedures to do routine administrative activities, and shortening the time to do these things all helps.

The public sector's most important job is governance and administration. It is important, but it does not in itself create wealth, and is an “overhead” of society and socio-economic development.

These functions facilitate success in a society, and bad governance and bad administration can be a huge constraint on the performance of society and the progress of socio-economic development.

There are a whole host of activities that "government" is expected to provide for the citizens. In the "south" the government has often found itself in a financial bind, and the delivery of services is impossible because of the funding constraints.

A lot of services are best delivered at the local government level rather than by an organization controlled and funded by a remote central government, such as local public works such as street repair and waste removal.

Government Accounting

A basic system of governance

Government accounting is one of the most important tools for establishing strong and fair governance.

Government accounting

In Iraq, it is likely that the government accounting systems are reasonably good, though obviously done in Arabic. Most international experts do not have much accounting expertise and even less Arabic expertise ... yet it is important to know how effective the government accounting systems are for both budgetary control and for project control.

Planning and budget process

Government accounting is usually part of a planning and budget process ... with the budget giving the organizations of government the authority to use government resources.

Budget execution

Sometimes the process of operating the government agencies and organizations is referred to as budget execution. In essence, though, this is the process of implementation and the accounting associated with the implementation.

Reporting

In some jurisdictions the government accounts are placed before the legislative branch of government monthly ... but in too many places the accounts of government are not reported on in a timely way. Where there is timely reporting, there are fewer problems.

Audit

In some jurisdictions there is a requirement that there is an audit office in the government, and that this office carries out both ongoing checks of the financial transactions and periodic checking of the accounts and the reports. In many places this is an effective way of validating the accounts of government, but in some cases the audit is totally ineffective.

Weakness

Most government accounting is done on the cash basis, with little attention paid to the accrual component of the accounts. Cash basis accounting is a weak compared to accrual accounting, and it is very much preferable to have accrual accounting.

Government accounting is also weak as an analytical tool. It serves to control expenditures relative to a budget authorization, but it does little to measure performance against an ideal set of standards or some broader benchmarks.

System and process improvement

There is a need to review the government systems and processes and revise the way the work is done so that they are easier to operate and more effective from the technical planning, budgeting, financial and administrative perspectives.

Government Revenue and Public Finance

Sources of government revenue

In Iraq a large part of the government revenue is derived from the oil sector.

Government borrowing

The government has borrowed substantially from the international community in the past and Iraq is going to be expected to make good on these loans even though most of the benefit accrued to contractors and the ruling elite.

Grant finance

Iraq may be benefiting now from considerable fund flows that are in grant form. aid, but a large part has been as a result of emergency and humanitarian

Improving government revenue base

The government revenue base is substantial because of oil, but arrangements need to be made so that this fund flow is sustained after oil is consumed.

Customs, export taxes and port fees

Customs duties, export taxes and port fees are additional sources of public sector revenue. The basis systems for collection and accounting for these revenues are sound, but it is likely that there are some losses due to inappropriate practices by some of the more prominent traders and businessmen.

Creating a formal public finance capability

It would be appropriate to create a formal public finance borrowing program to tap the available resources both in the country and in the Diaspora. A system of short term treasury bills and longer term notes could be implemented.

Establishing a development fund

A development fund could be established for use as a mechanism to loan funds to communities. The advantage of such a facility is that all transactions would be

in local currency and the impact of exchange rate fluctuations would be minimized.

Public finance

In Iraq, there should be very little development constraint caused by a public finance constraint. The essential services of government should be easy to fund, as well as a lot of development essentials.

The potential economic growth and the general wealth building in the economy can build a solid tax base to fund government in a sustainable way.

Pay scales in the civil service

The pay scales in the civil service should be sufficient to attract good staff who are qualified and experienced enough to do the work that they need to do.

Policy Framework

Huge need for critical controls

I used to think that less government was absolutely the best government until I watched corporate and societal behavior when regulations were removed and unfettered economic behavior was allowed. This made me change my mind, and has convinced me that enterprise and opportunity and the behavior of markets are better drivers of economic progress than anything else ... but that there also has to be official oversight and regulation so that abusive excesses can be controlled.

The natural order of things is for excellence to lead to success and for success to lead to abusive excesses. It is seen in behavior in the multi-billion dollar corporate world, in politics everywhere, and in petty market traders and middlemen in remote markets in poor countries.

Natural resource policy framework

The oil resources of Iraq dominate the economy. It is of critical importance for the future peace and stability of Iraq that there are appropriate agreements about how this wealth is to be managed, and specifically for whose benefit.

One strategy is to keep information about the oil wealth secret and use the resources for the benefit of a powerful corporate and private elite, or the wealth can be managed in the open with the wealth used for the benefit of the country, and to support the future prosperity of the country.

Corporate wealth policy framework

Merely knowing about the value chain and having the information easily available will have a substantial impact on corporate behavior. As long as the corporate world can profit and remain in in the shadows and anonymous, bad things will happen as long as there is profit in it. But big companies do not like well informed bad publicity.

Corporate wealth is largely created because a corporation is able to mobilize financial, material and human resources in ways that are better than the competition, and give benefit to its customers at a profit. This is a key source of modern world wealth and explains how and why this segment of the world is wealthy. To the extent that low costs are achieved by abusive economic behavior, or high prices are achieved by abusive market control, a corporation deserves to be held accountable ... but not for being efficient and highly productive.

Military

National defense and emergency assistance

The main reason for the military is national defense. Few would argue that this is a legitimate goal of government and reasonable that the military are maintained for this purpose.

A good army is a national asset ... and can prove to be very valuable in an emergency. The US Army has been of help from time to time in US natural disasters ... for example Hurricane Andrew in Florida in the early 1990s. More recently, the performance of the Indian army in connection with recovery after the South Asia tsunami disaster of December 2004 was valuable, and the Indian army has conducted itself well in many other situations of this type. So also, the performance of the Pakistan army in the aftermath of the earthquake in remote areas of Pakistan.

National politics

But the army does not always produce good results, as for example when it becomes the dominant political power and serves to empower strong man regimes that have little interest in the well being of the people. In many countries over the past many years the military has also been a player in national politics, either because of coups and the establishment of military governments, or because of alliance between the military and the head of government or head of state.

US military in Iraq

The US military in Iraq is a huge constraint on success. The US military were very successful in defeating the military forces of Iraq, taking Baghdad and forcing the end of the Saddam Hussein regime. They are not the organization that should be tasked with the rebuilding of Iraq or policing the population.

The Iraq military

The Iraq military should be reestablished to have the ability to serve as a national defense force. There are major borders, and the Iraq military should have the capacity to defend these borders.

The difference between the military and the police

The big difference between the military and the police is that the military win in one move ... and the police are required to win using a judicial process that gives some appropriate protection to the public. The military have no role in internal governance, except from time to time when there is a state of emergency and martial law is declared.

> *Good Reasons for the US Model*
>
> *There are good reasons for the US constitutional system which precludes the US national military from carrying out any activity in any State in the Union without the specific request of the State.*

While "security" is a legitimate concern, the military should not be engaged in protecting privilege or maintaining illegitimate power. The military is often used to these ends. Building back the power of the military in Iraq is not a good idea ... rather there should be a broader set of organizations that work together to achieve security, but would not easily subvert the civilian nature of government.

> ***Worry About the Power of a Big Army***
>
> *I was in on an assignment in West Africa when the Falklands war was in progress. I was surprised that my African colleagues were supportive of the British response to the Argentinian takeover of the islands ... until they explained that they were all worried that a "big army" should not have any right to come into a nearby country and take it over. They were from a variety of African countries, and big armies were everywhere.*

Making sure that the military use their power in an appropriate way depends more than anything else of the quality of the leadership and the training of the soldiers. There is a lot of good military leadership, but it is not universal.

Getting a high professional standard for all soldiers around the world is a valuable thing to do.

Demobilized soldiers

Some of the demobilized soldiers are still loyal to the regime of Saddam Hussein. The former combatants are a security threat in part because they had a strong loyalty to the deposed Saddam Hussein and they had a good training. These people need to be given the opportunity to participate in the new economy. They should get training and they should be helped to get employment and get started on a life that has a future.

Police

Police

Police are NOT soldiers dressed in blue. The work of the police is fundamentally different and the techniques for success totally dissimilar. The British police have a good reputation, and it is not by accident that they do their work unarmed. It is but rarely that police work requires armed confrontation.

The police in Iraq should be recruited and trained and their salaries funded so that they are able to do the sort of work that a good police force should do. They should be organized so that they know what is going on in the community ... this might mean community organization rather than national organization. The police should also trained so that they understand the issues of their own society and can work in ways that has respect for the way communities have lived for hundreds of years.

> *The New York Experience*
>
> *Some years ago the New York Police were not highly regarded by the populace ... but today things are very different. The police force now is highly trained, and professional, and there is a level of management that gives the community a lot of confidence in the police.*
>
> *Behind the scenes there is a lot of hard work and technology deployed so that criminals are apprehended and the community at large is not bothered too much by the criminal element.*
>
> *Is the system perfect? No ... but it is very good, and trying to be better all the time.*
>
> *20 years ago, nobody would have thought it possible that NYPD would be one of the most highly regarded police forces in the world.*

Community police

Community police have the advantage that they know the community and some of the good aspects of community policing can be achieved. But a community police force also has the potential to be diverted to working for the local elite rather than the people as a whole.

National police

National police can be better or they can be worse than community police forces. They can have better resources and be better trained. They can also be subverted to a national agenda that is not in the best interest of local communities.

Local and national police in combination

Some countries have adopted a combination of police systems, with both community police forces and national police forces. This results in a balance of

power between community interests and national interests that can serve for the good of society.

Handling sectarian violence

A police force is not going to be successful merely by force of arms. Force is likely to add another front to the fighting and add complexity and another level of violence rather than bringing peace. The police should bring police knowledge to the community ... and police knowledge should support moves that result in judicial proceedings against those engaged in unlawful activities.

Gun control

There was a time when the only guns in society were controlled by the army and the army kept its guns under tight security in an armory. The global world market in guns is a feature of modern society that is nothing but obscene for a civil society, and something that makes it very easy for guns to be obtained for anti-social purposes, and makes it very difficult for police and law enforcement to be effective without themselves having to resort to lethal arms.

Preventing police abuse

The prevention of police abuse needs to be at the top of the police agenda, as well as the oversight authorities. If there is no oversight authority or the oversight is weak or ineffective, it must be expected that there will be police abuse.

Judicial System

Legal and justice system MUST be functional

A legal and justice system needs to be in place. This can be either a central system or a local system, but it must have a functioning and have enough people and money to operate. It does not matter so much whether the system has a modern or traditional form ... what does matter is that it functions and that there is a socially acceptable ethical foundation for the society.

There are a lot of pieces in a fully functioning legal and justice system including (1) police; (2) courts; (3) prisons; (4) lawyers; and (5) legislators. The system is labor intensive and only works when there is sufficient reach for the criminal and illegal elements in society to have a reasonable expectation of being caught and convicted.

The rule of law needs to be fair, and justice needs to be universal. There is a lot of work that needs to be done so that everyone has some of the benefits of fair laws and equal justice. There are too many situations where the law serves to make something unethical, immoral or unjust, legal. This is particularly true in a lot of areas of commercial law, real property law and intellectual property law. In the case of Iraq, the whole question of fund flows related to oil has the potential to escalate into some form of violent power struggle.

Justice at the end of a gun is far too common around the world. Guns are bad news and guns are not a good part of a system of justice.

The judiciary should be trained and their salaries funded so that they are able to build an enabling environment for the local communities, for international trade and investment, and assure security. They need to be trained and the framework established so that the government judiciary is compatible with traditional local law and its procedures.

Customary Law

Places where there is social tranquility usually have a system of local, traditional or customary law that is functioning well. In my experience, even where there is no visible presence of "modern" law, a society still functions on an ethical basis that is for all practical purposes universally acceptable.

Iraq seems to be in chaos without very much respect for law ... but at the personal level and the family there is a lot of respect for law, both secular and religious. The fact that there are factions with guns and bombs and no respect for law and civil behavior does not translate into anything like a majority of the people being in favor of this kind of behavior.

The role of traditional law should be taken into consideration. The role of clan law needs to be better understood by those seeking to give advice and assistance in development, economic management and governance. Good governance in countries with poor economies and weak public finance requires a clever combination of what is good from traditional law and governance and what is generally accepted in the modern context.

> *Costs for a legal and justice system*
>
> *I have helped prepared government budgets and plans in various parts of the "south" and have been faced with the need for legal and justice activities to be paid for through the budget. A modern legal and justice system along the lines of the systems used in the "north" is beyond the financial capacity of most "south" governments. When staff are very lowly paid, or paid late or intermittently, then all sorts of petty corruption starts, but when there is only a small reasonably paid staff it only reaches as small part of the population.*
>
> *Increasingly communities in the "south" have had to address the issue of a working legal and justice system by reverting to traditional systems ... in many cases with excellent results.*
>
> *During my work in Somaliland, I was able to learn something of the traditional system of clan justice, and was impressed with its reach to every single member of the clan. The fact that all of the society was part*

of the same system of traditional law made it more useful than the modern law, that had little impact on daily life for anyone except a very few.

In Mozambique, after its long civil war, it was impractical for the government to go through lengthy modern legal processes for all the young soldiers who had committed various forms of atrocity in connection with the war. They did not have the money nor the people to do it. Instead they reverted to community level traditional systems to punish and reintegrate everyone into their society. The system made it possible for the country to become a lot more stable and reintegrated than would have been possible using a more modern formal "north" approach.

And of course, the Truth and Reconciliation Commission in South Africa broke tremendously valuable new ground in bringing together people who had been sworn enemies and committing atrocities for years in a reasonable length of time and at a manageable cost.

Prisons

A prison service

A prison service is needed in addition to police and courts. The prison service is needed so that there can be punishment and people can be incarcerated where the courts have determined that there is a breach of law and incarceration is called for.

Handling violent offenders

A prison service is a specialized activity that requires considerable expertise and it also requires a substantial budget.

Handling petty crime

Petty crime should be taken seriously, but it should not be handled in a way that encourages petty offenders to move on to more serious crime. Rather, a first offense should be handled in a way so that a first offense is also a last offense.

Prisons

Prisons need to be improved in terms of their physical facilities and the recurrent costs associated with their operations. These establishments are not nice places. Some work on rehabilitating inmates needs to be available as well as resources for their general operation.

The prisons in Iraq are terrible. Prisons are needed in almost any society, but they ought to be able to meet certain minimum standards of human dignity. Neither system at the present time comes up to the minimum standards that one would hope to see.

Chapter 10 - Enabling Environment and Governance

Chapter 11 - Infrastructure

CHAPTER 11

INFRASTRUCTURE

Physical Infrastructure

Infrastructure. What is there? What is the best way to improve the infrastructure so that it can support the highest level of activity? What is the status of the roads, the communications, the clinics and hospitals, the transport systems, etc, etc? What is the best way to improve the infrastructure so that the society and the economy is the most productive.

The Centrality of Infrastructure

Enormous catch is needed to get infrastructure in the "south" up to an acceptable basic level of performance. There needs to be investment not only to build new needed infrastructure, but also to catch up on maintenance.

There are many facets to infrastructure including (1) Roads; (2) Railroads; (3) Seaports; (4) Airports; (5) Housing; (6) Water; (6) Sewage and sanitation; (8) Hotels and restaurants; (9) Tourism destinations; (10) Public buildings; (11) Schools; (12) Health facilities; (13) Telephone and Internet; and, (14) Electricity.

The investment needed to upgrade infrastructure to "north" standards is not sustainable in the "south". There needs to be incremental upgrading so that constraints caused by infrastructure are reduced. As economic performance improves, more upgrading becomes possible.

Determinant of productivity

> *And the SOUTH does not have a good efficient physical infrastructure. Usually the NORTH's solution to the infrastructure deficit is a high capital cost big infrastructure project rather than the lower profile upgrade to infrastructure that removes the critical constraints*
>
> *When I was working in Somaliland in 1999, the first feedback for our planning for transport was simply that they did not need high cost "European" style roads. What they wanted was a road network that would allow trucks to move safely in both wet and dry season. They did*

not want expensive 100 mph roads and smooth tarmac surfaces. Just the basics.

Transport infrastructure – Roads

Main roads

The main roads are a major factor in national productivity. The road network is very important for trade. The roads should not constrain trade, but serve to help it. Roads are important for all sorts of product shipment including livestock shipments

Community roads

Every community I have visited has always made reference to the need for easier transport in the rainy season. All weather roads are valuable, but they need not be to European or US standards. They just need to be usable when it is raining, instead of totally stalling traffic.

Road infrastructure condition

How long does it take to travel 100 hundred miles in the United States? 90 minutes, more or less. Say 2 hours with the local traffic at both ends. The road network is impressive. And the same goes for most countries in the NORTH. And yes, the roads are becoming more and more congested, and it is recognized that this is a growing problem that will be needing attention.

But in the SOUTH. How long does it take to travel 100 miles in most places in the SOUTH. 3 hours if you are lucky, and it may be half a day, or a day and a half. If it is the wet season, it may not be possible at all.

In the late 1980s I worked on trying to find an alternative route out of South Sudan to the Indian Ocean through Zaire (now the DCR) rather than through either Uganda or Kenya. We needed a route that would allow fully loaded trucks to travel safely if not comfortably. It was impossible. The road was totally impassable. Our Land Rovers could not negotiate the mud and ruts and broken bridges. The roads had not been particularly well constructed when they were built some decades before, but no maintenance and heavier trucks had ruined what was meant to be there. Essentially transport infrastructure was non-existent.

Physical infrastructure makes an enormous difference to the productivity of a country. The transport infrastructure is probably the most visible, especially roads, railways, airports and seaports. But it is also the water and sewerage systems, the telephone and communications systems, and the health facilities and the schools and universities, and the housing stock and the commercial and industrial buildings.

I still remember my first visits to California and Texas in the late 1950s when the US Interstate Highway System was being built, and seeing

> *the multilevel highway interchanges being built. I had been taught about the military value of the German autobahns, and now I was seeing infrastructure efficiency thinking being applied to the new US Interstate Highway System, this time for good economic reasons.*

While the NORTH has made major investments in infrastructure, and continues to do so, most of the countries in the SOUTH have made limited investments in infrastructure, and many have not even had the resources to maintain existing infrastructure in good condition. Without good infrastructure the cost of business goes up, and the performance of the economy is badly affected

To the extent that there has been investment in infrastructure, it has not always been cost effective investment. It has often been badly managed with low quality and high costs. Frequently the large projects have been funded by organizations like the World Bank or the European Union, both of which have contracting procedures that result in far higher cost projects than would be called for under a strategy with a focus on maximizing economic value adding.

Road infrastructure is needed all over the SOUTH. Very few countries in the SOUTH have roads to suit their needs.

But sadly, most countries in the SOUTH have spent a lot more on the roads that they have than they should have, simply because the roads have been built using the priorities of the NORTH and often with funding from the NORTH.

> *The international competitive bidding process mandated by the World Bank and the main Regional Development Banks does not result in best value construction, and in terms of economic value adding potential, the process is exceedingly wasteful. The excuse for the process is to reduce corruption, but in fact it replaces one sort of economic waste with another.*

Look at a detail map of anywhere in the NORTH, in Europe, or the United States or Japan and there are roads everywhere. It is rare to go more than a few miles before there is some sort of road that can be used by any sort of automobile or truck.

But this is not so in the SOUTH. There are hundreds of miles of country where there is not road of any sort, where it is difficult or impossible for an automobile or truck to travel unless it is equipped for “off-the-road” work. And in this context we are not talking about the off-road capabilities of a typical suburban SUV. This is “off-the-road” because there is no road, because the flattest ground is a dried up river bed. This is “off-the-road” because there are no bridges over the river, and getting across means driving down into the river bed and climbing up the other side.

There are places where one can look for a hundred miles over a plain, and there are no roads anywhere except the one you are on. This can happen in the Rockies in the United States, but the difference is that in the United States there is no population. In my scene from the SOUTH, the whole are is heavily populated. But there is no investment in a road infrastructure. The economy is still based on animal power. (Europe circa 1850 maybe). The economy cannot use modern transport equipment because the infrastructure just is not built, even in a rudimentary stage.

> *When I was doing planning work in Ethiopia and Somalia in the late 1990s, the local Somali consultants asked that our plans included a lot of road work. But they specifically asked that they were not built to "European" standards. What were needed were roads that were relatively cheap, easily maintained and were usable safely after rains.*

In the SOUTH, most of the building of infrastructure has been driven by poor priority planning. Good economics and good business has rarely been the driving force.

> *In the late 1980s in Juba in South Sudan there was just a small amount of tarmac road. Tarmac road was something of a luxury. Good gravel road and well maintained laterite roads work well. But it was telling where the tarmac roads existed. One road went from the airport to the head of government's residence and had been built using Kuwaiti funds just prior to a brief visit to Juba by the Emir of Kuwait (I believe to attend the opening of a Mosque funded also by Kuwait). The other tarmac roads were inside the USAID compound and included the parking lots. I am not quite sure how this happened, but it gave a good luxury look to the compound.*

Railways

Seaports

There has been a productivity revolution in modern ports, with almost total containerization and using powerful materials handling equipment. Modern cargo vessels are highly automated requiring small crews, and their cost is remarkably low, but they can only use ports with modern equipment. There is no reason why Iraq ports should not be to a very high international standard.

Iraq also must have terminals to handle its oil exports. These need to be world class, and there is no reason why they should not be.

Airports

Iraq needs to have a world class international airport, and there is no reason at all what it should not have one.

The country also needs to have a network of local airports to facilitate local air service development. Though air transport is expensive relative to land, there are times when speed is a priority, and there should be the infrastructure to handle this.

Energy infrastructure

Some large scale projects that were implemented more than thirty years ago are having ongoing economic value adding in their regions, such as for example the Kariba Dam project in Zimbabwe and the Volta River project in Ghana.

> *I helped work the numbers on the Kariba dam project when I was a trainee with Coopers and Lybrand (C&L) in London in the early 1960s. I already had had some experience with big project engineering and I knew some economics as well as accounting. It was my view that the initial cost estimate that we were being asked to confirm was in fact around 50% of what would be needed to complete the project. To their credit C&L and the World Bank revised their cost estimates in line with our recommendations and I understand the project was completed more or less on budget.*

The original costing was based on simple assumptions about quantities and prices, without taking into consideration very much the impact of a big project on local prices for everything, and especially things that were going to be needed in great quantities. By the time all the costings were revised using some thinking about market economics, and how business might respond to these dynamics, there were substantially higher prices and a much bigger investment.

Construction Strategy

Most of the construction associated with infrastructure ought to be done by local construction enterprises ... and the planning of infrastructure initiatives should be based on the idea of creating the most value adding in the community as the infrastructure is built, and as much longer term benefit for the community when it is in use. The aim should also be to build infrastructure using the minimum of external resources, and the maximum of the resources that are available in the community.

Building infrastructure in the “south” should not be a totally uncontrolled profit bonanza for multinational construction corporations, with additional debt the only certainty from the projects.

Large scale modern infrastructure is expensive, and it is only in rich countries that the economy can justify making these very expensive investments. High cost infrastructure in a low productivity economy is a formula for financial crisis. Infrastructure investment to upgrade needs to be done in an incremental fashion.

This can be done working from the community level. When infrastructure is looked at from a community perspective, what is the most important to the community can easily be identified, and there can be an investment focus on what gets the best results for the community. This has the potential to increase the socio-economic return from infrastructure investment from something that will not justify investment to something that is gives an attractive socio-economic investment yield.

Housing

Urban housing

Much of the housing stock in Baghdad and some other urban areas of Iraq has been badly damaged in the past few years. There has been damage and complete destruction in some cases and there has been damage caused by looters. Many houses have been rebuilt using private financial resources and funding from the US programs, but a lot still remains to be done.

Capacity to build houses

There is a good construction capacity in Iraq which can grow to build more houses. It is constrained by the economic conditions, the lack of security and the state of the housing sector overall.

House construction is employment

House construction is employment as well as being a valuable addition to the community. New housing and upgrade building can be used to contribute to total employment and to the reintegration of returnees into the economy.

Strengthening the capacity to build houses

Workmen to build houses to an improved standard need training in either a formal setting and while on the job working in a training capacity.

Housing sector

The housing sector has not kept pace with the growth in population, and the quality of shelter for many in the poor “south” is less than satisfactory. Urban slums are common, and rural shelter is poor reflecting the poor state of the local economy.

The solution to housing should be one that involves both the private sector, government and the financial sector. With thoughtful planning, the housing sector can be a valuable component of economic activity and serve to upgrade the housing sector and the employment sector at the same time.

Construction and maintenance

There are some major contractors with the capacity for major construction and major maintenance of roads. There needs to be a strategy to upgrade and maintain the whole system and not just a privileged little bit of the system.

It would be best to make many small interventions rather than a few large interventions. The country needs to have balanced development all over the country, not just in a single area or corridor. The country needs employment opportunity everywhere, not only on a single axis of the country. Furthermore, the country's internal capacity is better suited to doing small works successfully than single large projects.

Employment

The road sector has the potential to be a major employment source for the next several years. This can be done not only by using "labor intensive work methods" but merely by doing the work using local capacity to the maximum extent possible. Employment is needed not only at the laborer level but also among trained engineers and local contractors, some of whom have had important international experience.

Telecom and Internet

Telecom

In general terms, the telecommunications infrastructure in the global "south" is poor.

Iraq should embrace the idea of very low cost communications as a way to encourage development, but Iraq has not yet embraced the telecom sector in this way.

Internet

An Internet infrastructure can be built in coordination with the telecom ... the underlying Internet backbone uses much that in common.

Water

Importance of water

Water is more important than anything else. When water is abundant, this is not obvious. But in places where there is very little rainfall, the importance of water becomes very evident. Without water, everything ends. With water, a lot is possible. Water is essential to human life, and is essential also to animal life and

growing food crops. Water is also important since it is also a contributing cause of violence, injury and death. There is a lot at stake in the water sector.

Knowledge about water

Knowledge about water is spread about a lot of organizations and should be systematically consolidated into a complete database that can be accessed easily by people with a legitimate interest. The database should be operated by a national institution, private or public. The data should be available easily from a number of access points. The data should be accessible for technical planning, and is also a part of the knowledge needed to have informed community dialog about what priorities are needed.

Competing demands for water

Where there is limited water in the area, and several competing uses, there is the potential for conflict. People need water for drinking and personal hygiene. Animals need water for drinking. The rangeland fodder and agricultural crops need water to grow. The interrelationships among water, range, animals and humans, both nomadic groups and settled groups, rural and urban, etc. are complicated and not well understood.

Sources of water

Iraq does not have a lot of rainfall, but it is blessed with two major rivers that have been a source of water for thousands of years. The average rainfall numbers are not a good indication of the way the rainfall is experienced. Often when there is rain, it is torrential, and a lot of rain falls in a very short time. Nearby, there may be no rain at all.

Quality of water

The availability of water is the first issue, but after that there is an issue of quality. Much of the available water has high salinity. In many rural areas the water quality is low and often has high bacteria content, and by most standards is unfit for human or animal consumption. Water quality is one of the most important issue in the health condition of both humans and animals in Iraq.

Community water sources and water storage

Remote communities have several different ways of obtaining water:

- From the rivers, with water treated at water treatment facilities.
- Boreholes, which often must be very deep and still then with low production. They are expensive and steel linings do not last long in the corrosive conditions of the area,
- Shallow wells, which serve both people and animals in many communities,

- Birkas, a swimming pool like structure, usually about 3 m deep, 3 m wide and 20m long lined with concrete that is used to catch and store water, often owned by an entrepreneur who sells the water,
- Hafir Dams, a dug out area with earth dam structure on the downhill side used to catch runoff during the rains, and mainly used to water animals

Urban water systems

Urban water systems are essential for the health of any urban community. Not all of the main towns in Iraq have enough water available. The systems are not sufficient to satisfy the present need, and certainly do will not satisfy the demand of longer run economic growth. Urban water systems need to be upgraded in various urban centers in the area. There are shortages of water in some urban areas, and sanitation is not sufficient. There needs to be both study and expansion of the urban water capacity.

Plans for water supply improvement

Plans for water supply improvement need to be prepared based on what is best for the local community, and what uses the least of money and other resources.

There are many contractors capable of doing work in the water sector. These contractors need to have the opportunity to gain more experience and improve their skills. Professional water engineers need to be encouraged to take a leadership role in the planning and management of water resources in the area.

Chapter 12 - Health

CHAPTER 12

HEALTH

HIV-AIDS and other killer diseases

The world was becoming in healthier place as a result of some amazing advances in medicine and some well organized international interventions to intervene to end some terrible diseases like smallpox and polio. But something appears now to be going wrong. Instead of further progress in eradicating disease and reducing mortality and morbidity, there is tremendous backsliding.

There are financial constraints in public health that are constraining everything in the health sector. The amount of money for public health in almost every country in the SOUTH is so limited that health services are bound to be inadequate. International official development assistance (ODA) is not enough either. ODA does not start to address the health funding deficit.

But beyond the financing issues, there appear to be medical and scientific issues as well. The HIV-AIDS pandemic has changed the population dynamics of the whole of Africa, and in the hardest hit countries the expectation of life has dropped by more than 10 years in less than 5 years. Instead of moving up into the 60s, and a continuation of thirty years of steady progress, expectation of life has started to drop dramatically. With more than 3 million dying prematurely of AIDS related disease in a single year, the people of Africa are having to face an incredible crisis.

But it is not the only health crisis. Malaria continues to be a tremendous killer, and where it does not kill it still has a debilitating impact on an individual. Children are badly impacted by malaria. And the easy curatives for malaria are becoming less effective as more and more malaria becomes resistant to medication.

And after years of progress with tuberculosis, TB infection is again growing and becoming more and more widespread. And again, the TB strain that is spreading is one that is resistant to easy and low cost medication.

While there are many views about why disease is growing so fast now after years of progress, it is highly likely that poor medical services and lack of higuene are part of the problem. The writer is convinced that unsafe medical practices are feeding into the growing health crisis, especially unsafe injections and other procedures that result in blood contamination. The use of dirty needles is widespread, especially in the informal settings where people expect a health intervention to include getting an injection.

The Secretary General of the United Nations, Kofi Annan, to his credit, has raised the issue of the growing health crisis at the UN, and has been instrumental in having a Global Fund for HIV-AIDS, Tubruculosis and Malara (GFATM) launched. In its inaugural year the GFATM was able to mobilize around $3 billion, a substantial achievement, even though the requirements were for something more like $10 billion.

But the health sector is a problem area. It is something of a symbol of failed development. Progress was made, but the progress has not been sustained, and now there is a high probability that poverty is going to be more and more accompanied by health crisis as well.

Social Services: Healthcare

Chapter 13 - Education

CHAPTER 13

EDUCATION

Social Services: Education

Chapter 14 - Money and Banking

CHAPTER 14

MONEY AND BANKING

Economic Services: Financial Services

Financial services

What money and finance is available? How can salaries and suppliers be paid? What is the business model to generate positive cash flow? What are revenues? Is it market driven? Is it government budget? Is it grant based? Is it fee based? Is it mixed? Many of the problems of development are blamed on lack of money and financial resources. What ways can money and liquidity be created to support development progress. How can money get where it is needed in the best possible way. What about transparency and accountability?

Money: Not enough of it!

Of course there is not enough money. There never is. But that is not serious analysis, just lazy knee jerk response. Sadly, it has been a driver of a lot of debate and policy deliberation, when it has had nothing much at all to do with the problems and their solution.

Microfinance

It is working capital that microfinance often aims to fund. But usually only for the very small enterprise, and in these cases surplus of the enterprise may not translate into a surplus for the family.

Though microfinance has done some good things, for some reason it has not been expanded to satisfy anything like the need that exists.

One reason for this is that the organizations involved with microfinance are poorly run, and do not have a business model that allows them to get financing to support the growth that is needed

Money

The world is not short of financial capital, but capital is concentrated where the perception of risk is low and the opportunities for gain are maximum. We need real alternatives to the World Bank and the IMF. Having these institutions and their clones as the dominant financial institutions in global development is no longer the best way.

> *Why is it that the IMF and the World Bank have become so important in development, and why is it that there are no alternatives to these institutions to drive development in developing countries? The IMF and the World Bank have their supporters, and in development career terms, working for the World Bank or the IMF is success.*
>
> *But a number of things have happened over the years that is cause for alarm. Other institutions have "cloned" the procedures and the processes of the World Bank and the IMF so that almost exactly the same results are being achieved by other international financial institutions (IFIs). Copying good procedures and high performance processes would be good. But copying procedures and processes that are ineffective is a problem.*
>
> *But the problem is bigger than this. A lot of organizations want the World Bank and the IMF to be engaged in a country before they will become engaged themselves. So not only do the IMF and the World Bank have a direct role in a developing country's development, they also add leverage to the situation. The IMF and the World Bank sit on top of the world as an imperial monopoly. And monopoly is rarely good for all the stakeholders.*

Capital markets

Financial capital is very mobile, and very conservative. But capital is put at risk where the potential for rewards are high. Though capital may be highly regulated, it is very much market driven and offers great possibilities for reform of financing for development.

The history of cross border financing has been mixed. In the 19th century international finance was very important, and in fact played a key role in the industrialization of the United States and the prosperity of Europe prior to the First World War. It was only during WWI that the United States started to be a lending nation rather than a borrowing nation.

And while international investment did well, there were some notable problems. The problem of sovereign debt did not happen for the first time in the 1980s, but was already a problem more than 100 years before.

The problem is that financial capital is market driven, and markets are driven by expectations. In turn expectations are driven by what is seen to be possible because it has already happened, and what might now be possible because of potential. Sadly, the underlying assumption of economic behavior at the operational level tends often to be rather different from the capital manager's view.

But markets are best when the information is good. It will be possible to mobilize capital as soon as the information shows that capital is making money supporting development. And investment in development can be as rewarding as investment in a lot of other vehicles, but the investment must be seen to be successful, and the investment must not “crash” immediately the area of finance is no longer “fashionable”

Financing development must not be complex. But financing development must be secure.

Everything that relates the financing and the use of funds must be well organized, and the systems for accounting and accountability must be first class.

In order for capital to be attracted to development, there has to be prior success, and this success must be visible.

Showing success in financial terms is not about economic data and economic reports, but about financial reports, and respected audits and audit reports.

In order for capital to be mobilized there is a need for intermediary institutions and organizations. Organizations like the World Bank and the regional development banks serve as intermediaries for transfer of global capital from the capital markets to development. Instead of proposing reform of their processes which is very difficult, a new series of intermediary organizations is needed.

These new organizations will be technology based so as to be low cost in operation, but very efficient in terms of financial accounting, accountability and analysis.

And these new organizations should be able to focus so as to facilitate a clear understanding of what works and what does not. In development, scarce resources should not be allocated to activities that do not work, and do not add economic value.

Public Finance in Africa

I have not been quiet about the need for better financing for government in developing countries such as the following posted to the AFRO-NETS list in October 2002

AFRO-NETS: HIV/AIDS through Unsafe Medical Care (8)

Dear AFRO-NETS colleagues,

Thank you Agnes Moses for your reference to labour wards. When I first got concerned about the HIV/AIDS crisis in Africa and started to try to understand the issues..... one of my friends.... who sadly has full blown AIDS.... told me of her concern about the procedures that are commonplace in labour wards in Africa including not only the re-use of "single use disposable" syringes but also the use of latex gloves over and over again during the birthing of infants.

All of these practices are easy to correct..... BUT ONLY IF THERE ARE THE RESOURCES TO DO IT RIGHT.

BUT..... there is not a health ministry in Africa that has the resources to do it right.

Public finance is in complete chaos after 40 years of international assistance and prioritization of African economies and now more than 20 years of structural adjustment. The human capacity to do much better exists. The financial capacity in the SOUTH to do much better does not.

Sincerely,

Peter Burgess

Money is Important

Money is important, but mere money does not solve the problems of society. Money needs to be used in a constructive manner.

Money and greed can easily end up making a good situation intolerable. Money, it is said, can buy anything ... and in situations where there is secrecy about financial transactions and no transparency whatsoever, then money is used in all sorts of inappropriate ways.

Reference has already been made to the idea of "small is beautiful" and this has application with money as well. Big money doing bad things in secret almost inevitably ends up with a bad outcome.

The success of the United States had a lot to do with great natural resources, an entrepreneurial spirit and adequate money derived from creative financing. In time it became possible to get the country organized with a government that was too its liking ... but only after a revolutionary war and years of arguing about how the government should be organized.

In Iraq the problem is not the lack of money, but what the money is being used to do. It is not at all clear what money is being used for ... neither the local money derived from the oil industry, nor the funds that are coming from the outside to fund the deployment of coalition forces, rebuilding and development.

Money ... should not be a gift

Money is not a gift, but something that is being used to facilitate socio-economic progress. What this means in practical terms is that money is loaned and not given to the communities to facilitate their socio-economic progress.

Some of the organizations that are engaged in the international relief and development sector consider the accounting for small loans to be an excessive burden and have decided to use their resources as grants rather than loans. This is, in my view, a mistake, and encourages a culture of dependence that has all sorts of undesirable consequences.

Requirements for Money

Many needs

There are many needs including: (1) funds for public purposes; (2) funds for private investment; and, (3) funds to invest for future generations.

Public purposes includes funding the programs of government and funding investment in the national infrastructure.

Programs of government include the funding of the army and the police, and the funding of development initiatives.

Financing development initiatives

The argument has already been made that development initiatives are best implemented at the community level, with pull from community leadership rather than push from a central planning authority.

Many types of development financing are required to support community centric development including: (1) financing to help at the individual level – micro-finance; (2) financing to help the small to medium sized enterprise; and (3) financing to help the community itself. The three financing components work together to facilitate the economic activities needed for a vibrant community.

Financing infrastructure

The building of infrastructure has two components: (1) the money to pay for the work; and (2) the capacity to do the work. In Iraq, there is capacity to do most, if not all, the work needed for infrastructure construction, and there is money to buy whatever equipment is needed from anywhere in the world. To the extent

that there is not enough current cash, Iraq should be able to raise finance with relative ease on financial markets.

But in fact, Iraq may not be in such a good position. It is not at all clear to what extent the regime of Saddam Hussein mortgaged the future and borrowed and spent in quite profligate ways.

It is also not clear how much physical damage was done to the infrastructure in Iraq in the course of the initial military operations that led to the fall of the regime and the fall of Baghdad.

Control of the Money

An absolutely rock solid system for accounting for the money is needed ... and with accounting there can be control.

Secret systems for money control

There are systems for control of money that are complex and secret. The systems are not widely known about. This may be as it should be ... but it also facilitates grand scale diversion of funds and nobody any the wiser.

> *Cabin Trunks of $100 Bills*
>
> *I have seen cabin trunks with millions of dollars worth of $100 bills that I was told were stolen from a banking institution in the middle of a civil war. Each of the bills was stamped with a mark that made these bills easy to identify ... and I was shown a chemical process that removes the mark from the bills to enable them to be circulated openly.*
>
> *I have seen airtight packages in army green containing large amounts of US currency ... chemically treated to disintegrate when exposed to air unless the treatment is nullified by another chemical cleansing.*
>
> *These funds were in the possession of people who probably had no business whatsoever having them. They seemed to know how the system works, and I have little doubt that they would find a way to use these funds in spite the advanced chemical systems being used to protect the US currency.*
>
> *This experience predates the Afghanistan and Iraq war where people talk a lot about the huge bundles of US currency that were being used all over the place with little or no oversight, accounting and accountability.*

These secret systems for the control of money are useful for the funding of war and funding in an emergency crisis. They are not, however, a reasonable way of funding a program of national rebuilding and controlling the money. Secrecy is

a characteristic that correlates strongly with inappropriate use of money. It would be very much better to have much more public knowledge about fund flows. From this it starts to be possible to have some reasonable knowledge about what is going on and to be able to establish accountability.

Accounting for fund flows

The accounting for fund flows should have two main dimensions: (1) the accounting within an organization; and, (2) the accounting between organizations. At the present time it seems that both of these are inadequate, and given the scale of the fund flows this is absolutely inexcusable.

It should be quick and easy to follow money ... fund flows ... from the origin as a budget authorization, through the responsible agency of the donor government to each of the recipients of disbursed funds ... and then to track the use of these funds through program activities and eventually to the results being achieved.

None of this is anything more than lists of transactions with a certain amount of key data ... and added up in a logical manner. If the organizations involved cannot do this, then they should be held to account for incompetence.

Check the spending ...

Spending needs not only to be authorized ... but it also needs to be worth doing. A good way to verify this is to check the spending so that all the disbursements result in something of value.

Checking a proposal about a future disbursement is a step, and an important step in ensuring that spending money results in valuable outcomes ... in fact all it does is to authorize the spending and pretty much hopes that there will be a good outcome.

Checking that the actual disbursement actually produced something of value is a true reality check. Where this checking is routine results are usually very good ... and where this checking is infrequent or never, results are frequently terrible.

> *Actual Far More Important than Plan*
>
> *I was once told that if the company added up all the cost savings that would result from proposals we would be making all our production for nothing.*
>
> *In fact the company was totally out of control ... and it was not until there was strong measurement of actual that things got under control.*
>
> *And as soon as there was control ... there was improvement.*

Micro-Credit ... for the Individual

Financing for the individual

Micro-credit has been popularized over the past 30 years by Mohammed Yunus, founder of the Grameen Bank in Bangladesh. Though informal credit schemes can be tracked back a long time in history, they were not embraced by development experts until after the Grameen Bank had come on the scene.

The Grameen Bank experience showed, inter alia, that poor people could make valuable use of small amounts of money, and that they could be trusted to pay it back. The conventional wisdom in the commercial banking community is that borrowers cannot be trusted and therefore all lending should be heavily secured ... and the corollary, no security, no loan.

I also observed in my own work that small loans were able to be repaid more easily than big loans ... big loans held out the promise of bigger success or bigger failure, and when the failure happened, there was no way for the loan to get repaid.

I also observed that in the micro-credit space there are two types of lending ... there is social micro-credit and there is enterprise micro-credit. In the case of enterprise micro-credit the borrower makes money and the loan can be repaid without too much difficulty. In the case of social micro-credit ... lending because of personal or family difficulties ... there is much less capacity for repayment, and a higher proportion of the loans can never be repaid.

Community micro-credit

Most communities can benefit from both enterprise and social micro-credit. In many communities there are already some form of self help group or other way of extending credit within the community. In some cases it is a “money lender” that is able to profit substantially, and many would say, excessively, from the unsatisfied need for money.

Funded from the development fund

Community level micro-credit initiatives should be funded from a development fund, and there should loan administration and accounting so that the development fund can be sustainable.

Mini-Credit ... for the Business

Financing the small and medium scale enterprise

There is a need to have access to financing for the small and medium scale enterprise. These are the organizations that are best able to accelerate job creation, but they need access to financing for growth.

These organizations need finance for working capital ... they need to be able to buy inventory and pay salaries before they get paid for their products or their services. Growth requires working capital, and few small businesses have the working capital to grow.

These organizations also need finance to buy production equipment and vehicles, or to expand their space. The financing of this equipment needs to be available on terms that allow the business to prosper. Equipment leasing or rental might be the appropriate modality. Expansion of a building may need some form of real estate based financing.

These financing modalities are bigger than micro-finance and more sophisticated. I will argue for community based financing that has a component of trust and group responsibility over a strategy that simply relies on asset based security.

Muni-Credit ... for the Community

The municipal finance equivalent

There needs to be financing accessible to the community that will help the community have local contractors supply or build things the community needs. I refer to this as muni-finance. Municipal finance is a very big component of the capital markets in the "north" ... a micro-community version of this is needed for the "south".

Most poor communities finance themselves. It is the only way. There is usually little money in the community, and there is no formal banking and financial service access. People in communities do the best they can. Communities impose taxes and levies to raise money for things that are wanted by the community. Some of these are substantial efforts, and can serve as important sources of funds for community needs. My experience in Yei in South Sudan is an example of this.

> *My Experience in Yei, South Sudan*
>
> *Yei is a small agricultural town in South Sudan to the west, about 150 miles from Juba. When I was in Yei in the 1980s there were about (as far as I can remember) 150,000 refugees in the area, all engaged in small scale agriculture, and assisted in the first instance by UNHCR. With decent agricultural land, good weather and hard work, Yei had become a thriving little town with a good surplus of food.*
>
> *I knew the "administrator" of the town of Yei ... a friend of a friend of a friend of my wife's from college days who was interested to find an accountant in the middle of a UN refugee review. He showed me with a*

> *lot of pride the "books" of the town that documented all the financial transactions of the town, and showed in summary form the monthly history of the town finances over the past several years.*
>
> *The refugees were generating a lot of agricultural produce and the petty taxes collected at the local level to pay for local needs had increased with the success of the refugees. Now the town had some money for some of its priority needs. The school got a locally paid teacher, and the electric generator got some fuel. All of this carefully recorded in the books, just as it should be.*
>
> *What is the lesson? Local success can be used to generate some local revenue that can be used for some local priorities. Sustainability that is real.*

Few of the big cities in the global "south" have structures so that they are able to raise money through existing formal channels. Smaller communities are constrained from borrowing in the formal municipal finance markets because they do not have a formal sector economic base and the tax revenues to support external formal finance. Some small communities, like Yei, have potential to be prosperous, while others do not have much potential.

Organization ... at the Community Level

Funding community activities

Development funds can be the primary mechanism for delivering development resources into the community and engaging the private sector in ways that can encourage socio-economic progress. Growth of private sector activities is a powerful way for income generation and jobs to be created that engage a large part of the community. The private sector needs resources for expansion, but should use these for profitable expansion and increased earnings, from which the development fund should be paid back. Development funds can be used as an efficient modality for delivering incremental resources to the area economy.

There are to be many small development funds each with clear development objectives and areas of operation. A fund will be rewarded with additional resources if the performance of the fund in terms of development benefit and in terms of timely repayment have been good. Keeping the funds separate will help in determining what funding areas should be supported on a continuing basis and which should not.

Many short term small loans

The development funds will be used to provide financial support on a short term loan basis for activities that are requested by the community, either as

micro-credit, as mini-credit or as muni-credit. The implementing group may purchase items that the group would not normally be able to afford and allow the group to go ahead with some works that they consider important. Typically the group will provide labor and local material, with the funds being used to purchase non-local material and possible rent equipment. The funds can be re-used by the community if the loans are repaid to the fund. As an incentive to repayment, funds will be augmented if the repayment track record is good. Groups that do not repay development fund loans will be penalized by the permanent diminution of the loan fund resources.

Fully commercial basis

The management and operation of the development funds will be on a fully commercial basis with fees charged for the use of the money, the administration involved and loan losses. The development fund has many of the characteristics of the lending operations of a business bank. There is no reason why the development fund operations cannot evolve into a full banking operation, and become part of the much needed community level banking and financial services sector.

Though experience over the past 30 years with Development Banks established with a similar objective was not good, the primary reason for failure was misappropriation of the resources. There were usually very clear errors made in the management with too much grandiose lending to politically motivated ventures and failing public enterprises. The capacity for economic and financial analysis of proposals was poor with politics more important than financial analysis. On top of all of this, there was usually a complete lack of accounting, accountability and oversight management.

Central Bank and Government Treasury

The purpose of a Central Bank

A Central Bank serves1 as the anchor institution for the financial sector. But a Central Bank also serves as an active component of the national governance framework, and a controller of the economy.

The Central Bank is the treasury for the country.

The Central Bank also acts as the intermediary between the national currency and the currencies of other countries, including the US dollar and the European Euro.

The purpose of the Government Treasury

The Government Treasury is a unit of government and is responsible for the moneys that are managed by government.

Most government treasury units around the world are organized around the principle of the single treasury account, a system where all receipts of government are deposited into the treasury account and become under the control of the treasury. The only disbursement from this account has to be under the authority of the government through legislation ... usually called the budget legislation.

What this means is that the government is responsible for the use of the funds received by government, and usually there is a requirement that the treasury prepare and publish periodic reports and the income and expenditure of government.

In some countries the treasury reports are prepared daily and distributed to key people in government, and then a full report is prepared monthly for presentation to the legislative assembly. Each year there is an audited report that is presented to the legislature and they are called upon to approve this report.

Informing the Public

The Iraqi public is the primary stakeholder in the management of government and national resources, and they should be able to see and understand what is being done in connection with the resources of the country and the operations of the government.

This is an area where there is a need for huge improvement. The information that is easily available to the public about the national and the government accounts could be and should be very much better.

Investment Fund for Future Generations

A mechanism to invest for the future

Oil rich countries have an opportunity to convert their present income from exploitation of their oil and gas assets into a source of perpetual income for the future. Some oil rich countries have done this with great success, notably Kuwait and the United Arab Emirates.

The value proposition for Iraq is something of great moment. In the short run, there is a lot of oil, and it should be of huge value for the people of Iraq and of value to a world that is hungry for energy ... primarily oil.

But Iraq oil's potential has little meaning if it is squandered by doing nothing more than funding local chaos and mayhem. ... or it becomes hostage to anyone, including the global “north” and the international oil oligopoly.

More than anything else the financial dimension of the Iraq oil sector needs to be made visible to an interested public so that there is an equitable sharing of the

value of these resources between Iraq's society and the investors and developers of these resources.

Possible models for a development fund have already been demonstrated in the investment funds of Kuwait and the UAE.

Third World Debt

The Jubilee Movement

The Jubilee Movement is one of the biggest with debt cancellation as its primary goal. They are worldwide and have a huge following and are very clear about the economic damage to development that has arisen because of the debt story.

The debt crisis

If borrowed funds are being invested in projects that are not generating positive cash flow for government and the nation, it follows naturally that there is going to be a debt crisis. Walter Wriston when he was head of CitiBank in the late 1970s is reported to have said that lending to developing countries was good banking because they needed the money, they were paying good interest rates, and they could not go bankrupt. He was of course only half right with his last parameter. While it may be true that in law a sovereign nation cannot go bankrupt, the accounting or economic reality is that there is effective bankruptcy when the bills cannot be paid. Rotten lending by both commercial and ODA institutions for a period of several decades is going to create de facto bankruptcy, and it has done so.

Foreign Direct Investment – Is it really a good thing.

When colonialism ended, newly independent countries took the opportunity to end the era of colonial direct investment. The results were generally unsatisfactory. The enterprises no longer produced “colonial” profits, but they did not produce local profits either. Most were not structured to be profitable in the real economics of a post-colonial economy.

But putting back cross border companies through foreign direct investment is seriously problematic. Equity capital is very expensive, and especially in situations where the investors assess the investment as risky. Investors in developing countries want a big retrun and want it now. They want an “exit” strategy, which really means that the value of the investment coming into the country at some point in the quite near future is going to result in a negative impact, and potentially the negative will be a log bigger than the positive.

> *I have never been able to understand why “experts” in development economics are so enthusiastic about foreign direct investment. I have never been able to see much real value benefit in froeign direct investment. From*

> *my analytical perspective ... as an accountant ... I see investment by foreigners in a mine as having these characteristics: (1) An investment of $100 million is going to be made (2) foreigners bring in $100 million of mine machinery, almost certainly over-invoiced by a substantial amount, but that is not the main pont; (3) foreigners get plum jobs at the mine and extract minerals from a big hloe in the ground; (4) local people get low paid dangerous jobs; (5) local community totally disrupted by the mine and its activities, including quite possibly horrible polution of water sources, bawdy behavior in the community, and so on; (6) valuable minerals exported, profits exonerated from local taxes as part of the "investment deal" (7) mine runs out of valuable minerals and is closed down; (8) mining equipment now old and broken down; (9) foreign investors go home and enjoy the wealth they have transferred out of the country; (10) local people left with a big hole devoid of mineral value, polluted environment and depressed community.*

At a more sophisticated level I found it ironic that the Ashanti Goldfields company in Ghana went bankrupt when the international price of gold went up. This happened in 2000 (I think).

> *The company had struggled along for years and its productivity and profits were going up gradually. The company was getting top priced advice from London based experts, and was engaged in quite sophisticated financial hedging. The price of gold goes up. The company goes bankrupt. The shareholders of Ashanti Goldfields lost out big time .. at the time it represented 80% of the capitalization of the Ghana Stock Exchange. The London advisors who got everything wrong were protected. Local shareholders lost out and a new community of international investors came in and took over at a bargain price.*

Stakeholders

The dominant stakeholders in any corporation are the owners. If the owners operate the company in a way that creates a financial crisis, then creditors may get to become the controlling stakeholder. If the owners operate the company in a businesslike way they may choose to include the customers as stakeholders

NORTH customers rarely choose to influence company behavior. As long as they get what they perceive to be good value, that is enough. Customer boycotts can influence company behavior considerably, but it hardly ever happens.

In good times company staff can influence company behavior, but when profits are in trouble, then staff are secondary and so are community oriented good works.

But for all practical purposes what might be a reasonably balanced set of stakeholders in the context of the NORTH, in the SOUTH this is far from being the case.

> *My view of the situation is simple. The company has one stakeholder and that is the owner, and the owner wants the most profit and wants it now, and does not feel the need for any good corporate citizenship that detracts from profit. And anything goes in order to maximize profit, including activities that would be considered illegal and unethical in the NORTH. And if any corporate activities in the SOUTH are illegal or unethical, it does not matter. As long as the company can get away with it and it won't appear in the NORTH media, the company can get corners to maximise profit and return to the stockholders.*

I wrote the following for a corporate governance discussion group early in 2002.

> *Profitinafrica@aol.com*
> *Fri Mar 29 2002 - 14:25:12 EST*
>
> *My name is **Peter Burgess**. I am a long time development consultant, but also a former Chief Financial Officer of a US based international corporation.*
>
> *The concept of a stakeholder is helpful in simplifying what is extremely complex, but it is also a simplification that can easily go badly wrong.*
>
> *What has become absolutely clear to me in practice, after some time in corporate management, and a long time involved with industry on an international basis, is that there is really only ONE stakeholder, and that is the owner of the corporation. Every other stakeholder is NOT important in the ultimate decision making for the corporation.*
>
> *The OWNER stakeholder make choose to involve other stakeholders in the process of moving the the owner's agenda forward, but these other stakeholders are only "pawns" in the process. They are used as needed in the OWNER's grander strategy. The grand strategy is maximizing **value** adding from the OWNER's perspective. PERIOD.*
>
> *In the United States, the people have considerable power because the success of a corporation depends almost entirely on the marketing dimension of the business. It is not easy to sell products into a market where the people have a low opinion of the company and its products. Even industrial companies are under pressure to be good citizens because of the adverse publicity that blossoms when corporate misbehavior comes to light. The same goes for all the NORTH. The public as a stakeholder in the NORTH has some importance. So do*

*employees, because they have the power to adversely affect the **value** of the organization.*

But in the SOUTH, it is a different story. There is no public of importance. People have no power whatsoever relative to corporate behavior. Employment conditions for people all over the SOUTH that produce raw materials for corporate organizations in the NORTH would not be tolerated for one day by the people (and the Unions) in the NORTH, but it is off the radar screen. Neither the public at large, nor the employees have any stakeholder power. Nor do corporate stakeholders (subsidiary level) have any influence on the OWNER stakeholder when the abuse is outside the immediate responsibility of the corporate entity.

The public of the NORTH in general do not have enough factual information to make the links about corporate responsibility and irresponsibility in a coherent way. Oil industry pollution in the SOUTH is acceptable, but pollution in the NORTH must be addressed ..... and as a public we are sold on the environmental performance of the oil industry by ads costing say $5 million where the damage is maybe $100 billion (orders of magnitude ..... I do not know actual figures).

*And there is SPIN. We need to be very careful with corporate pronouncements from the top about how good the corporation is ..... when the top knows perfectly well that there is nobody in the body of the corporation that is actually working on doing the good deeds .... they are all working on the agenda of the OWNER .... which is simply maximizing economic **value** adding of the corporation ..... a complex mix of agendas maybe, but high cost good deeds do not figure in the equation unless there is equally high **value** change associated with the good deeds or lack of good deeds.*

What all this boils down to is quite simple. In order to socially responsible investment to have "teeth" and to become mainstream and push out socially
*irresponsible investment, it must have a "**VALUE**" impact on the OWNER(S) of the corporation. This is starting to happen, but it has a long way to go. And it is not well served by histrionics and the ambulance chasing approach that often emerges as soon as corporate irresponsibility is uncovered.*

This is already too long a post ..... I hope these remarks will resonate with some of the participants in this discussion. There is a lot more to these matters. Maybe another time.

Avoiding scams

Scams are a huge problem. They have all sorts of manifestations.

At the top of the list are scams involving the ORDA community. It can be argued that ORDA organizations are operating a huge scam. They raise money for relief and development, and the need for relief and development goes on and on and on. Now, with the active support of luminaries like Professor Jeffrey Sachs, they now ask for massive increases in fund flows. Is this really to solve the problem, or to fund the scam?

Some time ago I got an e-mail message from someone running a local NGO in Africa. I thought the original message was interesting and I asked for some clarifying information. The reply was very well prepared, and I was very much in the mindset that it should be supported. In fact, however, I had nothing to confirm that this is a valid program that could not have been written easily by a good scam operator. It was because of this that Tr-Ac-Net started to seek out a reliable solution to this problem. Bottom line is that everything that worth funding should be "on the record" and have been validated in some effective way by an independent reliable entity.

2003 Jun 1, 09:51

Dear Peter

Thank you very much for your message.

First you said you are interested to know how I come to learn about you. I have picked your e-mail among many others that pass through my computer. It looks like some body who know you and also know me passed a message to all of us. I have developed interest to chat with all I get their e-mail address on my computer. It is interesting because yours was picked among many I had received this time. This is how friendship begins. in case you visit Africa, we can meet. And also if I visit New York as I do so often we can also meet.

I was also happy to learn through your message that you are pro-peace, pro-SOUTH and also pro-community efforts at the local level because this is what we do.

I am interested on your services to offer an internet based funding system. Our motto has been the best accounting and accountability.

Let me share in brief who we are and what we need to carry on our activities.

Peace building, Healing and Reconciliation Programme (PHARP) started in 1994 after Rwanda genocide, with aim of helping people who were facing trauma, especially women and children. In 1996, PHARP held a regional consultation that recommended the extension of its activities in other war torn countries in Africa. Since then, the programme meets the great need for peace, trauma healing and reconciliation in the Great Lakes Region of Africa and Horn of Africa.

Following the work done in various countries, there are people with increased level of awareness, and knowledge of peace building, healing reconciliation and development efforts to help others. Trust has been built between different groups or ethnic groups, leading to a decrease in the level of violent conflicts.

There has been a willingness of refugees and displaced persons to resettle in their former homes due to the work done in refugee camps and there has been the willingness of their neighbors to welcome them.

Our programmes are: capacity building, Women and Children, youth programme, refugee programme and relief and medical supply.

Our methodology:

In most of the conflicts on our continent, today the greatest need is not to be told what to do. We believe that the greatest contribution we may make is not telling people how to solve a conflict or how to trust or how to be reconciled, but it is a main means to bring about understanding and the determination to change.

In our training we seek to initiate and facilitate dialog that promotes reflexion on the knowledge and experience that participants already have. We seek not so much to give new knowledge as to bring about new understanding which leads to new decisions, actions and relationships.

Our materials strive to accomplish some of the same things only in a more individually focused way. Our children's literature is not just to entertain, but to help child care givers the opportunity to begin a dialog about important issues in a way that a child can understand.

Mediation: Through dialog and encouragement we seek to provide an atmosphere where issues can be discussed and a way forward discovered.

Trauma healing: The feelings, thoughts and body sensations that people have been experiencing are entirely normal. They are natural, human,

reaction to extreme stress. Through therapy you will come to understand how this happens, and you will learn ways of dealing with your up setting thoughts and feelings, and gaining perspective on the trauma and how it has affected you. This will help you to take the heat out your memories and to put the trauma in the past, where it belongs.

Development: There is no peace without development and no development without peace. This is why we should help communities work for self-reliance.

The needed resources to do the above in one year:

- *Training: Conflict management, Trauma healing, Counseling and HIV/AIDS: at least train 100 people a year: 100x$25x 5 days=$12,500 (To train one person we need $25 and this include accommodation and some materials)*
- *Facilitation: $150x4x3= $1,800*
- *Relief and medical supply: $3,000 for about 30 families*
- *Production of materials: $10,000 a year*
- *Community development work: $ 4,000 for about 40 families.*
- *Administration: $ 2,000 a year.*

In case we do the above a year we believe we have done some thing in the community. And if it is done for 5 years we believe there will be a tremendous change and transformation in the community.

In case your organization is willing to pick one of the items above and fund it, please let me know. In case you know some organization to fund the above, please let me know.

I hope the above shed some light on what we do and some of our needs.

I am looking forward to hear from you.

Felicien Nemeyimana
Executive Director,
Peace building, Healing and Reconciliation Programme (PHARP)
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With the Tr-Ac-Net information system, it is possible to find out something more about an organization that just what an e-mail message says. In general, there needs to be information feedback from the local community.

But as we thought this through further, we realized that many projects were being written up with the mindset of the donor community. They were being written up from a donor and funding perspective and had a lot about what they were going to do, and how much value there was going to be ... but next to nothing about what funding had been received in the past and what had been accomplished with these funds.

What we really needed to know was missing.

As things have been in the past, this support opportunity would probably have gone no further. In order to validate this organization and this program it would have been just too much effort and too much hassle.

BOX

Historical Note

Public finance as constraint on development

Public finance has become a major constraint on development. Everyone is aware of the massive "need" for investment in infrastructure. Everyone is aware of the shortage of social services, particularly human resources development. But public sector financial resources are just not available. This is not a new problem. It has been a problem since before independence, but it has become even more difficult in recent years.

The situation around independence

The public finance situation in the 1960s for most of the newly independent developing countries was difficult. The rhetoric about colonial exploitation and the promise of economic wealth with independence had little foundation on economic reality. The former colonial titans, Great Britain and France were financially near bankrupt and the ODA support was rather limited. The financial situation in developing countries was aggravated by the widespread commitment to public sector operation of economic activities, especially those that had previously been the drivers of the economy in the colonial investment model.

Aggravated in the 1970s

By the early 1970s a dialog was evolving that encouraged more ODA support for developing countries. The World Bank stepped up its international assistance.

The project form of organization became the standard for ODA supported projects. Then the oil shock created massive global economic disruption. Developing countries were faced with dramatically increased costs and declining demand for their products. The stage was set for great economic difficulty. The problem was delayed and aggravated in the mid to late 1970s by the major money center banks recycling their massive surplus liquidity arising from "petrodollar" deposits into developing country "sovereign" loans.

Institutions like Chase Manhattan and Citibank were in the forefront of recycling petrodollars. Walter Wriston, as head of Citibank had the philosophy that sovereign loans were good banking because the borrowers needed the money, paid high interest charges and could not go bankrupt. Much of the financing was used for prestige projects with little economic justification, and to a large extent the economies of Africa emerged from the 1970s worse than they had been at the end of the 1960s.

Made worse in the 1980s

Private capital withdrew from developing country sovereign debt lending as soon as it was realized that the loans could not be repaid. In most developing countries the underlying economic performance could never support the debt service. And with reduced liquidity banks needed repayment and not perpetual roll-over. In the 1980s debt crisis had arrived and crisis management dominated development finance thinking for several years to the detriment of sustainable development solutions. Few economists in the early 1980s seemed to understand that the World Bank / IMF solutions, especially development investment and government retrenchment coupled with a major focus on declining export driven production sectors was a formula for socioeconomic disaster.

Even worse in the 1990s

The 1990s saw the end of the cold war that had dominated the international agenda since the end of the Second World War. The peace "dividend" that was anticipated has never materialized, and a more complicated international arena has emerged. Development has been a casualty of the new world order. Development is no longer an important element of the "national interest" of most NORTH countries, especially the United States. In the 1990s the public finance situation in most developing countries has been disastrous. There are a few notable exceptions, but mostly countries have had to face the situation where new funding is hard to get. Debt service, payment of interest and repayment of principal have become a significant part of the government's total expenditure, as well as being a significant part of the balance of payments and use of scarce foreign exchange. Though debt service has grown dramatically from the 1960s to the 1990s, the government revenue base has grown little and

in many cases has even significantly declined. Official Development Assistance (ODA) declined in the 1990s and the least developed countries lost even further ground in global competitiveness. Development assistance no longer has a high priority for most taxpayers and donors reflect the position of their taxpayers. Major development institutions are losing their sources for funding as many governments in the "rich" countries are suffering from their own public finance crises.

Public finance for development

There is little capacity to raise funds for development in less developed countries through the mechanisms of public finance and capital markets. While the available capital markets can raise substantial amounts for rich countries, these same markets are not able to raise funds for least developed country programs. Funds can be raised to flow through the development banks (African Development Bank, World Bank, etc.) but these funds are then subject to the development conditionality of these institutions.

END BOX

International competition

The international economy is market driven and very competitive. Good products manufactured at low cost will achieve market share and poor products at high prices will lose market share. Technology also makes it possible for almost any natural product to be replaced by a synthetic substitute. Almost all primary products have declined in price compared to high added value manufactured products. Least developed countries with a preponderance of primary production have suffered a major deterioration in their international terms of trade. The Asian tigers invested in manufacturing and were able to convert their economies to take advantage of the US and European markets for low cost manufactured items. Only Mauritius among African countries made this transition.

Export driven development

Most countries have followed a strategy of export driven development. This has resulted in expansion of export agricultural crops such as coffee, cocoa, etc. and broadly speaking a global surplus of these crops and declining prices. Meanwhile the agriculture sector has failed to keep up with the local demand for food for an expanding local population.

An alternative to export driven development

There needs to be an alternative to export driven development. The United States is not based on an export driven model for economic development and growth, but is based on "confidence" and the willingness of the world to trust that the United States will eventually make good on its massive overseas debt which grows dramatically every month. Less developed countries need a development model that encourages them to do for themselves everything that they can do, and funds them so that they have the resources to satisfy their needs through their own

Politics not markets determine priorities

Government is one institution that is always "outside" the market economy. This results in priorities being set by political and administrative processes rather than market driven processes. This is the way government should work. But economic priorities and the allocation of resources to business and economic activities should be driven by market forces with the least interference of government. To the extent that business abuses the consumer and the market, it is a legitimate role of government to exert a regulatory influence to achieve a common good.

Currency issues

Currency exchange rates have had an important role in creating and sustaining socioeconomic crisis. Sadly, the World Bank and regional development banks (AfDB, AsDB, IADB, EBRD, etc.) and other major institutions engaged in sovereign lending all require loan repayment in hard currency (US dollars, German DM, French francs, Japanese Yen, etc.). Projects are financed at exchange rates of one time, and repayment must then be made at rates prevailing at an another time. Failed projects in operational terms became dramatically more problematic when combined with deterioration in the currency exchange rates

Multilateral financial institutions

The World Bank and IMF and the ODA community, in broad terms, are effectively constrained by their mandate from being successful in Africa. That is not to say that they do not have a very important role to play, but that role is not to be the leaders in socioeconomic development planning and the establishment of national policies and priorities, but to be an efficient source of financial resources for the public sector.

The IMF is another powerful institution, and its role in Africa has been to use monetary thinking and currency exchange rates as their foundation for policy formulation and macro-economic stabilization. In economic environments where most of the poverty is outside the monetary environment it would have been better for the World Bank and the IMF to have put more emphasis on engineering and production economics rather than exchange rates adjustment policy and currency devaluation. For Africa, a large part of the debt burden arises from local currencies losing value dramatically against hard currencies.

Chapter 15 - Community Productivity

CHAPTER 15

COMMUNITY PRODUCTIVITY

The chapter describes the management dimension of implementation. A good plan helps, but the management of implementation is far more important for success.

Activities ... process

Systems approach

The chapter describes the essentials of the process ... a systems approach:

- *Plan: Use available information and knowledge to determine priority needs and figure out the best way to satisfy these needs based on available people and resources.*
- *Organize: Get the resources lined up to do the work. Organize is not just in terms of human resources, but in terms of all resources including the mobilization of financial and other material resources.*
- *Implement: Do the work. Generate the benefits. Pay the bills. Do the accounting.*
- *Measure: Measure what was used and what was done and what was accomplished. Measure so that excellence can be seen and used to attract more resources.*
- *Feedback: Use the measurements. Figure out how to do better. What went wrong? What went right? Get the information to decision makers that can change performance.*

A systems approach built on top of a community centric mindset can deliver a dynamic process with multiple parallel tracks all progressing to success in the best possible way. It is not one single dumbing down of a process to one average for the whole world that makes no practical sense for anyone. It is process built on engineering and accounting rather than policy and economics. It is a process

that respects individuals and family and community, and tries to make community better, one community at a time, but bringing to bear everything that might be helpful.

About Implementation

Not the usual model

The implementation model that is needed is one where ALL the citizenry can be engaged, see results and GET durable benefits.

> *The American Opportunity Model*
>
> *In most regards, the American economy is the most productive in all of history mainly because it is built on the idea that ordinary people are able to work productively and benefit from their own efforts and the efforts of the whole of the society.*
>
> *The American economy could be better ... but it has more great stories about rags to riches than anywhere else.*
>
> *The quality of life all over the world would be substantially better if the opportunity model for economic development was universal, rather than being limited to just a very small proportion of the world's population.*

The challenge is to find a way to have all the population engaged in a process that delivers socio-economic progress and development. It can be done, but it requires a rather different mindset than is commonplace in the present national and international leadership, and among the experts of the military and the relief and development sector.

Problems with process

> *How the process for development over the past forty years has ended up as development failure. How is it that economic value destruction has become the prevailing development process. How is it that development interventions and investment have removed wealth from developing countries rather than creating wealth in these countries. Why did the "project" form of organization come to dominate ORDA interventions. What is wrong with the conventional ways for implementing relief and development. Why is it that there has been more economic value destruction than value adding? Why is so much of the poor world in catastrophic shortage in a world that has potential for surplus in almost everything? Relief and development has been anti-developmental. How can the process process be made to work for people and be done by people and deliver on sustainable development and improved quality of life.*

How can process must make best use of available resources. How can economic value adding help create development success out of everything that is done.

Enabling Environment

Iraq has potential to be a good business environment

The private sector needs to be the driving force behind success of the Iraq economy and peace. This is probably a widely held belief in the business community in Iraq.

Though the oil industry is big in Iraq, and generates huge fund flows for the country and the government, the climate for business investment is not good because of the government's instability and widespread insecurity.

The legal structure and the rules and regulations could be improved, and the rule of law is subject to a constitution that is a long way from being finalized. Foreign business people want clear and favorable rules and regulations, and want to be sure about the way they are enforced.

And even though the law, policies, rules and regulations may be written to encourage trade and investment, it is also important that the operating systems and processes at the bureaucratic level also function to encourage trade and investment.

Trade and investment promotion for the area should be initiated in neighboring countries as well as in other key centers around the world.

Improve infrastructure and services

Sustained expansion of trade and investment requires that telephone, fax and Internet communications are improved. They need to be efficient and available at internationally acceptable prices.

In addition the transport services need to be efficient both in terms of frequency, reliability and cost. Logistics today has become one of the most important components of competitive advantage.

Institutional constraints

Often good people are beaten by bad systems and bad processes and ineffective organizations. Institutional constraints are normal, but can be resolved with new organizations and competitive pressure. Large scale World Bank, UN and donor initiatives need to be scaled down and replaced with a new organizational structures. Instead of approaching development by reaching down from Washington of London or Paris, start by working up from the community wherever it is. Instead of

putting more and more resources at the disposal of governments, put more in the hands of people, and families and communities.

---------- // ----------

Economic Linkages and Surplus Production

I wrote the following section almost twenty years ago. It was written in South Sudan at a time when I was working with drought and famine and civil war and refugees mainly in Africa, and also working on industrial development in several oil rich countries.

Economic linkages (from 1987)

The importance of economic linkages in the success of economic development has received growing attention during the past several years. The dynamic mechanism of economic development that was the subject of intense study by economists during the Great Depression in the industrialized countries of the world during the 1930's has continuing relevance to the process of development in LDC's .

It became clear in the analysis of economic growth and study of the business cycle that there was a very complex set of linkages between all the different components of the economy. Keynes, among other eminent economists, taught that the level of savings and investment in an economy were critical in determining the rate of economic growth, and indeed, that if the level of savings and investment was inadequate there would be negative growth.

The aggregate level of savings and investment in most LDC's is very low and it is not surprising from a macro-economic perspective that the LDC's have failed to achieve a satisfactory level of self-sustaining economic growth.

However, it is also clear that making broad generalizations about economic behavior and economic linkages is not very helpful, particularly when there are substantial differences in the economic structures of the society.

Some of the features of the dynamic logic of development are fundamental to economic analysis. The economic behavior and the productive performance of the individual is the most important building block for economic analysis. Economic planning which focuses on the individual and programs on this basis has a greater potential for success than any other planning process.

This human approach to development justifies social service investment such as health and education as developmental priorities. Better health is justified not only on humanistic grounds but also because healthy people can be more productive people. Better education is justified because educated students can grow up to be more productive adults.

But healthy educated adults can only realize their economic value if the environment permits them to exploit their potential. Unless there are suitable linkages from health and education into productive economic activities, the economic value of the healthy educated adult cannot be realized.

Productive economic activities are surplus producing activities. In most LDC economies there are many work activities that take a lot of time and effort, but produce output at a very low rate. For many people the aggregate output from their time and effort is less than the basic requirements for survival. With economic activity of this type, the economy has no potential to create surplus and become a wealthier economy. There are lots of examples:

- *Collecting water (walking, headloads)*
- *Collecting firewood (walking, headloads)*
- *Urban commuting to work (many miles on foot)*
- *Going to school (many miles on foot)*
- *Taking goods to market (headload)*
- *Building wells (hand digging)*
- *Tilling the land (manual work)*
- *Cutting grass (manual work)*
- *etc.*

Surplus production (from 1987)

This section was also written almost twenty years ago and reflects my realization that the economics I had learned and experienced most of my life had been in a "surplus" setting. And that most development was being done in a "shortage" setting with rather different economic behaviors..

Economic results are the sum of all the activities in the economy. Even if there are activities which produce surplus, the economy as a whole may not be surplus producing if the unproductive activities of the economy consume the surplus. A subsistence economy has very little surplus to support the "overhead" costs associated with a modern economy, and the productive enterprises of the modern economy have difficulty being

profitable and surplus producing because demand in the economy is too small. The generation of a net surplus, an important precondition for self-sustaining economic growth, cannot take place in countries where subsistence activities make up a large part of the economy.

There is a problem with migration from rural to urban communities. Efforts to create better rural subsistence agriculture is doomed to failure. This has been the thrust of World Bank and government in many countries. The solution is to do something high profit in rural areas and make the rural community more attractive economically.

If the dynamic mechanism of development is clearly understood, it is possible to plan developmental investment in a way that helps to increase the surplus generating capabilities of the people, and reduce the overhead costs in the economy associated with making this surplus generation possible. Investments that make a direct contribution to the ability of people to be surplus producing are very important.

One of the reasons why UNHCR emergency funding for refugee emergencies can have an important positive impact on an economy is that the focus of the spending is directly on people, and the specific needs of the people to survive. Because the objective is clearly defined and the immediate needs are easy to identify, UNHCR is able to focus its efforts on satisfying the needs in the most economic and efficient way.

The results of UNHCR's efforts vary widely from place to place, mainly a result of the underlying economic realities of the place. If there are viable economic opportunities, UNHCR can help refugees take advantage of the opportunities in a realistic and timely manner. In due course, the economic condition of the refugees improves and the cost of UNHCR support is reduced. If the economic situation is technically impossible, no amount of UNHCR assistance will enable the refugee economy to become viable. Agriculture depends on fertile land, sunshine and rain, and if these are not present, agriculture cannot be viable.

In some situations, the buying power of UNHCR's refugee related programmes can be used as an important stimulant to economic activity in the region as a whole. An influx of refugees creates an important demand for, for example, building materials, when shelter is being constructed. If UNHCR purchases these building materials for use by the refugees, the local community can generate cash income, which in turn can be used to stimulate demand for other products and services in the rural economy.

The basic issues have not changed. The basic mechanisms for success in development have not changed. But sadly the failure of development is also continuing. The organizational issues that constrain development are still the same, maybe worse.

The way forward starts with the basic position that socioeconomic progress in Africa is a failure. This is not a question of an 80% grade versus a 90% grade. It is bad failure with all that that means.

> *This is because the importance of the process of implementing change has not been well understood or adequately addressed.*

Development is about people.

In fact everything is about people, but other things get in the way.

People, as part of their nature tend to get "organized" in some form or another. The family is the most primary of nature's organization of people. It works and has been the center of human society for all of history.

And people organize a lot of other ways. There are organizations to transact business, there are organizations related to religion and there are organizations related to community. Organizations can be very formal, or work in an ad-hoc fashion. The organization can be highly structured or just some sort of network or be essentially a virtual entity. But organization is a part of the way people function.

For development to be successful it has to be for the people. And it is likely to be supported if development is also by the people.

Process

The process that works for relief and development where there are huge opportunities and limited resources is one where there is: (1) getting facts; (2) planning; (3) mobilizing resource; (4) activities; (5) measurement; (6) feedback; and, (7) improved activities.

None of this can be done efficiently unless there is a management function ... and management information for decision making.

Implementation is not ... or should not be ... limited or constrained by the implementation structure, but is constrained by resources and by people, their knowledge, their initiative and their culture.

Structure

Structure can be anything

There is no need to have structure ... at any rate not a formal structure. What is needed is anything that can function to take resources and use them so that the results are of value to the community. The activities are valuable and value creating when the resources used have less value than the results being achieved.

Structure can be informal. Formal organizations are not a requirement ... what is needed is getting results and getting socio-economic value created. All sorts of organizations can provide the structure, including private organizations, faith based organizations and not-for-profit organizations.

Informal initiative and formal entities

The structure for implementation needs to take into consideration the enormous value of informal initiatives and not focus only on formal entities. The structure should make it possible for good informal activities to expand and replicate, and not be a constraint on their success. Formal entities should be assisted, but only to the extent that they are doing things of value.

Projects

Projects are widely used to implement relief and development activities ... and there is no reason why the project framework should not be used to handle the administration of resources including the approval, control and disbursement of funds. But a project should not be used to "push" activities into the community, but to help the community get activities it wants and needs into the community. The project should get its priorities by listening to the community and learning from the community about the priorities and what would really be helpful in the community.

Oversight ... accountability to the public

There needs to be a well recognized structure, process or system to ensure that there is oversight and accountability to the public. Many different groups should be doing oversight including (1) the community itself; (2) the central governing authorities; (3) the funding organizations; and, (4) representatives of the public. Oversight should not be onerous and should not "get in the way" of success, but it should be clear that oversight that turns up unsatisfactory performance will attract consequences.

Oversight helps to make activities more effective ... people do better work when there is someone paying attention. And oversight helps to get feedback about

help and improvement needed. Oversight also helps to get the information that is needed so that the public can be informed.

Reaching the community

The community is the primary place for implementation. There are all sorts of community organizations that make a community what it is. All of these organizations should be assisted in appropriate ways to improve the socio-economic condition of the community. Within a community there are some organizations that benefit because, for example, something is built, and other organizations that benefit because they are doing the building. The catalyst for both of these benefits is money that is being deployed to facilitate the development process.

A typical example of this might be a hospital that is being upgraded in some way, and a local contractor that is being paid to do the work.

Getting the Facts

Getting the facts ... getting reliable facts

Facts ought to be easy to access, but in general there is very little baseline fact that can be used without considerable effort. Effort is needed to compile data so that that can be used for analysis and planning ... and care has to be taken that the data are not compromised because of misinformation and spin.

Some facts ... not all the facts

Some facts are needed in order to start anything, but all the facts are not needed.

At the outset, enough facts are needed so that a strong strategic plan can be formulated ... something being done in part in the writing of this book. There are some facts known that have enabled this book to be written, and perhaps serve as part of a strategic blueprint.

More information would enable a strategic plan to be improved ... and corrected where it has major flaws. But the value of more information is to start to get action plans formulated where activities can be implemented that will deliver value to people and communities around the country.

More information about more things

Information has costs, and more information should be about more things rather than being merely more information about something where there is already adequate information.

I consider I have enough information to write this book at this level of strategic abstraction ... but I do not have enough information to do a good plan for any community in Iraq ... or any specific organization in Iraq. Getting this

information in a systematic manner is something that will facilitate success ... trying to operate with inadequate information makes socio-economic progress much more difficult.

Planning a Strategy

Planning with a lighter touch

Planning is needed, but it needs to be something that facilitates and improves rather than being a part of a process that ends up being simply authoritarian.

Planning needs to have a strategic component so that the overall concept for progress is articulated. Arguably this should be done at a national level, but it should be done with a light touch, and not have a strong hierarchical element. Rather it should serve more to guide than anything else, and be a framework to help move things in a progressive direction.

More than anything else ... the American way

The purpose of planning at a strategic level is simply to get implementation on the right track ... and to get something moving that might be successful.

> *The American Way*
>
> *Soon after I first crossed the Atlantic from the UK to the USA in the 1960s I realized that Americans optimized their business and economic activities far more rapidly than was the norm in Europe. The Americans did the least amount of planning before they built something and made money with it. Of course, in the 1960s Europe had embraced planning almost as much as the Soviets, and was moving rapidly towards economic stagnation and inflation (stagflation) and was losing wealth rapidly.*
>
> *But for me the lesson was clear. It was doing something that mattered ... you plan simply so that you can do something, and do it now. If it works the plan was good, and you do more of it. If not ... fix it and try again. For decades this strategy worked very well for Americans and gave the Americans a dominant position in a lot of industries.*
>
> *Eventually some other countries understood, and for some years now others are now doing this better than the Americans.*

In the context of Iraq, the aim of the exercise is to get people in Iraq to do things that are going to be of value to them as individuals, as families and as communities. The goal is to help this to happen as quickly as possible and with the minimum of death and disruption.

Planning ... how this is to be done

The planning that is needed more than anything else is actually how to enable others to do it all ... without too many false starts and failures.

How does one structure something so that the structure does not get in the way but simply facilitates someone making a success?

And at the same time, how does one use money as a catalyst, as a major resource, and concurrently maintain a high level of accountability?

None of these questions are easy to answer, but in practice they have been answered many times over by successful corporate executives over the years. High performance corporations have figured out how to get people throughout the organization to make good decisions with rather little interference from the top, and they have a system of management information so that when things are going well, the top has no need to interfere and get in the way.

This is not a result of democratic process ... but it is how management has evolved so as to use economic resources efficiently. More management information flows in this management environment in one day than flows in a typical government setup in years. Something like this needs to guide the use of resources in the context of rebuilding Iraq and moving Iraq forward to a prosperous and peaceful future.

Planning Activities

Distributed planning

The aim is to have socio-economic development initiatives that are the main priorities of each community. Part of planning process at the community level is to encourage leaders of the community to articulate what they would like if there were no constraints. This can be pulled together into some form of community master plan. It does not have to be perfect, but it should give a strong sense of the direction the community wants to go.

After local authorities and traditional leaders have determined priorities, rapid plans need to be made about how this can be done and what resources are needed. This should be done as fast as possible, but no faster than a pace that suits the community. Getting local community consensus about development investment priority might well have a bigger impact on peace and security than any number of tanks and soldiers with guns.

How is something going to be done should be answered locally, and constraints identified. It is easy if everything is available except money, but usually there will be any number of other constraints that need to be addressed. Mainly these

constraints need to be solved at the local level with local people ... and as needed with interaction with people in the Iraq system of governance and control.

The process is important as well as the outcome ...

And the plans must ensure that there is an adequate level of transparency and accountability so that the results of the socio-economic development interventions are on the record and accessible to the public stakeholders.

Mobilizing Resources

Getting funds for priority activities

In most circumstances, getting funds for priority activities is not at all easy. All the donors have their own processes for project planning, appraisal, approval, implementation, reporting and evaluation. From the beneficiary country's perspective each donor has a very different procedure. A single beneficiary country has to follow the procedures of each and every one of the donors in order to get assistance, and the result is very unsatisfactory.

> *My Experience as Acting Aid Coordinator*
>
> *I was called in to help with aid coordination in Namibia soon after its Independence. A UN pledging conference attracted more than $700 million in pledges, but converting pledges into useful development assistance was a big challenge. Every single donor had a unique set of procedures ... and priorities ... and understanding of what they had pledged. The process was totally determined by the donors and totally ignored all of the beneficiary country's priorities, planning and its financial control processes.*
>
> *To add insult to injury, the issues of currency and language had to be taken into consideration ... and when it came time to report on project performance ... each country had its own way of requiring the reports.*
>
> *Looked at from the point of view of the beneficiary country ... a chaotic mess.*

In addition to the problem or procedure there are people problems. Most funding is controlled in ways that rarely have much to do with using the funds in the best possible way for the public and society at large, but more to do with a narrow agenda that gives benefit to decision makers and their cronies.

The public knows a lot about where they would like resources to go, but the process of getting available resources in the right place is much more based on politics and power than equity and performance. While there are a lot of fund flows that ought to be going to the best possible activities for socio-economic

progress, virtually nobody knows what these might be ... a lack good of information and a preponderance of misinformation, some of it approaching the level of fraud.

The unusual situation in Iraq

Far more than usual there is the opportunity now to get available resources in the right place in Iraq. At high levels, resources are available ... the challenge is simply to make it possible for these resources to get to places where the resources can be used in a valuable manner.

One has to expect a lot of powerful organizations to try to maintain a dysfunctional status quo so that the "leaks" in the fund flows can be exploited to their advantage ... that is, business as usual. This is not what should be allowed to happen.

Structure for Managing

Management structure

Management cannot happen in a vacuum and it needs people. Management is a key component of success ... it helps turn resources and energy, that is people energy, into valuable results.

> *My View of Management*
>
> *I think of management like being the driver of a fast car ... perhaps a Ferrari. All the performance is built into the car, but it still needs the driver to get that power and performance going in the right direction and doing it safely.*

The activities that deliver socio-economic progress do not happen in a vacuum either ... they deliver in a community. The role of management is to help, through oversight to ensure that everything stays on track and through accounting to ensure that resources are used in appropriate ways.

Caveat

Management is not merely getting studies made and having meetings and workshops. Management is an integral component of the implementation process that helps get implementation to be cost effective and valuable.

Local experts and consultants

Local experts and consultants are the best people to be involved in the management functions. The cost of international experts and consultants is not

at all justified unless there are very difficult situations that need experience over and beyond what is available locally.

Information should be easy and drive decisions

Getting information ought to be easy, but it is not. The management information needed is just not easily accessible, even if it exists at all. There needs to be an information structure so that information is easily accessible. There are many problems that need to be addressed, including: (1) the academic practice of being secretive about the data; (2) the basic lack of relevant data collection, especially simple, basic accounting information; (3) the practice of doing very small samples and using statistical method for analysis; (4) the lack of any systemic framework for logical storage of data in the public domain and easy access to this information.

Nothing here is new

There is nothing being suggested here that is new. The need for better management of the relief and development process has been on the agenda for a long time. What might be new is that in this strategy there is an integrated process from the bottom of the pyramid to the top ... comprising activities that are value producing in the community with a management structure and information that helps ensure resources are used to the best effect, and be supplemented with additional resources as needed.

Mobilizing Data ... Getting Started

Getting data should be easy

Getting data should be easy, but it usually is not. Most of the data that are compiled are not easily accessible, and to the extent that they are accessible are not in a form that is easy to use and suited to rapid management analysis.

Data for management information

The best data for management information are easy, quick and cheap ... and of course relevant to the activities. If the data are not easy to obtain, they are unlikely to be quick and cheap. Data that are not quick are often of little value when they become available. And if data are too costly, then the advantage of the data is diminished. But when there are data that are easy, quick, cheap and relevant ... management can function, and performance can be optimized.

> *Getting the Easy Data*
>
> *My work in the international relief and development sector has always been driven by data, and I have always been working with very limited time. The way I was able to operate more effectively than many was by*

> *making the most possible use of what I referred to as "easy data". Rather than me developing an optimum dataset to be requested from respondents, I collected such data that were already available in the area of interest.*
>
> *Frequently there was no data available in the format of the optimum dataset, but there were huge amounts of data in some other format ... sometimes already containing a lot of additional data that would be of additional interest, though not directly needed for the initial data analysis.*
>
> *Working with a focus on the "easy data" cut data collection time down significantly and improved respondent willingness to be involved at the same time. Win ... win.*

Organizing the data

Organizing the data and cleaning the data are always required, and not easy to do unless people have some understanding of the analysis that is to be done. The use of simple software like a spreadsheet or a simple database table can be of enormous value ... but it requires an understanding of the data and an understanding of how the software can handle the data in a logical manner. With data understanding a lot of data can be organized and cleaned rapidly, and then it can be used for analysis.

Validating the data

Using invalid data is going to make any analysis useless. Data that are not validated in an appropriate way should be avoided ... but the validation used throughout the relief and development arena is almost universally very weak.

If data that are used one time are validated well, it is very costly ... but data that are used many times can be validated and the cost spread over many uses. In addition multiple use of data results in bad data starting to surface as sources of inexplicable results. These data can then be corrected ... or the system that produced the bad data can be corrected.

Use of data tends to result in improved data ... and multiple use of data gives ongoing improvement of data until the data are very reliable.

Unwillingness to share data

Unwillingness to share data is very common ... in fact just about universal. The good news is that there is enough information already in the public domain that a lot of analysis can be done that suggests a result ... without being able to show the results are conclusively reliable. The analysis can be shown to be without foundation IF A FULL dataset is used for the analysis ... but without the full

dataset the results are the best available. Now the onus is on the organization that possesses the data to make a determination about whether to be cooperative or not.

Analysis does not have to be all logic ... some of it can reasonably be common sense. Common sense is still a good way of "connecting the dots".

Planning ... As a Management Function

Not Gosplan ... something different

Planning in the context of a community focus on development and socio-economic progress is not as much about planning, but setting the stage so that the appropriate planning is done.

This is an interesting challenge since leadership in a lot of communities does not have academic training in planning ... though they may well have a lot of knowledge and local respect.

Above all else, the aim is to have positive socio-economic progress with the least of collateral tension.

Planning with a community focus

Planning at the community level can be very effective. The phrase "the devil is in the detail" is the truth, and planning that is done without a good understanding of the implementing location has a lot of the critical detail missing.

A community focus results in a very different dynamic for development than what has prevailed in the past. When planning is community centric, the priorities are much more likely to be of socio-economic value to the community. Plans that originate in the community have the possibility of "ownership" by the community, and there is a strong correlation between what is priority and what is done. Plans with community focus can be simple and understandable, and at the same time can be totally suitable for the community. Small is efficient and allows for the optimization of plans within a community without the compromise inherent in super-scale projects intended to satisfy everyone, and ending up satisfying no-one.

Components of planning

The components of planning are the same wherever they are used: (1) Get facts; (2) Analyze and optimize; (3) Organize; (4) Implement; (5) Measure; (6) Feedback; and, (7) Analyze and adjust.

But in the context of distributed responsibility for the performance of the economy and socio-economic progress, then the role of management is more to ensure that appropriate planning is being done than actually doing it.

Coordination, optimization, assistance

Coordination may be a good way to think of the management role with respect to distributed planning. In other cases it might be optimization that needs to be improved ... in my experience people in remote communities know what they want to do, but wider experience would suggest that there are actually much better ways to do things. Maybe some assistance would be helpful in order to achieve some reasonable progress in the community.

Maybe the assistance, more than anything else is helping to get the funding and the resources needed in a timely way.

Accounts ... Accounting

Good accounts ... strong accounting

Basic good accounts based on old fashioned bookkeeping can make a huge difference to the way in which fund flows are accounted for, and the ability of society to have an improved level of accountability.

Accounts ... old fashioned bookkeeping ... is not a highly intellectual activity. Rather it is basic and boring, and puts absolutely every financial transaction on the record, and in a way that is logical and easy to understand. The basic system of double entry bookkeeping helps to make accounts 100% accurate. When the books are balanced and all the transactions are recorded, the accuracy of the accounting is likely to be good. When this is coupled with other fairly simple controls and reconciliations, then the accuracy can be even better than just good ... very good.

Accounting for implementation activities

Accounting is part of implementation. It should be an integral part of the implementation process, and not an add-on or after-thought. Accounting is the most basic management tool and one of the most powerful. All the implementation activities are expected to keep a record of expenditures and progress and implement quality bookkeeping procedures. They are expected to provide clear, complete and timely financial reports in an appropriate format.

Control of money

One of the primary jobs that accounting should be doing is to keep control of the money. All the money that is received should be put on the record and included in the accounts. All the money that is disbursed should be put on the record and included in the accounts. The difference between what is received and what is paid out is the increment or decrement in the cash balance ... and the cash balance can be counted and verified at any point in time. No money transaction should be missing from the accounts ... NONE.

Control of inventory

A similar mindset is needed for inventory. Inventory can be stolen and sold for money, and the money can be used for whatever. Good control of inventory is required to stop this behavior. Inventory accounting requires a lot of discipline, but is a critical part of any system of resource control, and is missing in many large governmental systems.

Inventory accounting has the same basic "in-out-balance" logic that is everywhere in accounting. And the balance can be checked by a physical count at any time.

All receipts of items should be recorded (ins) ... all use or shipment of items should be recorded (outs) ... and the balance calculated. This is a lot of detail work because it has to be done for each inventory item, and there may be many thousands of them. This used to be done successfully in big companies in the days when all accounting was done manually in pen and ink on paper in the "books of account" ... and there is no reason that it cannot be done today either manually or using computer electronic data processing (EDP).

There is also no reason why computerized accounts should not be very accurate ... with errors and sloppiness not tolerated.

Control of all the other assets ... and liabilities

Accounting provides ways to put on the record all the assets of an organization, and to account for them in the reports, and to provide ways to keep track of assets over time. This is very easy to do using the tools of accountancy, but sadly is not done very well most of the time by public entities and government accountants, in part because the government accountants are trained in government accounting that is a cash based system, rather than an accrual system.

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.

Internal control ... internal check

Good accounting always has an adequate amount of internal control and internal check. I think of the former as a systemic way of making sure that the data are being handled correctly, and the latter as a specific check to see that a statistically significant number of random checks shows that the transactions are being handled correctly. There is room for slight difference in the way these definitions are phrased ... but there is no room for having accounting information that is anything but absolutely correct.

Budget ... Budgeting

Good management tool

The budget is a powerful management tool when it is used by good people with operational understanding.

In its essence, a budget is a financial representation of an operational reality. It is used to show how much something is going to cost, and the way the money is going to be spent. In a corporate budget, a link is made between costs and revenues so that profit performance, cash flow and a balance sheet can be projected. In a government budget the amount of money to be spent is usually linked rather weakly with the activities that are expected and the value of results anticipated.

In my version of good budgeting there is a projection of costs, a projection of activities and how each of these will cost, and information about the results to be achieved and what value these have. These are the data needed for good decision making, and for holding people responsible for decisions and implementation performance.

Authority to spend

Much too often a budget is considered nothing more than a license to spend. This has its origins in the government concept that the budget law and budget resolutions are the authority for government departments to disburse government funds ... something that is very important, but it does not, in my view, give the departments license to waste money.

Budget more of a benchmark

In most cases where there is no statutory requirement for the budget process, I see the budget as a management tool, where it is a financial representation of what is expected and a framework for the limit for expenditure. The budget then

serves as a benchmark against which performance can be measured. I look to see performance that is better than in the budget, in other words, I look for more output from the expenditure of the funds than was anticipated in the budget planning exercise.

Measurement of Performance

Basics

Performance can be measured in many ways. In anything involving economic activities money is usually part of the performance metric.

Cost, price and value is one key set of data. With this information is easy to identify whether or not something is value adding and worth doing or not.

Performance should be measured "relative to what?". Some of the possibilities are: (1) compared to a prior period or previous performance; (2) compared to a different place or a different organization; (3) compared to the best ever; (4) compared to the plan or to the budget; and so on. Comparison gives perspective to the measurement.

Some measurements are useful without any reference to a money unit. Fuel consumption can be measured in miles per gallon, and this gives a better measure of engine performance than when the measure is converted to cents per miles which will vary whenever the price of fuel changes.

The idea of profit in a corporate business organization is common. Its equivalent in the not for profit organization should be value adding associated with any activity and the organization as a whole, but this is rarely computed. Most not for profit accounting systems are not set up with this sort of analysis in mind.

Early rapid measurement of progress

Early and rapid measurement of progress results in early rectification of problems. Problems fall into different classes, those resulting from bad plans, those that reflect a need for some technical support intervention, and those that reflect bad implementation performance and bad implementation management. Early measurement of progress permits intervention in a timely manner to eliminate problems that have been identified.

Benchmarks

Benchmarks can be used as part of the management process to measure progress towards visions that have been identified. The goals of a plan can be expressed in terms of socio-economic benchmarks that can be measured in some way. The corporate world uses a variety of benchmarks to control performance and get

improved results. Again, the benchmark process does not substitute for hard decisions and the reality of costs and values.

Monitoring and Evaluation

Beyond traditional monitoring and evaluation

The traditional process of monitoring and evaluation is very labor intensive and expensive. Rather than having a good management system with information that covers 100% of all activities, traditional monitoring and evaluation is a process that usually only covers a very small proportion of all the activities, in many situations under 5% of the fund flows, and is done usually at the end of activities.

Rather, there should be management information that covers 100% of all activities, and based on desk review of this material, a sample of these activities will be the subject of further analysis and assessment. This might be considered to be monitoring and evaluation, but it is fundamentally different since it is triggered by a mechanism that is designed by management to get the most cost effective incremental value into the oversight function.

Oversight

A critical way of maintaining performance

Oversight is an essential part of the management structure. When oversight is missing, anything goes. With oversight, the organization is motivated to maintain an acceptable level of performance.

Oversight need not be expensive in order to be effective. People in the organization need to be paying attention and seeing enough so that if something is going wrong, then there can be action to fix the problem.

> *Enough Rope*
>
> *When I have been designing organizational structures the idea of oversight has always been a part of the structure. The goal has been to do oversight in a way that enables people who know what they are doing to do what they have to do in the best possible way, and at the same time to have enough control so that in the event that something bad happens, the unit does not hang itself and drag down the rest of the organization as well.*
>
> *Enough rope to give reasonable freedom, but not enough to hang yourself.*

Oversight does not need to be formal, but it does need to exist. It is part of the feedback that any system needs in order to be stable and efficient.

In part, it is possible to exercise oversight through the management information system and the reports that are flowing through the structure ... but reports that are never checked are worthless, so some physical oversight is a needed supplement to just desk review.

Good oversight is also timely ... and it can also be really valuable.

> *The Horse Has Gone*
>
> *There is no point in doing oversight and reporting back that the horse has gone ... it is better to do the work in time so that the feedback is to fix the barn before the horse gets out.*
>
> *A stitch in time saves nine.*

Transparency

The prevalence of secrecy

There are some things that should, arguably, be private and be secret. But most of the things that have an impact on society should be open and be available to an interested public.

When there is secrecy, the natural oversight that the public provides is missing. This should not be a problem, but, in fact, it usually is. When there is no chance that others will see "behavior", it is a fact of the human condition that anything goes. Greed and self-gratification are powerful drivers of decision making ... and possible without limit when there is secrecy.

Transparency ... accounting to society

In much of global society, a culture of secrecy that has emerged allows a lot of economic and political power to become highly concentrated without being very much accountable to anyone. This is absolutely wrong, especially when economic power has an impact on the public. There should be enough openness or transparency to ensure that the abuse of the public by the activities of the powerful is kept in check.

I argue that when any individual or organization is rich enough or powerful enough to have an impact on society as a whole, then it should be obligatory for that person or organization to do accounting to the society. I argue that where an organization is using public funds, then there should be accounting to society as well as to the source of funds and the intended beneficiaries.

The privacy of accounting

In the United States, a CPA is a Certified Public Accountant, but the accounting and audit that is done by CPAs is essentially the private accounting and audit within an organization rather than something for the "public". The accounting in the corporate world is to inform the owners, the primary stakeholder is the stockholder. In the relief and development arena the accounting is primarily fund accounting that does little more than keep track of the way the funds are accounted for inside the organization, and do next to nothing to inform the public about anything, and especially about performance and the efficient use of resources.

Accountability

Accountability to whom?

Accountability is normal in any well running organization. It is an imperative for good performance.

The concept of accountability is very basic. If the results are not good ... then the reason should be understood, and the organizations and individuals concerned should be held to account. What this also means is that there should be consequences.

If there is failure to achieve something of value, and the reason for failure is reasonable, that is OK ... once, maybe twice. But after that failure is incompetence or worse and changes should be made.

Internal accountability

Most organizations have internal accountability. It may not be very rigorous, but in general there is measurement, there is feedback and analysis, and there are consequences.

External accountability

In the for profit corporate world there is external accountability to the stockholders, or the owners, but rather little accountability to the public at large and to society. Whether or not there is any public good from corporate profit is of little consequence, unless there are legal issues that arise.

In most cases the law is not strong in respect of the public good ... probably wisely, but it still leaves an important open question about the accountability of an organization with respect to public good. One way forward is for an organization to be sufficiently transparent and reporting in a complete manner so that judgments can be made by the public about the performance of the organization with respect to public good. This is an accelerating trend for major corporations, though the value of this is still not proven, in part because there is

only relatively small interest in getting analysis done that serves the needs of the public for this information.

In the case of organizations and activities that use public funds, there is a legitimate need for the public to be able to understand the performance of the organization with respect to the use of these resources. This ought to be a requirement that goes far beyond the periodic and rather infrequent inquiry of an Inspector General's department in the government or legislative oversight and committee hearings.

Human Resources

People are central to everything

People make the difference between things that work and things that don't. People need a reasonable organizational and societal framework, and can achieve all sorts of amazing things if they want to.

Management is, in part, making sure that everyone has the right incentives and therefore wants to do things of value. Sadly, a lot of the biggest incentives are fundamentally wrong, and a great temptation for anyone ... this is the root cause of corruption. The incentive and the reward are huge, and in our modern global system, it is rather rare for the rich and powerful to be held to account.

People can be of tremendous value in getting peace to win out over violence. I know of no good people who would prefer a violent solution when a peaceful solution is possible. But I fully understand good people being violent when there is little or no hope for a reasonable solution to a problem and the rich and powerful refuse to pay any attention.

I am also aware of how many good ordinary people are prepared to take risks and put themselves in harms way because it will do some good, and some people will be helped. Many of the UN staff are like this, and many of the staff of the NGOs that are working in different parts of the world.

People need opportunity ... and people need to be able to satisfy the needs of their families. Good work, and being able to pay the family bills needs to be combined, because there is a need in a lot of places for good work to be done, and for bad works to be ended.

Audit

Overview

There are many variants of audit. Audit is very valuable when used in the right place and for the right reason. There are, inter alia: (1) internal audits; (2) external audits; and, (3) audit investigations.

An audit is absolutely no substitute for good accounting and any of the other components of a management system. Too often, non-financial executives seem to think that by having an audit on top of bad accounting, that an accounting problem will be solved and an issue will go away. It rarely happens that way. An audit, more than anything else is to confirm that reports generated from an accounting system reflect the accounts, and that the accounts have been completed correctly. An audit corrects nothing.

If there is an accounting problem, there needs to be some analysis of the problem and solutions applied in the accounting area. This is accounting, and it might also be systems work ... but it is not audit work.

Internal audit

Internal audit helps internally to ensure that the accounting system is working right. An internal audit can result in the external audit being a lot less costly, as well as having value in the organization in its own right.

Independent certification

An audit that provides an independent certification has important value in the corporate world. Not only is the independent professional audit certification required by law, but it confers reliability on the financial reports and makes analysis of these reports credible as well. This has big implications in the capital markets.

There is no equivalent analysis function in the not-for-profit area, though some small steps have been made. There are some organizations that do analysis using the financial reporting required by the Internal Revenue Service (IRS) in the USA but this is very limited in scope and quite inadequate to get an understanding of the underlying performance of the organization and the organization's activities.

Process

> *It is process that makes progress possible. It is process that takes assesses needs and opportunities, mobilizes resources, allocates them to value adding development activities, uses them effectively and provides an accounting and feedback of performance. The elements all fit together as a coherent whole, and build on the success in economic and social progress that countries in the NORTH now take for granted.*

The reform of process is nothing earth shattering. Everything that needs to be done has already been done, though not with the same goals

The process is a simple five step process:

- Plan

- Organize
- Implement
- Measure
- Feedback

This is a very different process from the process in general use at the present time. Even though the steps may have the same label, the work being done at each step is different. In this process, maybe as much as 90% of the effort and the resources are at the "implement" stage with just 10% of the effort and the resources for planning, organizing, measuring and feedback.

Plan

I get the impression that there have been several generations of students of development who have been taught that it is better to plan than not to plan. Planning is not easy, and planning is not useful unless it is done well. And planning is a complete waste of resources when there is no follow up and no implementation. Planning without implementation is a fraud in development, and far too prevalent.

But good planning, that is based on practical feedback is valuable. Planning to improve performance is worth while Planning to avoid problems is valuable. There is a big role for planning, but only within a complete process.

Planning is needed so that good priorities can be identified and steps taken so that resources are accessible

And planning is needed so that all projects have an economic value adding characteristic. This is absolutely vital for success in development. Economic value adding is not a complex idea. All it means is that the value realized is higher than the efforts and the resources that were used.

> *In this context it is useful to understand the difference between cost and price and value. Cost is the effort and the resources used to make the product or provide the service. Price is the amount paid to transfer the product or service from the provider to the client. And value is the amount the client considers the value to be. An economy works when value is higher than price and price is higher than cost.*

Planning should also focus on finding ways for an economy to be "surplus producing". What this means is that the economy is productive enough so that the effort and the resources used generate enough production so that after what is needed for current use still leaves a surplus for the future or for current trade.

Organize

Planning is analytical and to some extent academic. Organizing takes an intellectual exercise and converts it into people and resources and structure. When plans have been subject to organization they are ready to implement.

Implement

This is the key. Almost all the resources should be used in implementation. As a goal, about 90% of all effort and resources should be used in the implementation phase. 90% may well be more than twice or even three times more than is the norm in modern development projects.

Good implementation usually has its own inbuilt process to manage performance.

> *I learned about this initially in control engineering. I worked on "automatic gage control" for high speed hot strip mills. The aim was a uniform thickness of steel coming out of the mill. Yet all the input parameters were continuously changing, and the mill had to be adjusted on the fly very quickly to produce the uniform output. To do this. there was an almost instantaneous feedback of gage error so that production parameters could be changed.*

So later, when I learned something about management accounting and started to work in the corporate world, the idea that there would be feedback once a month was not an earth shattering idea. I thought it was OK for oversight, but I never thought it was good enough for operational performance.

Clearly in "development" the management issues and the processes to manage performance leave a lot to be desired.

Measure

Measurement can be anything that is useful. I am an accountant and I like to express measurement information in terms of financial numbers. But in almost all the work I have done in corporate management there was always key operating information that was relevant to the activities going on. The best measurements are usually developed when financial numbers are combined with key operating numbers. Usually high performance is when big results are associated with low costs. It is usually not rocket science to do the accounting and the operating measurements.

Feedback

Feedback is the first stage of planning. The purpose of feedback is to improve planning, and improve performance. Analysis is a waste of time unless there is a mechanism that allows the results of the analysis to get used in a useful way.

Measurement, feedback, planning and organization are all support elements to efficient implementation performance. Measurement has no value unless there is some way to use it to improve planning and organizing to affect performance.

> *Early in my career I worked for H. A. Simons, the Canadian consulting engineers. I recall doing some cost analysis work on a big Brown and Root construction project in Texas. It was early on in the project. Only about 2% of the money had been spent. But my work showed that only about 1% of the work had been done. The planning had been done well. We were well organized, and our team was good at its job. But my work showed that our contractors were overspending by around 100%. Not a bad strategy in a cost plus contract if you can get away with it. My boss showed my analysis to his counterpart at the contractors at a Friday weekly review meeting. On Monday, the labor force was just 50% of what it had been the week before. When the job was completed, it was within 2% of the original budget.*

This little example shows the power of feedback, and the importance of feedback design. Feedback needs to be early enough to take effective corrective action. Feedback needs to get to people who make decisions.

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More resources are needed to make development successful, but more important is that resources should be used to best effect. This is why information is critical and needs to be an integral part of success in development.

> *My background as a student engineer who had to study engineering thermodynamics has been very helpful in understanding process. I also did work early in my career on engineering control theory. I have never been able to understand how people expect any process to function successfully without measurement and feedback.*

With information and management it is possible for development resources to be mobilized and deployed in new ways. Banking and financial institutions MUST be risk averse and without information there can be no financial mobilization from commercial sources, except essentially on terms that preclude success in development. On the other hand, with information all the financial resources of the world become available for good development initiatives.

Banks, financial institutions and capital markets lend to the World Bank (WB) and to other Regional Development Banks (RDBs) who on-lend into development. And these institutions also lend into “sovereign” entities. But this lending is only “good” because it transfers risk from the lender to the borrower.

In terms of development performance, the WB and the RDBs may or may not on-lend to “good” development, but from the original lender's perspective it does not matter. After decades of using this resource flow paradigm, the global debt crisis is out of hand. It is a systemic problem. But it can be changed with better information.

With information, the financial resources of the NORTH can be mobilized for the benefit of all. Better returns for the NORTH investor and better quality of life for the communities of the SOUTH. A lot is possible. With information, a whole range of investment vehicles can be developed to suit the investors, to suit the SOUTH and the build sustainable socio-economic progress. With information international investment in the SOUTH and risk free return can be substantially higher than this investment can earn with the limited opportunities in the well developed NORTH.

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This is because the importance of the process of implementing change has not been well understood or adequately addressed.

Economic value adding

The SOUTH will succeed when its resources are committed to economic value adding activities.

In the corporate world economic value adding results in a more valuable company. Corporate stakeholders want the company to operate to increase economic value within the corporate entity. Value adding is something more than profit, but profit is a big part of value adding in the corporate setting.

In development, economic value adding has some of the same elements.

The concept of economic value adding is not new. Some of the technical jargon may be a little different today than in the past, but there is essentially the same dynamic. Economic value adding is a simple way to express development progress. Just as profit is a basic concept in the corporate world that reflects corporate performance

> *Sir Henry Benson (later Lord Benson), the Senior Partner at Coopers and Lybrand in London was asked in a British Court of Law to define profit. His short and brilliant reply was “My Lord, the profit is the difference between two balance sheets”*

This is a beautifully elegant definition that seems sadly out of place in the modern accounting world where profit really does not have very much meaning any more because balance sheets no longer have much meaning. But the concept is absolutely right.

> *Value adding takes place when Sony takes $7 of corporate costs (labor, material and overhead) to make a product that sells for $25 at wholesale ($50 retail) and the end consumer or user thinks that they have $100 of value. This is what happened at the start of the Walkman craze several years ago.*

And in development "economic value adding" takes place where one set of resources get converted into resources of a higher value. And "economic value destruction" takes place when the value of the output is lower than the value of the resources put in.

> *These concepts are articulated very well in engineering thermodynamics. Development economics has a lot of the same characteristics*

Economic value adding is taking place in a community when the people and the resources available to the community generate a surplus over and beyond what the community consumes and what is needed to replenish the local resources. The concept is very simple.

But economic value destruction is more common in development. Economic value destruction comes in many forms.

And while there is a need for the flow of resources to be from the NORTH to the SOUTH (as we shall see later) development is going to work when this flow of resources produces "value" for the people of both the SOUTH and the NORTH.

Up to now, most development has been done on the basis that someone gets and someone gives. The thinking is zero-sum thinking. And it is entirely reasonable to ask why one should give and get nothing in return. And it is demeaning to have to be given and have nothing to repay the generosity.

As far as I am concerned, the idea of creating resource flows as a form of "reparations" for ancient wrongs, or even quite recent wrongs is not helpful. While it is very valuable to have an understanding of the wrongs of history and to learn from them, anything that strengthens old rivalries and past tensions should be avoided. The focus should be on doing what is best for today and the future.

In terms of "economic value adding" we know that $50 in the right place in a developing country in the SOUTH is very valuable and will serve to improve the quality of life of a family enormously. We also know that $50 deducted from the wealth of many, if not most families in the NORTH, will be hardly noticeable. The simple process of moving $50 from the NORTH to the SOUTH increases global economic value. This is a value adding event and the process is a first step away from zero-sum thinking.

But go a little further. The benefit in the family in the SOUTH is very obvious. For a family that works from dawn to dusk seven days a week for a full year and earns less than a $1 a day is going to be much better off with the extra $50. But maybe there is some real benefit that the NORTH family can derive from the $50 they are sending SOUTH. If the process of sending $50 SOUTH is part of some organized effort that has a community and social dimension, then the $50 not only does some good in the SOUTH but also has a "social value" in the ones own circle of friends. Getting to feel good has "value" and it makes a lot of sense to feel good when doing good.

But can we go further with the idea of economic value adding, and go beyond a value chain where the SOUTH has real tangible economic value added and the NORTH has exchanged its tangible economic value for just "feel good" value.

And we can.

Instead of $50, we will work with $1,000. Someone or some organization in the NORTH puts up $1000. So instead of the money going to a family that will have an incremental $50, the money is loaned to a business that now has an incremental $1,000. This money can be of enormous value to a small business in the SOUTH. Small business is terribly constrained by a shortage of working capital and by very expensive local financial services, or effectively non-existent financial services. Small business stays small because it usually does not have the financial and material resources to grow. This is not unique to the SOUTH. But it is worse for small business in the SOUTH than it is in the NORTH. A lot worse. So a $1,000 loan to a small business can be expected to create economic value adding of maybe as much as $1,000 in maybe as little as six months, or even 3 months, but certainly not more than 12 months.

This is serious economic value adding. This is a return on incremental capital employed of 100%, or 200% or even 400%. So now the loan can be repaid, and interest or profit sharing can be done.

So the person or organization that put up the money is now able to get paid back, and get some return on the money. In value adding terms this is a win for everyone. For the SOUTH business there is high economic value adding, and an ability to use the money to create money and then pay the money back with a good return to the lender. For the NORTH lender there is added value in terms of the return that is earned. And in addition the "feel good" aspect of socially responsible investment. This is win win. This is truly sustainable development.

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Chapter 16 - The Information Dimension

CHAPTER 16

THE INFORMATION DIMENSION

There is lots of it, but it is not much use. Much of the information that is available about development has an enormously high cost, but dramatically smaller value. Value destruction at its best. Why is this information not help much in making good decisions about development. Why is so much data good for economic analysis and good material for journalists, but little use in the effective management of development resources. Where is the information to drive transparency and accountability?

Information

The data to understand needs and opportunities, to optimize allocation of resources, use of resources and performance of development. A system to make these data understandable and useful. An Internet based secure distributed relational database makes it possible to manage the allocation and use of resources, track fund flows and use of funds and give excellent accounting and accountability and performance reporting to investors.

In order to move forward from the present state of failure, the first new initiative must be information. It is not just a question of getting more information, it is about getting the right sort of information. What is needed is information will make it possible to manage development and make a success of development initiatives.

There is a lot of information. But it is the sort of information that makes economists happy, but not the sort of data that makes development easy to manage. It is not the sort of information that supports excellence in accounting and accountability.

The whole framework for success changes as soon as there is good information easily available. Information is very very powerful, and it is no accident that leadership likes to be in control of information and the communicators

> *At a peace rally in New York in February 2003, just before the Second Gulf War, one of the banners read "One of the first casualties of war is the truth"*

Information is almost a "right" in a free society, and access to information is one of the first things to go when leadership starts to control society. It happens at all levels of leadership. It happens in all organizational situations. It is not just an issue with respect to government leadership. It is just as rampant in corporate and financial circles.

But in development there is a lot of data, but there is not much that can be used for substantive analysis and for management. And to a great degree, important development information is kept secret. One reason why this information is kept secret or difficult to study is that it shows how terrible the allocation of resources has been for development assistance. Some people, not really very many however, are aware how little of the NORTH's resources are used to support official development assistance. But few are aware how badly these resources are allocated.

Accountability

The first step in making development better is to get the information that is needed to hold the official development assistance (ODA) community accountable for what they do and what they do not do.

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

There has been a lot of talk about holding government in developing countries of the SOUTH accountable for what they are doing in terms of resource management and development, but there is far less talk about holding the governments and the institutions of the NORTH accountable in the same way.

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

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

And with this information, there can be accountability.

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

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

The opportunity is to do the same thing, but with development.

Independent, neutral data

An independent entity should run the information system

An independent entity should run the information system. The information should be generally available for easy access except in circumstances where there are valid reasons for maintaining data confidentiality. The entity should be independent financially and not have to rely for funding on official development assistance (ODA) organizations or beneficiary governments. The terms of its funding should ensure that the information will not be tainted by conflict of interest, and the operating entity should be financially strong enough to be able to stand up to significant intimidation.

Management information

The main characteristics of management information are that they are: useful, independent, reliable, and universal. How data can be converted into information, knowledge and wisdom? What constitutes good "management information". How valuably is it? How does important data disappear from public view, and how can this be fixed? What are the needs, resources, uses and results from good public data? How can information be made useful, independent, reliable and universal. How can data be used for achieving development excellence and economic value adding? How much value does this have? How should data be organized, what is the metadata and the best information architecture now that amazing modern technology can be used. How does data get used for management of development resources and how does information get distributed? How can information be kept independent and be reliability. How can the problems of errors, insecurity, hackers, fraud and incompetence be managed? How can information be best used to make good plans, to get well organized, to get funding, to implement well and provide excellence in transparency and accountability?

What is management information?

I think of management information as being the least amount of information that will enable good decisions to be made reliably. It is not a lot of information ... just enough information so that a good decision can be made.

There are several levels of information: (1) data; (2) information; (3) Intel.; (4) knowledge; (5) wisdom. They are all part of a family, and the best results are achieved when all are in play together. Management information is a subset of all of these levels, optimized to have the most value at the least cost.

The value of management information

Management information only has value if it is used ... and if it is good enough so that good decisions can be made. Information that has gone through the media edit and selection processes is rarely of much management value.

Management information is valuable not only when it informs with good news, but also when the information advises about bad things. Whatever the facts, there needs to be information, and there needs to be a way for the information to be used to make decisions and make things better.

Good for planning

Management information is good for planning. Plans need to be prepared based on a solid understanding of the situation ... something that is best done with an appropriate set of management information. Planning is not done well when it is merely a set of scenarios sitting on top of almost no information about the situation, and planning is not the mere collection of information about the situation, and rather little analysis of alternative possibilities.

Good for monitoring performance

Management information is excellent for monitoring performance. A good plan will call for a certain level of expenditure and a related amount of activity and result. Measurement of performance, and the resulting management information facilitates comparison of actual performance with the planned or anticipated performance. It is then easy to see whether or not performance is worse or better than expected, and as a next step, it is possible to get an understanding of why there are differences between the plan and the actual.

Good for identifying improvement opportunity

Management information helps to clarify key aspects of performance ... if actual is better than plan, and there are some reasons for this, how can these reasons be integrated into future planning and ongoing better performance. Management information needs to feed into analysis and feedback and the planning and implementation of improved performance.

Good for oversight

Management information is good for oversight. If everything is going according to plan, based on review of management information, then there is little need for additional physical oversight, but if the management information shows performance issues, then the use of physical oversight might be appropriate. With management information the oversight effort can be used to best effect.

Good for coordination

Management information is good for coordination. Coordination is easy when there is an adequate framework of information. The basic information that is needed to support the coordination work is information about the community, the activities going on in the community, the projects, their funding, their location, and so forth. By making the community ... the place ... the anchor for the information, the relief and development activities can be related to a location, and efforts made to get a fair geographic dispersion of activities around the country.

Good for monitoring and evaluation

Management information is good for monitoring and evaluation. Many of the issues that are addressed in a monitoring and evaluation exercise would normally be included in a good set of management information and be available in a timely way. In many situations good management information would make the need for monitoring and evaluation redundant.

Accounting Information

Accounting provides a lot of information

Quite simple accounting provides a lot of information. Accounting should not be just a vehicle for authorizing disbursements, but also a tool for managing funds and managing performance.

Rather simple analytical methods will provide a lot of information about how resources have been spent. At organizations like the IMF, this is sometimes referred to as analysis by economic classification. In the corporate world there is usually a code of accounts that provides a breakdown of costs in ways they best suit the organization.

A little bit more analysis and all this information can be available also for each of the cost centers or the activities of the organization.

All of this is from a standard accounting system.

More analytical information can easily be obtained

More analytical information can easily be obtained to start to understand more about the performance of the organization, and the performance of the individual activities. I used to refer to this as key item control ... we used to get some key measures that would be usefully related to the costs to get a measure of how we were performing.

The key items were always the most relevant to the work that was being done ... in one department it might be something to do with the way the trucks were

running ... in another department it might be related to the production of castings and the use of energy. These measures all helped benchmark our performance, and we were able to stay in control and make changes that resulted in practical improvement.

But what about value?

In the end however, what we are trying to create is durable socio-economic value, and this is not easily calculated by reference to classical accounting. However, one of the best ways of getting at value is to have a good understanding of what good is being created as a result of the activities ... and then using accounting common sense to put values on the outcomes.

Performance Information

Some of the best metrics are the simplest

A good place to look for examples of performance metrics is in sports. In competitive sport, it is all about measurement. In individual sports, the metrics are usually very precise but many are quite simple. In team sports some of the measurements are very sophisticated, but very much understood by the fans.

There are also a big range of measures in most corporate settings. The main measure may be profits, profit growth and stock value, but there are all sorts of other measures throughout the organization so that everyone can monitor performance and work to improve it.

In general terms the relief and development sector, government and the public sector are woefully behind in measuring performance. The prevalent data is far too aggregated to be of any real value in measuring performance .

Cost, price and value

Cost, price and value are very basic measures, and very useful to have for any activity. How much does something cost is a very basic element of information, and there is no excuse for not having this information about all activities.

Price is normal in the for profit world, and again is an easy element of information to have.

Without going into too much detail, the difference between cost and price is some measure of profit. In many activities that are conducted in connection with social services and support, the price is zero ... the recipient of the services does not pay anything.

But hopefully there is value, even where the price is zero. What is the value? And how does this value compare to the cost? The difference between cost and value is some measure of value adding.

Even though cost and value are of tremendous importance in measuring performance, there has been very little systematic work to establish norms and make them public.

Performance comparisons

Performance should be measured "relative to what?". There are many different comparisons that are possible including: (1) compared to a prior period or previous performance; (2) compared to a different place or a different organization; (3) compared to the best ever; (4) compared to the plan or to the budget; and so on. Comparison gives perspective to the measurement.

Some measurements are useful without any reference to a money unit. Fuel consumption can be measured in miles per gallon, and this gives a better measure of engine performance than when the measure is converted to cents per miles which will vary whenever the price of fuel changes.

The idea of profit in a corporate business organization is common. Its equivalent in the not for profit organization should be value adding associated with any activity and the organization as a whole, but this is rarely computed. Most not for profit accounting systems are not set up with this sort of analysis in mind.

Accounting provides a lot of performance information

A good accounting system is a source of a lot of information, especially information about costs. Integrating cost analysis with the general accounting has advantages, but also can become too detailed and too clumsy. There are techniques that can be used to get at useful information without getting buried in detail, including making use of standard costs and doing variance analysis to validate the standards.

Other source of data and analysis

In the corporate world industrial engineering, operations research, value chain analysis and other approaches all help to build an understanding of how costs behave and how operations can be improved to reduce costs and improve the outputs. Something similar is needed in the relief and development community, and something similar is needed in Iraq.

Bottom of the pyramid

Results are best seen from the bottom of the pyramid ... how has the quality of life of the ordinary person improved? How can this be measured in an efficient way ... low cost, reliable, accurate, timely.

It seems that measurement of progress at the community level has potential. The community is where people live, and it is the economic and social activities in the community that provide most of the elements for quality of life. Measure

progress at the community level and it serves to measure the progress at the bottom of the pyramid. If the community makes progress ... the people progress.

Progress must be converted in some way into value, something that can be done using the balance sheet concept from corporate accounting. And the cost of getting this progress should be ascertained from fund flows and the activities that have been funded.

Socio-Economic Statistics

Accounting rarely uses statistics

Accounting rarely uses statistics ... rather accounts make lists and add them up. A good accounting system will probably make several lists of more or less the same thing and reconcile any differences ... and if they cannot be reconciled, will find out what went wrong and then be in a position to ask some pointed questions about how and why resources have gone missing. This is basic boring work that gets control of money and other assets, and keeps control of them. This may be boring ... but it is important work. And when it is computerized, it is still important.

This contrasts very much with the statistics that abound in the analysis of socio-economic issues. The same sort of accounting information is not available for many of the measures that are interesting in the socio-economic arena, and statistical methods are the only way ... but too often in my experience statistical method is used where more basic techniques would have given better answers.

Massive amount of socio-economic data

There has been decades of work collecting socio-economic data, and there are a multitude of profiles of the failure of development. The data on this are overwhelming. It is disappointing to find that almost none of the data concerning results is related much to the activities and costs that were involved in reaching this state.

Massive amount of writing ... rather less numbering

There is a massive amount of writing, but not very much information about costs and values. The writing is replicated and used for workshops and reports, but rather less for decision making and the mobilizing of the resources needed to make substantial progress.

When information become useful, in so many cases, it needs to be made secret. The lack of open access to information means that poor performance cannot be seen, and nobody is then held accountable.

We know the results are unsatisfactory, but we have very little ability to see the information that would tell how much it has cost and how little has been done ... and specifically who is accountable for poor performance.

Collection of Information

Getting facts ought to be easy

Getting facts ought to be easy, but it is not. The management information needed is just not easily accessible, even if it exists at all. There are a number of problems that need to be addressed, including: (1) the academic practice of being secretive about the data; (2) the basic lack of relevant data collection; (3) the practice of doing very small samples and using statistical method for analysis; (4) the lack of any systemic framework for logical storage of data in the public domain and easy access to this information.

Nothing here is new

There is nothing being suggested here that is new. The quest for more data has been on the agenda for a long time. The difference is that we are looking for decision making data, and not merely data that can be analyzed and included in some ad-hoc research or annual publication.

Maybe a lot of information has been collected

One of the constraints on decision making in Iraq appears to be the limited availability of management information and much depth of knowledge about the country. I do not know how much information has been collected about Iraq, but it is not easily accessible and I doubt that it is the sort of information that I would want to make decisions about making progress in Iraq.

Maybe a lot of information exists but few know it exists, where it is and how to make use of it.

As much as possible, collection of data done for one purpose can be used for other purposes. Data that are collected initially to make local implementation as effective as possible can be used to provide information at a more aggregated level. Data that are needed for the best possible implementation are normally a lot more comprehensive than the reporting that is needed for donor oversight, and it should be relatively easy to format the information in a range of different ways to satisfy a number of users.

High cost to collect, low value unless used

Information costs a lot to compile and analyze. It is ridiculous that the information and knowledge about development should be so difficult to find

and use. As it stands the cost of information is very high, and because of its very low utilization for development planning and implementation it is low value.

Think value management

Think value management and cost effectiveness in any work done related to data collection and information analysis. Constantly looking for the best relationship between resources used and value realized will result in better knowledge for development.

Small samples and statistics is not accounting

The practice of doing very small samples and using statistical method for analysis is academically satisfying, but in terms of accounting and management information it is unsatisfactory. Decision makers need very reliable data, and statistical method only gives this in limited circumstances. It may work for research, but for management unreliable statistics is a poor substitute for a modest amount of good accounting information.

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 and Reliability

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 ... 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.

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.

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.

Communications

Modern information and communications technology (ICT) can get information instantly anywhere in the world where there is Internet infrastructure. How can Internet infrastructure become universally accessible. What is slowing down deployment of modern ICT? Who cares enough to ensure that information

access becomes available for everyone? What are the possible solutions that can be implemented? Is community centric communication a way to start? How can this become a part of the universal global Internet infrastructure?

Information for fund raising

The ORDA community is responsible for around $50 billion of fund flow for relief and development. How can these resources which are used inefficiently be displaced by private fund flows that are used efficiently? Fund raising outside the ORDA framework needs to be established, and the right sort of information made available so that it can be scaled up from millions to billions. This is entirely possible with the effective use of information.

Implementing - Management Information

Open access to information

We need to have information easily accessible about the socio-economic situation in communities ... and there needs to be dialog about how resources can best be used within these communities to improve the situation in the communities. At the end of the dialog, the priority should truly be the priority of the community and not the priority outsiders think that the community should have.

Performance measurement ... value adding

The most important metric is value adding which is the delta between the cost and the value of any activity. But rather few people think in terms of value adding and what this means for activity design and the best way to use resources. Most people understand the idea of cost as a component of performance ... usually less cost is better than more cost ... and in general this is right. But this idea is also limited. With this idea doing something that costs nothing ... staying in bed ... in the ultimate in performance, and this clearly is not the case.

What is important is the delta between the value being generated and the cost being incurred. To measure the value adding, it is therefore necessary to measure the value. Value is, of course, subjective, but it is also the most important. What value do people in a community see when the contractors are spending money and doing the work? This is why work done that reflects what people need and people want is so important. If people can see value ... or even if people have reasonable hope for value ... then the work of contractors is worth paying for.

Accounting and accountability

Accountants should be required to do much more to report information for public accounting and accountability. To the extent there is no requirement in law, it makes sense for the public to agitate to get the information. It also makes sense for decision makers to call for better information because they are aware that there is going to be an accounting and the people who are responsible will be held accountable. People avoid responsibility and accountability if the opportunity to do so exists. It is a reason why there needs to be a robust structure to ensure that accountability does not get left out.

> *Reason for Accounting*
>
> *My approach to accounting is simple. Assume that everyone is a crook. Design a system so that even in a world where everyone is crooked and corrupt, the money stays where it is meant to be, and is used in ways that are intended and that value is received from the use of money.*
>
> *And the same goes for other parts of the system that are needed to control other valuable assets, especially inventory and easily movable assets.*
>
> *One of the key elements of control in a good accounting system is the idea that not financial transaction can take place without two people being involved and that everything is checked. I like to see an additional measure, and that is the amount of resources consumed should have a right relationship with the amount of value in the transaction.*

The idea of "transparency" and "accountability" needs to be put into play as a practice rather than merely being conceptual dialog. What this means is that there needs to be easy and open access to a lot more information. If there is adequate and quite basic accounting applied everywhere, then there will not be space for corruption and abuse, and they will be substantially diminished of not completely eliminated.

Though accounting and technology are both less costly and easier to implement than at any time in history, there are vast areas of the global economy where this information is either non-existent or very secret and not accessible to the public. When it comes to setting the stage for peace ... these sorts of information are powerful in terms of demonstrating that the funds are being disbursed and being used in ways that are of value to the community.

Community information

People who live in a community have a lot of ideas about how their community can be improved ... but there is rarely any support for these local ideas. Once

there is a mechanism in place so that local ideas can be turned into local action, it is amazing how much latent potential can be mobilized.

One of the keys is to figure out how the potential of people can be maximized ... and then the potential of the place. Some places are richly endowed with resources, other places are less endowed. And it is essential that planners understand the difference.

As much as anything there needs to be a lot more information about socio-economic status and performance. This information needs to be about the civil economy at the community level. This information includes all aspects of the local civil economy including the accounting of relief and development fund flows, their use and the value of the interventions.

Accessible information

The idea that information about fund flows into relief and development activities in a community should be secret is nothing more than a huge excuse for hiding information about performance, and indeed incompetence, and corruption. Make this information easy to access, and a big part of the problem of corruption will go away.

Specifically, there should be an easily accessible database about all the communities in the country with some key metrics about the community and its socio-economic status, together with some basic information about all the community development activities that are going on, and the fund flows associated with them. What this database will show more than anything else is how little money can make a big difference in the quality of life of a community when it is used well, and how large amounts of money often do very little. This is a dirty little secret of the international relief and development community, and the big spenders in big government and especially the military establishment.

In order to have a new era of accounting and accountability, there should a public version of the corporate idea of an “open books” policy. In other words, all these fund flows should be visible to the public, and accounting and explanations available. The accounting principles are not complicated at all ... and the technology to keep track of accounting transactions ... the relational database ... has been around for almost 30 years, but now vastly faster and more powerful since it was first described in 1978 courtesy of Moore's Law and the rapid increase in power and the decrease in cost.

Information ... Intelligence

There may be some differences between information and intelligence, but more of both is needed. Without adequate information the civil economy does not progress, and without intelligence military activities are not successful.

Getting intelligence to ensure security for the community is impossible when the community is at war with the police and the military ... and indeed, at war with itself.

But getting intelligence in a community that is embracing a civil economy and getting help in accelerating socio-economic progress is quite possible. A community that has hope and is progressing rarely wants to have the future compromised by violent intervention ... by guns and mayhem.

Successful policing depends on intelligence, and this comes from the police knowing their community and learning things slowly and right.

Missing Management Information

Missing in Action

VERY IMPORT ... TO BE DONE

Lots of Data ... Not Much Information

Economic data, not financial

The relief and development sector has a huge amount of data, but it is not very useful for decision making. It is almost entirely economic data, usually developed through statistical method, and rarely the sort of information, management information, that is needed to make practical decisions.

A lot of the data are aggregates at the country level ... macroeconomic information. This is a good way of seeing results, but not a good way of measuring performance. Data aggregated at the country level may help in the comparison of countries, but it does very little to understand the good and the bad within a country.

The relief and development sector is managed by staff who have training in many disciplines including economics, public policy, political science, international affairs and others, but rarely are trained and experienced in accountancy. For decades there have been studies that have collected information and used the information within the framework of the study, but rather little effort has been made to get accounting information organized into a

system that helps to measure the performance of the relief and development sector.

There are many different datasets that are part of the information pool in the relief and development sector. In fact, each of the major specialized agencies of the United Nations engages in collecting data about their sector ... and this information is interesting, and valuable. Broadly speaking, however, this is all data associated with the economics of the relief and development sector, and not the performance of the sector.

> *Ignorance is Bliss*
>
> *"Ignorance is bliss, 'tis folly to be wise" was one of the little phrases I remember from a radio talk show in the 1950s, or was it the 1940s. Over the years I learned to respect information and knowledge, and I still believe that good information is a powerful aid to making good decisions.*
>
> *A tutor at college advised me to "Get the data, do the analysis, understand the results and draw your conclusions." He also observed that too much that was in print and common knowledge was just plan wrong, and needed to be worked on.*
>
> *In the corporate world ... management information has been embraced. In the relief and development sector it is largely absent.*

In summary ... lots of information. Little of it of very much practical value.

Why is so much data compiled?

There are many drivers to compile data ... not many of them of much value for relief and development performance.

Donors have become very comfortable with funding studies and reports. The money is usually paid to nationals of the donor country, and tangible, albeit valueless, reports are produced at the end of the work. The study develops data, and the report makes it available, though usually not easily.

Modern PC technology now makes it easy to compile data, and manipulate it in various ways. It is also easy to merely copy data so that it appears that there is more data than there really is.

And yet a paucity of useful information

The relief and development sector institutions have a huge amount of data, and a lot of studies. But all of this does not translate into very much useful information that makes it possible: (1) to make good decisions; and, (2) to hold people accountable for subsequent performance.

Much of the information is driven by the questions that are asked by economists and the numbers economist use. But as a practical matter how do you improve the Gross National Product (GNP) ... or the Per Capita Gross National Product. Analysis of the GNP can help a bit, but not very much, and in fact, there are a lot of ways in which information about GNP can end up encouraging absolutely the wrong decisions.

Perhaps one of the saddest results of an economist's mindset is that people tend to be forgotten as assets and the power of the economy, but rather the number that GNP is divided by to calculate per capita GNP. Thus more people result in a lower per capita GNP ... a bad outcome ... when a better interpretation would have been that people actually were the power behind creating the GNP in the first place.

Accounting

Accounting in the corporate world is very strong ... it is used everywhere. It helps managers control the resources and optimize performance. But the accounting and the analysis of financial aspects of relief and development is primitive.

Accounting is one of the key tools of management. It is central to management information, but plays rather little role in the management of the relief and development process. Without good accounting, there is little financial control and anything goes.

In the corporate world, accounting has been very effectively integrated into the MBA culture and used by management in every possible way to optimize profit performance. But in the relief and development sector, accounting is still at its most primitive and not much removed from the minimal clerical activity needed to prepare some budget numbers and vouch disbursements. The systems are archaic and incapable of being used for decision making.

The timeliness of the reports shows how much priority the leadership has assigned to the preparation of submission of accounting reports. If it were not so serious it would be laughable.

> *Lots of Accounting ... and No Information*
>
> *I have characterized the type of accounting used in the relief and development sector as being "voucher based bookkeeping".*
>
> *All disbursements are "supported" by vouchers which show that the disbursement was "authorized" according to the procedures. Therefore, the accounting is right.*

What a travesty! This is a system designed to make corruption about as easy as it gets, and the fact that this system has not been fixed is a terrible measure of institutional incompetence and institutional corruption. Some people do not know how to fix it, and some people do not want it fixed.

In a good financial control system the authority to disburse is checked and the value received in connection with the disbursement is also checked. When value must be received for every disbursement, it is difficult for funds to be used inappropriately.

In the relief and development sector, much of the fund flow moves from institution to institution without actually creating much value ... but hopefully at the end of the chain there is value. It does not matter how many hops the money has to make, there should be a financial control step to relate value to the money disbursed.

Is this complicated? Why has it never been done?

Why are there no metrics about relief and development performance and an accounting for the use of all the money that can easily be audited? Is it a question of incompetence or corruption?

UNDP information going backwards

Going back as far as 1978, UNDP was called upon by resolution of the General Assembly to prepare country level development cooperation reports. These reports detailed all the official relief and development assistance projects being implemented in the country, and were a very interesting and useful dataset. They were not particularly well prepared by UNDP's staff mainly because mostly the staff used for the work were junior and lacked the necessary training and experience to do a good job. Many of the supervisors were not skilled in this work either. But the information was still the best available. These Development Cooperation Reports have been discontinued in recent years, and the reason is not at all clear.

Why Was the DCR Discontinued?

I have been a user of the UNDP Development Cooperation Reports (DCRs) and I have helped in their preparation.

Some "north" countries objected strongly to UNDP doing this work. They considered their bilateral assistance to the beneficiary county to be a private matter between their aid agency and the recipient government. This was very "convenient" because it allowed a lot of valueless work to

> *be delivered ... that is valueless to the "south" though of some benefit to the donor country.*
>
> *My guess is that UNDP agreed to stop the preparation of the DCR because of pressure from donor countries that do not want their bilateral aid projects to be subject to any form of easily accessible analysis, evaluation or accountability. In return I would not be at all surprised to find that UNDP received funding commitments that it otherwise would not have had.*

Around 1990 UNDP starting preparing the Human Development Report, and the associated Human Development Index. This was an attempt to provide metrics that would measure global progress not so much in terms of standard financial economics, but in terms of parameters that were important to the quality of human life.

What is really sad is that this new and impressive new data about relief and development results was not related in a systemic, and quite simple, way to the economic resources being used to maintain this state of human development. A great opportunity was missed.

OECD DAC Reporting

The international community routinely uses the information published by the OECD Development Assistance Committee (DAC) as the definitive information about relief and development fund flows. Based on several attempts to use the data, I do not believe this information to be at all reliable.

There is an appearance that the DAC information flows are more self-serving for the donor countries, being primarily a compilation of information supplied by the donor countries with little or no verification by anyone. The DAC information does not provide end to end accounting of relief and development fund flows. Until this is available and easily accessible in the public domain there will be abuse of relief and development sector resources. This needs to be fixed as a matter of priority.

> *DAC Data Accuracy*
>
> *I have tried several times to reconcile the information available in individual "south" countries project by project with the aggregate information published by the OECD Development Assistance Committee (DAC). I was unable to get the figures even close to agreeing, suggesting that the DAC information which is sourced from the donors is nothing more than self serving information with little tangible reality.*

> *I am not sure why the numbers do not agree. One issue is that the numbers are not subject to any form of external or independent validation. Another is that the methodology of reporting is inadequate.*
>
> *This is a long standing problem and not yet addressed seriously by anyone.*

Some of the DAC reporting seems to be carefully designed to be almost totally useless. For example reporting about Foreign Direct Investment without giving a sector breakdown to facilitate analysis without the oil and gas sector, or without the mining sector is practically worthless ... unless of course the goal is simply to show how big the FDI fund flows are in aggregate.

Reporting in the ODA world

I have been shocked at the accounting and the use of information in the ODA world.

> *Delayed Accounting is No Accounting*
>
> *I tried to get some basic financial information within the UN system some years ago, and was told that the information would not be available for about 12 months or so. The explanation was that the accounting information had to go from the field offices to the specialized agency's head office and then it would come to New York.*
>
> *As CFO for an international company a few years before, my requirement was that every operation around the world would submit their complete monthly accounts two business days after the end of the period closing.*
>
> *If we did not get the accounts (sent by telex) at the end of 48 hours, we waited a day for telephone contact, and a day later either the company President or myself would be on a plane and arrive in the offending office perhaps 24 hours later. It took just six months for a company that had had no financial controls to embrace the value of analytical financial and operational information. More important, the company's profits improved and staff were highly motivated and quickly made the company's performance as good as anywhere in the industry.*

Who wants good accounting?

Does anybody want good accounting? Almost nobody.

> *Management Accounting for UNDP*
>
> *Some years ago (around 1992) I made a presentation to the UNDP Administrator's Office about "Management Reporting and*

Responsibility Accounting" and afterwards was given the feedback that none of the senior staff present had any understanding of the key words or ideas that I used in my presentation: (1) accounts and accounting; (2) responsibility; and, (3) management. Clearly this was a problem, but if you are operating without these things, why would you ever want to install them.

Around that time others were making efforts to improve this situation, and a very strong professional accountant was brought into UNDP on secondment from one of the most prestigious accounting firms in the USA. After just a few weeks his role as Chief Financial Officer was completely eviscerated by making his work purely advisory, and effectively worthless.

Who understands accounting?

The shrimp project in Yemen is an example of how little understanding there is of accounting and the way accounting reports are prepared.

Shrimp Project in Yemen (YAR)

Accounting Not Understood

I worked with a World Bank mission in Yemen (YAR) to help assess progress on a shrimp project based in Hodieda. Though the project had been in the construction phase for almost two years the World Bank had not yet seen any project accounts in English. I was told the project had no accounting based on the fact that the World Bank had asked for an audit of the accounts, and an audit had not yet been done.

When I visited the project site I found, in fact, that the project had quite well prepared accounts every month in Arabic with all the detail needed for analysis. Not surprisingly, the Chief Accountant and the accounting staff were Arabic speakers, as were all the project staff, so it was normal that the accounts would be in Arabic.

I am not an Arabic speaker, but the Chief Accountant and I were able to create a spreadsheet template in one afternoon so that his Arabic accounts could easily be understood by English speakers ... and then this information could easily be compared to the project budget. It says something about the World Bank that they would wait almost two years to get such a basic and simple thing done?

The relief and development sector is destined to maintain its low performance status as long as the staff have little understanding of accounting.

One would expect the corrupt and inefficient people in an organization not to want good strong accounting. Without decent accounting these people can go about their corrupt business without having to bother very much about being caught and being held accountable.

But good accounting is opposed by good and efficient people. Too many of these people have learned somewhere that accounting costs money and has little relevance in the area of relief and development. They seem to think that accounting is only for the corporate for profit sector and to prepare tax returns. They do not seem to "get it" that having accounting and internal control helps to manage resources and get the money used in the best ways possible. Maybe they just do not want the hassle or they do not want to have to face any level of possible criticism.

In the relief and development sector, the end result of decades of operation without very much management accounting is huge inefficiencies in the use of scarce resources. This is a very bad outcome since external money and materials are very in very short supply, and not by any means adequate for the work that is needed.

Knowledge

Knowledge. What knowledge is there? Is everything known that needs to be known. How to stay up to date. How to train new people. How to update knowledge and be in the global knowledge community. How to get knowledge si that it is used in the most valuable way?

Technical knowhow and local knowledge

Knowledge

One of the world's greatest successes of the past century has been not only the creation of knowledge, but also its distribution.

So why is it that when it comes to development, the value of knowledge seems to be missing.

All the knowledge needed to have success exists. The fact that knowledge has not driven success in development is a problem of process rather than a lack of knowledge.

Knowledge is one of the few things that costs almost nothing to replicate. It may take millions of dollars to discover some new bit of knowledge or to carry out some research. But telling people about the discovery costs next to nothing.

Constraining the communication of knowledge

The NORTH is constraining the communication of knowledge by making knowledge into a business rather than a profession. Yes, people should get paid for doing good work, but reasonable and fair pay is different from purely maximized earnings and pay along the lines of recent corporate examples.

Books, even good books, do not cost much to print and distribute. Especially text books that are "required" for courses. But corporate publishing organizations are charging very high prices for these books. This is an evil practice, and tolerated because it is now an expectation that communicating knowledge is expensive, when it could be and should be cheap.

The NORTH's publication industry, instead of being at the forefront of making knowledge more and more easily accessible, is driven by a business model that limits access to the few who have the resources for their expensive books. The publishing industry is doing well in purely financial terms, but as an industry that should be of enormous value in the global economy it is failing terribly.

The Free Public Library

One of the great creations of the last century is the free public library. It is a wonderful idea that makes it possible for ordinary people with limited resources to borrow books and either learn from them or enjoy them or both. It was an amazing vision for Andrew Carnegie of steel industry fame to endow free public libraries at the end of the 19th century, and help ordinary people gain any sort of knowledge that existed in print.

Indigenous knowledge

What people in the SOUTH know about their environment and their communities is very valuable. Far too little of this knowledge has been mobilized to improve the performance of development.

Most indigenous knowledge does not exist in forms that are easily accessed by the academic community in the NORTH and others who only use books and other systems for documented knowledge.

> *It is a long time since I realized that there was a lot to know. But more important I realized that because I did not know it, that did not mean that it was not known*

The SOUTH's community knowledge is not at all well documented. Yet this is the information that people in every community in the world, and the SOUTH particularly live with every day and know very well. The experts from the NORTH know almost nothing of community knowledge in the SOUTH, and yet do all the "planning" for these communities and allocate the resources. The

feedback to get community knowledge into the planning processes and the processes to allocate resources virtually do not exist.

It is no wonder that development has not succeeded when the critical information and knowledge about communities is excluded from the processes.

Intellectual property

One of the problems is that the corporate NORTH has taken to making intellectual property more and more like other property. This should not be a problem, but will be. Almost certainly the ideas of intellectual property are going to be used to increase the wealth owned and controlled by the NORTH at the expense of the rightful owners of the intellectual property or knowledge

Language

Good development is going to have an impact on people who maybe do not read or write. They probably do not speak English or French or Spanish or Russian. But they have to understand what is going on and what the advantages are going to be and what actions they can engage in to help. The thinking had better be clear so that it translates into other languages safely. My personal experience with this has made a big impression on me.

> *My company prepared a fisheries development plan for the FAO. We wrote the report in English. It was forwarded to the government of the country in question (which used English as its international language). They summarized the report in Arabic so that it could have wider circulation which was a good idea, and I got a copy of this Arabic summary. I had it translated back into English. To my horror the translators, who knew nothing about the technical nature of fisheries, and especially of fisheries population dynamics, had translated and summarized the report in a way that concluded that every fish in the sea could be fished and the fishery would be "sustainable". This made absolute nonsense of the conclusions of our work and guaranteed that any decisions to do work done based on their summary would be an economic failure.*

The development arena is populated by people from many cultures, many backgrounds and with many different types of training. It is easy for professional sophistication to be misunderstood. Ideas need to be simple and ideas need to be sound. But simplification is not accomplished by taking out important elements. It is achieved by making basic changes in the process so that the various steps are simple and the various steps are relevant.

Knowledge is foundation for maximizing potential

> *"Knowledge is power" was written a long time ago, but is still as valid as ever. .*

Knowledge is abundant in both the NORTH and the SOUTH. But there is a different set of knowledge in the NORTH and in the SOUTH. Knowledge in the SOUTH is the critical resource for success in community in the SOUTH. Knowledge in the NORTH is more connected with technology and ways to solve technical problems.

Accounting and accountability

The issue of accounting and accountability has been on my agenda for a long time. I sent the following e-message about the Official Development Assistance (ODA) community makes almost no use of accounting as a part of its management toolbox to a list in 2000

> *Essential data for development analysis - follow up*
>
> *2000/11/28*
>
> *Dear Dr. David Newman and forum participants*
>
> *In response to our posting on essential data for development analysis Dr. David Newman (d.r.newman@qub.ac.uk) replied:*
>
> *Profitinafrica@aol.com wrote:*
> *>>>> The Official Development Assistance (ODA) community makes almost no use of accounting as a part of its management toolbox. >>>>*
>
> *That is clearly not true. Since before the days of Little and Mirlees, it is development economists who have led the development of the field of social cost-benefit analysis. It is development economists who first drew attention to externalities, ignored in the standard project financial accounting, from effects of exchange control on exchange rates, to unpaid work done by women.*
>
> *In fact, if anything, they can be criticized for trying to reduce all evaluation to a single shadow $ figure, rather than keeping separate the different dimensions on which one might wish to evaluate a project.*
>
> *Now that currencies are becoming figures in a computer, it is even possible to maintain separate non exchangeable denominations for commercial wealth, social wealth and environmental wealth, as suggested in Geoff Vincent's article in Peter Lloyd's book, "Groupware in the 21st century" (London: Adamantine Press, 1994).*

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I appreciate this response to my grumble about the lack of essential data for development analysis..... and my focus on the lack of accounting information. I agree with Dr. Newman that there is no lack of academic capacity to do quality analysis. I agree that academic economists have done a good job at expanding the value of numerical analysis beyond the simple "single number" focus of beencounter accountants.

But my concern is a far simpler issue. The official development assistance (ODA) community has a very low opinion of the value of and importance of good basic accounting procedures and practices .... keeping books of account ..... filing vouchers and records ..... preparing reports ... etc. As a result ODA institutions have very bad processes for accounting ..... and the reports generally produced have very low management information value. Dr. Newman has observed that development economists have led the development of socio-economic cost-benefit analysis .... etc ..... but the management of resources in development has nevertheless been a horrid disaster .... with development progress tiny compared with what could have been and should have been.

Government and ODA accounting almost everywhere in the world still uses the cash basis system that has not been significantly improved since the 19th century ... and is virtually useless as a basis for useful management and performance information .... as well as being weak for control of organizational assets and liabilities. My concern is that Government and ODA institutions just do not have good accounts and do not recognize that they do not have good accounts. Additional concerns are:

1..... that to the extent that good accounts are available .... they are difficult to access and use for analysis.
2..... that it is very difficult to get consistent time series accounting information about government and ODA operations.
3..... that it is very difficult if not impossible to get cost accounting information for longitudinal (time) comparison and geographical (spatial) comparison.

Economists have learned to do fancy statistics on very bad basic data. Accounting is not about statistics and probability .... accounts should be factual, accurate and capable of easy validation (audit) and everything should reconcile in an appropriate way. None of this needs statistical analysis, just simple adding and subtracting within a formalized framework.

An opportunity presents itself at this time is to make accounting a strong foundation for analysis of government and development performance. The basic principles of capital and expense (profit and loss / recurrent) and the idea of balance sheet accounts and accruals are already well established. The accounting processes used to record data are well understood ..... keeping the books ..... entering the journals ..... preparing the vouchers ..... and so on. But the processes to prepare reports are weak ..... mainly because of the manual history and manual practices.

Accounting can be modernized very quickly using modern ICT ..... using a well designed relational database environment and the web/Internet environment. SQL with a logical data design is very powerful and the accounting data can be used as a basis for a lot of knowledge about development performance.

It would be very valuable to have reliable and auditable accounts that show how much official development assistance has been used year by year in each country and to see what results were achieved as a result of this ODA support ..... and to have the ability to "drill down" more and more to the individual components and see costs and related results. This sort of analytical work has become routine in the corporate world and has been responsible for some impressive improvements in value chain performance. It should be possible for development resources to be managed with some of the same analytical power.

But the fact is, at the moment, the ODA community does not ..... or can not ..... or will not ..... do even basic bookkeeping and analytical accounting.

This is a serious observation ..... and I do not make these remarks lightly.

Nothing I am saying detracts from the importance and value of good analysis using the tools of development economics ..... what I am saying is simply that good accounting and financial data gives good economists something that is worth analyzing. I argue against using economics and

economists to do the work that accounting and accountants should be doing.

With regards

T. Peter Burgess

Only a few are benefitting

2000/11/18

Yohannes Damtew raises an important issue. The development model that has been used by the World Bank / IMF, by the UN system, by bilateral donors and multilateral institutions .... and has been welcomed by governments of developing countries is one that sustains only a tiny proportion of the economy of the countries concerned ..... most of the population knows nothing of what has happened in the ODA (official development assistance) arena ..... most of the population is not participating in the development dialog and development progress.

I am a corporate accountant / financial manager before I became involved with development consultancy. The allocation of resources to development priorities has rarely been done with a view to getting the most in terms of development performance, but has always been a result of some more tangible agenda. The phrase "We don't want the project .... we just want the cars" sums up the rather inappropriate decision making characteristic of resource allocation in development.

The good news is that transparency is coming. Our own organization is not interested in what big ideas people have for the future, we want to understand what simple small success is already going on ..... and we want to use that as the basis for allocating resources and getting bigger success. Our position is that there are thousands and thousands of people who are doing good work with minimum resources ..... and will do better and bigger with just a modest amount of financial and technical support.

The cost of conferences is substantial. People attending the conferences get a lot of personal satisfaction from them ..... but in terms of development resource allocation .... they ought not to be a priority. A conference that leads to development action may have great value ..... but if the conference merely results in a set of filed position papers ....

the value is minimal. Where the conference reiterates positions that are already well known .... there is cost .... but not value. Corporate style of financial analysis applied in development would very quickly change the priorities of what is done in development. All of this is very sad ..... since the failure of development has ended up causing incredible suffering ..... in development the bottom line is expressed in mortality figures.

Modern communications technology is very powerful, but sadly only available to very very few. Yohannes talked about 99% of health workers have no access to this modern communications capability ..... but it is now 1% ..... and with a good allocation of development resources it can be increased to maybe 5% and later something better.

And then there is the question of content. The luxury of discussion is not something people faced with crisis have time for ..... so the content has to be of real value. Our view is that getting more SOUTH view into the development discussion is something of importance .... and we are encouraging that. We also aim to use knowledge from the SOUTH as a part of our program for fund raising .... and part of our program to make what we are doing very transparent.

As some of the participants will know one element in our agenda for HIV-AIDS relates to safe injections ..... clean needles .... the auto-disable technology. Nobody should ever be infected by a dirty needle. But we see other priorities as well ..... in the care of PLWHA (people living with HIV-AIDS) ..... in support for groups providing help to AIDS orphans ..... in helping communities where AIDS has ravaged the production age population ..... in helping young people handle sexuality in this dangerous new era.

There is work to be done. Resources must be used to the best possible effect. Everything in development that costs money should be subject to financial scrutiny and the money allocated in the very best possible way to yield development results.

Thank you

AFRO-NETS> Will US AIDS cash make a difference? (2)

6/3/2003 5:45:35 PM Eastern Daylight Time
Profitinafrica@aol.com
afro-nets@healthnet.org

Will US AIDS cash make a difference? (2)

Dear Colleagues

Will US AIDS cash make a difference? Absolutely yes. It is difficult to have US$ 15 billion and not make a difference.

The world now knows that President Bush has followed up on his State of the Union statement early in the year about HIV-AIDS.

But that is not the same, of course, as the challenge of actually getting the funds mobilized so as to make a difference in the progression of the health and HIV-AIDS crisis around the world.

We are still faced with the problem of taking the recently passed US legislation and converting it into disbursement. I hope we will see an ongoing accounting of how much of this famous US$ 15 billion actually gets disbursed, whether it is in the NORTH or the SOUTH. There is work to be done around the appropriations systems of the US government which are different from the talk about new legislation that has been going on recently.

We are still faced with the ongoing problem of making best use of available funds. I have not yet seen any compelling evidence, let alone accounting, that suggests that we are making best use of available funds. In fact, I am more of the view that we are not even making good use of a lot of the funds that are available. Far too large a proportion of the funds cycle around the NORTH and never get to do very much on the ground in the SOUTH. I still do not see any meaningful numerical analysis of this problem, but it is obvious that it is huge.

And we are still faced with some unfortunate linkages between this "new" funding and some of the funding that is existing. The "rules" about use of this new money may well have a negative impact on the old funding..... so there will be some program disruption. How much remains to be seen.

I am pleased that there is some substantial money now that has passed Congress. Now the challenge is to get it mobilized..... and then put into worthwhile activities.... and I would like to see some half decent accounting and accountability so that there is a fighting chance of seeing how valuable this funding really has been..... or maybe even, how badly the funds get used.

I will also add that because the money is being discussed in the billions, that a lot of "lobbying" and support for the programs is going to come

from powerful quarters in both the SOUTH and the NORTH. Getting access to use this money is going to be a priority..... while using this money to have the maximum impact on the progression of health and HIV-AIDS crisis may well become a secondary issue

Sincerely

Peter Burgess

Good people are writing

A lot of good people are writing informative articles about the SOUTH and the problems. Thoughtful articles are appearing in the African press and are being read widely because of the Internet and elists. This writing puts the blame for failed development on governments and donors, especially the Bretton Woods institutions.

I think the writing is better now than 20 years ago. Maybe it is easier to write well with word processors and the information of the Internet. Maybe it is because the lessons learned are more complete. 20 years ago the Colonial legacy had a bigger role in the writing, and the idea that government could solve economic problems was still in vogue. So I probably like what is being written now better than what we being written before, and agree with it more.

But in one respect the writing now and 20 years ago still has one common characteristic. The writing points a finger and identifies blame. But this is only a first step. It really does not do much good until there are possible solutions. For success, economic behavior has to change. The solution dimension is still missing. There is still a big void when it comes to actually getting to grips with the root causes of failed development.

Some people argue that it is a big step forward to be talking about the problems, and maybe there is some truth in this. But it is a dangerous idea in the official development assistance community. Talk is easy. Talk is cheap. And talk does not get the job done.

The need is to identify solutions and talk about how these solutions are going to be implemented and the needed resources are going to be mobilized.

Facts and fiction

Maybe spin has always been the way leaders conned the people. Certainly propaganda has been talked about since my childhood, and indeed my parents and grandparents talked about propaganda. But it was never about our government doing it. It was always some foreign power that did “propaganda”

But now it is my government that is alleged to be involved in the "marketing" of ideas so that big decisions could be made with the "support" of the people.

Of course "my government" is a difficult concept. I am British born and educated and have lived in the US for almost all of my adult life. But at this time in history both governments seem to have problems of fact and fiction and the spinning and propagandizing of background for decision making.

> *I do not have a high comfort level with the way in which people with "name" recognition get used to propagate "spin". I find it disconcerting, to say the least. Early in June 2003, Bob Geldof is reported to have said that George W Bush is the best US President for Africa since John F Kennedy. He said this in connection with Bush's announcement of a massive commitment of $15bn over five years to fight HIV/Aids globally. It also got reported that Bob Geldof pointed out that this is more money than Bill Clinton's rhetoric on Africa ever managed to produce.*

Thoughtful people are questioning both the reality of the announcement and the multiple conditions that are linked to the funding. Does this really mark a break with the past? Does this represent new hope for Africa or does it just add one to the long string of failed promises? We shall see. I do net expect much of the money promised by President Bush to get used for economic value adding works in Africa any time soon.

The HIV-AIDS health pandemic

There is a lot of writing about the HIV-AIDS health pandemic. There is no shortage of writing about the crisis. For example this:

> *Any overview of the immense challenges facing Africa must put the HIV/Aids pandemic high on the list. Almost 30 million people living with HIV and two and half million dying from Aids each year in Africa make this a defining moment for the continent.*
>
> *The Aids crisis is leaving hundreds of thousands of households headed by children as young as nine or 10 years old. Whole villages now have only the young and the aged to look out for each other's survival. And this corset-shaped demography is damaging the development prospects of most of the African continent. Deaths in Africa have now become so frequent that businesses have restricted staff to attending only the funerals of their closest family members. Orphaned children drop out of school because they cannot afford to pay the fees, and they are crowding women out of the informal economy.*

> *The United Nations estimates that the pandemic is slowing economic growth rates by between 1 per cent and 3 per cent per year. For economies that are, for the most part, barely outpacing their population growth rates, this is a debilitating setback for their development prospects. The full effects of HIV/Aids are still spreading, and are yet to be quantified by development agencies and African governments trying to reverse the pandemic.*

Over the past several years this sort of writing has appeared in almost every newspaper around the world at least once, and in many publications several times. But now the problem is communicated, exactly what is the next step.

Kofi Annan, the Secretary General of the United Nations put himself on the line, and argued for a global fund to address the pandemic. His proposal called for $10 billion a year to be put into the fund so that it could support health and HIV-AIDS initiatives around the world. And to his credit, a global fund has been established with broadly the mandate that the Secretary General was looking for.

> *I would like to predict that the Global Fund for AIDS, tuberculosis and malaria (GFATM) is going to be a roaring success. But I cannot. The GFATM has been set up in quickly and it has adopted many of the practices that constrain success in development, mainly because it has drawn its core staff from the ODA establishment.*
>
> *And they have been funded not at the $10 billion level called for by the UN Secretary General, but at a much reduced level of around $3 billion in the first year, and likely less in the second year.*

The United States, which would be expected to have a substantial role in the funding is looking to reduce its commitment to the GFATM, and as this happens other countries scale back too. I do not anticipate ODA support for the GFATM to come any where near the amount called for by the SG and the experts who computed the cost of needed programs.

As one writer put it in the summer of 2003

> *On the face of it, Bush's additional $3bn a year is an impressive sum. While still some billions short of the UN's estimate of $7bn a year needed to tackle the pandemic, the Bush plan will buy life-extending drugs and is intended to provide humane care to 10 million people.*

But this does not talk about the need for drugs and therapy and human care for around 40 million people. It just talks about 10 million people. And it assumes that Bush's words will become reality. Don't hold your breath.

But the causes of the spread of the pandemic are, like its consequences, multi-dimensional. Tackling the disease requires an approach that encompasses the full range of development policies.

HIV/Aids and other public health crises, such as malaria and TB, thrive in families and communities marred by poverty, malnutrition, economic migration and ignorance. The accelerators of disease are found in Africa's collapsing health and education infrastructures.

Donors share a responsibility for this. Millions of Africans were denied access to primary healthcare and education when the International Monetary Fund and World Bank forced their governments to charge for these basic services as part of the conditions attached to aid and debt relief. We are faced with a flawed practice of dictating from the top down how African governments should spend aid money. Bush's plan focuses narrowly on the provision of anti-Aids drugs and health education programmes rather than on a broader approach that would enable more children to attend school and remove some of the obstacles to Africa's development and poverty reduction plans. Longer-term solutions behind Aids and other crises in Africa are only going to be forthcoming when donors respond by supporting the priorities identified by progressive African governments. They must mobilise their resources behind anti-Aids and poverty reduction plans designed by Africans themselves. So far, the G8 has failed to pursue such a collaborative and mature approach.

This weekend Bush will be meeting other G8 leaders and a handful of African governments in Evian. He will clearly be pointing to the large sums of money behind his anti-Aids drive and challenging European Union countries and Japan to match it.

The G8 leaders have collectively failed to understand that it's not just the amount of money that is important but the way it is given. Both aid and debt relief often come with damaging anti-poor conditions attached, such as the IMF's insistence on privatisation. The few African leaders who have been invited to the Evian summit will be calling for a different approach. Their proposal, called a New Partnership for Africa, is based on the recognition that the era of development policies designed in Western capitals and then imposed on supplicant governments has too frequently failed the poor.

One of the African proposals is for a new approach to debt. The African leaders want the amount of debt relief to be determined by the finance necessary to achieve their poverty-reduction plans. Their calls have been

echoed by citizens in all the G8 countries. Five years ago, a demonstration by 70,000 activists at the Birmingham G8 meeting put debt and development on the agenda of the summits of the world's most powerful heads of government.

Those of us who gathered for the peaceful protest in Birmingham were moved by what we saw as an issue of social justice. We argued that it is wrong that those with the least should be made to repay their debts to those who already have the most. To us, it seemed absurd that the poorest of the poor should sacrifice their own and their children's life chances in order to maintain a debt repayment regime that none of them had any voice or control in contracting.

The Jubilee 2000 Campaign mobilised millions of people around the world and forced the G8 leaders to make a dramatic response to the debt crisis. Yet for debt campaigners, the G8 promise of an end to the injustice of unpayable Third World debts remains unfulfilled. The G8 meeting in Cologne in 1999 promised $111bn of debt relief spread over 40 years. The member countries are now committing themselves to providing about a third of that amount.

The limited debt relief that has trickled through has led to higher spending in Africa on health, education and investment in agriculture. But African governments are still left short of the finance needed to meet the internationally agreed Millennium Development Goal to halve poverty by 2015.

The scandal is that the money required to write off the debts of the whole of sub-Saharan Africa is, in global terms, barely significant. It has been costed at little over $6.4bn spread over five years. Compare that with the $350bn that rich countries subsidise their farmers with every year.

And the irony is that in the week before Bush's announcement on the Aids bill, the US Senate voted for deeper debt reduction that would go some way to restore the capacity of African governments to finance their own poverty reduction strategies. But the Bush team in the US Treasury effectively vetoed it. So Bush's announcement on Aids is not a watershed. Like most of the G8's approach to Africa, it is critically flawed by its belief that the donors hold the prerogative on development policy.

A radical and successful approach to Africa needs donors to co-ordinate their resources behind African-owned and agreed poverty reduction plans. The world's richest countries need to break with failed approaches

of the past by supporting African strategies designed with the widest possible consensus of the people who will be implementing those plans, strategies that have been influenced by the poor, who are the intended beneficiaries.

This week will be the third time the G8 has invited progressive African governments to meet at the rich man's table. This time they must not only be heard; they must also be heeded.

Julian Filochowski is director of the aid agency Cafod

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What on earth to do with the AIDS crisis

Advocacy

In Another Break With Past, Kenyans See Hope on AIDS - Moi's Successor Promotes a 'Total War'

By Emily Wax
Washington Post Foreign Service
Wednesday, May 21, 2003; Page A01

NAIROBI -- The preacher's message to his 3,000-member congregation inside the Kenyan Local Believers Evangelical Church on a rainy Sunday was a simple one: Condoms don't protect against AIDS.

The crowd responded with a ringing "Eh," meaning yes, nodding as they clapped and rocked to his confident voice and his message.

"In fact, if you have sex using a condom 10 times, you will get 10 percent of the AIDS each time," thundered the pastor, Solomon Ndoria, wearing a mustard-colored three-piece suit and pumping his hands in the air. "Then you will actually have AIDS. So just abstain from sex."

One day later, Lucy Wanjiku's message to the man in her dark metal shack, standing beside her thin foam mattress, was a simple one, too. But she mumbled it.

She needed cash. She had to feed her 4-year-old son. So the 30-year-old woman who usually sold African crafts was selling her body.

Wanjiku, one of the many members of Ndoria's church who live in Kangemi, a Nairobi slum, had listened to her pastor's words. But she had also heard discussions at the local health clinic and seen posters downtown, and she wanted her client to use a condom.

He refused, slapping her face. Then in the dark must of her room, on her cot, with her son crying nearby, they had sex, she said. Afterward, she had enough money for pounded maize. Now she has the virus that causes AIDS. She said she believes she will die soon.

The preacher and the prostitute exemplify the emotional debate over AIDS in Africa and its life-and-death consequences. As of the end of last year, an estimated 29.4 million people in sub-Saharan African had AIDS or HIV, according to U.N. estimates. About 3.5 million were infected during 2002, and an estimated 2.4 million people died of AIDS complications that year.

In Kenya, a nation of 31 million, 15 percent of adults have AIDS or HIV, U.N. statistics indicate. An estimated 500 to 700 Kenyans will die each day this year from AIDS-related causes. Yet after two decades of outside assistance and internal debate, Kenya, like most of its neighbors, has yet to find an effective strategy for preventing the disease or for treating those who contract it. And AIDS continues to kill entire villages, to wipe out generations.

When the country's first free and fair elections in December brought an end to 24 years of autocratic rule by Daniel arap Moi, many hailed it as a decisive moment not only in Kenya's political history but in its fight against AIDS. The new president, Mwai Kibaki, proclaimed a "total war on AIDS." He has committed his government to help pay for the treatment of 40,000 patients and abandoned Moi's self-described "shy" policy about condom use, taking a stand supporting condoms in addition to abstinence until marriage.

After Kibaki's election, more than 500,000 condoms were distributed in western Kenya, where HIV infection is most prevalent. Kibaki's government ordered 50 million condoms from German prophylactic maker Condomi, and

Kibaki said he will now implement the country's dormant AIDS prevention strategy, which long included plans to distribute condoms in hair salons, banks, restaurants and bars in addition to health facilities. Kibaki said the government will use a $100 million "soft" loan from the World Bank to pay for 300 million condoms over a four-year period.

Kibaki maintains that if the AIDS problem is not tackled, none of his government's other programs will matter. "We must all come out and fight and eradicate this disease, because there won't be any point of improving the welfare of people who are going to die," he said last

month. "I would want us to look back and say, 'That is the disease that used to kill us.' "

Anti-AIDS crusaders say they hope Kibaki continues to follow a path that diverges sharply from the practice of many African governments to keep silent about condom use and AIDS. Ghana and Rwanda, largely Christian nations, are still unclear about prevention policies. In contrast, Botswana, with its tiny population of 1.6 million and its massive infection rate of 36 percent, has been aggressive both in rhetoric and treatment.

The most widely praised example in Africa is Kenya's neighbor, Uganda, where the policies of President Yoweri Museveni are credited with helping bring HIV infection rates down from 30 percent to 5 percent. Museveni set up aggressive and candid campaigns that included condom distribution and a national plan to attract aid donors to the country of 24.7 million.

"I think saving these lives is feasible in Kenya -- right now," said Christa Cepuch, a Kenya-based pharmacist with the French medical aid group Doctors Without Borders. "I think with political will anything can happen. If Kibaki sat down at his desk and made this happen, it would be a different country in 10 years. Uganda did it and now Kenya can, too."

In Africa's impoverished countries, the debate over whether to tackle AIDS by trying to prevent it, through abstinence or condom use, or by treating it with expensive antiretroviral drugs, or both, is a complicated tangle that involves every level of society -- preachers, prostitutes and their clients, farmers, orphans, drug companies and politicians.

As AIDS drugs decrease in price and advocates around the globe lobby for more funding for their purchase, some AIDS experts say they are seeing the first signs that treatment might become affordable for poor countries. But at the moment, they say, prevention is the more pressing issue.

Few Kenyans take issue with the idea that abstinence from sex is an almost foolproof way to avoid AIDS. But in a country where more than half the people live on less than a dollar a day, it's not always that simple.

Because rural jobs are scarce, many Kenyans migrate to the cities for work, leaving their families behind in small villages. When spouses are separated

for long periods, sexual relations outside marriage become common. Or when there are no jobs, it is not uncommon for a woman to sell her body -- perhaps just a few times in a lifetime -- to feed her family for a few days.

"Let's not be so naive and so bashful as to think people are not going to have sex," said Wilson Ndgu, an energetic Kenyan doctor who distributes condoms at bars and in health clinics around the slums of Nairobi. "People are having sex, so we should be promoting condoms as a way to save lives.

That is the ethical and, frankly, the most Christian response."

Most Kenyans -- 78 percent -- practice Christianity, and most Christian denominations in Africa oppose condoms, some on the grounds that they promote sex outside marriage, others because they are a form of birth control. Only a few socially liberal church leaders have come out in favor of condom use.

"To be honest, Kibaki is in for some real serious work here. The scale of the epidemic and complete lack of response to it has created a nation where a lot of people feel they are helpless," said Chris Ouma, a Kenyan who is national coordinator for the Action AIDS/HIV program. "There is a lot of education to do and a lot of working with the churches. I've never seen such prominent leaders pray for people's lives and then tell people not to use condoms."

The All Africa Conference of Churches, with 168 members from all branches of Christianity, is torn on the issue of promoting condom use and backs a plan that tells worshipers to wait until marriage to have sex. But Kibaki is now asking church leaders to spend the first 15 minutes of every Sunday sermon preaching the policy of ABC.

ABC stands for "Abstain, Be faithful or use Condoms," the approach successfully adopted in Uganda and copied by other countries. President Bush, who has pledged $15 billion to help pay for drugs in Africa and the Caribbean, has made ABC official U.S. policy. The U.S. Senate approved a $15 billion bill Friday that earmarks $3 billion a year for the next five years for programs in Africa that include education about condom use and promotion of faithfulness and abstinence.

Still, some church leaders refuse to support ABC, saying it goes too far. "This issue may be tougher than even finding affordable drugs for AIDS patients," said Melaku Kifle, outgoing general secretary of the All Africa Conference of Churches. "And Kibaki is trying to take a stand by

pushing the ABC policy. What will happen? No one really knows. Kibaki's leadership in the coming years will be critical."

As times change, there are signs that attitudes may be changing, too. On the television soap opera "Saints and Sinners," the characters talk about AIDS. In newspapers and on the radio, the new government has launched an ad campaign that talks about it, too. The ads say: "Three people die every five minutes from AIDS in Kenya. What are you doing about it?"

Kenyan doctors now hand out condoms in bars and talk about prevention over warm Tusker beer. Even the national museum is addressing the issue, running an exhibit this month on how treatment and prevention improve the lives of patients.

"All of my friends say using condoms is like eating a banana with the skin on," said Walter Koga, 22, a jobless man who was hanging out with his friends at a barbershop in Kangemi. "Men just won't wear them because of stubbornness. People say it's not manly. But attitudes are changing. People don't want to be diseased, suffer horribly and die. I actually thought I would never wear one and now I do. I've changed."

As a group of Koga's friends gathered to joke about how they still don't want to use condoms, Lucy Wanjiku hovered nearby, listening. She folded her arms over her chest and rolled her eyes. She told a group of women standing nearby about a friend of hers who had asked a man to use a condom and ended up getting beaten. She wanted to tell Koga's friends to stop joking, but she didn't. Instead she went inside her dark metal shack to rest. She was too sick and weak to fight with them.

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The following letter has been submitted via the OpinionJournal article response feature. Contents of response as follows:

Name: Peter Burgess
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City/State: New York, NY USA
Date: Fri, August 15th, 2003

Subject: Re: Power Ties
Comment: The root cause of the Northeast blackout is not a failure of engineers and technology but a failure of politics and democratic process. I worked in a company that was a supplier of transmission switchgear in the early 1970s, and have been close to technology from my university days. And there was a time when the world looked at the great engineering feats of the United States. But that is history. Political leadership and financial and corporate leadership seam to think that spin and market manipulation can solve fundamental problems of supply and demand. Welcome back to Economics 101. A well engineered grid with adequate generation and transmission capacity does not crash the way we have experienced in the last 48 hours. But with inadequate generation or transmission capacity it is not a grid with redundancy that provides safety and reliability but merely a conduit for a chain of failure. Engineers know the difference. But politicians and profit maximizers do not. There is nothing of engineering substance that has been supported by political and "profit" leadership in the United States in the past twenty or so years that has in any way helped to ensure that an event like this blackout could not happen. Sad. And very dangerous.

Sincerely

Peter Burgess

ATCnet in New York

Specialists in International Development

Chapter 17 - Sector Perspective

CHAPTER 17

SECTOR PERSPECTIVE

A sector perspective should not be ignored ... though a single sector approach should not become the preferred way to address development performance

The Sector Perspective

Sector expertise ... specialization

Sector expertise is very important. Each sector uses a range of technologies that require considerable knowledge, training and experience to use well. All products and services should be accessible everywhere they are needed. Expertise in any sector should be accessible if needed. However, in the poor "south" only a limited amount of sector expertise is available, and a lot of things that ought to be easy to do never get done. From a community perspective there needs to be the sector expertise that is needed to improve the community. There are many sectors that might be needed ... very much depending on the nature of the community and what the community wants to make as a priority.

Hundreds of sectors and sub-sectors

There are hundreds of sectors and sub-sectors. Many organizations that have been associated with international relief and development are organized along sector lines and have a single sector focus which is good for the organization and has been welcomed by donors and governments ... but a poor use of resources for successful sustainable development.

Most governments have ministries that are responsible for sectors: Ministry of Education, Ministry of Health, Ministry of Transport, etc.

The United Nations has established a range of organizations to focus on different sectors: FAO for agriculture and fisheries, WHO for health and UNICEF that has a focus on children's health, UNIDO for the industrial sector and UNESCO for education, science and culture. There are hundreds of UN

agencies and offices with focus on specific parts of the global economy and society.

Each sector has its own technologies and best practices. But in the developing "south" the success of one sector is often constrained by the limits of some other sector. This argues, therefore, for a relief and development approach that ensure that there is a multi-sector involvement. There is little consensus about what is the best approach to making relief and development more effective and getting more rapid progress.

A sector is not tied to any location, though what is best in a sector can change from place to place. My experience has been that single sector intervention in almost any community is likely to fail, simply because critical constraints are being addressed. One sector can improve, but all the other constraints remain in place. Nothing is optimum until all the constraints have been addressed.

Overview listing of main sectors

This is perhaps not a complete list of sectors, but it is enough to give an idea of how many sectors are involved in making society work in a reasonable manner. The relief and development sector will succeed when all the sectors are able to function appropriately in any place in the world. The following list is in alphabetical order.

Table – Sector Overview

Sector	Note
Academic sector	Potentially a source of a lot of knowledge, but much of the work is academic without being valuable.
Agriculture sector.	Not widely acknowledged any more, but a key driver of prosperity in the "north" and very efficient. In the "south" in contrast, too much of agriculture remains little better than subsistence.
Banking and finance sector.	Hugely profitable, but services essential to the "south" are not available because the profits not big enough.
Construction sector.	Local construction companies ought to be a driver of local economic performance, but they are often displaced by foreign contractors. Quality needs to be professionally controlled.

Sector	Note
Education sector.	The education sector is critical to the future performance of the economy, but badly underfunded and good education is far from being accessible to all.
Employment or jobs.	Create employment and jobs, and a lot of relief and development problems go away. This ought to be a major priority.
Energy sector.	The supply of energy to the "south" is poor and a constraint, while raw energy sources in the "south" are tremendously rich and exploited almost totally for foreign benefit and some small local elite.
Enterprise sector.	A simple way to describe the private for profit organizations that can be the driver of sustainable socio-economic progress.
Fisheries sector.	A potentially valuable sector in the "south", but often the bulk of the value is exported by commercial fisheries agreements that are bad for the "south"
Governance and administration sector.	This ought to be facilitating socio-economic progress, but too much is constraining progress. Not enough accounting and accountability.
Health sector.	The health sector is critical to the health of the population, and seriously underfunded in the face of some pandemic health issues.
Housing sector.	Housing is a sector that can be a useful driver of economic progress. There is a big need for affordable housing, especially in urban areas.
Infrastructure sector.	Getting infrastructure upgraded can be a driver of the economy, but only if it is done with some understanding of the dynamics of development and the damage caused by economic distortion.
International trade sector.	There needs to be a lot more of fair (equitable) trade than merely free trade.
Legal and justice sector.	Too often underfunded and unable to function well. Not well integrated with traditional systems of justice.

Sector	Note
Luxury sector.	This sector has a high profit derived from the huge disposable income of people with great wealth. Mainly involved with obscenely expensive baubles and toys.
Manufacturing sector.	The sector can be a valuable part of the economic mix. It is not going to be success except in places that commit to an efficient economic environment.
Military and security sector.	More sunlight is needed in connection with military equipment and supplies and how they are used.
Mining sector.	A sector that ought to produce huge value for the "south", but it needs work to allow it to achieve value for the "south"
Natural resources sector.	Natural resources of all sorts are abundant in the "south" but not exploited much for the benefit of the "south" but mainly for the benefit of foreign investors and their foreign staff.
Productive sector.	These sectors include mining, manufacturing, agriculture, fisheries, etc. that make things needed for society locally or internationally.
Professional sector.	The professional sector is not central to relief and development efforts, yet it is one of the key ways that an economy becomes self-sufficient.
Public sector, private sector.	If it is government it is the public sector, if it is not, it is the private sector.
Relief and development sector.	A shorthand to cover all the activities of the official relief and development organizations, governments, NGOs, etc. that work on disaster relief and socio-economic progress.
Retail sector.	Look at the retail sector and a lot can be learned about the state of socio-economic progress.
Social sectors.	These sectors include health, education, etc. that are needed to improve the status of the population.
Telecom sector.	The telecom sector has evolved a lot in the recent years, and change continues. Getting relief and development friendly telecom is critical to success.

Sector	Note
Tourism sector.	Tourism has great potential for the "south" but it needs management and development of destinations.
Transport sector.	Transport is part of the infrastructure that is in great disrepair in the "south" and costly to the society.
Wholesale and distribution sector.	Wholesale and distribution is highly efficient in the "north" and a tremendous constrain in the "south".

Multi-sector mix

A community needs a multi-sector mix. This mix of sectors is important. People have said over and over again that they will not work in remote rural areas because something they need is not available. It can be health services, or schooling or the social situation ... but it emphasizes starkly the importance of the totality of sector and function in order to have success.

Linkages between sectors

Development succeeds when all the key linkages are in place. It is possible to understand the failure of development through an understanding of inter-sector linkages. This program has been designed to take advantage of the potential of the economy with the appropriate linkages in place. There are therefore initiatives in a variety of sectors, short term, medium term and long term, and through a variety of implementing mechanisms.

When I was first engaged to work in relief and development planning I worked with "projects" and I worked with "sectors". With relief and development results so bad, it is clear that not just one but many things needs to be fixed, that a single sector approach to project design is insufficient. Even if a single sector project is well designed, a project needs performance in many other sectors in order to be successful.

> *Multi-Sector Linkage*
>
> *My own experience operating in the "south" showed me very tangibly how much inter-sectoral dependence there is.*
>
> *In the "north", when something goes wrong, the solution is easy. Use the telephone to call up a supplier, pay money and almost instantly get the goods or services. Someone operating fishing trawlers in the USA*

could get all the maintenance needed simply by telephoning. Spare parts are easy to get, and do not have to be sourced from half way round the world.

I did not realize how much this is taken for granted until I became involved with running fishing trawlers based around the world in the "south" ... in Africa, the Middle East and Latin America ... and frequently a long way from the big cities. We needed to be able to do everything for ourselves. We had water wells for water, electric generators for electricity, maintenance technicians and spare parts for everything electronic or mechanical, and took care of absolutely everything ourselves. When a trawler needed maintenance, we did it all ourselves.

But while our main operations were the fisheries sector, keeping ourselves operating required support from every other sector.

The following table sets out the main sector initiatives that are included in the program for implementation through the government and the private sector.

Table: Inter-Sector Linkages

I ... Government and social sectors

	Systems and Processes	Training	Organization	Employment	Materials and supplies	Equipment	Financial resources	Know-how
GOVERNMENT AND SOCIAL SECTORS								
Administrative capacity	x	x	x	x	x	x	x	x
Education and Training	x	x	x	x	x	x	x	x
Health	x	x	x	x	x	x	x	x
Security, police, judiciary, prisons	x	x	x	x	x	x	x	x
Food security							x	x
Economic security							x	x
Government revenue, public finance							x	x
Trade and investment environment	x	x	x				x	x

II ... Infrastructure

	Systems and Processes	Training	Organization	Employment	Materials and supplies	Equipment	Financial resources	Know-how
INFRASTRUCTURE								
Water	x	x	x	x	x	x	x	x
Roads	x	x	x	x	x	x	x	x
Cargo and fishing ports	x	x	x	x	x	x	x	x
Airports	x	x	x	x	x	x	x	x
Housing	x	x	x	x	x	x	x	x
De-Mining	x	x	x	x	x	x	x	x
Energy	x	x	x	x	x	x	x	x
Environment	x	x	x	x	x	x	x	x
Communications	x	x	x	x	x	x	x	x
Banking and financial services	x	x	x	x	x	x	x	x
Knowledge dimension of development	x	x	x	x	x	x	x	x

III ... Income generation and employment

	Systems and Processes	Training	Organization	Employment	Materials and supplies	Equipment	Financial resources	Know-how
INCOME GENERATION AND EMPLOYMENT								
Private professional sector	x	x	x	x	x	x	x	x
Livestock and range management	x	x	x	x	x	x	x	x
Crops and other agriculture	x	x	x	x	x	x	x	x
Fisheries	x	x	x	x	x	x	x	x
Construction	x	x	x	x	x	x	x	x
Maintenance workshops	x	x	x	x	x	x	x	x
Agro-Industry and Manufacturing	x	x	x	x	x	x	x	x
Minerals and Mining	x	x	x	x	x	x	x	x
Transport	x	x	x	x	x	x	x	x
Wholesale trade	x	x	x	x	x	x	x	x
Services, retail and petty trade	x	x	x	x	x	x	x	x
Hotels and restaurants	x	x	x	x	x	x	x	x
Tourism	x	x	x	x	x	x	x	x

The previous tables show how many sectors and linkages there are. Because of complexity in the linkages it is difficult to optimize with formal “planning”. The process is simply too complex, and the variables too many. The invisible hand of the market mechanism will make order out of this apparent chaos and complexity. Every community in the area knows what it needs to better the community. This knowledge will drive the process if it is allowed to. The program has embraced the concept of “participation” because participation allows families and communities to decide themselves how resources can best be used.

Different Sector Views

Public and Private Sectors

Private sector

The private sector has proven to be a powerful engine for wealth creation, for innovation and for economic efficiency. On its own, however, the private sector can succumb to a culture of greed, arrogance and entitlement.

The private sector and its associated enterprise and "can do" attitude is a critical element in making relief and development a success. Private enterprise can organize and run production sectors so that there is the maximum of value adding ... the public in the broadest sense must see to it that the value adding is used in a fair, equitable and just manner.

The private sector is everything else ... and especially the corporate for profit sector, private philanthropic organizations, and not for profit organizations. Some health and education establishments are in the private sector.

Public sector

The public sector is owned and operated by the government. In many countries a lot of social services are operated by the government, including education and health services. In countries embracing socialism, the government also nationalized major production industries and operated them in the public sector.

Enterprise Sector ... Employment

Enterprise sector

The "for profit" organizations are sometimes referred to as the enterprise sector. These organizations have been vitally important in the "north", and especially in the United States, in building wealth. The incentives in the enterprise sector are all favoring the use of least resources for maximum revenue ... the least cost most value idea that is essential to economic value creation.

The enterprise sector in the "south" is also very important and accounts for almost all value adding activity. Because the "south" economies are weak, and failing, if not failed, the enterprise sector is struggling. Where most of the financial resources are controlled by government and indirectly by donors and the international financial community, the enterprise sector is sidelined.

Getting the enterprise sector to grow and be profitable has multiple benefits including the multiplier impact of more jobs and the impact of tangible value adding in the community. A healthy enterprise sector attracts other investment, and encourages other entrepreneurs to become involved.

Employment

Employment ... jobs is a critical component of socio-economic success. More jobs usually means a more successful economic situation.

Jobs can be in both the formal and the informal sector. A larger number of wage paying jobs are in the formal sector. Formal employment is possible in both the private and public sector, in the productive sectors and in the social sectors.

A job is the most value to the economy when the cost to the employer is lower than the value accruing to the organization, and more valuable again when the work is of value to society as a whole.

Formal and Informal Sectors

Formal Sectors

The formal sector is probably most easily described as everything that is incorporated or registered, as well as what is in the public sector, the government organizations, agencies and structures.

The formal sector is, generally speaking, fully monetized and is included in most of the economic statistics that are compiled. The formal sector has payrolls, pays taxes, and buys products and services in a regular manner recognized by law.

Many people only think in terms of the formal sector.

Informal Sector

But there is an informal sector as well. In poor parts of the “south” the informal sector is the only sector that operates ... it is everyone doing just a little to make the local economy function as best it can. Often the best is not very good. In the informal sector nothing is incorporated and nothing is registered. There may be some exchange of cash, but there is also simple barter and the exchange of goods and services in kind.

In the poor “south” the informal sector can be bigger than the formal sector, not only in terms of the number of people engaged in it, but in terms of the economic product associated with it. Even so, the informal sector does not usually appear in the economic statistics that are compiled, and to the extent that it does, the methodology for assessing its scale and its value may not be particularly well conceived.

Productive and Social Sectors

Productive sectors

There are many sectors that make up the productive sector: agriculture, fisheries, manufacturing, mining, energy exploitation, forestry, tourism, transport, etc.

All of the activities in the productive sector transform input resources into something of more value ... when this is done in a for-profit organization the outputs are goods and services that are sold and a profit for the organization.

These are value creating operations ... and to the extent that there is tangible value creation in the productive sector, there is value that can be used for social value creation on the social sector.

Social sectors

The social sector comprises activities like education, health, support services for the vulnerable, and so forth. Social services have been a major focus for the relief and development sector, as well as for left leaning governments that have a commitment to social justice.

Expenditures in the social sectors are very valuable because they contribute significantly to quality of life, and they also serve as an investment in the future. But success in the social sectors does not translate directly into economic progress ... it merely removes a major constraint to economic progress. Without opportunity in the productive sector success in the social sector is for nought.

Relief and Development Sector

Humanitarian relief TO DO

Official Development Assistance (ODA)

The relief and development sector is the subject of this book. But success in the performance of the relief and development sector depends as much as anything on the relief and development sector doing less, and all the other sectors doing more. We have argued in this book that the relief and development sector has performance badly, and cannot reform itself to be successful ... and that therefore there needs to be improvement in other sectors to improve socio-economic progress.

But when that happens, there are very valuable roles for many of the institutions of the relief and development sector.

The World Bank, for example, is an organization that can easily focus on rebuilding the "Public Finance" sector in the "south". The World Bank is well suited to doing this work, and could do it easily within its present mandate. The World Bank could also be a useful financial partner in helping large scale public works projects for infrastructure improvement get funded. Broadly speaking, I would like to see much less policy intervention coming from the World Bank, but a strong commitment to being engaged with universal public accounting and accountability.

The UN needs to maintain its critical role in convening meetings and encouraging dialog, but should deemphasize providing finance and technical assistance. I would like to see the UN also committed to the idea of universal public accounting and accountability.

Central Banks around the world should be much more engaged in the relief and development sector representing the financial interests of their respective countries. They ought to be much more central stage than they have been in the past, and should be at the forefront of efforts to ensure that there is universal public accounting and accountability.

Luxury Sector

A very profitable sector

The luxury sector is a driver of a lot of the apparent wealth creation in the "north". The value chains associated with the luxury sector are unusual ... and while profits are real in an accounting sense, the value associated with the profit makes little sense.

When a fashionable pair of shoes is priced at over $2,000, or a handbag a similar amount ... there is a huge profit in being the supplier and being in the supply chain.

But at the end of the chain a person only gets a pair of shoes or a handbag ... and a basic pair of shoes or a handbag would be more correctly priced at something like $50.

The same thing is going on in the automobile industry. Various types of automobile are being built and then being priced at luxury prices from $50,000 to $250,000 and up. Basic transport can be priced at (say) $20,000 and be perfectly functional. The "phantom value" in the supply chain is not real value at all, but merely a process of value destruction subsidized by the very wealthy.

Concentrated wealth and huge personal fortunes is very good for the luxury sector, whether it is for the sale of jewelery or the sale of luxury yachts ... neither of which have very much socio-economic value ... but the wealthy still buy

them. The bubble of the luxury sector may go on for a long time. The capital markets have concentrated a lot of wealth into relatively few hands, and these people may sustain the luxury market for a long time ... but not for ever.

Agriculture, fisheries and food

Infrastructure

Food security is enhanced if it is possible to move food stocks easily and at relatively low cost. Food security is also enhanced if it is possible to store food stocks with minimal loss in places where food stocks are needed, or likely to be needed. As part of the overall area proposals there will be significant improvement in the storage infrastructure. Food security is improved when there is an efficient transport system.

Industrial sectors

Energy - Oil and Gas

Minerals and Mining

Summary overview

Mining and the exploitation of minerals in the “south” ought to be generating a lot of wealth for the “south”. It will do so when the agreements are fully understood by all parties, especially the signers for the “south” and there is a solid framework for value analysis.

It is not clear what role bribery and corruption plays in the sector, but it is probably significant. It is likely that substantial fund flows do not benefit the country but only benefit individuals. This is difficult to address, because the amounts involved are huge. Without addressing this, however, the wealth creation that is possible will never materialize.

The international mining companies are at an interesting stage, and they are likely to have some advantage when they are seen to be of benefit to the local

communities where they operate. This is not an easy balance to achieve, because large scale mining causes a lot of change ... but it is possible, and could result in mining being pulled to communities rather than having to be pushed into the communities by the mining companies and a small elite.

There is every reason to expect that Iraq has mineral deposits that could be exploited on a more commercial basis. The knowledge about the mineral deposits in Iraq is not well substantiated. Much of the information is old and not supported by verifiable geological reports. There has been little exploitation of the mineral resources in Iraq.

Iraq has little capacity to do the work needed to provide a basis for a rational exploitation of the mineral wealth of the country.

The administration in Iraq should be supported so that better knowledge about the mineral resources in the area can be obtained. The knowledge gap should be closed as soon as possible with thorough geological analysis of the main mineral deposits.

Policy about mineral resource exploitation

The administration should be supported in work to establish a policy framework so that the exploitation of mineral resources is fair to all concerned and contributes to peace, security and economic development rather than having a destabilizing influence.

Training in mining skills

In order for the minerals and mining sector to succeed there needs to be basic skills training on a substantial scale. If there are exploitable minerals then there should be skills training to complement the other resources needs for successful industry development.

Manufacturing

The state of manufacturing

Iraq is not known for its modern manufacturing, with the exception of its production and export of crude oil.

There are parts of Iraq that have a history of handcraft ... but this is small scale and artisanal, of historic value but not of great economic value as a driver of modern Iraq.

The manufacturing sector is usually an important area for job creation ... but in Iraq more of the jobs are in the services sector.

Many things need to be brought together in order for manufacturing to be successful: (1) availability of materials; (2) availability of productive low cost

labor; (3) a reasonable enabling environment ... that is laws, regulations, culture, etc.; (4) working infrastructure including transport and energy; and, (5) markets and profit potential. Of these it is the markets and profit potential that are missing. Most of the market needs can be satisfied by products from other places at lower cost and more profit than from local manufacturing in Iraq.

> *My Experience in Madagascar*
>
> *For some years I was a consultant to a manufacturing group in Madagascar. I have described this group as one of the best managed companies that I had ever seen, in large part because of their commitment to training their staff. Even though Madagascar had tremendous socio-economic problems, and was faced with terrible foreign exchange shortages, this company still put its staff training as a top priority.*
>
> *As a result, the company was able to produce world standard quality and was able to participate in the global market on an equal basis with other world class producers.*
>
> *The company invested in good production equipment, and the staff were able to use this equipment to make the very best quality product at very competitive costs.*
>
> *But all of this took time.*

Banking and Financial Services

An important sector for success

A broad range of banking and financial services help socio-economic development progress. While these services are readily available to the rich and in wealthy communities, they are not universally accessible, and the poor at the bottom of the socio-economic pyramid are not well served at all.

In fact, the mainstream banking and financial service companies have either retreated from service to the poorer segments or society, or have increased the pricing of services that are used by poorer people. To add insult to injury interest rates are high and fees are also high making the total cost of service more like loan sharking than mainstream banking.

Community needs

In the last four decades rural banking has stagnated and in many places has disappeared. Perhaps for the last 25 years there has been some growth in microfinance, but this is a very limited subset of banking and arguable not an important subset. The growth of micro finance is progress, but it is not the single

silver bullet that is going to solve all the socio-economic development problems of the south. In any community, there is a need for at least three main financing components: (1) micro finance that serves the individual and micro-business; (2) mini finance to satisfy the needs of the small and medium sized businesses; and, (3) muni finance that provides financing for economically desirable community projects.

Commercial banking for enterprise

The Commercial Bank sector in Iraq either through national banks or in association international banks has the ability to provide a full range of financial services to major business enterprises. The challenge is to expand the service to included smaller businesses and those that have the potential to grow, but not the financial strength to grow.

Informal systems for financial services

Where the formal commercial banking and financial services sector is weak, a range of informal systems for financial services are available. These systems are very important to the local economy, especially the informal sector and the small business. Some of the informal systems, however, while providing a needed service, also exploit the poor in a very aggressive manner.

Public finance

The mainstream banking sector should be in a position to assist with the financing of the public sector and be available to make funds more easily available in areas distant from Baghdad.

Communications

Telephone

The telephone service in Iraq has become much more wireless in the past few years. The technology is insufficient and service leaves much to be desired. Urban areas are being targeted, but remote areas are not being served. Getting a good telecom infrastructure is a good basis for other progress.

Internet

In Iraq the Internet is available through a variety of services, none are cheap. The Internet ought to be working on top of a good local infrastructure and be accessible easily and at low cost.

Private sector

The most effective strategy is going to be to make sure that the development of communications is handled by the private sector, with the public sector

authorities having a regulatory role that ensures a quality service and pricing and service agreements that are reasonable.

Logistical Services

Transport

The transport systems in Europe, in North America, in Japan are incredibly efficient. Transport is a very innovative sector in terms of the adoption of technology. This needs to be applied to the "south" where transport infrastructure, roads, rail, ports, have not been developed to the optimum. There is the need for a huge investment by both the public and private sector. Some valuable progress can be made by doing as much work as possible on a small scale in and around communities.

Truck fleets

The truck fleets in Iraq have expanded based on the profits of the private operators. The financing associated with the truck fleets is likely a huge cash cow for those that are engaged in the financing.

Truck maintenance is handled by a large a competent workshop sub-sector. Parts are not a problem as long as funds are available. The fuel situation that is often a problem is not a problem in Iraq where refined products are widely available.

Air transport

Air transport service operators can be in the private sector. There can be financial support from the government to facilitate the funding.

Airport fuel and service

Baghdad airport is international standard and all fuels and services from an international airport are available.

Port operations

Port operations are going to be a major issue in the future success of Iraq, and especially the oil and gas sector. A modern port capacity is going to be vital in the handling of energy products exporting product using the largest of the modern supertankers.

Pipelines

Pipelines are the main means of transporting petroleum products. They are an easy target for bombers and have not been adequately protected so are not all presently in service.

Warehouses

Warehouses are now a critical part of logistics operations. They serve much more than merely to keep stock in a safe place out of the weather. They are now fully equipped so that information about stock movements in facilitated in real time.

The old era warehouse is still needed at the community level ... while the 21st century warehouse and integrated logistics system starts to operate in the country.

Maintenance

Repair shops, welding and machine shops

There is an ongoing need to strengthen the national capacity to maintain equipment and do welding and machining. Much equipment, especially in small enterprises, is old, and needs ongoing maintenance. There are a lot of small facilities that do work at a basic level, but few that have the capability to pdo the higher end work.

Access to training

Training will help improve the sector, and help increase jobs and employment while also providing value for the community. It should be possible and easy for people to upgrade their skills. All maintenance and machine shops of good standing should be encouraged to train people to a higher level of skill.

Media

Radio and Television

Radio and television have been under government control in Iraq. However private channels can be picked up from satellites and from broadcasts originating from other countries.

These are powerful ways of spreading news, entertaining people, spreading propaganda and influencing people.

While the English language is used to some extent, the primary language in the country is Arabic. While programs in English reach the international community in Iraq, it is the Arabic programming that reaches the population at large.

Print media

There are a variety of newspapers in Iraq. A lot of material printed in the media has originated from some official source. Newspapers are an important communications medium and should be used not only for entertainment but also for serious news and analysis.

New media ... Internet

The Internet must be thought of as a major component of the media sector. The Internet has a combination of characteristics that have never been seen before ... it can be extremely fast ... combine digital video, audio, text and interaction in a bewildering range of combinations. It can be private or it can be very public, depending on how the user chooses to interact with the Internet and the Internet community.

Professional Sector

Professional sector situation

The professional sector includes professions like accountancy, law, medicine, teaching, engineering, architecture, accountancy, the religious, etc. These professional people have standards for their work that enable society to rely on what they do. They serve to improve productivity in enterprise and in society and in so doing create tangible value in society.

As long as there is instability and a lot of violence professionals are going to move themselves and their families to safe places. The professional is a great value to the society and to the economy, and emigration constrains success.

The private professional sector is very important for sustained development. The government is able to set a legal and policy framework for civil society and development, but there also needs to be the private professional community that can provide a technical input so that the laws, regulations and policy are compatible with global professional principles.

Professional employment is not a large number, but is an area where higher incomes may be earned.

National professionals should be recruited to do professional work that is required to strengthen the national frameworks for development. The state of knowledge about development, about the law, about the society, etc. all need to be improved, and this can and should be done by funding work to be done by national professionals.

There should be active cooperation between local professional societies and equivalent professional societies in other countries. Many professional societies have active international programs and are looking to expand their global connections. These links should be actively encouraged, in particular as a way to facilitate world class training for the leading members of the professional community.

Tourism

High economic value

Tourism is a sector with huge potential economic value. But tourism, like everything else, requires planning and investment to be successful. Some places have developed tourism very effectively and have made it an important part of their economic success, but in many places the opportunities of tourism are totally ignored.

In Iraq, there were few visitors during the Saddam Hussein era. Visitors since the 2003 Iraq war started have been mainly soldiers intent on making peace and some international contractors engaged in making money. There have also been lawmakers and journalists who have able to see Iraq from the Green Zone and a few other "safe" places in the country.

> *Destinations ... What To Do?*
>
> *I have traveled a lot almost always on work assignments ... and I am amazed at how many places have wonderful destination activities that nobody knows about.*
>
> *Iraq has an interesting and very long history ... places in Iraq were determinants of history in Biblical times. The rivers in Iraq are part of Biblical history. The archeology of Iraq is fascinating.*
>
> *Iraq ought to be one of the must see tourist destinations ... one day ... maybe.*

But building back a tourism industry is important. Tourism is successful when safety is sure, there are good places to see, good transport, good hotels, good food and good entertainment.

Hotels, restaurants and entertainment

Hotels, restaurants and entertainment that serves local business does not attract the international tourist community. For upscale international tourists there needs to be a higher class of hotel and restaurant. International tourists look for air-conditioning, spotless bathroom facilities and their own style of food. For this they are willing to pay. There also needs to be entertainment value as, for example, in various forms of destination that show of local history, culture and sights.

Trade

International trade

International trade has been a key driver in making some countries prosperous. It was the driving force behind a lot of wealth creation during the mercantile and colonial era, and it remains important today. The success of Japan, and then South Korea and now China and others are based on international trade. India's success has been more trade in services than in manufactured goods, but it is still very much international trade.

In the case of Iraq, crude oil is very much a component of Iraq's international trade.

Wholesale trade

There are parts of the economy where the wholesale functions are still provided by independent organizations. For example, spare parts for automobile maintenance are carried in inventory by wholesalers who provide rapid delivery to auto repair shops in their service area. It is a very efficient sharing of roles.

In Iraq and many countries in the global “south” wholesale is often linked to import / export. Wholesale is also associated with traders and middlemen. Wholesale and distribution in the “south” is often high margin, but it is also often high cost and profits are not as large as they might superficially appear.

The wholesale trade, and import/export are less important in the modern global economy because of a growing tendency of global companies to handle all the logistics from original manufacture on one country to retail marketing in another.

The wholesale trade may not have the same structure that it has had in the past, but the functions of transport, distribution, warehousing, break-bulk, etc. still have to be done. Though a larger part of the modern retail trade goes direct from the manufacturer to the retailer, all the intermediate distribution and wholesale functions are still done, but done in-house.

Wall*Mart is a very good example of a modern corporate organization that has brought all the functions from manufacturing through final sale to the customer under its control. While many operational activities are subcontracted, the overall operation is controlled by the Wall*Mart logistics system.

> *WalMart*
>
> *What is WalMart? Is it a retailer, a wholesaler or a distribution company? Perhaps the best answer is that WalMart is a success. It is also perhaps the best example ever of an organization that has used*

management information to optimize what it is doing to supply its customers with what they want.

It has been one of the world's leading users of management information for a very long time. It deployed mainframe computers for data analysis long before it was fashionable. They have been ahead of the curve in understanding customer behavior in their stores for years, as well as understanding the detail operations of their organization. They know their business and they know the data associated with their business.

As they grew it was not analytical genius that made them decide to integrate their supply chain backwards to the manufacturers of their products. But they were among the early adopters of integration of operational data near real time into every aspect of the supply chain so that inventory availability to customers at the stores went up and inventory investment as a whole went down.

I thought it was interesting on the second day after the 9/11 disaster to learn in the media that WalMart knew its customer buying activity hour by hour at all its thousands of locations and knew precisely what was being bought by a population in panic. Milk and bread, then guns and ammunition as the hours progressed.

And WalMart was able to divert hundreds of truckloads of supplies to hurricane affected areas in the aftermath of Katrina days more quickly than government organizations like FEMA.

There is a lot to learn from WalMart. Excellence in the use of management information has been one of its key strengths.

Retail sector

When I was growing up in the UK, the country was referred to as a nation of t is nevertheless a very important part of the economy, and one that can play a great role in establishing sustainable socio-economic progress.

Informal trade

The informal trade in all sorts of merchandise all over the world is remarkabkeep everyone fed, and everyone clothed. They do better when the community is prospering than when it is not.

An important sector for income generation

The services, retail and petty trade sector is one of the largest sources of income for the poor and for women. For many, it is also the starting point for more substantial business enterprise.

Regulations ... some are needed, most are not.

There are few formal regulations that apply to this sector. The sector thrives with a minimum of regulation. In circumstances where the trade is made illegal, as it was in the former communist regimes, the informal trade disappears, and with it a very large part of the foundation of the economy. Though the sector is untidy, it is where most larger businesses start.

Education

Education sector

Education is, more than anything else, the investment that will facilitate a successful future. Education is a prerequisite for jobs and opportunities and to be able to have valuable lives. The value of education is not a "certificate" but the training of body and mind so that a person can do valuable things. Education needs to move from basic to higher levels where a person is not only challenged academically, but also is prepared for a productive life. Accordingly there needs to be not only primary, secondary and tertiary education, but also vocational and professional eduction.

Education does not need to be done in traditional or old-fashioned ways, but in any way that works and is cost effective, including using electronic resources of various sorts. In the future, the education sector is likely to include activities related to the use of Internet resources.

Educational policy

Some appropriate goals of an education policy in Iraq might be the following. No specific goals have been included here. Thus:

- Expand primary education
- Address priority needs in secondary, technical and vocational education
- Improve quality and equitable distribution
- Extend new curriculum to all levels,
- Increase the number of certified primary teachers
- Lower textbook ratio
- Achieve more efficient use of teachers,
- Raise female participation
- Increase the proportion of female teachers
- Rehabilitate all schools damaged by wartime activities

Under-served areas

Iraq has some areas that are under-served regions. The literacy rate in Iraq is very variable depending on the place. In the main urban centers literacy is around 80%, while in remote rural areas it is more likely to be 20%. Literacy among women is 50% of the literacy rate for men.

Curriculum and text books

Iraq has a well developed curriculum of education. A laudable effort has been made to revise the curriculum and prepare textbooks and teaching materials. A lot remains to be done to improve the curriculum and the teaching materials.

Textbooks are also needed for the schools and training centers. The program will support the preparation and the purchase of textbooks for schools and training centers.

Teachers

The number of teachers in secondary schools in particular is less than optimum. The proportion of female teachers in primary school is low and there are almost no female teachers in secondary schools. New teachers need to be found, and most important, new teachers need to be trained. Iraq needs capacity to teach teachers. The teaching of teachers is needed for primary grades and secondary grades, but also for skills training and the non-formal basic education initiative.

Planning and management

Planning and management capacity at every level is very weak. The decentralization process implies that a lot more is expected from regional and local government. There are a lot of vacant posts in the regional education bureau and almost all the zonal offices are a one man offices. Most people in responsible position at all levels lack the required qualification and experience.

Women and girls

The situation of women and girls in education in the area should be addressed by the program in a practical way. There are ways in which women can expand on skills they already have to become of very much more value to themselves and to the community. Health skills training, for example, already known at an artisanal level can be upgraded so that health skills can be used for the benefit of the community at large. Informal, but nevertheless real, knowledge can be mobilized so that it forms the basis for teaching in the non-formal educational environment.

Skills training

Skills training for mature adults is critical for the growth of the economy and to of their capabilities.

Skills training is needed for all, young and old, male and female. There is, however, and important need to address the skills training of young adults, many of whom have lost many years of education and are now uneducated, unskilled, unemployed and potentially a source of future difficulties.

Employment of jobs

Jobs is not really a sector or sub-sector ... but employment and jobs are very important. The effort to creating self-employment opportunities that require a lot of labor for very little return needs to be supplemented by much more effort to make it possible for small employers to become bigger employers, and for employees to self-improve so that they can do bigger and better paying work. The jobs that are created need to be profitable, that is value adding, in order to be sustainable. Where the value is social, as in health and education, there also needs to be jobs in productive sectors that generate the cash flows to pay all the wages.

Health

Health situation

The health status of Iraq has deteriorated relatively in the past years. Health and health related services are limited because of shortages arising during the economic sanctions and the war conditions. Coverage is low with the distribution biased towards the urban population. Most health facilities in Iraq are understaffed and the quality of training of some of the current health workers is poor. Moral is low because of the state of chaos.

Management capacity at all levels is very limited and whatever management information system existed previously has almost ceased to function.

Rehabilitation of health sector

The rehabilitation of health sector is a priority. Funding is needed for the necessary construction work that needs to be done to rebuild and expand the infrastructure. There is also a need to rehabilitate equipment and funding is needed for this. The infrastructure includes both urban hospitals and health clinics in smaller communities.

Many of the projects are an integral part of the Health Ministry's program and are designed to facilitate their integration into the mainstream of the health development of the region.

Education and training

Training nurse is a very high priority. There are not enough nurses. The need for nurses is very high. Furthermore, nursing is a training and employment

opportunity for women. Training of nurses should be encouraged through all means.

Training doctors and medical professionals is a long (and expensive process). However, the long terms success of the area economy depends on having trained professionals from the area in the area. Funding long term professional training should be a part of the ongoing development strategy for the area.

Mother and child health programs

Mother and child programs should remain a priority in the health sector, with continuing efforts to reach the mothers and children of pastoral families.

Immunization programs for children should remain a priority in the health sector, with continuing efforts to reach the children of pastoral families.

Mental health

Mental health is a problem that is not enough of a priority. Mental health practices are ones that became unacceptable in industrialized societies several decades ago. The traumatic experience of the area in the last twenty years (or more) has created a serious mental health problem.

The Sectors ... A Sector View

Multi-sector linkage

When I was first engaged to work in relief and development planning I worked with "projects" and I worked with "sectors". With relief and development results so bad, it is clear that not just one but many things needs to be fixed, that a single sector approach to project design is insufficient. Even if a single sector project is well designed, a project needs performance in many other sectors in order to be successful.

> *Multi-Sector Linkage - The Power of the Telephone*
>
> *My own experience operating in the "south" showed me very tangibly how much inter-sectoral dependence there is.*
>
> *In the "north", when something goes wrong, the solution is easy. Use the telephone to call up a supplier, pay money and almost instantly get the goods or services. Someone operating trawlers in the USA could get all the maintenance needed simply by telephoning. Spare parts are easy to get, and do not have to be sourced from half way round the world.*
>
> *I did not realize how much this is taken for granted until I became involved with running fishing trawlers based around the world in the "south", and frequently not even in a urban setting. We needed to be able to do everything for ourselves. We had water wells for water, electric generators for electricity, maintenance technicians and spare parts for everything electronic or mechanical, and took care of absolutely everything ourselves. When a trawler needed maintenance, we did it all ourselves.*
>
> *But while this was the fisheries sector, keeping ourselves operating required support from every other sector.*

The issue is pervasive. I have been told over and over again that people will not come to the remote rural area to work because something they need is not available. It can be health services, or schooling or the social situation ... but it emphasizes again the importance of the totality of sector and function in order to have success.

A sector is not tied to any location, though what is best in a sector can change from place to place. There has been a lot of thinking about development in a sector, but it has not been universally successful. My experience has been that single sector intervention in a resource constrained community is likely to fail, simply because not all the constraints are being addressed. All the other

constraints remain in place. Nothing is optimum until all the constraints have been addressed.

More on Sectors

More … but Still Not Much

Introduction

This chapter describes a number of sectors in a little bit of detail, but still not very much. For relief and development to be successful. All sectors must be optimized and at least cost.

The following are in alphabetical order. There is some overlap because of the value of looking at set of sectors as a group.

Academic sector

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.

Agriculture sector

Part of the productive sector, and of huge importance in the global scheme of things. Without food, there is no life. The revolution in agricultural productivity set the stage for the "north" to become wealthy a long time ago, and it is often overlooked that "north" agriculture remains amazingly productive. Under 5% of the "north" population is engaged in agriculture and there are embarrassingly large surpluses.

In contrast poor "south" countries might well have 80% of the population engaged in rural agriculture and associated support activities, and the country is hungry because there is not enough food. This is all about productivity, and a terrible failure of the relief and development community.

Banking and finance sector

The "south" needs a broad range of banking and financial services that help each segment of the economy and the population to progress.

In the last four decades rural banking has stagnated and in many places has disappeared. Perhaps for the last 25 years there has been some growth in microfinance, but this is a very limited subset of banking and arguable not an important subset. The growth of micro finance is progress, but it is not the single silver bullet that is going to solve all the socio-economic development problems of the south. In any community, there is a need for at least three main financing components: (1) micro finance that serves the individual and micro-business; (2) mini finance to satisfy the needs of the small and medium sized businesses; and, (3) muni finance that provides financing for economically desirable community projects.

We need to figure out how to do this, and I will argue that it is not very difficult. All it needs is for some financial brain power to address the problem, combine it with some ICT brainpower and some solid practical knowledge flowing from remote rural communities that need community financing, and the problem will soon solve.

Construction

Almost all construction in the "south" be undertaken by organizations based in the "south" and using professionals in the "south". Performance may be enhanced in some cases with technical input from the "north", but it should be limited and relevant to the issues at hand. However, almost all of the infrastructure building that is needed can be done by organizations in the "south" with little or no technical assistance from the "north".

The quality of the work in the "south" should be ensured in the "south" just as it is in the "north" by independent professionals and quality control organizations like independent testing labs.

The goal should be to construct infrastructure of an adequate quality at the lowest possible cost so that the economy can be more productive.

> *Tarmac Roads in Equatoria, Sudan*
>
> *I worked in the south of Sudan in the 1980s. It was an interesting learning experience, to say the least.*
>
> *I have had an interest in the transport sector since my student days as an engineer. So I took some interest in the transport situation in the Equatoria Region. The most important local highway was the road between Juba and Yei, a very unpleasant ride in dry weather and*

practically impossible when there was rain. This was not an "all weather" tarmac road but a deeply rutted laterite road in need of a lot of maintenance. There were very few trucks (except those owned or contracted for by UNHCR) and a heavily loaded pickup would usually get stuck. A surplus of agricultural produce in Yei did not easily move to Juba, a government city with food shortage.

As I recall the Canadians had brought road construction equipment into the area. It was in a yard in Juba, and had been for some years. Apparently it had been donated by Canada, but was used equipment without spare parts. USAID had also done some road construction, but their beautiful tarmac roads were limited to the confines of the USAID compound. Kuwait had done a few miles of tarmac road construction, basically from the airport to the Government Buildings, past a new mosque that Kuwait had financed and just a few weeks before the Emir of Kuwait made a visit to Juba.

Value analysis of the road from Yei to Juba suggested that improving the road to a reasonable all weather standard so that the separate markets of Yei and Juba could interact without a transport constraint would give a payback measured in just a few months. Instead the international relief and development sector had really done absolutely nothing.

Education sector

Education is, more than anything else, the investment that will facilitate a successful future. As noted already, education is merely an enabler. Educated people need jobs and opportunities to be able to have valuable lives, but this is impossible when people have not had education.

The value of education is not a "certificate" but the training of body and mind so that a person can do valuable things. Education needs to move from basic to higher levels where a person is not only challenged academically, but also is prepared for a productive life. Accordingly there needs to be not only primary, secondary and tertiary education, but also vocational and professional eduction.

Education does not need to be done in traditional or old-fashioned ways, but in any way that works and is cost effective, including using electronic resources of various sorts. The education sector is likely to include activities related to the use of Internet resources.

Employment or jobs

Jobs is not really a sector ... but employment and jobs are very important. The effort to creating self-employment opportunities that require a lot of labor for

very little return needs to be supplemented by much more effort to make it possible for small employers to become bigger employers, and for employees to self-improve so that they can do bigger and better paying work. The jobs that are created need to be profitable, that is value adding, in order to be sustainable. Where the value is social, as in health and education, there also needs to be jobs in productive sectors that generate the cash flows to pay all the wages.

> *Productivity*
>
> *Productivity of employments and jobs is a key issue. People in poor societies work very hard, but at the end of the day, they have merely survived for another day, and that is about as much as they can hope for. A women and the girl children spend hours every day collecting water for the family. It is unproductive work, terribly inefficient, though at the same time of critical importance. People in the "north" get upset when the water turns on and it takes just 15 seconds for the hot water to arrive! What on earth would happen in a "north" city like New York if the water took hours for everyone to collect every day. It is unimaginable. But half the world's women are employed in this way.*

The key is not merely to have a lot of people at work, the goal is to have a lot of people doing efficient productive work that has value.

Energy sector

The energy sector has two very different dimensions in the "south". There are huge energy resources that can be exploited, and there is a shortage of energy that constrains development.

At one level there are abundant fossil fuel resources, especially oil and gas, and also coal, and on the other end of the scale, there is a dramatic shortage of fuelwood and charcoal for household cooking.

Better management of the energy resources would yield substantially more wealth for the "south". This is something that should be a priority, but it is not easy to do. Big energy is an "extreme" area of hardball business. The stakes are very high, and the wealth flows associated with it unimaginable.

The energy arena is not getting easier, but a lot more difficult. The oil and gas industry is not just big "western" companies, but also companies from Russia and China. Companies from other countries like Venezuela, Mexico and India are going to change the energy sector landscape. Whether this will make the sector more beneficial to people at the "bottom of the pyramid" is not at all clear ... but there are interesting possibilities.

There is an opportunity for wealthy oil and gas enterprises to embrace the moral high ground and start doing a lot more for communities in places where they

operate. Though politics is often controlled by the gun, people power can have an enormous impact. Guns did not get the British out of India, but people power with Mohatma Ghandi in the vanguard. Martin Luther King did not catalyze progress in racial relation with the gun, but by mobilizing people peacefully.

The lack of electricity in poor places is a chronic problem. The technology exists to have adequate electricity supplies, and to distribute electricity to where it is needed. It takes investment, and it takes a reasonable approach to profit expectations. The key requirement is that electricity investment and electricity management and operations are done efficiently, ethically and without being dominated by greed and corruption from any quarter. This is possible, but it cannot be achieved simply by "privatizing" the sector and moving initiatives from an incompetent ineffective "public" sector arena to a totally unconstrained profit maximizing arena. One is as bad as the other. Good management in an enterprise that aims to maximize the public good is entirely possible ... and a good way forward.

Enterprise sector

I sometimes refer to "for profit" organizations as the enterprise sector. These organizations have been vitally important in the "north", and especially in the United States, in building wealth. The incentives in the enterprise sector are all favoring the use of least resources for maximum revenue ... the least cost most value idea that is essential to economic value creation.

The enterprise sector in the "south" accounts for almost all value adding activity, and is struggling within failed economies where most of the financial resources are controlled by government and indirectly also by donors and the international financial community.

Getting the enterprise sector to grow and be profitable has multiple benefits including the multiplier impact of more jobs and the impact of tangible value adding in the community. A healthy enterprise sector attracts other investment, and encourages other entrepreneurs to become involved.

Fisheries sector

Fisheries is another component of the productive sector. The dynamics of fisheries are very different from agriculture, with best performance not achieved with maximum investment, but usually with less. The relief and development sector experts have often got it wrong, and there is far too much over-exploitation of the resources.

The "south" has opportunities in the fisheries sector, but they need to be better at negotiating how fishing resources are exploited. Local investment is needed

rather than foreign investment, and access to major markets should be negotiated so that there is reasonable benefit for the "south".

Value chain analysis in the fisheries sector will show that many fisheries agreements can be improved significantly if the agreements were reasonably fair, rather than being totally in favor of the foreign parties.

Governance and administration sector

The essential activities of governance and administration are supportive in nature, and only result in tangible economic benefit when there are also productive activities in the economy. Bad governance and administration can be a huge constraint on success, and improvement or diminution of the bad activities in governance and administration can be very favorable.

Getting rid of corruption is the obvious big issue, but there are a lot of other smaller issues that can be addressed. For example, reducing the complexity of procedures to do routine administrative activities, and shortening the time to do these things all helps.

> *Costs for a legal and justice system*
>
> *I have helped prepared government budgets and plans in various parts of the "south" and have been faced with the need for legal and justice activities to be paid for through the budget. A modern legal and justice system along the lines of the systems used in the "north" is beyond the financial capacity of most "south" governments. When staff are very lowly paid, or paid late or intermittently, then all sorts of petty corruption starts, but when there is only a small reasonably paid staff it only reaches as small part of the population.*
>
> *Increasingly communities in the "south" have had to address the issue of a working legal and justice system by reverting to traditional systems ... in many cases with excellent results.*
>
> *During my work in Somaliland, I was able to learn something of the traditional system of clan justice, and was impressed with its reach to every single member of the clan. The fact that all of the society was part of the same system of traditional law made it more useful than the modern law, that had little impact on daily life for anyone except a very few.*
>
> *In Mozambique, after its long civil war, it was impractical for the government to go through lengthy modern legal processes for all the young soldiers who had committed various forms of atrocity in connection with the war. They did not have the money nor the people to*

> *do it. Instead they reverted to community level traditional systems to punish and reintegrate everyone into their society. The system made it possible for the country to become a lot more stable and reintegrated than would have been possible using a more modern formal "north" approach.*
>
> *And of course, the Truth and Reconciliation Commission in South Africa broke tremendously valuable new ground in bringing together people who had been sworn enemies and committing atrocities for years in a reasonable length of time and at a manageable cost.*

The public sector's most important job is governance and administration. It is important, but it does not in itself create wealth, and is an "overhead" of society and socio-economic development.

These functions facilitate success in a society, and bad governance and bad administration can be a huge constraint on the performance of society and the progress of socio-economic development.

There are a whole host of activities that "government" is expected to provide for the citizens. In the "south" the government has often found itself in a financial bind, and the delivery of services is impossible because of the funding constraints.

A lot of services are best delivered at the local government level rather than by an organization controlled and funded by a remote central government, such as local public works such as street repair and waste removal.

Health sector

The health sector in the "south" is very challenged. Sickness is aggravated by poor water and malnutrition almost everywhere in the "south", and resources for care and cure are very limited. Almost everything is in short supply, and even though there is a health crisis throughout most of the "south", there are substantial financial abuses both in terms of the misuse of resources and profiteering by suppliers of medications and equipment.

Even though there is crisis in the "south" health sector, some of the staff do amazing work with very little. The tardy payment of nurses is common.

But health sector performance is unsatisfactory in the "north" as well. Though scientific developments in health have been amazing, the cost and the inefficiency of modern medicine is mind boggling. In some places in the "north" the high costs and profiteering now makes good medical attention unaffordable for many of the poor and middle class.

Good management information and public accountability has the potential to be of substantial value to help performance improvement.

Housing sector

The housing sector has not kept pace with the growth in population, and the quality of shelter for many in the poor "south" is less than satisfactory. Urban slums are common, and rural shelter is poor reflecting the poor state of the local economy.

Few houses in poor areas of the "south" have adequate services. Water and latrines are generally unsatisfactory, and contribute to poor health in these places. There is little access to electricity. Not surprisingly, there is little access to telephone and Internet. Living conditions are bad, and the crowding is contributing to the increase in diseases like tuberculosis.

The solution to housing should be one that involves both the private sector, government and the financial sector. With thoughtful planning, the housing sector can be a valuable component of economic activity and serve to upgrade the housing sector and the employment sector at the same time.

Infrastructure sector

There is enormous catch up to do in order to get the infrastructure in the "south" up to enough basic levels of performance. There needs to be investment to catch up on maintenance and to put in needed infrastructure, especially around communities.

There are many dimensions to infrastructure including (1) Roads and bridges; (2) Seaports; (3) Airports; (4) Housing; (5) Water; (6) Sewage and sanitation; (7) Hotels; (8) Tourism destinations; (9) Public buildings; (10) Schools; (11) Health facilities; (12) Telephone and Internet; and, (13) Electricity.

Most of the construction associated with infrastructure ought to be done by local construction enterprises ... and the planning of infrastructure initiatives should be based on the idea of creating the most value adding in the community as the infrastructure is built, and as much longer term benefit for the community when it is in use. The aim should also be to build infrastructure using the minimum of external resources, and the maximum of the resources that are available in the community.

Building infrastructure in the "south" should not be a totally uncontrolled profit bonanza for multinational construction corporations, with additional debt the only certainty from the projects.

The amount of investment needed to upgrade infrastructure to "north" standards cannot be universally sustainable in the "south". There needs to be

incremental upgrading so that constraints caused by infrastructure are reduced. As economic performance improves, more upgrading can be justified.

Every community I have visited has always made reference to the need for easier transport in the rainy season. All weather roads are valuable, but they need not be to European or US standards. They just need to be usable when it is raining, instead of totally stalling traffic.

Any visitor to the "south" from the "north" quickly notices the problems with electricity. The status of electricity infrastructure is abysmal. Major upgrading is needed. There is no reason why investment cannot come from the private sector, except that the cost of international private financing is very high. The problem is acerbated when government reserves to itself a monopoly position, and does not have a satisfactory level of expertise and oversight on the activities.

In the "south" the telecommunications infrastructure is poor, with little access to the Internet. Only high cost options for Internet access seem to function. The "south" has not yet embraced the idea of very low cost communications as a way to encourage development, but still uses the telecom sector merely as a vehicle for extracting maximum economic rent.

The railroads has a big part in the modernization of the economy in Europe and North America in the 19th century, and there was some railroad building in the "south" almost a century ago. Rather little has been done in the last fifty years, and mostly to support corporate minerals exploitation. A rail infrastructure is a valuable component of the economy, and helps to keep transport services low cost.

There has been a productivity revolution in modern ports, with almost total containerization and using powerful materials handling equipment. Modern bulk carriers are highly automated requiring small crews, and their cost is remarkably low. But not much of the "south" is able to take advantage of all of this. Most of the ports are antiquated with little modern materials handling equipment, and the costs are very high. Shipping costs in and out of Africa are very high, perhaps the highest in the world, and the service is the worst.

Large scale modern infrastructure is expensive, and it is only in rich countries that the economy can justify making these very expensive investments. High cost infrastructure in a low productivity economy is a formula for financial crisis. Infrastructure investment to upgrade needs to be done in an incremental fashion.

This can be done working from the community level. When infrastructure is looked at from a community perspective, what is the most important to the community can easily be identified, and there can be an investment focus on

what gets the best results for the community. This has the potential to increase the socio-economic return from infrastructure investment from something that will not justify investment to something that is gives an attractive socio-economic investment yield.

International trade sector

International trade has been a key driver in making some parts of the "south" prosperous. It was the driving force behind a lot of wealth creation in the "north" during the mercantile and colonial era, and it remains important today. The success of Japan, and then South Korea and now China are based on international trade. India's success has been more based on trade in services than in manufactured goods, but it is still very much international trade.

The poor "south" has little to trade that it can produce on its own. While there are some success stories about the "south" exporting to the "north" they are not very large in the bigger scheme of things. And in almost all cases, the real value is being generated in the "north" and not much gets to stay in the "south".

There are constraints on exporting from the "south" to the "north". It would be helpful if these constraints were easier to learn about.

> *Where is Ghanaian Chocolate?*
>
> *Why is it that we never see retail chocolate "Made in Ghana" when Ghana is one of the largest producers of raw cacao, the primary ingredient of chocolate.*
>
> *Ghana makes some good chocolate, but it is not at all easy to penetrate the markets of the "north" and profit from them. In some cases duties get in the way, in some cases it is rules about packaging and labeling, in some cases it is about factory inspections and health certification ... lots of things that make it difficult.*

The international coffee and cocoa business is very profitable, but hardly any of the profit reaches the farmer in the "south". The value chain from farm to consumer is long, and nothing much is left for the farmer, even though retail prices are pretty high. The situation for the farmer is so bad that conditions for the children on coffee and cocoa farms are not much above slave levels. In fact in some places, there is servitude that might just as well be called slavery.

The "Fair Trade" movement can be a step towards getting more money into the hands of farmers and into the communities where coffee and cocoa is grown, but the movement needs to ensure that it has an appropriate level of accountability and transparency in order to be credible. Value analysis needs to be well done, and the impact assessed taking into account any adverse unintended consequences. One that is already emerging it seems is that a favorable price for

certain product is being offset by a reduced price and reduced market access for the non-favored product ... a classic situation when there is a market situation in play.

Legal and justice

A legal and justice system needs to be in place. This can be either a central system or a local system, but it must have a functioning and have enough people and money to operate. It does not matter so much whether the system has a modern or traditional form ... what does matter is that it functions and that there is a socially acceptable ethical foundation for the society.

There are a lot of pieces in a fully functioning legal and justice system including (1) police; (2) courts; (3) prisons; (4) lawyers; and (5) legislators. The system is labor intensive and only works when there is sufficient reach for the criminal and illegal elements in society to have a reasonable expectation of being caught and convicted. In the "south" these functions are so underfunded that they may as well not exist for the vast majority of the society.

Places where there is social tranquility usually have a system of local or traditional law that is functioning well. In my experience, even where there is no visible presence of "modern" law, a society still functions on an ethical basis that is for all practical purposes universally acceptable.

An issue in many places is that the "executive" dominates the political space, including control of the budget. In this situation there is frequently far too little budget allocation to the legal and justice sector.

The rule of law needs to be fair, and justice needs to be universal. There is a lot of work that needs to be done so that everyone has some of the benefits of fair laws and equal justice.

There are too many situations where the law serves to make something unethical, immoral or unjust, legal. This is particularly true in a lot of areas of commercial law, real property law and intellectual property law.

Traditional law if often better suited to local society than more modern statutory law that has been introduced by academic lawyers from the other side of the world. One of the issues in poor communities is the cost of justice, and traditional law is often far more cost effective and the only affordable justice.

Justice at the end of a gun is far too common around the world. Guns are bad news.

Luxury sector

The luxury sector is a driver of a lot of the apparent wealth creation in the "north". The value chains associated with the luxury sector are unusual ... and

while profits are real in an accounting sense, the value associated with the profit makes little sense.

When a fashionable pair of shoes is priced at over $2,000, or a handbag a similar amount ... there is a huge profit in being the supplier and being in the supply chain.

But at the end of the chain a person only gets a pair of shoes or a handbag ... and a basic pair of shoes or a handbag would be more correctly priced at something like $50.

The same thing is going on in the automobile industry. Various types of automobile are being built and then being priced at luxury prices from $50,000 to $250,000 and up. Basic transport can be priced at (say) $20,000 and be perfectly functional. The "phantom value" in the supply chain is not real value at all, but merely a process of value destruction subsidized by the very wealthy.

Concentrated wealth and huge personal fortunes is very good for the luxury sector, whether it is for the sale of jewelery or the sale of luxury yachts ... neither of which have very much socio-economic value ... but the wealthy still buy them. The bubble of the luxury sector may go on for a long time. The capital markets have concentrated a lot of wealth into relatively few hands, and these people may sustain the luxury market for a long time ... but not for ever.

Manufacturing

The manufacturing sector is the economically failed "south" has not been at all successful, but in the emerging success stories from the "south", manufacturing has been an important driver.

There are several things that need to be brought together in order for manufacturing to be successful: (1) availability of materials; (2) availability of productive low cost labor; (3) a reasonable enabling environment ... that is laws, regulations, culture, etc.; (4) working infrastructure including transport and energy; and, (5) markets and profit potential.

In the poor "south", manufacturing is constrained by most of these elements. There are some exceptions, but profitability has always been compromised because of the need to carry out activities that would normally be part of the enabling environment and infrastructure.

But without manufacturing, socio-economic progress must be constrained. Jobs are going to be limited, and jobs are critical to success.

It is possible to be very successful in manufacturing in the "south" but it is not quick and it is not done by a singular focus on short term profit performance. It

must almost be considered generational ... but there has to be a start, and now is as good a time as any to get started.

Some places in the "south" have proved to be very efficient at factory production. The results are not uniform across the "south" for a variety of reasons. At one time Europe and North America manufactured and everyone else bought their manufactured goods. More recently Japan and the Asian Tigers started to be the source of manufactured goods and now it is China that is the biggest producer of manufactured goods of most types, and India is becoming increasingly competitive.

Manufacturing is an important part of economic security. Africa, with the exception of South Africa, does far too little manufacturing, and is not attracting investment capital into the manufacturing sector. In most places in Africa, manufacturing potential is low because there is a very low productivity. In Africa, too often wages are too high and production and quality too low. To add insult to injury in Africa, the infrastructure is also bad and that increases costs even further, and the availability of suitable raw materials another constraint. Where does one start?

> *My Experience in Madagascar*
>
> *For some years I was a consultant to a manufacturing group in Madagascar. I have described this group as one of the best managed companies that I had ever seen, in large part because of their commitment to training their staff. Even though Madagascar had tremendous socio-economic problems, and was faced with terrible foreign exchange shortages, this company still put its staff training as a top priority.*
>
> *As a result, the company was able to produce world standard quality and was able to participate in the global market on an equal basis with other world class producers.*
>
> *The company invested in good production equipment, and the staff were able to use this equipment to make the very best quality product at very competitive costs.*
>
> *But all of this took time.*

Start somewhere. What is needed, and people can pay for? Can it be made and be profitable in the face of product already in the market? Africa has all sorts of shortages. Can any of these shortages be turned into a local manufacturing opportunity?

Military and security sector

The military and security sector is a source of great distortion in modern economies, not only in the "north" but also in the "south". The fund flows associated with military equipment and supplies are substantial, and rarely have a good impact on the civil economy. Rather military fund flows tend to subtract from what is available for the civil economy.

While "security" is a legitimate concern, it should not be confused with the idea of protecting privilege or maintaining illegitimate power.

> *Worry About the Power of a Big Army*
>
> *I was in on an assignment in West Africa when the Falklands war was in progress. I was surprised that my African colleagues were supportive of the British response to the Argentinian takeover of the islands ... until they explained that they were all worried that a "big army" should not have any right to come into a nearby country and take it over. They were from a variety of African countries, and big armies were everywhere.*

A good army is a national asset ... and can prove to be very valuable in an emergency. Of special note, I believe that the performance of the Indian army in a variety of natural disasters has been very good indeed.

But the use of the army does not always produce good results, as for example in support of local political and strong man regimes that have little interest in the well-being of the people.

Making sure that the military use their power in an appropriate way depends more than anything else of the quality of the leadership and the training of the soldiers. There is a lot of good military leadership, but it is not universal.

Getting a high professional standard for all soldiers around the world is a valuable thing to do.

Mining sector

Mining and the exploitation of minerals in the "south" ought to be generating a lot of wealth for the "south". It will do so when the agreements are fully understood by all parties, especially the signers for the "south" and there is a solid framework for value analysis.

It is not clear what role bribery and corruption plays in the sector, but it is probably significant. It is likely that substantial fund flows do not benefit the country but only benefit individuals. This is difficult to address, because the amounts involved are huge. Without addressing this, however, the wealth creation that is possible will never materialize.

The international mining companies are at an interesting stage, and they are likely to have some advantage when they are seen to be of benefit to the local communities where they operate. This is not an easy balance to achieve, because large scale mining causes a lot of change ... but it is possible, and could result in mining being pulled to communities rather than having to be pushed into the communities by the mining companies and a small elite.

Natural resources

There are some resources in the "south" that everyone knows about ... gold, diamonds, copper, bauxite, iron ore. There are world class energy resources ... oil and gas, and coal. There is timber and amazing biodiversity. The potential for development of these resources is huge. But there is a big open question about who benefits from the development of big valuable resources in the "south".

The "south" will probably benefit more by exploiting resources on a smaller scale, and in ways that enable the "south" to maintain a good measure of control over the distribution of the surplus to stakeholders. To have progress in the "south" it is critical for the "south" to earn value from the exploitation of its resources so that there is wealth creation in the "south" for further investment and to pay for essential social services like health and education.

Experience has shown that large scale foreign direct investment (FDI) is often good for corporate owners and those that benefit from profit, but that rather little of the value added of the enterprise actually gets to stay in host communities. Will ordinary people in the "south" be any better off if the major resources are developed and exploited in ways that are the same as the old colonial model under a different name. These "south" resources have huge potential, but is it a potential that can be of much value to the "south"?

Natural resources in the "south" are many. They include: (1) Petroleum; (2) Water; (3) Timber; (4) Fisheries; (5) Base minerals (iron ore, bauxite, copper pyrites, etc.); (6) High value minerals (gold, silver, diamonds and other gem stones, etc); and, (7) the natural fauna and flora. They have a huge latent or potential value, but experience has shown that the "south" has not been able to earn a fair share of the value associated with the exploitation of natural resources.

Merely knowing about the value chain and having the information easily available will have a substantial impact on corporate behavior. As long as the corporate world can profit and remain in in the shadows and anonymous, bad things will happen as long as there is profit in it. But big companies do not like well informed bad publicity.

Productive sectors

There are many sectors that make up the productive sector: agriculture, fisheries, manufacturing, mining, energy exploitation, forestry, tourism, transport, etc.

All of the activities in the productive sector transform input resources into something of more value ... when this is done in a for-profit organization the outputs are goods and services that are sold and a profit for the organization.

These are value creating operations ... and to the extent that there is tangible value creation in the productive sector, there is value that can be used for social value creation on the social sector.

Professional sector

The professional sector includes professions like accountancy, law, medicine, teaching, engineering, architecture, the religious, etc. These professional people have standards for their work that enable people to rely on what they do. They serve to improve productivity in enterprise and in society and in so doing create tangible value in society.

By making better use of the professional sector in the "south" there can be substantial improvement in the productivity of the economy ... better decisions at lower cost.

Public sector, private sector

The public sector is owned and operated by the government. In many countries a lot of social services are operated by the government, including education and health services. In countries embracing socialism, the government also nationalized major production industries and operated them in the public sector.

The private sector is everything else ... and especially the corporate for profit sector, private philanthropic organizations, and not for profit organizations. Some health and education establishments are in the private sector.

Relief and development sector

The relief and development sector is the subject of this book. But success in the performance of the relief and development sector depends as much as anything on the relief and development sector doing less, and all the other sectors doing more. We have argued in this book that the relief and development sector has performance badly, and cannot reform itself to be successful ... and that therefore there needs to be improvement in other sectors to improve socio-economic progress.

But when that happens, there are very valuable roles for many of the institutions of the relief and development sector.

The World Bank, for example, is an organization that can easily focus on rebuilding the “Public Finance” sector in the “south”. The World Bank is well suited to doing this work, and could do it easily within its present mandate. The World Bank could also be a useful financial partner in helping large scale public works projects for infrastructure improvement get funded. Broadly speaking, I would like to see much less policy intervention coming from the World Bank, but a strong commitment to being engaged with universal public accounting and accountability.

The UN needs to maintain its critical role in convening meetings and encouraging dialog, but should deemphasize providing finance and technical assistance. I would like to see the UN also committed to the idea of universal public accounting and accountability.

Central Banks around the world should be much more engaged in the relief and development sector representing the financial interests of their respective countries. They ought to be much more central stage than they have been in the past, and should be at the forefront of efforts to ensure that there is universal public accounting and accountability.

Retail sector

When I was growing up in the UK, the country was referred to as a nation of shopkeepers ... a remark originating, I believe with Napoleon. At the time the UK was still very much a manufacturing country, but the quality of life was increasingly associated with consumption. The UK was probably behind the USA in embracing consumerism, but it was emerging. Today the retail trade ... shopping ... is a huge industry catering to the market in every way imaginable. In the USA, big box retailing epitomized by Wal-Mart is now the largest employer in the country. But the multi-store malls, department stores and urban shopping centers also are a huge part of the modern US economy.

Arguably shopping is the top entertainment in the rich societies of the world.

And in the “south” shopping is rather more of a challenge. There are much higher distribution costs because of poor transport infrastructure, there are few economies of scale, there are constraining import export and customs procedures and duties and the market demand is limited by peoples' buying power. It is nevertheless a very important part of the economy, and one that can play a great role in establishing sustainable socio-economic progress.

Social sectors

The social sector comprises activities like education, health, support services for the vulnerable, and so forth. Social services have been a major focus for the relief

and development sector, as well as for left leaning governments that have a commitment to social justice.

Expenditures in the social sectors are very valuable because they contribute significantly to quality of life, and they also serve as an investment in the future. But success in the social sectors does not translate directly into economic progress ... it merely removes a major constraint to economic progress. Without opportunity in the productive sector success in the social sector is for nought.

Tourism sector

Tourism is a sector with huge economic potential. But tourism, like everything else, requires investment to support its development. Some places have developed tourism very effectively and have made it an important part of their economic success, but in many places tourism is totally undeveloped.

The "south" has all sorts of opportunities to develop its tourism potential, but, with some modest exceptions, it has not yet started to do anything like all that is needed. The infrastructure needed for major international tourism has been deteriorating for decades, and it will take time and investment to bring it back.

> *From London to Cape Town*
>
> *My old school friend and flat mate traveled from London almost to Cape Town leaving London in August 1964 and reaching Salisbury, Rhodesia (now Harare, Zimbabwe) about a year later. He and 3 colleagues traveled in a 15 year old ex War Department Land Rover which eventually died on them when they got to Rhodesia.*
>
> *Over many (more than 40) years the "south" has had young back-pack tourists learning about the world. While these tourists have a long term importance, because the learning is invaluable, they are NOT the sort of tourism that drives immediate socio-economic progress. The "south" needs to attract tourists that are spending money to do things and enjoy themselves.*

In many places in the "south" , the only visitors are the "development tourists" ... the staff of the relief and development sector traveling on their missions, and the student back-pack crowd that are learning a lot but not spending very much.

> *From Berbera on the Red Sea to Addis Ababa*
>
> *A few years ago I drove from Berbera on the Red Sea coast in Somaliland to Addis Ababa in Ethiopia. It is a distance of about 800 miles and spectacular.*

> *I was doing this trip as part of a consulting assignment, but it would have been wonderful to do the trip as part of a tour in a luxury motor coach, and staying at (currently non-existent) comfortable air conditioned guest houses along the way, with some traditional local entertainment.*
>
> *It is a fascinating journey with great tourist potential ... one day ... maybe.*

Tourism is successful when there are good transport facilities, good hotels and good destinations. Success also depends on good security and the perception that security is good.

Transport

The transport systems in Europe, in North America, in Japan are incredibly efficient. Transport is a very innovative sectors in terms of the adoption of technology. This needs to be applied to the "south" where transport infrastructure, roads, rail, ports, have deteriorated almost everywhere.

There is the need for a huge investment by both the public and private sector. Some valuable progress can be made by doing as much work as possible on a small scale in and around communities.

Other cost effective progress can be made by rebuilding roads to a workable condition suited to the "south". The most incremental value is achieved by going from impassable to passable using low cost road building methods, and there is probably value destruction on going from this level of construction to super-highway at high cost.

Wholesale sector

In the "south" wholesale is often linked to import / export. Wholesale is also associated with traders and middlemen. Wholesale and distribution in the "south" is often high margin, but it is also often high cost and profits are not as large as they might superficially appear.

There are parts of the economy where the wholesale functions are still provided by independent organizations. Spare parts for automobile maintenance are carried in inventory by wholesalers who provide rapid delivery to auto repair shops in their service area. It is a very efficient sharing of roles.

The wholesale trade may not have the same structure that it has had in the past, but the functions of transport, distribution, warehousing, break-bulk, etc. still have to be done. Though a larger part of the modern retail trade goes direct from the manufacturer to the retailer, all the intermediate distribution and wholesale functions are still done, but done in-house.

In fact every product and every channel of distribution is continuously evolving to respond to economics and market pressures.

> *Wal-Mart*
>
> *What is Wal-Mart? Is it a retailer, a wholesaler or a distribution company? Perhaps the best answer is that Wal-Mart is a success. It is also perhaps the best example ever of an organization that has used management information to optimize what it is doing to supply its customers with what they want.*
>
> *It has been one of the world's leading users of management information for a very long time. It deployed mainframe computers for data analysis long before it was fashionable. They have been ahead of the curve in understanding customer behavior in their stores for years, as well as understanding the detail operations of their organization. They know their business and they know the data associated with their business.*
>
> *As they grew it was not analytical genius that made them decide to integrate their supply chain backwards to the manufacturers of their products. But they were among the early adopters of integration of operational data near real time into every aspect of the supply chain so that inventory availability to customers at the stores went up and inventory investment as a whole went down.*
>
> *I thought it was interesting on the second day after the 9/11 disaster to learn in the media that Wal-Mart knew its customer buying activity hour by hour at all its thousands of locations and knew precisely what was being bought by a population in panic. Milk and bread, then guns and ammunition as the hours progressed.*
>
> *And Wal-Mart was able to divert hundreds of truckloads of supplies to hurricane affected areas in the aftermath of Katrina days more quickly than government organizations like FEMA.*
>
> *There is a lot to learn from Wal-Mart. Excellence in the use of management information has been one of its key strengths.*

Dozens of Sectors

Types of Sectors

There are dozens of sectors and sub-sectors. This is just a small part of a comprehensive review of sectors, but needed because sector thinking has become commonplace in the relief and development sector, and a lot of organizations are organized along sector lines and have a single sector focus.

Most governments have ministries that are responsible for sectors: Ministry of Education, Ministry of Health, Ministry of Transport, etc.

The United Nations has established a range of organizations to focus on different sectors: FAO for agriculture and fisheries, WHO for health and UNICEF that has a focus on children's health, UNIDO for the industrial sector and UNESCO for education, science and culture. There are hundreds of UN agencies and offices with focus on specific parts of the global economy and society.

Each sector has its own technologies and best practices. But in the developing "south" the success of one sector is often constrained by the limits of some other sector. This argues, therefore, for a relief and development approach that ensure that there is a multi-sector involvement. There is little consensus about what is the best approach to making relief and development more effective and getting more rapid progress.

Various Types of Sector

There are a series of commonly used ways of looking at sectors. They are useful ways to simplify the dialog.

Hundreds of Sectors and Sub-Sectors

This is perhaps not a complete list of sectors, but it is enough to give an idea of how many sectors are involved in making society work in a reasonable manner. The relief and development sector will succeed when all the sectors are able to function appropriately in any place in the world.

A more comprehensive view of sectors is being developed for publication in a companion book that will probably be titled: "A Sector Perspective on Relief and Development". The following list is in alphabetical order.

Characteristics of sector

A comprehensive mix of sectors in any community is important. I have been told over and over again that people will not come to remote rural areas because something they need is not available. It can be health services, or schooling or the social situation ... but it emphasizes again the importance of the totality of sector and function in order to have success.

The previous tables show how many sectors and linkages there are. Because of complexity in the linkages it is difficult to optimize with formal "planning". The process is simply too complex, and the variables too many. The invisible hand of the market mechanism will make order out of this apparent chaos and complexity. Every community in the area knows what it needs to better the community. This knowledge will drive the process if it is allowed to. The program has embraced the concept of "participation" because participation allows families and communities to decide themselves how resources can best be used.

A sector is not tied to any location, though what is best in a sector can change from place to place. My experience has been that single sector intervention in almost any community is likely to fail, simply because critical constraints are being addressed. One sector can improve, but all the other constraints remain in place. Nothing is optimum until all the constraints have been addressed.

Sector expertise

Sector expertise is very important, and the products and services associated with all the sectors should be accessible everywhere they are needed. In the poor "south" only a limited amount of sector expertise is available, and a lot of things that ought to be easy to fix never get done.

The relief and development community has responded to this in some measure. Instead of agriculture projects, the World Bank morphed into rural development projects, which was a reasonable response to the problem within the construct embraced by the World Bank.

From a community perspective there needs to be the sector expertise that is needed to improve the community. There are many sectors that might be needed ... very much depending on the nature of the community and what the community wants to make as a priority.

Public and Private Sectors

Private sector

The private sector has proven to be a powerful engine for wealth creation, for innovation and for economic efficiency. On its own, however, the private sector can succumb to a culture of greed, arrogance and entitlement.

The private sector and its associated enterprise and "can do" attitude is a critical element in making relief and development a success. Private enterprise can organize and run production sectors so that there is the maximum of value adding ... the public in the broadest sense must see to it that the value adding is used in a fair, equitable and just manner.

The private sector is everything else ... and especially the corporate for profit sector, private philanthropic organizations, and not for profit organizations. Some health and education establishments are in the private sector.

Public sector

The public sector is owned and operated by the government. In many countries a lot of social services are operated by the government, including education and health services. In countries embracing socialism, the government also nationalized major production industries and operated them in the public sector.

Enterprise Sector ... Employment

Enterprise sector

The "for profit" organizations are sometimes referred to as the enterprise sector. These organizations have been vitally important in the "north", and especially in the United States, in building wealth. The incentives in the enterprise sector are all favoring the use of least resources for maximum revenue ... the least cost most value idea that is essential to economic value creation.

The enterprise sector in the "south" is also very important and accounts for almost all value adding activity. Because the "south" economies are weak, and failing, if not failed, the enterprise sector is struggling. Where most of the financial resources are controlled by government and indirectly by donors and the international financial community, the enterprise sector is sidelined.

Getting the enterprise sector to grow and be profitable has multiple benefits including the multiplier impact of more jobs and the impact of tangible value adding in the community. A healthy enterprise sector attracts other investment, and encourages other entrepreneurs to become involved.

Employment

Employment ... jobs is a critical component of socio-economic success. More jobs usually means a more successful economic situation.

Jobs can be in both the formal and the informal sector. A larger number of wage paying jobs are in the formal sector. Formal employment is possible in both the private and public sector, in the productive sectors and in the social sectors.

A job is the most value to the economy when the cost to the employer is lower than the value accruing to the organization, and more valuable again when the work is of value to society as a whole.

Formal and Informal Sectors

Formal Sectors

The formal sector is probably most easily described as everything that is incorporated or registered, as well as what is in the public sector, the government organizations, agencies and structures.

The formal sector is, generally speaking, fully monetized and is included in most of the economic statistics that are compiled. The formal sector has payrolls, pays taxes, and buys products and services in a regular manner recognized by law.

Many people only think in terms of the formal sector.

Informal Sector

But there is an informal sector as well. In poor parts of the “south” the informal sector is the only sector that operates ... it is everyone doing just a little to make the local economy function as best it can. Often the best is not very good. In the informal sector nothing is incorporated and nothing is registered. There may be some exchange of cash, but there is also simple barter and the exchange of goods and services in kind.

In the poor “south” the informal sector can be bigger than the formal sector, not only in terms of the number of people engaged in it, but in terms of the economic product associated with it. Even so, the informal sector does not usually appear in the economic statistics that are compiled, and to the extent that it does, the methodology for assessing its scale and its value may not be particularly well conceived.

Productive and Social Sectors

Productive sectors

There are many sectors that make up the productive sector: agriculture, fisheries, manufacturing, mining, energy exploitation, forestry, tourism, transport, etc.

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Relief and Development Sector

There should be clarity ... but there is not

Humanitarian relief

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Development sector

Luxury Sector

A very profitable sector

The luxury sector is a driver of a lot of the apparent wealth creation in the "north". The value chains associated with the luxury sector are unusual ... and while profits are real in an accounting sense, the value associated with the profit makes little sense.

When a fashionable pair of shoes is priced at over $2,000, or a handbag a similar amount ... there is a huge profit in being the supplier and being in the supply chain.

But at the end of the chain a person only gets a pair of shoes or a handbag ... and a basic pair of shoes or a handbag would be more correctly priced at something like $50.

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Chapter 18 - Sectors: Governance - Government

CHAPTER 18

SECTORS: GOVERNANCE - GOVERNMENT

There is lots of it, but it is not much use. Much of the information that

Policy Administration

System and processes

In Iraq, there are administrative systems and processes that are long standing. Whether or not they are adequate to satisfy all the needs of the government at the present time needs to assessed. In general it is likely that the systems and processes are that carry over from the autocratic regime of the past will be effective, though needing change to reflect new leadership priorities.

While government goals and policies have been changed very substantially, the systems and processes can be effective without much change. There is a need to review these systems and processes and revise the way the work is done so that they are easier to operate and more effective from a financial and administrative perspective.

Administrative capacity

Administrative capacity in Iraq substantial. Some new administrative offices have been established and some modest progress made towards building a framework of good governance. The administrative system to sustain the initiatives for good governance has to be established, preferably by taking as much of the present system as the foundation.

Technical planning

The capability of the Iraq administration to do planning is untried. There are some staff with good knowledge and capability, and there are staff with substantial knowledge about the region and the technical subject matter. But to what extent these people are engaged in the present planning process is

unknown, and the extent of cooperation with the international experts and the local experts is also unknown.

Planning and budgeting

The capability of the Iraqi staff to do financial planning and budgeting is unknown, but I would expect it to be good. There are many educated Iraqis who can easily take technical plans and convert them into financial plans and budgets. It is more likely that the planning constraint is more to do with language and the international experts than it is to do with Iraqi competence.

Policy framework

The policy framework needs to be strengthened by adding substantial new areas of policy that have not yet been formalized.

Training staff

The administrative capacity should be strengthened for the long term with a continuing program of training. Training should be carried out so that all of the staff have access to training, and are able to learn skills that are of practical use in their work. The training should be organized expecting that a large number of staff who benefit from the training will choose to use their new skills in other organizations. While this does not strengthen the organization, it is of value and importance to the community at large, and should be part of the national plan for human resource development.

Upgrading available equipment

Government offices are sometimes short of needed equipment. The staff should have access to the equipment that they need to do their work. There should also be a good system for tracking office equipment, furniture, fixtures and fittings.

Governance and administration sector

The essential activities of governance and administration are supportive in nature, and only result in tangible economic benefit when there are also productive activities in the economy. Bad governance and administration can be a huge constraint on success, and improvement or diminution of the bad activities in governance and administration can be very favorable.

Getting rid of corruption is the obvious big issue, but there are a lot of other smaller issues that can be addressed. For example, reducing the complexity of procedures to do routine administrative activities, and shortening the time to do these things all helps.

The public sector's most important job is governance and administration. It is important, but it does not in itself create wealth, and is an “overhead” of society and socio-economic development.

These functions facilitate success in a society, and bad governance and bad administration can be a huge constraint on the performance of society and the progress of socio-economic development.

There are a whole host of activities that "government" is expected to provide for the citizens. In the "south" the government has often found itself in a financial bind, and the delivery of services is impossible because of the funding constraints.

A lot of services are best delivered at the local government level rather than by an organization controlled and funded by a remote central government, such as local public works such as street repair and waste removal.

Government Accounting

A basic system of governance

Government accounting is one of the most important tools for establishing strong and fair governance.

Government accounting

In Iraq, it is likely that the government accounting systems are reasonably good, though obviously done in Arabic. Most international experts do not have much accounting expertise and even less Arabic expertise ... yet it is important to know how effective the government accounting systems are for both budgetary control and for project control.

Planning and budget process

Government accounting is usually part of a planning and budget process ... with the budget giving the organizations of government the authority to use government resources.

Budget execution

Sometimes the process of operating the government agencies and organizations is referred to as budget execution. In essence, though, this is the process of implementation and the accounting associated with the implementation.

Reporting

In some jurisdictions the government accounts are placed before the legislative branch of government monthly ... but in too many places the accounts of government are not reported on in a timely way. Where there is timely reporting, there are fewer problems.

Audit

In some jurisdictions there is a requirement that there is an audit office in the government, and that this office carries out both ongoing checks of the financial transactions and periodic checking of the accounts and the reports. In many places this is an effective way of validating the accounts of government, but in some cases the audit is totally ineffective.

Weakness

Most government accounting is done on the cash basis, with little attention paid to the accrual component of the accounts. Cash basis accounting is a weak compared to accrual accounting, and it is very much preferable to have accrual accounting.

Government accounting is also weak as an analytical tool. It serves to control expenditures relative to a budget authorization, but it does little to measure performance against an ideal set of standards or some broader benchmarks.

System and process improvement

There is a need to review the government systems and processes and revise the way the work is done so that they are easier to operate and more effective from the technical planning, budgeting, financial and administrative perspectives.

Public Finance

Government Revenues

Sources of government revenue

Sources of government revenue are derived mainly from taxes and duties. Because of the cash basis of accounting used in most governments, humanitarian and development assistance grants and loans, as well as commercial loans to government, are all considered as revenues of government, even though the loans must be repaid in the future with interest.

In poor countries the amount of tax revenue that is derived from tax in income is small ... much more of the revenue is derived from taxes on consumption ... the value added tax (VAT) or sales tax, and from duties imposed on imports, but also in some cases also on exports.

Resource rich countries get revenues from the royalties derived from the exploitation of the resources, and from the sale of concessions. These revenues have the potential to be very large, but it is not at all clear how much financial control there is over these fund flows.

Improving government revenue base

The government revenue base is substantial because of oil, but arrangements need to be made so that this fund flow is sustained after oil is consumed.

Customs, export taxes and port fees

Customs duties, export taxes and port fees are additional sources of public sector revenue. The basis systems for collection and accounting for these revenues are sound, but it is likely that there are some losses due to inappropriate practices by some of the more prominent traders and businessmen.

Public Debt

Government borrowing

The government has borrowed substantially from the international community in the past and Iraq is going to be expected to make good on these loans even though most of the benefit accrued to contractors and the ruling elite.

Grant finance

Iraq may be benefiting now from considerable fund flows that are in grant form. aid, but a large part has been as a result of emergency and humanitarian

Creating a formal public finance capability

It would be appropriate to create a formal public finance borrowing program to tap the available resources both in the country and in the Diaspora. A system of short term treasury bills and longer term notes could be implemented.

Establishing a development fund

A development fund could be established for use as a mechanism to loan funds to communities. The advantage of such a facility is that all transactions would be in local currency and the impact of exchange rate fluctuations would be minimized.

Public finance

In Iraq, there should be very little development constraint caused by a public finance constraint. The essential services of government should be easy to fund, as well as a lot of development essentials.

The potential economic growth and the general wealth building in the economy can build a solid tax base to fund government in a sustainable way.

Pay scales in the civil service

The pay scales in the civil service should be sufficient to attract good staff who are qualified and experienced enough to do the work that they need to do.

Policy Framework

Huge need for critical controls

I used to think that less government was absolutely the best government until I watched corporate and societal behavior when regulations were removed and unfettered economic behavior was allowed. This made me change my mind, and has convinced me that while enterprise and opportunity and the behavior of markets are better drivers of economic progress than anything else ... there also has to be official oversight and regulation so that abusive excesses are not sources of profit for the unscrupulous and are appropriately controlled.

The natural order of things is for excellence to lead to success and for success to lead to abusive excess. It is seen in behavior in the multi-billion dollar corporate world, in politics everywhere, and also in petty market traders and middlemen in remote markets in poor countries.

Natural resource policy framework

The oil resources of Iraq dominate the economy. It is of critical importance for the future peace and stability of Iraq that there are appropriate agreements about how this wealth is to be managed, and specifically for whose benefit.

One strategy is to keep information about the oil wealth secret and use the resources for the benefit of a powerful corporate and private elite, or the wealth can be managed in the open with the wealth used for the benefit of the country, and to support the future prosperity of the country.

Corporate wealth policy framework

Merely knowing about the value chain and having the information easily available will have a substantial impact on corporate behavior. As long as the corporate world can profit and remain in in the shadows and anonymous, bad things will happen as long as there is profit in it. But big companies do not like well informed bad publicity.

Corporate wealth is largely created because a corporation is able to mobilize financial, material and human resources in ways that are better than the competition, and give benefit to its customers at a profit. This is a key source of modern world wealth and explains how and why this segment of the world is wealthy. To the extent that low costs are achieved by abusive economic behavior, or high prices are achieved by abusive market control, a corporation deserves to be held accountable ... but not for being efficient and highly productive.

Military

National defense

The main reason for the military is national defense. Few would argue that this is a legitimate goal of government and reasonable that the military are maintained for this purpose.

A good army is a national asset ... and can prove to be very valuable in an emergency. The US Army has been of help from time to time in US natural disasters ... for example Hurricane Andrew in Florida in the early 1990s. More recently, the performance of the Indian army in connection with recovery after the South Asia tsunami disaster of December 2004 was valuable, and the Indian army has conducted itself well in many other situations of this type. So also, the performance of the Pakistan army in the aftermath of the earthquake in remote areas of Pakistan.

Emergency assistance

TO DO

Involvement with politics

But the army does not always produce good results, as for example when it becomes the dominant political power and serves to empower strong man regimes that have little interest in the wellbeing of the people. In many countries over the past many years the military has also been a player in national politics, either because of coups and the establishment of military governments, or because of alliance between the military and the head of government or head of state.

International military assistance

The US military in Iraq is a huge constraint on success. The US military were very successful in defeating the military forces of Iraq, taking Baghdad and forcing the end of the Saddam Hussein regime. They are not the organization that should be tasked with the rebuilding of Iraq or policing the population.

Military and internal security

The big difference between the military and the police is that the military win in one move ... and the police are required to win using a judicial process that gives some appropriate protection to the public. The military have no role in internal governance, except from time to time when there is a state of emergency and martial law is declared.

Good Reasons for the US Model

> *There are good reasons for the US constitutional system which precludes the US national military from carrying out any activity in any State in the Union without the specific request of the State.*

While "security" is a legitimate concern, the military should not be engaged in protecting privilege or maintaining illegitimate power. The military is often used to these ends. Building back the power of the military in Iraq is not a good idea ... rather there should be a broader set of organizations that work together to achieve security, but would not easily subvert the civilian nature of government.

> *Worry About the Power of a Big Army*
>
> *I was in on an assignment in West Africa when the Falklands war was in progress. I was surprised that my African colleagues were supportive of the British response to the Argentinian takeover of the islands ... until they explained that they were all worried that a "big army" should not have any right to come into a nearby country and take it over. They were from a variety of African countries, and big armies were everywhere.*

Making sure that the military use their power in an appropriate way depends more than anything else of the quality of the leadership and the training of the soldiers. There is a lot of good military leadership, but it is not universal.

Getting a high professional standard for all soldiers around the world is a valuable thing to do.

Demobilized soldiers

Some of the demobilized soldiers are still loyal to the regime of Saddam Hussein. The former combatants are a security threat in part because they had a strong loyalty to the deposed Saddam Hussein and they had a good training. These people need to be given the opportunity to participate in the new economy. They should get training and they should be helped to get employment and get started on a life that has a future.

Police

The nature of police work

Police are NOT soldiers dressed in blue. The work of the police is fundamentally different and the techniques for success totally dissimilar. The British police have a good reputation, and it is not by accident that they do their work unarmed. It is but rarely that police work requires armed confrontation.

The police in Iraq should be recruited and trained and their salaries funded so that they are able to do the sort of work that a good police force should do. They should be organized so that they know what is going on in the community ... this might mean community organization rather than national organization. The police should also trained so that they understand the issues of their own society and can work in ways that has respect for the way communities have lived for hundreds of years.

> *The New York Experience*
>
> *Some years ago the New York Police were not highly regarded by the populace ... but today things are very different. The police force now is highly trained, and professional, and there is a level of management that gives the community a lot of confidence in the police.*
>
> *Behind the scenes there is a lot of hard work and technology deployed so that criminals are apprehended and the community at large is not bothered too much by the criminal element.*
>
> *Is the system perfect? No ... but it is very good, and trying to be better all the time.*
>
> *20 years ago, nobody would have thought it possible that NYPD would be one of the most highly regarded police forces in the world.*

Community police

Community police have the advantage that they know the community and some of the good aspects of community policing can be achieved. But a community police force also has the potential to be diverted to working for the local elite rather than the people as a whole.

National police

National police can be better or they can be worse than community police forces. They can have better resources and be better trained. They can also be subverted to a national agenda that is not in the best interest of local communities.

Local and national police in combination

Some countries have adopted a combination of police systems, with both community police forces and national police forces. This results in a balance of power between community interests and national interests that can serve for the good of society.

Handling sectarian violence

A police force is not going to be successful merely by force of arms. Force is likely to add another front to the fighting and add complexity and another level

of violence rather than bringing peace. The police should bring police knowledge to the community ... and police knowledge should support moves that result in judicial proceedings against those engaged in unlawful activities.

Gun control

There was a time when the only guns in society were controlled by the army and the army kept its guns under tight security in an armory. The global world market in guns is a feature of modern society that is nothing but obscene for a civil society, and something that makes it very easy for guns to be obtained for anti-social purposes, and makes it very difficult for police and law enforcement to be effective without themselves having to resort to lethal arms.

Preventing police abuse

The prevention of police abuse needs to be at the top of the police agenda, as well as the oversight authorities. If there is no oversight authority or the oversight is weak or ineffective, it must be expected that there will be police abuse.

Judicial System

Legal and justice system MUST be functional

A legal and justice system needs to be in place. This can be either a central system or a local system, but it must have a functioning and have enough people and money to operate. It does not matter so much whether the system has a modern or traditional form ... what does matter is that it functions and that there is a socially acceptable ethical foundation for the society.

There are a lot of pieces in a fully functioning legal and justice system including (1) police; (2) courts; (3) prisons; (4) lawyers; and (5) legislators. The system is labor intensive and only works when there is sufficient reach for the criminal and illegal elements in society to have a reasonable expectation of being caught and convicted.

The rule of law needs to be fair, and justice needs to be universal. There is a lot of work that needs to be done so that everyone has some of the benefits of fair laws and equal justice. There are too many situations where the law serves to make something unethical, immoral or unjust, legal. This is particularly true in a lot of areas of commercial law, real property law and intellectual property law. In the case of Iraq, the whole question of fund flows related to oil has the potential to escalate into some form of violent power struggle.

Justice at the end of a gun is far too common around the world. Guns are bad news and guns are not a good part of a system of justice.

The judiciary should be trained and their salaries funded so that they are able to build an enabling environment for the local communities, for international trade and investment, and assure security. They need to be trained and the framework established so that the government judiciary is compatible with traditional local law and its procedures.

Customary Law

Places where there is social tranquility usually have a system of local, traditional or customary law that is functioning well. In my experience, even where there is no visible presence of "modern" law, a society still functions on an ethical basis that is for all practical purposes universally acceptable.

Iraq seems to be in chaos without very much respect for law ... but at the personal level and the family there is a lot of respect for law, both secular and religious. The fact that there are factions with guns and bombs and no respect for law and civil behavior does not translate into anything like a majority of the people being in favor of this kind of behavior.

The role of traditional law should be taken into consideration. The role of clan law needs to be better understood by those seeking to give advice and assistance in development, economic management and governance. Good governance in countries with poor economies and weak public finance requires a clever combination of what is good from traditional law and governance and what is generally accepted in the modern context.

> *Costs for a legal and justice system*
>
> *I have helped prepared government budgets and plans in various parts of the "south" and have been faced with the need for legal and justice activities to be paid for through the budget. A modern legal and justice system along the lines of the systems used in the "north" is beyond the financial capacity of most "south" governments. When staff are very lowly paid, or paid late or intermittently, then all sorts of petty corruption starts, but when there is only a small reasonably paid staff it only reaches as small part of the population.*
>
> *Increasingly communities in the "south" have had to address the issue of a working legal and justice system by reverting to traditional systems ... in many cases with excellent results.*
>
> *During my work in Somaliland, I was able to learn something of the traditional system of clan justice, and was impressed with its reach to every single member of the clan. The fact that all of the society was part of the same system of traditional law made it more useful than the*

modern law, that had little impact on daily life for anyone except a very few.

In Mozambique, after its long civil war, it was impractical for the government to go through lengthy modern legal processes for all the young soldiers who had committed various forms of atrocity in connection with the war. They did not have the money nor the people to do it. Instead they reverted to community level traditional systems to punish and reintegrate everyone into their society. The system made it possible for the country to become a lot more stable and reintegrated than would have been possible using a more modern formal "north" approach.

And of course, the Truth and Reconciliation Commission in South Africa broke tremendously valuable new ground in bringing together people who had been sworn enemies and committing atrocities for years in a reasonable length of time and at a manageable cost.

Prisons

A prison service

A prison service is needed in addition to police and courts. The prison service is needed so that there can be punishment and people can be incarcerated where the courts have determined that there is a breach of law and incarceration is called for.

Handling violent offenders

A prison service is a specialized activity that requires considerable expertise and it also requires a substantial budget.

Handling petty crime

Petty crime should be taken seriously, but it should not be handled in a way that encourages petty offenders to move on to more serious crime. Rather, a first offense should be handled in a way so that a first offense is also a last offense.

Prisons

Prisons need to be improved in terms of their physical facilities and the recurrent costs associated with their operations. These establishments are not nice places. Some work on rehabilitating inmates needs to be available as well as resources for their general operation.

The prisons in Iraq are terrible. Prisons are needed in almost any society, but they ought to be able to meet certain minimum standards of human dignity.

Neither system at the present time comes up to the minimum standards that one would hope to see.

Disarmament, Demining and UXOs

Extent of the problem

The problem is huge and not talked about very much. Guns, ammunition, landmines and unexploded ordnance carry over from any armed conflict ... much of it for years.

> *I am old enough to remember swimming in the sea in England and being told by my parents never to touch any metal object that I found on the beach or in the sea. Every summer (1946 to 1949) I witnessed the removal of mines and bombs from the beaches ... and it kept going for many years.*

But the problem is, I believe an order of magnitude bigger in places where civil war or occupation by foreign troops has been going on for any length of time.

> *I worked in Afghanistan shortly after the Soviets troops had withdrawn, and became familiar with the operations of the demining organizations working in the area ... and the dangers they had to face. Mines are lethal for years after they are put down, in fact, until they are physically removed or safely blown up!*
>
> *I was in Djibouti some years back ... and almost everyone in the airport waiting area was an amputee. I am not sure what brought so many together ... maybe a conference ... but it was a wake-up call that alert ed me to the human cost of this awful weaponry.*

According to reports of the International Committee of the Red Cross (ICRC) and Physicians for Human Rights (PHR), the mine injury crisis is significant. Injuries from land mines are a dangerous health issue because of the very limited health services available in rural areas, and even at hospitals in the area urban centers.

Mines also do damage to livestock.

Funding de-mining

There are funds available internationally for demining, but these funds should not be needed in the Iraq situation. Funding needs to be available

There is a need for funding to complete this work in the shortest possible time.

Important in terms of safety and employment

The demining programs are important not only in terms of safety but also employment. The work of de-mining is dangerous, but the former combatants who had a role on putting these mines in place already have some knowledge that is needed for the demining process

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Economic Security

The oil resource

There should be no issue of economic security in Iraq. The oil revenues for the next few decades should be sufficient to ensure that all Iraqis are well taken care of, to the extent that they do not individually accumulate substantial wealth.

The commercial economy

The large scale commercial economy has economic security in the form of savings, some in the form of overseas holdings. The small scale trader also may have savings, but small. The latter group needs the economy to succeed in order to have economic security.

Employees

The formal employment sector is not the only economic sector in Iraq. The current rules about employment and wage levels do not provide much economic security. Employees need the economy to succeed in order to have jobs in order to have economic security.

Vulnerable groups

Vulnerable groups, particularly female headed families, disabled and aged are a particular problem. These groups have traditionally been cared for within the community as a whole, and this is the best way for this problem to be addressed for the long term. The community will do a good job caring for these groups if the community itself is stable and reasonably economically secure. For these groups, the value of caring and belonging is important, just as getting money or getting food.

From emergency to development

Analysis of the development process suggests there must be a very strong commitment to ending emergency interventions and putting the available resources to work in a development mode to build economic growth. In an emergency intervention, the assumption is that the beneficiaries have no economic security, and must rely totally on the provision of emergency goods and services. Sustainable economic growth will not result in an end to the "need" for emergency assistance as long as there is the possibility of emergency assistance.

Income generation and employment

The foundation for economic security is a solid base of income generating activities and employment. Almost all the initiatives proposed for the sustainable development of the area and the reintegration of refugees, returnees and displaced persons are based on the concept that the economic base must be strengthened. To this end, the various proposals for upgrading of physical infrastructure are seen not only as long term investments for the improvement of the economy, but also as critical short term stimulus to employment in the economy.

Vulnerable groups

Vulnerable groups make up a special case. Many people in this group have lost the community links that would have helped them in more ordinary times. This is a problem that must be solved in a manner that is compatible with the social structure and community structure. Money and assistance may continue to be given to this group during a transition period, but must be taken over by a community based initiative within a limited time frame. Funding for the community initiative should be systematically transferred from official international aid to becoming a local responsibility together with other forms of aid and charity.

Enabling Environment

Iraq has potential to be a good business environment

The private sector needs to be the driving force behind success of the Iraq economy and peace. This is probably a widely held belief in the business community in Iraq.

Though the oil industry is big in Iraq, and generates huge fund flows for the country and the government, the climate for business investment is not good because of the government's instability and widespread insecurity.

The legal structure and the rules and regulations could be improved, and the rule of law is subject to a constitution that is a long way from being finalized. Foreign business people want clear and favorable rules and regulations, and want to be sure about the way they are enforced.

And even though the law, policies, rules and regulations may be written to encourage trade and investment, it is also important that the operating systems and processes at the bureaucratic level also function to encourage trade and investment.

Trade and investment promotion for the area should be initiated in neighboring countries as well as in other key centers around the world.

Improve infrastructure and services

Sustained expansion of trade and investment requires that telephone, fax and Internet communications are improved. They need to be efficient and available at internationally acceptable prices.

In addition the transport services need to be efficient both in terms of frequency, reliability and cost. Logistics today has become one of the most important components of competitive advantage.

Chapter 19 - Sectors: Infrastructure

CHAPTER 19

SECTORS: INFRASTRUCTURE

There is lots of it, but it is not much use. Much of the information that

Infrastructure

The Centrality of Infrastructure

Enormous catch is needed to get infrastructure in the "south" up to an acceptable basic level of performance. There needs to be investment not only to build new needed infrastructure, but also to catch up on maintenance.

There are many facets to infrastructure including (1) Roads; (2) Railroads; (3) Seaports; (4) Airports; (5) Housing; (6) Water; (6) Sewage and sanitation; (8) Hotels and restaurants; (9) Tourism destinations; (10) Public buildings; (11) Schools; (12) Health facilities; (13) Telephone and Internet; and, (14) Electricity.

The investment needed to upgrade infrastructure to "north" standards is not sustainable in the "south". There needs to be incremental upgrading so that constraints caused by infrastructure are reduced. As economic performance improves, more upgrading becomes possible.

Construction Strategy

Most of the construction associated with infrastructure ought to be done by local construction enterprises ... and the planning of infrastructure initiatives should be based on the idea of creating the most value adding in the community as the infrastructure is built, and as much longer term benefit for the community when it is in use. The aim should also be to build infrastructure using the minimum of external resources, and the maximum of the resources that are available in the community.

Building infrastructure in the "south" should not be a totally uncontrolled profit bonanza for multinational construction corporations, with additional debt the only certainty from the projects.

Large scale modern infrastructure is expensive, and it is only in rich countries that the economy can justify making these very expensive investments. High cost infrastructure in a low productivity economy is a formula for financial crisis. Infrastructure investment to upgrade needs to be done in an incremental fashion.

This can be done working from the community level. When infrastructure is looked at from a community perspective, what is the most important to the community can easily be identified, and there can be an investment focus on what gets the best results for the community. This has the potential to increase the socio-economic return from infrastructure investment from something that will not justify investment to something that is gives an attractive socio-economic investment yield.

Housing

Urban housing

Much of the housing stock in Baghdad and some other urban areas of Iraq has been badly damaged in the past few years. There has been damage and complete destruction in some cases and there has been damage caused by looters. Many houses have been rebuilt using private financial resources and funding from the US programs, but a lot still remains to be done.

Capacity to build houses

There is a good construction capacity in Iraq which can grow to build more houses. It is constrained by the economic conditions, the lack of security and the state of the housing sector overall.

House construction is employment

House construction is employment as well as being a valuable addition to the community. New housing and upgrade building can be used to contribute to total employment and to the reintegration of returnees into the economy.

Strengthening the capacity to build houses

Workmen to build houses to an improved standard need training in either a formal setting and while on the job working in a training capacity.

Housing sector

The housing sector has not kept pace with the growth in population, and the quality of shelter for many in the poor "south" is less than satisfactory. Urban slums are common, and rural shelter is poor reflecting the poor state of the local economy.

The solution to housing should be one that involves both the private sector, government and the financial sector. With thoughtful planning, the housing sector can be a valuable component of economic activity and serve to upgrade the housing sector and the employment sector at the same time.

Seaports and Airports

Seaports

There has been a productivity revolution in modern ports, with almost total containerization and using powerful materials handling equipment. Modern cargo vessels are highly automated requiring small crews, and their cost is remarkably low, but they can only use ports with modern equipment. There is no reason why Iraq ports should not be to a very high international standard.

Iraq also must have terminals to handle its oil exports. These need to be world class, and there is no reason why they should not be.

Airports

Iraq needs to have a world class international airport, and there is no reason at all what it should not have one.

The country also needs to have a network of local airports to facilitate local air service development. Though air transport is expensive relative to land, there are times when speed is a priority, and there should be the infrastructure to handle this.

Roads

Main roads … arterial roads

The main roads are a major factor in national productivity. The road network is very important for trade. The roads should not constrain trade, but serve to help it. Roads are important for all sorts of product shipment including livestock shipments

Community roads

Every community I have visited has always made reference to the need for easier transport in the rainy season. All weather roads are valuable, but they need not be to European or US standards. They just need to be usable when it is raining, instead of totally stalling traffic.

Construction and maintenance

There are some major contractors with the capacity for major construction and major maintenance of roads. There needs to be a strategy to upgrade and maintain the whole system and not just a privileged little bit of the system.

It would be best to make many small interventions rather than a few large interventions. The country needs to have balanced development all over the country, not just in a single area or corridor. The country needs employment opportunity everywhere, not only on a single axis of the country. Furthermore, the country's internal capacity is better suited to doing small works successfully than single large projects.

Employment

The road sector has the potential to be a major employment source for the next several years. This can be done not only by using "labor intensive work methods" but merely by doing the work using local capacity to the maximum extent possible. Employment is needed not only at the laborer level but also among trained engineers and local contractors, some of whom have had important international experience.

Telecom and Internet

Telecom

In general terms, the telecommunications infrastructure in the global "south" is poor.

Iraq should embrace the idea of very low cost communications as a way to encourage development, but Iraq has not yet embraced the telecom sector in this way.

Internet

An Internet infrastructure can be built in coordination with the telecom ... the underlying Internet backbone uses much that in common.

Water

Importance of water

Water is more important than anything else. When water is abundant, this is not obvious. But in places where there is very little rainfall, the importance of water becomes very evident. Without water, everything ends. With water, a lot is possible. Water is essential to human life, and is essential also to animal life and growing food crops. Water is also important since it is also a contributing cause of violence, injury and death. There is a lot at stake in the water sector.

Knowledge about water

Knowledge about water is spread about a lot of organizations and should be systematically consolidated into a complete database that can be accessed easily by people with a legitimate interest. The database should be operated by a national institution, private or public. The data should be available easily from a number of access points. The data should be accessible for technical planning, and is also a part of the knowledge needed to have informed community dialog about what priorities are needed.

Competing demands for water

Where there is limited water in the area, and several competing uses, there is the potential for conflict. People need water for drinking and personal hygiene. Animals need water for drinking. The rangeland fodder and agricultural crops need water to grow. The interrelationships among water, range, animals and humans, both nomadic groups and settled groups, rural and urban, etc. are complicated and not well understood.

Sources of water

Iraq does not have a lot of rainfall, but it is blessed with two major rivers that have been a source of water for thousands of years. The average rainfall numbers are not a good indication of the way the rainfall is experienced. Often when there is rain, it is torrential, and a lot of rain falls in a very short time. Nearby, there may be no rain at all.

Quality of water

The availability of water is the first issue, but after that there is an issue of quality. Much of the available water has high salinity. In many rural areas the water quality is low and often has high bacteria content, and by most standards

is unfit for human or animal consumption. Water quality is one of the most important issue in the health condition of both humans and animals in Iraq.

Community water sources and water storage

Remote communities have several different ways of obtaining water:

- From the rivers, with water treated at water treatment facilities.
- Boreholes, which often must be very deep and still then with low production. They are expensive and steel linings do not last long in the corrosive conditions of the area,
- Shallow wells, which serve both people and animals in many communities,
- Birkas, a swimming pool like structure, usually about 3 m deep, 3 m wide and 20m long lined with concrete that is used to catch and store water, often owned by an entrepreneur who sells the water,
- Hafir Dams, a dug out area with earth dam structure on the downhill side used to catch runoff during the rains, and mainly used to water animals

Urban water systems

Urban water systems are essential for the health of any urban community. Not all of the main towns in Iraq have enough water available. The systems are not sufficient to satisfy the present need, and certainly do will not satisfy the demand of longer run economic growth. Urban water systems need to be upgraded in various urban centers in the area. There are shortages of water in some urban areas, and sanitation is not sufficient. There needs to be both study and expansion of the urban water capacity.

Plans for water supply improvement

Plans for water supply improvement need to be prepared based on what is best for the local community, and what uses the least of money and other resources.

There are many contractors capable of doing work in the water sector. These contractors need to have the opportunity to gain more experience and improve their skills. Professional water engineers need to be encouraged to take a leadership role in the planning and management of water resources in the area.

Chapter 20 - Sectors – Agriculture, Fisheries & Food

CHAPTER 15

SECTORS: AGRICULTURE, FISHERIES AND FOOD

There is lots of it, but it is not much use. Much of the information that

Crop Agriculture

Important sector

Crop agriculture is part of the productive sector, and of huge importance in the global scheme of things. Without food, there is no life. The revolution in agricultural productivity set the stage for the "north" to become wealthy a long time ago, and it is often overlooked that "north" agriculture remains amazingly productive. Under 5% of the "north" population is engaged in agriculture and there are embarrassingly large surpluses.

In contrast poor "south" countries might well have 80% of the population engaged in rural agriculture and associated support activities, and the country is hungry because there is not enough food. This is all about productivity, and a terrible failure of the relief and development community.

Irrigation

Iraq does not have much rainfall, and irrigated agriculture is one way to improve agricultural productivity. There are many lessons to be learned from history. The human and social dimension have to be taken into consideration as well as technical considerations like managing salinity.

Israel has demonstrated that irrigation can be used successfully to change the productivity of arid land. So also has South Africa and Namibia in Africa and California in the United States.

Rainfed agriculture

Rainfed agriculture is limited because of the very low and erratic precipitation in the area. Some drought tolerant crops are possible in some areas. The way in which the low and erratic precipitation problem has been solved in traditional agriculture has been in a very practical way. Periodic torrential rainfall in the watersheds of the various river systems produces flash floods that inundate large areas of very dry land. The water and nutrients associated with these flash floods create opportunities for crop agriculture, and very large areas can be seeded very quickly when these situations occur. If the crops mature, there can be large surpluses that then add to family and community level food security.

A variety of crops

Various fruits and vegetables can be grown in the area very successfully, but they do need an adequate supply of water. Very small plots have produced substantial amounts of tomatoes, onions, garlic, etc. but these plots compete for water with human and animal needs.

There are many tree crops that could be successful in the Iraq conditions. These include various citrus fruits as well as date palms.

Small farmers usually have some cattle that are the basis for dairy products, primarily milk. The exploitation of the market for milk has been growing and dairy is now an important part of the agro-pastoral revenue. When there is serious drought the settled agro-pastoral community is more at risk than the pure pastoralist who has the opportunity to move to a better location.

There is an existing bee-keeping industry that provides the community with honey that is used in a lot of traditional area food.

Water

Water is the foundation of everything. The success of settled agriculture in the area depends more than anything else on water. There are many ways in which water can be provided to achieve success in the development of settled agriculture, but anything that is done must be acceptable to the community and be done on a way that serves the best interests of the community as the community sees it. Furthermore the development of water for one community group must not have a damaging impact on the way of life and economy of another group.

Tractors

Community groups can also make productive use of tractors. Some groups have found used tractors to buy at reasonable prices and have done so. Good used tractors would be a suitable subject for loan financing under the project development fund.

Training and extension

Training and extension is needed to add to the knowledge of the community about agricultural and development possibilities.

Livestock and Range Management

Important part of agriculture

Livestock is an important part of agriculture in some parts of the country. Livestock are the source of revenue for the nomadic pastoral community and also represent family wealth, food security and economic security. The lifestyle of the nomadic pastoralist is very different from that in urban and even settled rural communities. Water is the most important factor in the success or failure of the pastoral livestock economy. The role of water in the economy is complex, and it is not just a simple matter of more water is better. The economy is quite productive in the sense that a very small amount of water generates a significant amount of economic value added, but it is a fragile economy and a very high risk economy. Animal health is very important to the pastoral community.

Rangeland management

There has been little impact on rangeland through management initiatives, though rangeland management could increase the productivity of the range and its carrying capacity.

Livestock markets

Livestock markets at the producer level are not as fair as they should be, with middlemen traders taking advantage of the producer to the maximum extent possible. This is an age old problem, and not easily solved by direct government or development intervention.

Livestock health and veterinary medicine

Livestock health is an important factor. Health services are needed, but they should be created subject to the discipline of market economics and expansion of the service capability funded by the beneficiaries.

Veterinary medicine has not been delivered effectively to the pastoral livestock community, though technically it has a lot to offer. To the extent that there has been veterinary extension and availability of veterinary drugs, there has been an improvement in animal health, but the use of the capabilities of modern veterinary science has been very small to date.

Animal quality improvement

There are many ways in which animal quality can be improved, but the time frame is not fast. Culling poor animals from the herd is a starting point, and

doing selective breeding starts the process of improved animal quality. The process of implementing and animal quality improvement strategy can go as fast as the community wants it to, but the results are not immediate. Eventually, it is to be expected that some communities will reach the stage where their animals are bred using artificial insemination (AI), and as this stage is reached it can be expected that other aspects of rangeland management, animal health and livestock marketing will all have progresses as well.

Fodder and feedlots

Food security for animals is a serious development issue that can be addressed through commercial fodder production and storage. The loss of value as animals go to market can also be addressed through commercial feedlot operation.

Marketing centers

Livestock marketing centers should be encouraged. These centers should be of value to the livestock owner wanting to sell and to the commercial community as a whole. These centers need to be able to handle not only the water needs of the animals, but also the fodder requirement. They should have access to market information to assist in the operation of a fair and efficient market. They will naturally evolve into more comprehensive commercial centers with hotels, restaurants, shops and a full range of commercial services. To the extent that they are created at existing commercial centers, there will be substantial economic growth.

Fisheries

Fisheries not particularly important

The fisheries sector has not been important in Iraq. There are some fishing operations in the Gulf, and there is some river fishery activity. Compared to the major fund flows from oil this is inconsequential, but in terms of communities that live in the riverine areas it is important.

Fish resources

Fish resources are becoming more and more problematic. There is overfishing almost everywhere and Iraq is likely to be in the same situation. Fish resources probably already constrain the fishery.

Resource management

Data concerning the fishing resources of the country should be collected and analyzed so that a sustainable management regime for the resources can be established. Almost every country in the world with fishing resources has

exploited the resources beyond their sustainable yield and has experienced a decline in the value of the fishery product.

Fish marketing and cold storage

Fish needs to be fresh, or processed so as to be in a form acceptable to the market. A primary requirement is a lot of ice, and cold storage capacity. For a high volume fishery it may be desirable to have fish processing capability including filleting, etc. It should be noted that fish is one of the few products where the value is highest with the least amount of processing, with additional handling and processing reducing rather than adding value.

Fish transport needs to be fast and efficient. Fish is high value, but also loses its value rapidly if there are any delays. The roads along the coast are totally insufficient for a successful fishing industry, and most refrigerated trucks are not going to last long traveling over the rough roads that are the norm in the area at the present time.

Food

Food

Food is an essential, and should be easily available for everyone. The food sector is driven by markets ... with more or less intervention from government to encourage a sustainable supply of food. This translates into government subsidies and various incentives to produce more or produce less, and modalities that put food into the market at prices that are below cost.

One of the purest examples of market is to be found in remote rural areas where food is exchanged in the market and reflects supply and demand in its most basic form.

Food in Iraq

Food production in Iraq should be highly productive ... there are the conditions for food production.

Food supply should also be more than adequate because there is the financial capacity to import any food that is required.

Food security is an important, and there should be no difficulty with this on a national level.

An area focus for food security

Some areas of Iraq may have local food shortages, and the local markets may be be sufficient to handle shortages that last for a long time. On balance, Iraq should be a food surplus producing area and can be an exporter of food. In spite

of this, from time to time there are local food shortages. The area needs to have adequate capacity for food storage at the area and the community level.

An area focus for livestock security

Some areas of the country may need a mechanism to provide price stabilization for livestock. The normal cycle for livestock in the agro-pastoral context is for herds to increase in size when times are good, and then decline in difficult times. Good times produce over-grazing and accelerate the arrival and seriousness of bad times. At the same time, livestock prices follow a pattern that weakens the economy, just when it will do the most damage. A livestock price stabilization mechanism would make an immense difference to the economic performance of the sector, for the benefit of all. The price stabilization mechanism requires not only the funds to make purchasing interventions in the market, but a way for the product to be processed in a way that allows for the food value to be conserved for future use.

Infrastructure

Food security is enhanced if it is possible to move food stocks easily and at relatively low cost. Food security is also enhanced if it is possible to store food stocks with minimal loss in places where food stocks are needed, or likely to be needed. As part of the overall area proposals there will be significant improvement in the storage infrastructure. Food security is improved when there is an efficient transport system.

Chapter 21 - Sectors: Industrial Production

CHAPTER 16

Sectors: Industrial Sector

There is lots of it, but it is not much use. Much of the information that

Energy: Oil and Gas

Great possibilities ... huge challenges

The energy sector has a capacity to be very profitable but the way the sector has been managed has given rise to something referred to as the "Energy Curse".

The way in which this energy wealth is managed will determine the future of Iraq more than anything else. Whether Iraq will be able to do this depends a lot on the manner in which both the economic sectors and the governance sectors evolve.

It must be expected that everything to do with the oil and gas sector is going to be "hard ball" and that negotiators are going to have to work very hard to ensure that community interests are respected.

Within different communities are going to have an interest not only in the outcome of international agreements regarding oil and gas, but also what sort of arrangements are made internally so that oil and gas benefits are fairly allocated to different groups.

From an international perspective, the energy arena is not getting easier, but a lot more difficult. The oil and gas industry is not just big "western" companies, but also companies from Russia and China. In addition, companies from other countries like Venezuela, Mexico and India are going to change the energy sector landscape even more. Whether this will make the sector more beneficial to people at the "bottom of the pyramid" is not at all clear ... but there are interesting possibilities.

There is an opportunity for wealthy oil and gas enterprises to embrace the moral high ground and start doing a lot more for communities in places where they

operate. Though politics is often controlled by the gun, people power can have an enormous impact. Guns did not get the British out of India, but people power with Mohatma Ghandi in the vanguard. Martin Luther King did not catalyze progress in racial relation with the gun, but by mobilizing people peacefully.

Energy: Electricity

Electricity generation

The electricity generating infrastructure is inadequate. Major upgrading is needed and there has been some work done on it since the end of the Saddam Hussein regime, but it is not at all clear how much work has been done and at what cost. This is essential management information that should be easily accessible to the public.

A major program to create adequate electric generating capacity should be a priority and done efficiently to the highest of standards.

Electric grid

The expansion of a nationwide electric grid is clearly desirable. This requires substantial capital funds, but the advantages are huge and long term.

The lack of electricity in poor places is a chronic problem. The technology exists to have adequate electricity supplies, and to distribute electricity to where it is needed. It takes investment, and it takes a reasonable approach to profit expectations. The key requirement is that electricity investment and electricity management and operations are done efficiently, ethically and without being dominated by greed and corruption from any quarter.

Rural distribution

The cost of rural distribution is high, but the value is substantial. Iraq should make an investment in rural distribution so that its remote communities have a chance to move forward without being constrained unduly by the lack of electricity.

Energy: Non-Petroleum Fuels

Overview

Iraq is in a good position. It has abundant fossil fuel resources, especially oil and gas, and also coal.

But, on the other end of the scale, there is a dramatic shortage of fuelwood and charcoal for household cooking in remote rural areas. These energy sources are contributing to an environmental crisis caused by the loss of trees and the production of carbon dioxide.

Fuelwood is in very short supply and increased production of wood for household use should be a priority. Trees need to be planted and existing trees cut in a way that does not destroy their capacity to grow again. The manufacturing of charcoal should be considered to be an anti-social act.

Coal ... natural gas

The possibility of using the coal deposits as an alternative to wood and charcoal should be explored. This may not be a viable option if the coal is not suitable for use in the household environment. Bottled natural gas would probably be a better intermediate step forward.

Windmills

The use of windmills to drive pumps and produce limited amounts of electricity may be an option. Windmills have been an important source of energy in the past and modern windmills are well suited to use in pumping water in remote areas.

Solar

Solar technology has reached the stage where it is a viable option for driving remote electrical equipment.

Minerals and Mining

Summary overview

Mining and the exploitation of minerals in the “south” ought to be generating a lot of wealth for the “south”. It will do so when the agreements are fully understood by all parties, especially the signers for the “south” and there is a solid framework for value analysis.

It is not clear what role bribery and corruption plays in the sector, but it is probably significant. It is likely that substantial fund flows do not benefit the country but only benefit individuals. This is difficult to address, because the amounts involved are huge. Without addressing this, however, the wealth creation that is possible will never materialize.

The international mining companies are at an interesting stage, and they are likely to have some advantage when they are seen to be of benefit to the local communities where they operate. This is not an easy balance to achieve, because large scale mining causes a lot of change ... but it is possible, and could result in mining being pulled to communities rather than having to be pushed into the communities by the mining companies and a small elite.

There is every reason to expect that Iraq has mineral deposits that could be exploited on a more commercial basis. The knowledge about the mineral

deposits in Iraq is not well substantiated. Much of the information is old and not supported by verifiable geological reports. There has been little exploitation of the mineral resources in Iraq.

Iraq has little capacity to do the work needed to provide a basis for a rational exploitation of the mineral wealth of the country.

The administration in Iraq should be supported so that better knowledge about the mineral resources in the area can be obtained. The knowledge gap should be closed as soon as possible with thorough geological analysis of the main mineral deposits.

Policy about mineral resource exploitation

The administration should be supported in work to establish a policy framework so that the exploitation of mineral resources is fair to all concerned and contributes to peace, security and economic development rather than having a destabilizing influence.

Training in mining skills

In order for the minerals and mining sector to succeed there needs to be basic skills training on a substantial scale. If there are exploitable minerals then there should be skills training to complement the other resources needs for successful industry development.

Manufacturing

The state of manufacturing

Iraq is not known for its modern manufacturing, with the exception of its production and export of crude oil.

There are parts of Iraq that have a history of handcraft ... but this is small scale and artisanal, of historic value but not of great economic value as a driver of modern Iraq.

Jobs ... employment

The manufacturing sector is usually an important area for job creation ... but in Iraq more of the jobs are in the services sector.

Many things need to be brought together in order for manufacturing to be successful: (1) availability of materials; (2) availability of productive low cost labor; (3) a reasonable enabling environment ... that is laws, regulations, culture, etc.; (4) working infrastructure including transport and energy; and, (5) markets and profit potential. Of these it is the markets and profit potential that are missing. Most

of the market needs can be satisfied by products from other places at lower cost and more profit than from local manufacturing in Iraq.

My Experience in Madagascar

For some years I was a consultant to a manufacturing group in Madagascar. I have described this group as one of the best managed companies that I had ever seen, in large part because of their commitment to training their staff. Even though Madagascar had tremendous socio-economic problems, and was faced with terrible foreign exchange shortages, this company still put its staff training as a top priority.

As a result, the company was able to produce world standard quality and was able to participate in the global market on an equal basis with other world class producers.

The company invested in good production equipment, and the staff were able to use this equipment to make the very best quality product at very competitive costs.

But all of this took time.

What might be possible?

It is not easy to identify manufacturing that would be profitable in Iraq ... a lot depends on the willingness of an entrepreneur to take on a challenge and go into business in competition with the world.

There might be possibilities in the agro-production area using processing animal products ... processed meats and skins.

There might be possibilities in the petro-chemical area using the feedstocks that are available from the oil and gas sector. This could be very big business and profitable if done in cooperation with organizations that have access or control international markets.

Construction

Overview

Almost all the construction work in Iraq should be undertaken by local organizations and using local professionals. Performance may be enhanced in some cases with external technical input, but it should be limited and relevant to the issues at hand. Almost all of the infrastructure building that is needed can be done by local organizations with rather modest amounts of external technical

assistance. The goal should be to construct infrastructure of an adequate quality at the lowest possible cost so that the economy can be more productive.

Rebuilding ... housing

The local construction industry should be funded to do the essential rebuilding needed as a result of war damage. All the essential utility services should be brought up to a level of service that should be normal in a country of Iraq's wealth.

Road construction

Road construction should be advanced where it is needed. Efforts should be made to ensure that the road network not only serves the main urban areas but also reaches remote communities. Not all the roads need to be built to international standards, but should be all weather roads.

Employment

The construction sector should be an important source of jobs in Iraq. Rebuilding should help increase paid employment in the economy of the area. The economy will be strengthened in lots and lots of little construction projects can be undertaken. Well planned development will not only provide jobs for laborers but to all levels of supervision, management and administration.

Training

In some areas training may be needed. Training should be available to the construction industry through a range of modalities. There should be skills training available through vocational training centers and “on the job” provided by cooperating contractors.

Chapter 22 - Sectors: Trade and Logistics

CHAPTER 17

SECTORS: TRADE AND LOGISTICS

There is lots of it, but it is not much use. Much of the information that

Logistical Services

Transport

The transport systems in Europe, in North America, in Japan are incredibly efficient. Transport is a very innovative sector in terms of the adoption of technology. This needs to be applied to the "south" where transport infrastructure, roads, rail, ports, have not been developed to the optimum. There is the need for a huge investment by both the public and private sector. Some valuable progress can be made by doing as much work as possible on a small scale in and around communities.

Truck fleets

The truck fleets in Iraq have expanded based on the profits of the private operators. The financing associated with the truck fleets is likely a huge cash cow for those that are engaged in the financing.

Truck maintenance is handled by a large a competent workshop sub-sector. Parts are not a problem as long as funds are available. The fuel situation that is often a problem is not a problem in Iraq where refined products are widely available.

Air transport

Air transport service operators can be in the private sector. There can be financial support from the government to facilitate the funding.

Airport fuel and service

Baghdad airport is international standard and all fuels and services from an international airport are available.

Port operations

Port operations are going to be a major issue in the future success of Iraq, and especially the oil and gas sector. A modern port capacity is going to be vital in the handling of energy products exporting product using the largest of the modern supertankers.

Pipelines

Pipelines are the main means of transporting petroleum products. They are an easy target for bombers and have not been adequately protected so are not all presently in service.

Warehouses

Warehouses are now a critical part of logistics operations. They serve much more than merely to keep stock in a safe place out of the weather. They are now fully equipped so that information about stock movements in facilitated in real time.

The old era warehouse is still needed at the community level ... while the 21st century warehouse and integrated logistics system starts to operate in the country.

Maintenance

Repair shops, welding and machine shops

There is an ongoing need to strengthen the national capacity to maintain equipment and do welding and machining. Much equipment, especially in small enterprises, is old, and needs ongoing maintenance. There are a lot of small facilities that do work at a basic level, but few that have the capability to pdo the higher end work.

Access to training

Training will help improve the sector, and help increase jobs and employment while also providing value for the community. It should be possible and easy for people to upgrade their skills. All maintenance and machine shops of good standing should be encouraged to train people to a higher level of skill.

Trade

International trade

International trade has been a key driver in making some countries prosperous. It was the driving force behind a lot of wealth creation during the mercantile and colonial era, and it remains important today. The success of Japan, and then South Korea and now China and others are based on international trade. India's success has been more trade in services than in manufactured goods, but it is still very much international trade.

In the case of Iraq, crude oil is very much a component of Iraq's international trade.

Wholesale trade

There are parts of the economy where the wholesale functions are still provided by independent organizations. For example, spare parts for automobile maintenance are carried in inventory by wholesalers who provide rapid delivery to auto repair shops in their service area. It is a very efficient sharing of roles.

In Iraq and many countries in the global “south” wholesale is often linked to import / export. Wholesale is also associated with traders and middlemen. Wholesale and distribution in the “south” is often high margin, but it is also often high cost and profits are not as large as they might superficially appear.

The wholesale trade, and import/export are less important in the modern global economy because of a growing tendency of global companies to handle all the logistics from original manufacture on one country to retail marketing in another.

The wholesale trade may not have the same structure that it has had in the past, but the functions of transport, distribution, warehousing, break-bulk, etc. still have to be done. Though a larger part of the modern retail trade goes direct from the manufacturer to the retailer, all the intermediate distribution and wholesale functions are still done, but done in-house.

Wall*Mart is a very good example of a modern corporate organization that has brought all the functions from manufacturing through final sale to the customer under its control. While many operational activities are subcontracted, the overall operation is controlled by the Wall*Mart logistics system.

> *WalMart*
>
> *What is WalMart? Is it a retailer, a wholesaler or a distribution company? Perhaps the best answer is that WalMart is a success. It is also perhaps the best example ever of an organization that has used*

management information to optimize what it is doing to supply its customers with what they want.

It has been one of the world's leading users of management information for a very long time. It deployed mainframe computers for data analysis long before it was fashionable. They have been ahead of the curve in understanding customer behavior in their stores for years, as well as understanding the detail operations of their organization. They know their business and they know the data associated with their business.

As they grew it was not analytical genius that made them decide to integrate their supply chain backwards to the manufacturers of their products. But they were among the early adopters of integration of operational data near real time into every aspect of the supply chain so that inventory availability to customers at the stores went up and inventory investment as a whole went down.

I thought it was interesting on the second day after the 9/11 disaster to learn in the media that WalMart knew its customer buying activity hour by hour at all its thousands of locations and knew precisely what was being bought by a population in panic. Milk and bread, then guns and ammunition as the hours progressed.

And WalMart was able to divert hundreds of truckloads of supplies to hurricane affected areas in the aftermath of Katrina days more quickly than government organizations like FEMA.

There is a lot to learn from WalMart. Excellence in the use of management information has been one of its key strengths.

Retail sector

When I was growing up in the UK, the country was referred to as a nation of shopkeepers ... a remark originating, I believe with Napoleon. At the time the UK was still very much a manufacturing country, but the quality of life was increasingly associated with consumption. The UK was probably behind the USA in embracing consumerism, but it was emerging. Today the retail trade ... shopping ... is a huge industry catering to the market in every way imaginable. In the USA, big box retailing epitomized by Wal*Mart is now the largest employer in the country. But the multi-store malls, department stores and urban shopping centers also are a huge part of the modern US economy.

Arguably shopping is the top entertainment in the rich societies of the world.

And in the "south" shopping is rather more of a challenge. There are much higher distribution costs because of poor transport infrastructure, there are few

economies of scale, there are constraining import export and customs procedures and duties and the market demand is limited by peoples' buying power. It is nevertheless a very important part of the economy, and one that can play a great role in establishing sustainable socio-economic progress.

Informal trade

The informal trade in all sorts of merchandise all over the world is remarkable. The prices reflect the costs of getting product from the exporting area to the local market, and the prices sometimes reflect the non-payment of onerous customs and other duties and taxes. The scale of the informal trade around the world is difficult to assess, but it is huge. Markets ... where trade takes place ... help to keep everyone fed, and everyone clothed. They do better when the community is prospering than when it is not.

An important sector for income generation

The services, retail and petty trade sector is one of the largest sources of income for the poor and for women. For many, it is also the starting point for more substantial business enterprise.

Regulations ... some are needed, most are not.

There are few formal regulations that apply to this sector. The sector thrives with a minimum of regulation. In circumstances where the trade is made illegal, as it was in the former communist regimes, the informal trade disappears, and with it a very large part of the foundation of the economy. Though the sector is untidy, it is where most larger businesses start.

Chapter 23 - Sectors: Service Sectors

CHAPTER 18

SECTORS: SERVICE SECTORS

There is lots of it, but it is not much use. Much of the information that

Banking and Financial Services

An important sector for success

A broad range of banking and financial services help socio-economic development progress. While these services are readily available to the rich and in wealthy communities, they are not universally accessible, and the poor at the bottom of the socio-economic pyramid are not well served at all.

In fact, the mainstream banking and financial service companies have either retreated from service to the poorer segments or society, or have increased the pricing of services that are used by poorer people. To add insult to injury interest rates are high and fees are also high making the total cost of service more like loan sharking than mainstream banking.

Community needs

In the last four decades rural banking has stagnated and in many places has disappeared. Perhaps for the last 25 years there has been some growth in microfinance, but this is a very limited subset of banking and arguable not an important subset. The growth of micro finance is progress, but it is not the single silver bullet that is going to solve all the socio-economic development problems of the south. In any community, there is a need for at least three main financing components: (1) micro finance that serves the individual and micro-business; (2) mini finance to satisfy the needs of the small and medium sized businesses; and, (3) muni finance that provides financing for economically desirable community projects.

Commercial banking for enterprise

The Commercial Bank sector in Iraq either through national banks or in association international banks has the ability to provide a full range of financial

services to major business enterprises. The challenge is to expand the service to included smaller businesses and those that have the potential to grow, but not the financial strength to grow.

Informal systems for financial services

Where the formal commercial banking and financial services sector is weak, a range of informal systems for financial services are available. These systems are very important to the local economy, especially the informal sector and the small business. Some of the informal systems, however, while providing a needed service, also exploit the poor in a very aggressive manner.

Public finance

The mainstream banking sector should be in a position to assist with the financing of the public sector and be available to make funds more easily available in areas distant from Baghdad.

Communications

Telephone

The telephone service in Iraq has become much more wireless in the past few years. The technology is insufficient and service leaves much to be desired. Urban areas are being targeted, but remote areas are not being served. Getting a good telecom infrastructure is a good basis for other progress.

Internet

In Iraq the Internet is available through a variety of services, none are cheap. The Internet ought to be working on top of a good local infrastructure and be accessible easily and at low cost.

Private sector

The most effective strategy is going to be to make sure that the development of communications is handled by the private sector, with the public sector authorities having a regulatory role that ensures a quality service and pricing and service agreements that are reasonable.

Media

Radio and Television

Radio and television have been under government control in Iraq. However private channels can be picked up from satellites and from broadcasts originating from other countries.

These are powerful ways of spreading news, entertaining people, spreading propaganda and influencing people.

While the English language is used to some extent, the primary language in the country is Arabic. While programs in English reach the international community in Iraq, it is the Arabic programming that reaches the population at large.

Print media

There are a variety of newspapers in Iraq. A lot of material printed in the media has originated from some official source. Newspapers are an important communications medium and should be used not only for entertainment but also for serious news and analysis.

New media ... Internet

The Internet must be thought of as a major component of the media sector. The Internet has a combination of characteristics that have never been seen before ... it can be extremely fast ... combine digital video, audio, text and interaction in a bewildering range of combinations. It can be private or it can be very public, depending on how the user chooses to interact with the Internet and the Internet community.

Professional Sector

Professional sector situation

The professional sector includes professions like accountancy, law, medicine, teaching, engineering, architecture, accountancy, the religious, etc. These professional people have standards for their work that enable society to rely on what they do. They serve to improve productivity in enterprise and in society and in so doing create tangible value in society.

As long as there is instability and a lot of violence professionals are going to move themselves and their families to safe places. The professional is a great value to the society and to the economy, and emigration constrains success.

The private professional sector is very important for sustained development. The government is able to set a legal and policy framework for civil society and development, but there also needs to be the private professional community that can provide a technical input so that the laws, regulations and policy are compatible with global professional principles.

Professional employment is not a large number, but is an area where higher incomes may be earned.

National professionals should be recruited to do professional work that is required to strengthen the national frameworks for development. The state of

knowledge about development, about the law, about the society, etc. all need to be improved, and this can and should be done by funding work to be done by national professionals.

There should be active cooperation between local professional societies and equivalent professional societies in other countries. Many professional societies have active international programs and are looking to expand their global connections. These links should be actively encouraged, in particular as a way to facilitate world class training for the leading members of the professional community.

Tourism

High economic value

Tourism is a sector with huge potential economic value. But tourism, like everything else, requires planning and investment to be successful. Some places have developed tourism very effectively and have made it an important part of their economic success, but in many places the opportunities of tourism are totally ignored.

In Iraq, there were few visitors during the Saddam Hussein era. Visitors since the 2003 Iraq war started have been mainly soldiers intent on making peace and some international contractors engaged in making money. There have also been lawmakers and journalists who have able to see Iraq from the Green Zone and a few other "safe" places in the country.

> *Destinations ... What To Do?*
>
> *I have traveled a lot almost always on work assignments ... and I am amazed at how many places have wonderful destination activities that nobody knows about.*
>
> *Iraq has an interesting and very long history ... places in Iraq were determinants of history in Biblical times. The rivers in Iraq are part of Biblical history. The archeology of Iraq is fascinating.*
>
> *Iraq ought to be one of the must see tourist destinations ... one day ... maybe.*

But building back a tourism industry is important. Tourism is successful when safety is sure, there are good places to see, good transport, good hotels, good food and good entertainment.

Hotels, restaurants and entertainment

Hotels, restaurants and entertainment that serves local business does not attract the international tourist community. For upscale international tourists there

needs to be a higher class of hotel and restaurant. International tourists look for air-conditioning, spotless bathroom facilities and their own style of food. For this they are willing to pay. There also needs to be entertainment value as, for example, in various forms of destination that show of local history, culture and sights.

Education

Education sector

Education is, more than anything else, the investment that will facilitate a successful future. Education is a prerequisite for jobs and opportunities and to be able to have valuable lives. The value of education is not a "certificate" but the training of body and mind so that a person can do valuable things. Education needs to move from basic to higher levels where a person is not only challenged academically, but also is prepared for a productive life. Accordingly there needs to be not only primary, secondary and tertiary education, but also vocational and professional eduction.

Education does not need to be done in traditional or old-fashioned ways, but in any way that works and is cost effective, including using electronic resources of various sorts. In the future, the education sector is likely to include activities related to the use of Internet resources.

Educational policy

Some appropriate goals of an education policy in Iraq might be the following. No specific goals have been included here. Thus:

- Expand primary education
- Address priority needs in secondary, technical and vocational education
- Improve quality and equitable distribution
- Extend new curriculum to all levels,
- Increase the number of certified primary teachers
- Lower textbook ratio
- Achieve more efficient use of teachers,
- Raise female participation
- Increase the proportion of female teachers
- Rehabilitate all schools damaged by wartime activities

Under-served areas

Iraq has some areas that are under-served regions. The literacy rate in Iraq is very variable depending on the place. In the main urban centers literacy is around 80%, while in remote rural areas it is more likely to be 20%. Literacy among women is 50% of the literacy rate for men.

Curriculum and text books

Iraq has a well developed curriculum of education. A laudable effort has been made to revise the curriculum and prepare textbooks and teaching materials. A lot remains to be done to improve the curriculum and the teaching materials.

Textbooks are also needed for the schools and training centers. The program will support the preparation and the purchase of textbooks for schools and training centers.

Teachers

The number of teachers in secondary schools in particular is less than optimum. The proportion of female teachers in primary school is low and there are almost no female teachers in secondary schools. New teachers need to be found, and most important, new teachers need to be trained. Iraq needs capacity to teach teachers. The teaching of teachers is needed for primary grades and secondary grades, but also for skills training and the non-formal basic education initiative.

Planning and management

Planning and management capacity at every level is very weak. The decentralization process implies that a lot more is expected from regional and local government. There are a lot of vacant posts in the regional education bureau and almost all the zonal offices are a one man offices. Most people in responsible position at all levels lack the required qualification and experience.

Women and girls

The situation of women and girls in education in the area should be addressed by the program in a practical way. There are ways in which women can expand on skills they already have to become of very much more value to themselves and to the community. Health skills training, for example, already known at an artisanal level can be upgraded so that health skills can be used for the benefit of the community at large. Informal, but nevertheless real, knowledge can be mobilized so that it forms the basis for teaching in the non-formal educational environment.

Skills training

Skills training for mature adults is critical for the growth of the economy and to enable unskilled mature adults to participate in the opportunities of wage

employment. The skills training that is needed ranges from the very basic to quite advanced, from how to be a laborer to doing repair work on computers. People need to have an opportunity to learn skills so that they can make the best of their capabilities.

Skills training is needed for all, young and old, male and female. There is, however, and important need to address the skills training of young adults, many of whom have lost many years of education and are now uneducated, unskilled, unemployed and potentially a source of future difficulties.

Employment or jobs

Jobs is not really a sector or sub-sector ... but employment and jobs are very important. The effort to creating self-employment opportunities that require a lot of labor for very little return needs to be supplemented by much more effort to make it possible for small employers to become bigger employers, and for employees to self-improve so that they can do bigger and better paying work. The jobs that are created need to be profitable, that is value adding, in order to be sustainable. Where the value is social, as in health and education, there also needs to be jobs in productive sectors that generate the cash flows to pay all the wages.

Health

Health situation

The health status of Iraq has deteriorated relatively in the past years. Health and health related services are limited because of shortages arising during the economic sanctions and the war conditions. Coverage is low with the distribution biased towards the urban population. Most health facilities in Iraq are understaffed and the quality of training of some of the current health workers is poor. Moral is low because of the state of chaos.

Management capacity at all levels is very limited and whatever management information system existed previously has almost ceased to function.

Rehabilitation of health sector

The rehabilitation of health sector is a priority. Funding is needed for the necessary construction work that needs to be done to rebuild and expand the infrastructure. There is also a need to rehabilitate equipment and funding is needed for this. The infrastructure includes both urban hospitals and health clinics in smaller communities.

Many of the projects are an integral part of the Health Ministry's program and are designed to facilitate their integration into the mainstream of the health development of the region.

Education and training

Training nurse is a very high priority. There are not enough nurses. The need for nurses is very high. Furthermore, nursing is a training and employment opportunity for women. Training of nurses should be encouraged through all means.

Training doctors and medical professionals is a long (and expensive process). However, the long terms success of the area economy depends on having trained professionals from the area in the area. Funding long term professional training should be a part of the ongoing development strategy for the area.

Mother and child health programs

Mother and child programs should remain a priority in the health sector, with continuing efforts to reach the mothers and children of pastoral families.

Immunization programs for children should remain a priority in the health sector, with continuing efforts to reach the children of pastoral families.

Mental health

Mental health is a problem that is not enough of a priority. Mental health practices are ones that became unacceptable in industrialized societies several decades ago. The traumatic experience of the area in the last twenty years (or more) has created a serious mental health problem.

Chapter 24 - Afterword

CHAPTER 19

AFTERWORD

A book is never finished ... but at some point it goes off to the printers, and the writing process stops for a while. But this is not the end ... the ideas are new and they need refinement ... this comes from feedback and attempts to use the ideas in a diverse set of situations. There is lot to learn ... and especially from failure.

Chapter 24 - Afterword

Chapter 18 Tr-Ac-Net's Community Analytics (CA)

Chapter 2

Most of what the media and global leadership wThe first challenge is to get the reader to understand the scale of the failure of development. First, absolutely in terms of the total population that are affected by development failure. Second, relatively in terms of how some have progressed and other have not. Discussion of some of the big facts that have to be faced: famine and hunger, war and refugees, poverty and concentration of wealth.

Chapter 3

An overview of the problems that are causing development failure. Too many people. Not enough development resources. A dysfunctional development process and institutional framework. No information for the management of relief and development resources. This chapter moves beyond the symptoms to the underlying problems and gets at the root causes that are the underlying reasons for development failure. This chapter identifies systemic factors. This chapter goes beyond the conventional wisdom and the NORTH's simple perception of development as commonly portrayed in the media to a view that more completely reflects a SOUTH view.

Chapter 4

The proposition is that there is a new way to think of development and make it practical and win win. There are resources for success, but they need to be organized in a value adding manner, and for this there needs to be adequate management information. The mindset of money constraint is changed to one where all resources are used to maximize potential. It is a technical analysis, rather than an economic analysis, and the information is management information rather than aggregate economic data. The focus is on people and community, and getting rid of organizational and process constraints. There is also a focus on excellence in transparency and accountability so that resources are best used for good progress.

Chapter 5

Community Centric Sustainable Development (CCSD) ... Is community a good way for relief and development to be organized? Is community the best entity to think about development and progress. Would community centric development be a better way of managing development resources than donor centric development. What does the community have that makes it the ideal entity for planning for development progress?

Resources that are available can be used in the best possible way. How can resources be used for best results? What incremental resources are needed and where are they going to come from. How to ensure that the community gets to use resources for its priority works. How are community resources going to be used to achieve maximum economic value adding and progress towards the goal of success in development. Is community the key to success? Local people often know what they need, but don't have all the resources to do what needs to be done.

Systems approach

The chapter describes the essentials of the process ... a systems approach:

- Plan: Use available information and knowledge to determine priority needs and figure out the best way to satisfy these needs based on available people and resources.
- Organize: Get the resources lined up to do the work. Organize is not just in terms of human resources, but in terms of all resources including the mobilization of financial and other material resources.
- Implement: Do the work. Generate the benefits. Pay the bills. Do the accounting.
- Measure: Measure what was used and what was done and what was accomplished. Measure so that excellence can be seen and used to attract more resources.
- Feedback: Use the measurements. Figure out how to do better. What went wrong? What went right? Get the information to decision makers that can change performance.

A systems approach built on top of a community centric mindset can deliver a dynamic process with multiple parallel tracks all progressing to success in the best possible way. It is not one single dumbing down of a process to one average for the whole world that makes no practical sense for anyone. It is process built on engineering and accounting rather than policy and economics. It is a process that respects individuals and family and community, and tries to make community better, one community at a time, but bringing to bear everything that might be helpful.

Chapter 6

They get depleted without adequate thought to the future. The solution is to use natural resources to help improve the neighborhood economically and sustainably What can agriculture do?

Two key resources

This chapter highlights the two key resources, the human resources and the natural resources. Both abundant, but rarely used effectively for success in development. The chapter describes all the other resources that go into a

successful comprehensive success. The chapter shows how external resources should be used to complement local available resources to achieve maximum value adding.

Solutions – making the best use of resources

Why does the prevailing process waste resources? What results can be achieved when available resources are best used? Resources are not just money and financial resources. They also include human and natural resources which are often abundant and valuable when used well:

- People. What is the human potential? What is needed so that people can do the maximum that they are capable of?
- Organization. What are the capabilities of existing organizations? What is needed so that they can do the maximum that they can do? What professional organizations are there and what can they do?
- Infrastructure. What is there? What is the best way to improve the infrastructure so that it can support the highest level of activity? What is the status of the roads, the communications, the clinics and hospitals, the transport systems, etc, etc?
- Natural resources. What natural resources are there? How can local resources be used as an economic driver for the area? What is the natural economic potential of the area? What can agriculture do? Are their other local resources that have economic potential?
- Machinery and equipment. What production capacity is there? Does business have what is needed?
- Working capital. Does business have access to the working capital and liquidity it needs. What needs to be done to satisfy working capital needs?
- Money. What money and financial services are available? How can salaries and suppliers be paid? What is the business model to generate positive cash flow? What are revenues? Is it market driven? Is it government budget? Is it grant based? Is it fee based? Is it mixed?
- Knowledge. What knowledge is there? Is everything known that needs to be known. How to stay up to date. How to train new people. How to update knowledge and be in the global knowledge community.

Problems with the process

How the process for development over the past forty years has ended up as development failure. How is it that economic value destruction has become the prevailing development process. How is it that development interventions and

investment have removed wealth from developing countries rather than creating wealth in these countries. Why did the "project" form of organization come to dominate ORDA interventions. What is wrong with the conventional ways for implementing relief and development. Why is it that there has been more economic value destruction than value adding? Why is so much of the poor world in catastrophic shortage in a world that has potential for surplus in almost everything? Relief and development has been anti-developmental. How can the process process be made to work for people and be done by people and deliver on sustainable development and improved quality of life. How can process must make best use of available resources. How can economic value adding help create development success out of everything that is done.

Institutional constraints

Often good people are beaten by bad systems and bad processes and ineffective organizations. Institutional constraints are normal, but can be resolved with new organizations and competitive pressure. Large scale World Bank, UN and donor initiatives need to be scaled down and replaced with a new organizational structures. Instead of approaching development by reaching down from Washington of London or Paris, start by working up from the community wherever it is. Instead of putting more and more resources at the disposal of governments, put more in the hands of people, and families and communities.

Chapter 7

An increase in population should be a positive for development success rather than being a negative that reduces wealth. Recent development thinking has people as liabilities and users of scarce resources rather than being human assets that help produce and create wealth. The chapter challenges some of the issues about people that are used to explain development failure but which are more about the way organizations and societies fail people. It raises the question about people's wasted potential, lack of opportunity and disorganized organizations. It takes up the issue of how organizations with ineffective systems and processes destroy the potential of good people to do great work.

Make the very best use of people

How can people be put at the at the center of development. How to get people to be more important than institutions. How to get people in every corner of the development process? When people have opportunity they can make better use their abilities for good benefit. But people have more power as a team so that leads to the question of how teams should be established and how people can organize to get things done. What are the incentives that motivate people? What way to organize for success at every level, while keeping the priorities of people, and the enthusiasm of people so often lost in the humdrum of a typical large organization. How 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.

Chapter 8

Financial services

What money and financial services are available? How can salaries and suppliers be paid? What is the business model to generate positive cash flow? What are revenues? Is it market driven? Is it government budget? Is it grant based? Is it fee based? Is it mixed? Many of the problems of development are blamed on lack of money and financial resources. What ways can money and liquidity be created to support development progress. How can money get where it is needed in the best possible way. What about transparency and accountability?

Production infrastructure

Machinery and equipment. What production capacity is there? Does business have what is needed? Do the people have access to machinery so that big jobs can be done by small people. Poor countries have little production capacity. What is the best way to get more horsepower into the hands of people. Does business have access to the working capital and liquidity it needs. What needs to be done to satisfy working capital needs? Business can only function if there is inventory and enough financing for the business to operate. These component of progress are sadly missing for poor businesses serving poor people and communities

Health and human services

Chapter 9

Is it a facilitating environment or a constraint on success? What would help the community to progress? What are the ways forward so that peace and prosperity wins over war and mayhem?

Governance
Infrastructure

What is there? What is the best way to improve the infrastructure so that it can support the highest level of activity? What is the status of the roads, the communications, the clinics and hospitals, the transport systems, etc, etc? What is the best way to improve the infrastructure so that the society and the economy is the most productive.

Social sector: health
Social sector: education
Economic sector: banking and insurance

Chapter 10

Information – lots of it, but not much use

Much of the information that is available about development has an enormously high cost, but dramatically smaller value. Value destruction at its best. Why is this information not help much in making good decisions about development. Why is so much data good for economic analysis and good material for journalists, but little use in the effective management of development resources. Where is the information to drive transparency and accountability?

Information – useful, independent, reliable, universal

How data can be converted into information, knowledge and wisdom? What constitutes good "management information". How valuably is it? How does important data disappear from public view, and how can this be fixed? What are the needs, resources, uses and results from good public data? How can information be made useful, independent, reliable and universal. How can data be used for achieving development excellence and economic value adding? How much value does this have? How should data be organized, what is the metadata and the best information architecture now that amazing modern technology can be used. How does data get used for management of development resources and how does information get distributed? How can information be kept independent and be reliability. How can the problems of errors, insecurity, hackers, fraud and incompetence be managed? How can information be best used to make good plans, to get well organized, to get funding, to implement well and provide excellence in transparency and accountability?

The information dimension

Modern information and communications technology (ICT) can get information instantly anywhere in the world where there is Internet infrastructure. How can Internet infrastructure become universally accessible. What is slowing down deployment of modern ICT? Who cares enough to ensure that information access becomes available for everyone? What are the possible solutions that can be implemented? Is community centric communication a way to start? How can this become a part of the universal global Internet infrastructure?

The ORDA community is responsible for around $50 billion of fund flow for relief and development. How can these resources which are used inefficiently be displaced by private fund flows that are used efficiently? Fund raising outside the ORDA framework needs to be established, and the right sort of information made available so that it can be scaled up from millions to billions. This is entirely possible with the effective use of information.

Chapter 24 - Afterword

Knowledge

Knowledge. What knowledge is there? Is everything known that needs to be known. How to stay up to date. How to train new people. How to update knowledge and be in the global knowledge community. How to get knowledge so that is used in the most valuable way?

Science and technology

Chapter 11

Chapter 12

Chapter 13

Chapter 14

Chapter 15

Chapter 16

Chapter 17

Chapter 18

A lot of what is described in the book is actually being done by the Transparency and Accountability Network. This section describes the progress being made and the problems being confronted. A lot of initiatives have been started and need scaling up. A lot of information is available, but it is not yet efficiently managed. Funding is weak, but improving. Everything that Tr-Ac-Net needs to do has already being done successfully, but not on a big enough scale. Relatively little help in the right places is already making an enormous difference.

Chapter 19

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Chapter 26 Heading 1

CONTENTS - DETAIL

Chapter 1 Why This Book?

This chapter answers some key questions. Why is this book being written? Why the writer can write this book? What the writer hopes to achieve? Development has failed ... time to make some changes. What sort of impact a changed paradigm shift will produce? These are important questions ... the book is a starting point.

Chapter 2 Development Has Failed

The failure of development is hidden ... possible because it is a long way from the mainstream media, and the leadership of society does not want data about the abysmal state of much of the world to be easily accessible and the basis for dialog and decision making.

Chapter 3 Why the Failure?

This chapter explains why there has been failure. The reasons are many ... but in part it is because both the objectives and the approach are wrong. Most of the explanations have been self serving, and the solutions rarely make much of a difference.

Chapter 4 There Are Ways Forward

There are ways forward ... not one, but many. A single silver bullet is not the right approach ... rather there needs to be a use of resources that gets the most value for the society as possible.

Chapter 5 Community Focus Development

In this chapter, it is argued that community is the best level of society to facilitate development. It is more effective than a single person, and has a scale that is optimum for progress because the interventions may be selected to address the important priorities of the community. The key metrics for development progress emerge from performance at the community level using Community Analytics.

Chapter 6 Resources: Natural Resources

What natural resources are available, and how can local natural resources be used as an economic driver for the area? What is the natural economic potential of the area? Are there other local resources that have economic potential? Natural resources rarely deliver economic value to the local community. Far too often they are exploited in ways that make them a local liability and a huge asset for remote stakeholders.

Chapter 7 Resources: Human Resources ... People

People are the key to everything. They are hidden potential and at the same time the limiting constraint. People are human, with all the problems that go along with that. What is the human potential? What is needed so that people can do the maximum that they are capable of?

Chapter 8 Organizations

What are the capabilities of existing organizations? What is needed so that they can do the maximum that they can do? What business organizations? What financial organizations? What professional organizations are there and what can they do? What community organizations? What faith based organizations and activities? How can people organize themselves in the best possible way so that they can progress. How can people organize so that they can best help themselves.

Chapter 9 Enabling Environment

What is the enabling environment? It is a lot more than just governance and government, the law and regulation? It is also the infrastructure and the social services like health and education, and the financial services. The enabling environment may also be a major constraint on the socio-economic progress of the community.

Chapter 10 Community Productivity

What is the underlying productivity of the community. If the community is surplus producing it can go forward and improve its quality of life ... otherwise it cannot. The concept is simple ... and explains the endemic economic and development failure that is pervasive on the planet.

Chapter 11 The Information Dimension

The focus is on management information more than anything else ... information that facilitates decision making, and with transparency enables accountability. The ideas for Community Analytics (CA) that is described here originated with corporate accountancy, and now embrace not only money profit but social value.

Chapter 12 Sector perspective

This chapter describes the importance of a multi-sector approach ... how a single sector initiative frequently fails because some other sector is not functional. This chapter also highlights the importance of sector specific technical capacity.

Chapter 13 Sectors: Governance ... government

This chapter expands on the many components of these sectors including:

- The legislative functions of government
- The executive functions of government
- The enforcement of law and order

Chapter 14 Sectors: Infrastructure

This chapter expands on the many components of these sectors including:

- Elements of the transport infrastructure
- Elements of the communications infrastructure
- Elements of the energy infrastructure
- Elements of the housing and real estate infrastructure

Chapter 15 Sectors: Agriculture, Fisheries and Food

This chapter expands on the many components of these sectors including:

- Crop Agriculture
- Livestock agriculture
- Fisheries
- Post harvest processing
- Post harvest marketing

Chapter 16 Sectors: Industrial Sector

This chapter expands on the many components of these sectors including:

- Mining
- Manufacturing
- Construction
- Tourism

Chapter 17 Sectors: Trade and Logistics

This chapter expands on the many components of these sectors including:

- Ocean and air shipping
- Ports and airports
- Warehousing
- Internal rail and truck
- Wholesale
- Retail

Chapter 18 Sectors: Service Sectors

This chapter expands on the many components of these sectors including:

- Banking and insurance
- Healthcare
- Education

Chapter 19 A lot more issues … afterword

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