



# **MULTI DIMENSION IMPACT ACCOUNTING (MDIA)**

## **The TrueValueMetrics Book Section II There Are Ways Forward**

## ***TrueValueMetrics***

*ACTION INFORMATION FOR ALL OF SOCIETY*

*Metrics about the State, Progress and Performance of the Economy and Society  
Metrics about Impact on People, Place, Planet and Profit*

### **Background**

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

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

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

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

### **TO DO ... Complete this paper**

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

# THERE ARE WAYS FORWARD

## MANY WAYS FORWARDS

*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.

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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.

These are the priorities:

- 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 key missing element 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**

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 – make best use of 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.

### **Continuum of Progress**

There may be a 'Continuum of Progress' ... economic activities that are net value adding and avoiding 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 ... measure critical elements of progress and performance**

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.

### **Many possibilities, but huge challenge**

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.

*I am reminded that technology has become more capable in the past 50 years, and there is no technical reason why all of the material problems of society cannot be solved with good management of resources ... the problem is that people do not know how to do this, and some who do, are determined not to let what can be done be done unless they are able to profit from it.*

## **AMAZINGLY POWERFUL TECHNOLOGY**

*This chapter does not set out to summarize the state of technology ... merely to highlight the impressive power of modern information technology and to invite an ongoing collaborative partnership between those with an interest in data and socio-economic performance analysis and those with an understanding of what is possible with modern technology.*

### **Moore's Law ... cost down power up**

The technology is changing very rapidly. MDIA is committed to the best possible use of technology in association with data that are designed to be useful for better decision making for society.

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

Technology has changed a lot in the last fifty years ... and a lot in the last five years. Technology is changing fast ... very fast ... and accelerating. Rapid changes in

technology are changing the economics of some parts of our society, but not always in a useful way. The possibilities of technology are not yet being well used for the benefit of society as a whole, and especially, not for the benefit of those that are at the bottom of the pyramid (BoP).

### **Productivity ... facilitating paradigm shift**

*Knowledge ... technology ... application of science in appropriate ways results in productivity ... and productivity makes it possible to have a surplus producing society or community.*

Throughout history technology has always been the primary limiting factor in making sustainable progress ... or to put it another way, development of technology has made it possible to do better things ... pump water, deploy the wheel, grow more food, access more power (steam, nuclear, electricity, communicate widely, etc). The acceleration in the progress of technological innovation in the last few decades makes it possible for all of society to have access to the good things of life ... but the social and economic system does not allow this to happen.

MDIA is about data much more than about technology. The ideas of MDIA were applicable when paper was the storage medium, and the same ideas still have application in a fast moving digital age. MDIA was designed to be independent of technology ... the data are a logical framework that does not need technology ... but these data become a million times more powerful when matched with the capabilities of technology.

### **Computational power ... unproductive data**

Data collection workbooks are used so that data collection is very efficient using the relational model, and for efficient data acquisition using mobile phone SMS data transmission. Technology for data collection is advancing into the 21st century ... but the mindset about using data for important things remains in the stone age! People change slowly! There are many possibilities for the use of technology to help with data collection ... and what is used should be what is most cost effective. The best technology from the technical standpoint is usually not the most cost effective.

Over the past 50 years there have been, inter alia, manual systems, mainframe computers, personal computers, client server systems, Internet based systems and mobile cell phone systems. Analog has changed to digital. Character based communication systems (typewriters and telex) have been supplemented by images and audio and video. The technology has increased in capability and the cost has decreased amazingly ... and the opportunity to do amazing things exists for us. We are constrained by our vision, our imagination and our organization.

Chip technology has made all sorts of things possible. Computational power has increased exponentially for many years and the potential is a long way from being fully utilized.

*Moore's Law talks about computational power doubling every 18 months*

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*and costs halving every 18 months. This idea now goes back almost 30 years ... the impact on information processing is staggering.*

Stationary centralized computational systems have given way to distributed systems ... to the Internet and to mobile systems. The power has gone up and the costs have come down.

It really is a disgrace that with so much computational power, society has progressed to such a limited extent.

### **Using this power**

The power of modern IT is amazing ... but not used to anywhere near its potential for the benefit of society as a whole

#### ***The immense potential of information technology (IT)***

*The power of modern IT is a million times more than fifty years ago ... yet the available metrics about socio-economic performance are not much different than they were 50 years ago.. The power of IT has compensated for the lack of data, rather being used to do critical valuable analysis on top of better data of importance. Analysis, decision making and accountability are not yet in the modern era! If the cost to power relationship has improved by a factor of 1 million over the past 50 years ... how come a data centric profession like accountancy are not a million times more useful? Why has so little of the potential been used for public good?*

The potential impact of MDIA is difficult to imagine ... to articulate. The impact of MDIA were it possible for anyone and everyone to participate in MDIA dataflows and analysis in the same way that they are able to participate in modern social networks like Facebook or access value metrics as easily as information are retrieved from Google or passed around via Twitter. For Facebook and Twitter ... less so Google ... the purpose of their platforms is about social interaction and entertainment. Use similar technology and the MDIA construct of true value metrics and society can be a better place.

I get some satisfaction from the effort associated with the creation and development of but this is inconsequential. But the goal is timely useful decision data in use by decision makers to make better decisions and others to ensure the accountability of decision makers for their performance ... and for global society to have a measurably improved quality of life.

Technology is very powerful ... and not at all well used for the benefit of society as a whole. This is a disgrace, but perfectly understandable when the only economic and social metrics that are widely used are those that relate to money and wealth.

## **Internet ... WWW**

While MDIA is built on concepts that were applicable for pre-computer accountancy, the architecture of the data also works for an electronic environment and Internet accessible data and analysis. As Internet technology has evolved, the need for and use of “broadband” has increased, and most applications now require broadband access for the Internet to be an efficient tool. This has the effect of making the Internet a limiting factor for the universal deployment of MDIA. The combination of Internet and other technology driven tools now makes data centric programs cost effective.

## **Social networks**

The idea that platforms like Facebook and Twitter can emerge in the Internet space over a period of a few short years and engage hundreds of millions of people is cause for some optimism. At the same time it is worth noting that many thousands of similar initiatives have failed doing things that are quite similar.

The idea of the social network is relatively simple ... it is about friends and being in contact with ones friends in a very simple and convenient way. It is flexible and the interaction with friends is subject to few constraints ... a good feature most of the time, but not all of the time. The Internet with PC access was the initial driver of the social network phenomenon, but the paradigm has already shifted to the mobile platform so that virtual network connections may now take place any time almost anywhere.

Facebook was originally populated by friends in the university setting ... this then expanded to other younger people, the “millennials”, those born after the Internet and the mobile phone became commonplace. Now older people are engaging with Facebook as well as corporate enterprises, entertainment stars, political figures and everyone else seeking recognition in some form or other.

MDIA is joining in with a Facebook presence ... a Twitter network ... blogs ... and branding. Without these MDIA will be just another idea that does not achieve very much. With these modern tools of communication, it is possible that MDIA can make more progress in improving socio-economic metrics in two years than the economics and accounting professions have done in two hundred years! This is not a preposterous claim about MDIA ... but a realistic claim about the potential of modern technology for promulgating ideas and information.

## **Mobile technology**

Mobile technology is doing to PCs today what PCs did to mainframes thirty years ago ... maybe faster and with more impact for society. It took a long time for PCs to move beyond the relatively affluent to a larger and poorer segment of society ... but the mobile phone has done that way faster than anyone really expected. Mobile phones are everywhere, in surprisingly remote areas with connection to everywhere.

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*believe more computing power than was used to fly the Apollo Moon Missions. I worked for the company that did the communications technology for that program ... and yes, it used computers ... but very weak and clumsy by modern standards!*

Data is now working on top of the basic mobile infrastructure ... and at very modest cost. The price being charged for the service is not always modest ... in fact some of the price plans for mobile services are very high.

Whether mobile phone service providers will operate in a manner that is pro-profit mainly or pro-society is not at all clear. The issue has not yet become a widely reported confrontation between the people that invested in building the infrastructure and the people who have a responsibility for regulating the industry and industry oversight.

### **The Cloud**

Technology has developed from a simple filing cabinet ... through punched cards and paper tape ... to magnetic tape and discs ... to hard disks and solid state storage devices ... and now to huge web accessible data-stores that are unimaginably large!

Technology is not the problem ... facilitating its cost effective use is the challenge.

### **And all sorts of other technologies**

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### **Low cost data acquisition and accessible data**

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Specialized PDAs (personal digital assistants) have been used for a number of years (since around 1995) to reduce the burden of paper based data in mobile situations. Organizations like Federal Express and UPS were early adopters of this specialized technology, and it has been adopted for many applications where accuracy and speed are important (for example inventory control). The use of a PDA is cost effective when labor costs are high and the use of data has a high value. PDAs are rarely low enough in cost to be of advantage in low wage settings ... but they have been deployed by AID agencies using grant funding even though the sustainability of their use is near zero.

Mobile phone technology has produced a paradigm shift in communication. The deployment of cellphone technology has been very rapid, and a very good example of a low cost technology producing a very high value ... and marketed in ways that have made the service affordable to customers in a broad range of economic circumstances. Mobile phones have both data and analog capabilities, and this enables both text or data

transmission and image capture and transmission. It is unclear how much of these technologies can be deployed immediately, but it is clear that rapid change is happening.

Internet ... cloud computing ... accessible data ... are all now possible in ways that were not available as recently as 2007. What is possible now is impressive, and we should prepare for even better data in the future. There are all sorts of technology initiatives that are progressing and perhaps suited to the MDIA approach to data acquisition and management. These include:

- Social network web architecture
- Village bus data transfer
- Biometrics and identity
- Smart cards
- Phone cards
- Card to card payments
- Ubiquitous sensors
- Energy technology
- Solar technology
- Materials technology
- Battery technology
- RFID
- Bar code technology
- Search capabilities
- Audio
- Images
- Video

### **Reality check**

There is however an important caveat. Powerful technology and analytical capability should not be used as a substitute for good data. There is no more place for sloppy concepts in a powerful analytical environment than in the much more power constrained situation of earlier times.

*Dr. John Gulland, FRS was a pioneer in mathematical modeling for fish population dynamics at FAO. The value of his work was diminished because the quality of the data being studied declined over time. The lesson is that there should be effort to have good data.*

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### **Using the Power of IT**

#### **Information Infrastructure**

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#### ***The Power of IT***

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## 3-3 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

### *The First Casualty of War*

*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 valuable 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 or 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**

#### **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 plain 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

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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 country 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*

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*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 so 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.

### **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 e-lists. 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 not 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. This was written by Julian Filochowski is director of the aid agency Cafod in 19NN

*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*

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*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.*

## **What on earth to do with the AIDS crisis**

### **Advocacy**

## **3-4 PEOPLE FOCUS 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.*

## **3-5 COMMUNITY FOCUS INITIATIVES**

### **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.

### **People Centric 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 education, 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 exploitive 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 the 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 Analytics**

### **The Corporate Model**

#### **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.

#### **MDIA community reports**

The CA 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

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- the area? What can agriculture do? Are there 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.
  - **Quality of life.** How happy is the society, How much of the needs of the population are satisfied. How much of the wants of the society are satisfied.

### **Liabilities ... constraints**

Any asset or resource that is needed but missing is a liability for the community.

### **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.

## **Productivity of Community**

### **Good place to optimize performance**

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.

*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.*

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.

### **Communities are 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 many linkages between people, organizations, projects, sectors and functions in any society, and it is at the community level that they have some chance of being understood. The linkages are chaotic and always changing ... but at the community level can be managed to help socio-economic progress.

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 them 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, Sierra 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.*

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## **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

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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

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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.*

#### **A governing body**

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.

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#### **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 it 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 be 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 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.

### **What is progress?**

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 do 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.

#### ***Local 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

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- 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

MOST OF THE NEXT SECTION IS THE SAME AS ABOVE ... NEEDS MASSIVE EDIT

## **3-5 COMMUNITY FOCUS 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.*

### **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 education, 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 exploitive 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 Analytics**

#### **More understandable at the community level**

In the community where life is live there are all sorts of activities and organizations. The complexity is real, but on a scale that is understandable.

1. There are people and families and communities.
2. There are people and activities and projects and organizations
3. There are buildings, blocks, neighborhoods and communities
4. There are activities and sectors.

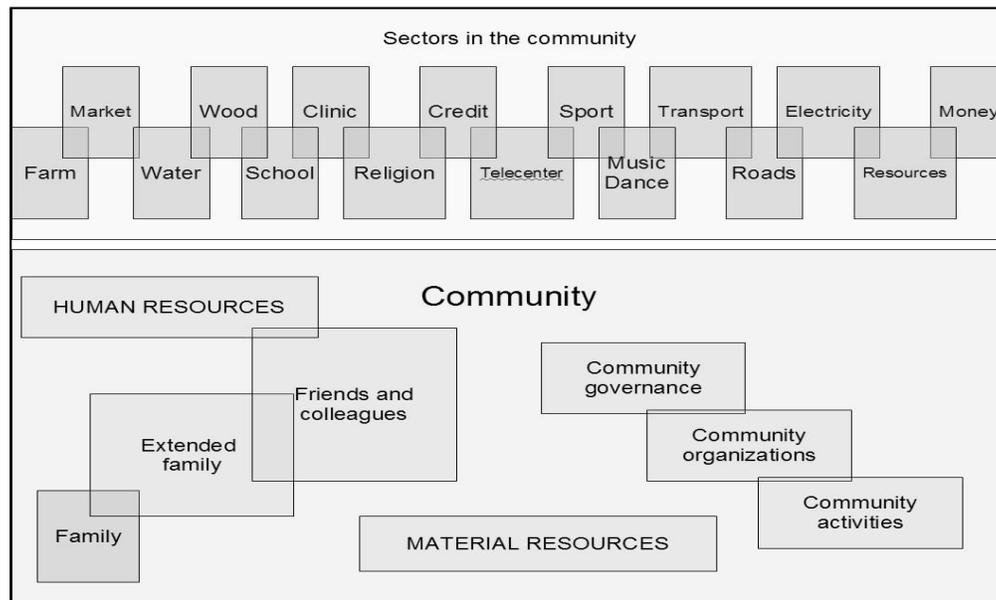
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#### 5. There are no simple relationships ... there are many variables.

An aggregate or average is not very useful for decision making ... what is needed is granular data that reflects a real reality ... not a distant derivative of reality! The community is where people live ... and a lot easier to understand. The complexity at the community level can be understood in a granular manner ... with cause and effect tightly linked. At the community level people have names, and are not merely part of a statistical pool. Activities are tangible, and data about costs and results much more easy to understand.

But there are complexities in a community ... and there are a zillion different ways in which simple analysis can go wrong. Every human being is different ... and this has the potential to be useful or to be a constraint in making progress happen. A place where there is progress is one where people have been able to organize so that there is progress, and other places where there is limited progress, it is because the human energy is getting wasted in one way or another.



This is a major simplification ... maybe somewhat simplistic. The point is that at the community level it is possible to use very simple observation ... “management by walking around” ... to understand what is important and what is not. Progress is going to be achieved when resources are applied to priorities that have a high relevance in the specific community and decision makers are held accountability for performance ... using objective independent metrics.

***What gets measured gets done!***

### **Governments, multilaterals and others**

The overhead structure of the world's governance is big and complex ... and a big reason why it is difficult to make progress. The World Bank and the regional development banks

that work in ways that are very similar to the World Bank have procedures and processes that are very “Top Down” and, in the main, very inflexible. The same goes for the United Nations and the various bilateral agencies.

Non-governmental organizations (NGOs) were intended to bring more private sector innovation and enterprise into action ... but where they get their funding from the public sector, they soon become the paid servants of the of the government, devoid of much enterprise and initiative. They maintain the “top down” way of working much to the detriment of potential beneficiaries.

## **The Corporate Model**

### **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.

### **MDIA community reports**

The CA 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 there 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?

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- 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.
- Quality of life. How happy is the society, How much of the needs of the population are satisfied. How much of the wants of the society are satisfied.

### **Liabilities ... constraints**

Any asset or resource that is needed but missing is a liability for the community.

### **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.

## **Productivity of Community**

### **Good place to optimize performance**

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.

*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.*

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.

### **Communities are 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 many linkages between people, organizations, projects, sectors and functions in any society, and it is at the community level that they have some chance of being understood. The linkages are chaotic and always changing ... but at the community level can be managed to help socio-economic progress.

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.

### **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.

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.

### **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.*

### **A governing body**

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 it 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 geopolitical 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 be 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 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 do 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

## 3-6 MULTI-SECTOR INITIATIVES

*The sector perspective should not be ignored ... but it is rare that the performance of a single sector will be enough to improve the performance of society and the economy as a whole. In most cases performance in one area of the economy will be constrained by something in another part of the economy ... and an optimized performance will only be achieved by working with ALL the sectors of the society and economy*

### **Hundreds of sectors and sub-sectors**

There are hundreds of sectors and sub-sectors. Most organizations are organized along sector lines with as singular focus on a single sector where they build up great expertise and competitive advantage. This is good for the organization and has been welcomed by investors and financial analysts looking out for investor interests ... but it may or may not be the best way to organize for optimum socio-economic progress and sustainable development.

Most of the organizations most engaged with international relief and development are organized along sector lines. This is particularly visible with the United Nations family of organizations which is made up of the central Secretariat and a large number of specialized agencies and offices including the following:

- Food and Agriculture Organization (FAO) ... agriculture
- World Food Programme (WFP) ... food
- United Nations Education, Science and Culture Organization (UNESCO) ... education, science, culture
- International Labor Office (ILO) ... labor
- World Trade Organization (WTO) ... trade
- United Nations Industrial Development Organization (UNIDO) ... industry
- United Nations High Commission for Refugees (UNHCR) ... refugee
- UN Office for the Coordination of Humanitarian Affairs (OCHA) ... humanitarian affairs
- UN Office of the High Commissioner for Human Rights (OHCHR) ... human rights
- World Health Organization (WHO) ... health
- United Nations Children's Fund (UNICEF) ... children (health)

An organization like the World Bank has a focus 'by country' but within the country there is again a deep sector specialization, and their projects that have been funded by the World

Bank are mainly single sector projects. Most governments have ministries that are responsible for individual sectors:

- Ministry of Defense,
- Ministry of Agriculture,
- Department of Fisheries,
- Ministry of Education,
- Ministry of Health,
- Ministry of Trade,
- Ministry of Public Works,
- Ministry of Home Affairs (Police, Prisons, etc)
- Ministry of Transport, etc.

### **An overview listing of main sectors**

This is not a complete list of sectors and sub-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.

#### **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.

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#### **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.

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#### **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.

**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”.

**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. Similarly, expertise in any sector should be accessible where and when it is needed.

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.

**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



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<i>Organization</i> --->	v						
<i>Training</i> --->	v						
<i>Systems and Processes</i> ---->	v						
	v	v	v	v	v	v	v
<b>GOVERNMENT AND SOCIAL SECTORS</b>							
<i>Administrative capacity</i>	x	x	x	x	x	x	x
<i>Education and Training</i>	x	x	x	x	x	x	x
<i>Health</i>	x	x	x	x	x	x	x
<i>Security, police, judiciary, prisons</i>	x	x	x	x	x	x	x
<i>Food security</i>						x	x
<i>Economic security</i>						x	x
<i>Government revenue, public finance</i>						x	x
<i>Trade and investment environment</i>	x	x	x			x	x
<b>INFRASTRUCTURE</b>							
<i>Water</i>	x	x	x	x	x	x	x
<i>Roads</i>	x	x	x	x	x	x	x
<i>Cargo and fishing ports</i>	x	x	x	x	x	x	x
<i>Airports</i>	x	x	x	x	x	x	x
<i>Housing</i>	x	x	x	x	x	x	x
<i>De-Mining</i>	x	x	x	x	x	x	x
<i>Energy</i>	x	x	x	x	x	x	x
<i>Environment</i>	x	x	x	x	x	x	x
<i>Communications</i>	x	x	x	x	x	x	x
<i>Banking and financial services</i>	x	x	x	x	x	x	x

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<i>Knowledge dimension of development</i>	<i>x</i>							
<b><i>INCOME GENERATION AND EMPLOYMENT</i></b>								
<i>Private professional sector</i>	<i>x</i>							
<i>Livestock and range management</i>	<i>x</i>							
<i>Crops and other agriculture</i>	<i>x</i>							
<i>Fisheries</i>	<i>x</i>							
<i>Construction</i>	<i>x</i>							
<i>Maintenance workshops</i>	<i>x</i>							
<i>Agro-Industry and Manufacturing</i>	<i>x</i>							
<i>Minerals and Mining</i>	<i>x</i>							
<i>Transport</i>	<i>x</i>							
<i>Wholesale trade</i>	<i>x</i>							
<i>Services, retail and petty trade</i>	<i>x</i>							
<i>Hotels and restaurants</i>	<i>x</i>							
<i>Tourism</i>	<i>x</i>							

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.

## **3-7 COMPLEMENTARY CURRENCY ... MISSING ... MISSING**

## 3-8 STOP VALUE DESTRUCTION

The history of the world is one of tension between different parties, and some sort of equilibrium that results from the relative strength of the various parties.

In the modern world this translates into those with power and influence being able to 'win it all' while those without power and influence get nothing or not very much.

In the environment where money profit dominates and economic activities are optimized for money profit maximization, relatively little attention is going to be given to anything else. Whether or not there is value destruction as a result of corporate business activities is of no concern. In most of economic history things like environmental damage, social discontent, worker health and similar externalities have not been a part of the main economic and financial metrics. They are however, major issues with grave consequences.

What is the value destruction when an oil company decides to invest in resource exploitation in Country A.

*First some sovereign rights to the resource are sold to the oil company. How the oil company gets to buy these rights is a complex matter, with little transparency. The reason for lack of transparency is fairly obvious and widely understood ... but nothing gets done about it.*

*Initiative like the US Foreign Corrupt Practices Act from the 1970s and more recently initiatives like Publish What You Pay have made little different to the established order of things.*

Note that within a typical country like Country A the right to exploit natural resources like petroleum have been expropriated by the State from local communities essentially at the expense of traditional indigenous peoples rights for which rule of law has never mattered very much.

Fast forward, the oil company extracts the oil, transports it, refines it and markets it and as a result has revenues and costs. When the accountants add up the revenues and deduct the costs the company is left with a substantial profit. If we look at the money profit balance sheet of the oil company, the oil company is better off than it was before by the amount of the profit.

However, if we look at the balance sheet of the place ... Country A ... the situation is not so favorable. Before the company arrived Country A had a natural resources that was in the ground and available for future exploitation. Usually this is not valued with any rigor even though it is a resource that took millions of years to develop and cannot every be replaced. The amount paid for the rights to exploit and deplete this resource is tiny compared to the value of the resource, and the balance sheet of the country is worse off after the oil company's intervention than before.

This is a big issue

## **3-9 PURSUIT OF HAPPINESS**

### **Progress is 'More Happiness'**

The Founding Fathers of the United States saw fit to write about “pursuit of happiness” but they did not make mention of any of the common measures being used today to describe economic performance like profit or GDP. More happiness is not the same as more wealth.

It is likely that they recognized that there were many different versions of happiness ... that happiness was subjective, and would depend on many different elements.

In MDIA, happiness is a big part of the value profile ... more important than either money profit or money wealth per se.

### **Profit and GDP not good measures**

The business community uses profit as its main measure of success, and probably has done since the beginning of human history. But profit ignores the value flows associated with the business that impact community and society. Modern accountancy has become very sophisticated about the reporting of profit and the business world as a whole understands the metric and all the reporting associated with it. Maybe this is less true for the general public, and there are unfortunate distortions in the reporting of profit caused by laws, rules and regulations that make it possible to report inappropriately. Taxation rules, for example, are one area where distortions get incorporated into profit reporting.

In the modern era an important proxy metric for progress has been growth, and the dominant measure of growth is the economic metric Gross Domestic Product (GDP). This is a dangerous metric for society and the planet if ever there was one since it is based on the idea that more is always better. GDP has little to commend it as a measure for progress, except, perhaps that it has a long history and is a reasonably easy metric to compile and publish, though it can be argued that even this is wrong because of the corrections and adjustments that are now incorporated in the measure to account for anomalies.

### **Progress is NOT more and more and more**

Progress in quality of life is NOT more and more and more, but enough of some things and access to all sorts of other things. Quality of life is made up of many different sorts of things ... some is “stuff” ... some is services ... some is intellectual ... some is spiritual ... some is emotional. Beauty is positive ... ugly is not. Friendship and love are positive ... hate is not.

### **Happiness ... Quality of Life**

#### **People have needs ... and wants**

More people, more need

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Basic needs must be satisfied at a minimum level in order for the poor to live ... and far too many people are dying because even these basics are unachievable. Quality of life is a mix of needs and wants ... a mix that is not at all uniform between individuals and cultures ... nor indeed among different age groups within a culture. The diversity of needs and wants that constitute quality of life makes quantification more difficult, but not impossible.

Needs originate with people ... no people and there are no needs. The more people there are the more needs there are.

There are some basic human needs ... the basics that are needed for survival. Beyond that there are other needs and wants that define who we are and how society recognizes progress and status. MDIA recognizes that there is a difference in the value of a small amount of potable water required for human survival ... and the multi-gallon flows of water associated with high end flushing water closets and showers ... not to mention watering the lawn and washing the car!

More is good until basic needs are satisfied. In a shortage economy, more is a reflection of better ... but the global “North” produces more than it “needs” and more merely means that there is a bigger surplus. In a shortage economy, a bigger crop means that there is less shortage, and people are able to eat more and be in better health. In a shortage economy ... more is better.

Needs are not the same as wants ... though more and more a money focus society is trying to convert wants into needs. The purpose of advertising is to create demand ... wants that feel like needs.

#### ***Advertising ... misinformation***

*Advertising and misinformation is a part of the problem. Madison Avenue ... the world hub of advertising and promotion has done a great job of creating demand where there really is none. They are masters of spin so that people with almost everything still feel the need to go out and buy! GDP is driven by the amount that is spent ... about consumption ... no matter how silly the consumption and how little it is needed! Nothing wrong with enjoyment ... but not at the expense of others.*

MDIA includes information about needs in the metric framework ... including needs associated with the very poor, needs associated with the high consumption middle class and the commerce associated the very wealthy.

#### **Basic needs**

Perhaps as many as 2 billion people are struggling to meet their basic needs for food, water, sanitation, shelter and clothing. Healthcare and education are highly desirable but in most cases beyond the means of the very poor.

#### ***Poverty ... the \$1 a day metric***

*This absolute measurement of poverty serves little purpose ... other than*

*to employ researchers and analysts. How many people are in the \$1 a day economy and how many are in the \$2 a day economy is not of great consequence. What needs to be known is how fast the progress in getting quality of life to be better is in a specific place ... a focus on the progress of people from their very poor status to something that is better.*

*The metrics should help to show what works and what does not ... and who are making good decisions and who are not ... and what issues most need to be addressed so that people know what to do.*

For MDIA, a better question is about the activities that result in abject poverty and what are the needs that poor people have so that (1) they may survive; and (2) they may progress.

### **Middle class quality of life**

Most of what might be thought of as middle class needs are merely wants ... but they are the driving force of the modern consumption economy. There is a big service industry that has the singular job of convincing ordinary people that they “need” all sorts of things that are profitable to provide ... and are really not needed at all. In fact the consumer would be better off if much of what they are buying was never produced.

The conventional wisdom for many decades has been that socio-economic success is about the achievement of a middle class life style ... like the Americans. The problem with this is that middle class consumption using the American model cannot be achieved without rapid loss of the earth's natural wealth. With only 5% of the worlds population achieving this level of consumption ... natural resources are already stressed and it is difficult to imagine what will happen if 50% of the population were middle class .

For the global middle class, it is imperative that needs are redefined so that the ultimate is not simply “more and more” but something that reflects more quality and less quantity ... more happiness less “stuff”.

### **Luxury ... not needs at all**

The world has a super-rich class and though small in number they can buy whatever they want using money from their very deep pockets. This big buying power supports a big luxury sector. Much of the commerce associated with the luxury sector does not satisfy need at all ... but serves high end wants ... more the satisfaction of ego and confirmation of elite status in society!

### **Broad-based progress is possible**

#### **Progress out of poverty**

There is far more poverty than there should be.

Out of a total world population of more than 6.5 billion, it is estimated that more than 4.5 billion are poor and hungry. In a world where global surplus production is now possible,

the fact of so many poor and hungry is a global disgrace. The decision makers and the leaders of society ... corporate, government and the economic elite ... should be ashamed of themselves.

Better and better quality of life is a reasonable goal ... but better cannot merely be more and more consumption of goods and services and more and more accumulation of money wealth, but must be more and more of value creation and the accumulation of what might be called “value credits”.

Over the past century some people ... relatively few ... have been able to benefit from the abundance that has become possible because of advances in technology and in consequence productivity. But many more have continued to struggle to satisfy basic needs .. and the absolute number of people now poor and hungry is more than two decades ago ... more than five decades ago.

The prevailing money accounting metrics of economic performance suggest that there has been socio-economic success ... but this is only partially true. Way too many people are in situations where quality of life is totally unacceptable. In order to improve performance ... the first step is to get the metrics that measure the right things in the right way.

*Change the way the game is scored, you change the way the game is played*

### **Aggregate demand**

Aggregate demand is a big metric in the modern money economy ... aggregate demand is the driver of corporate business volume, which improves profitability which in turn makes stockholders happy. But what does aggregate demand do for society as a whole. In some situations more aggregate demand would be a great indicator of progress out of poverty ... in other economic situations more aggregate demand may well end up facilitating more obesity. There is a difference and the metrics should be very clear which is which.

When community needs are satisfied by the community buying things, the community economy is on its way to being sustainable.

## **3-10 THE SUSTAINABLE SOCIETY**

### **What flavor of sustainable**

MDIA serves all versions. MDIA is about metrics ... that is data and analysis of what is and what could be, or should be. What something is called is less important than what something is ... and the data will show as clearly as possible what something is, what it was, and what it could be ... all in the context of what should be.

A lot of issues are subjective, but this does not matter for metrics that aim to report simply the factual reality. With MDIA the issue of subjectivity and its variability is a part of the system.

MDIA aims to be of utility whether the version of sustainability relates to:

- a green initiative for a building or community;
- the exploitation of mature tropical forest;
- the mining of minerals;
- fishing;
- carbon footprint;
- public transport;
- or anything else.

### **Sustainable ... what does it mean?**

In many modern settings the word sustainable is almost meaningless ... it has become a “fashionable” word, and is applied to anything and everything and means less and less the more it is used.

#### ***Sustainable ... used everywhere meaning nothing!***

*A recent conference (October 2010) at Columbia University in New York had “Sustainability and the Extractive Industries” as its theme ... arguably an oxymoron if ever there was one! To my surprise nobody took up this matter either from the podium or in any of the Q&A sessions. If the academic world is not addressing these questions, who is?*

In the case of the Columbia University conference the issue of sustainability was simply related to how best to use the revenues generated by extractive industries in the best possible way ... starting off from the premise that much of what has been going on for a very long time is essentially unacceptable ... essentially wrong!

### **A simple conceptual framework**

MDIA uses an engineering metaphor in its economic model for socio-economic progress. This is based on the very solid realities of science and engineering. It is a somewhat mechanical model of how an economy works ... not very sophisticated, but based on the observable connections between activities and outcomes at the community level and aggregated macro outcomes at the national and global levels.

### **In the main ... finite resources**

MDIA respects the fact that the world has a finite store of every economic input ... with the exception that energy from the sun is on an astronomical scale.. In the global scheme of things, science, engineering and technology are all connected through ubiquitous laws

of nature ... and economic laws have some similarity. The principles of Newtonian mechanics and engineering thermodynamics apply universally and preclude perpetual motion as an engineering outcome. MDIA has a similar perspective about the dynamics of socio-economic progress.

#### **Where has wealth come from?**

The origins are miraculous ... sun and life! But the accumulated wealth is also finite.

Wealth has its origin with the creation of the solar system including our sun and the planet earth. The sun has astronomical amounts of energy, earth has finite amounts of many valuable natural resources and a very special thing which is life.

Over time planet earth has accumulated more and more valuable resources by converting the energy of the sun into more resources ... what are today deposits of coal, petroleum, etc. For millions of years the world was getting wealthier ... accumulated wealth converted from sun's energy and storing it. In modern times we are able to exploit fossil wealth that has taken millions of years to accumulate.

This has all changed in the last dozen or so decades. In this recent period the world has been consuming its fossil wealth at an accelerating rate ... and people have not been paying much attention. The accumulation of wealth and its consumption by people and organizations has become a critical metric of economic progress and performance while the net consumption or loss of wealth by the planet is ignored.

Up to now the broad outcome of developing more human intellectual capacity has been to facilitate more rapid exploitation of the deposits of accumulated solar energy ... and more and more activities that consume these deposits.

In the process we have used metrics that suggest that more and more consumption is the goal ... that more and more and more is a better quality of life, All of this is fundamentally wrong.

#### **What Are the Limits?**

What are the limits on wealth? Using conventional money metrics wealth is finite and quite limited. But the limits need not be a constraint to a global society that has a high quality of life.

The waste in modern society is a disgrace.

If the process of transforming the wealth of the planet into the wealth of the people and organizations was efficient ... and reversible ... the matter would be less serious than it is. But in fact the conversion is very inefficient and not easy to reverse ... maybe even impossible to reverse . Fossil fuel energy that took millions of years to be accumulated on the earth by conversion from solar energy will get consumed in a few hundred years ... and the prevailing metrics for wealth only account for the accumulation of wealth by people and organizations while ignoring totally the consumption of wealth associated with irreversible consumption of the world's resource wealth.

## MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

### Section II – There Are Ways Forward

Quality of life does not need to be limited. More and more is not better and better. At what point does a “more and more” economy hit a brick wall ... or go over the cliff ... or become an economic train wreck? The money economic growth over the past two centuries has been very impressive ... but few see the practical ways in which this economic model will be working well in another two hundred years. Analysts worry about the model coming apart by 2020 ... in ten years ... or 2050 ... in 40 years.

What happens when the oil runs out? What happens when naturally occurring potable water is a distant memory? The answers are missing! The MDIA engineering hybrid metaphor accepts that material and money wealth is finite ... but value based economic performance has a whole lot more potential. Less constraints when better quality of life is the goal.

Value ... better quality of life ... may be created without the depletion of the earth's natural accumulated wealth. Value creation may be substantial merely with the use of human energy and intellect. Human intellect ... brain power ... has enabled people to make use of tools to do amazing things. Maybe ... just maybe ... the value creation associated with this could replace money wealth creation that has driven economic analysis for several hundred years.

There is a limit to exploiting the accumulated energy that has flowed from the sun over millions of years and is stored in fossil fuels, soils and tropical forests. Money metrics do not take this into account, but it is accounted for in MDIA.

In MDIA human intellectual energy, quality of life and well being are assets ... good deeds, creating happiness and improving quality of life are as important as products and services. People and organizations should accumulate value wealth as well as money wealth and there should be improving quality of life without drawing down the natural wealth of the planet.

#### ***Too big banks went broke!***

*“The big lesson from the financial sector meltdown of 2007 and 2008 is that organizations that are too big to fail do fail ... and only survive when they get humungous amounts of life support from somewhere. Big government provided the support pulling from ordinary people who had nothing to do with what the banks did to make themselves fortunes. Running the global economy in the same way that big banks were run is too big a risk and absolutely has to be changed. New metrics must be a top priority!”*

MDIA is only metrics ... with a limited role ... to be good metrics. This role is to get the metrics in place so that the major key issues are being measured ... and then it is up to others to take the steps to reform the activities and organizations involved with socio-economic activity so that there can be positive outcomes ... value wealth accumulation ... for people (quality of life) , organizations (profit) and the planet (replenishing nature's bounty)!

## **Sustainable progress**

### **Sustainable dynamic of sustainable socio-economic progress**

The only development that is sustainable is development that is funded by the surplus production of society ... everything else is a form of welfare and dependent on those that are willing to fund welfare. In most cases those that are prepared to fund welfare over a long period of time are not doing it “out of the goodness of their hearts” but because there is some benefit that they are obtaining.

A sustainable society is one where over time there is an equilibrium between what is consumed and what is created. There is socio-economic progress when the activities of the community generate a surplus. Development assistance in the form of subsidy is very different from assistance that is in the form of funding investment ... in the former case subsidy tends to mask inefficiency while in the latter, investment should improve productivity.

In most cases, socio-economic progress that results from external intervention is fragile because there are external factors that detract even though they are often undocumented and overlooked. In most cases external intervention is also based on a welfare construct about development aid, and unsustainable idea. On the other hand, funding that facilitates the capitalization of business that can supply all the needs of society both capital reconstruction and operational services is a sustainable approach.

### **The virtuous cycle of sustainable development**

A dynamic planning framework with people at the center of everything creates value in the community and the broader economy. When people are the key resource, everything is possible at an affordable cost. People are both the beginning and the end ... they work to create value ... and they live to enjoy value. In a community where there is a positive value dynamic there can be sustainable socio-economic progress.

The question “Who is going to pay for healthcare?” for example, has less negative impact when healthcare are jobs in the community and the benefit is good health in the community. The community economy fails when the only investment ever made is to enrich outsiders ... and the community always succeeds when the investment adds value for the community.

The virtuous value chain works this way:

1. A workers gets paid wages for doing work;
2. If the work is valuable, there is more value after the work than before;
3. The worker can buy what his/her family needs with the wages;
4. The vendor of goods and services purchased has revenue; and
5. In turn the vendor can purchase what is needed to provide the goods or service.

## MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

### Section II – There Are Ways Forward

Note that for the value chain to result in a virtuous cycle of sustainable progress, the relationship between the amount of the wage remuneration and the amount of the socio-economic value adding ... in other words, productivity is important. The same analysis applies as the wage money moves through the community ... the better the productivity, the better the progress.

## **3-11 WHY TRUE VALUE METRICS IS NEEDED**

### **Prevailing Metrics Insufficient**

#### **All about wealth ... no connection with real life**

The short answer is simply that prevailing modern metrics are a mess ... encouraging all the wrong decisions and there is a need for paradigm shifting improvement

The United States and other countries have governments that are getting more and more indebted on top of societies that are under-performing and organizational structures that are rewarding owners and managers earning high money profits at a huge social cost. The profits are accounted for, but social cost is ignored. From time to time there are scandals that highlight the problems ... but little gets done to improve the metrics.

Because the metrics are wrong ... decision making is wrong ... and unfavorable outcomes are the result. MDIA aims to change this so that the metrics are right, the decisions are right and there are favorable outcomes. MDIA is all about value metrics, but organizing these metrics in an old-fashioned business accounting way with balance sheet and operating statements that are one integrated reporting framework.

#### **Prevailing metrics abundant but inadequate**

The world is awash with statistics, investment analysis and academic study ... but in spite the volume, many key metrics that are missing and decision making is mainly about money profit metrics in ubiquitous use ... those that are about profit performance, stock market prices and GDP growth. In broad terms there are two main issues with the prevailing metrics: (1) they have a singular money focus; and (2) the primary reporting entity is the organization. MDIA is based on the premise that there needs to be a “value” dimension; and (2) the reporting entity should be the society ... specifically the community where people live their lives and work.

MDIA has been created because something much better than the prevailing system of corporate profit, stock market prices and GDP growth is needed. National, government, corporate and social metrics are all inadequate. They do not help with understanding of the dynamics of society. Because the metrics are wrong ... decision making is wrong ... and unfavorable outcomes result. Something is needed that goes beyond the money metrics that are prevalent today.

#### **Triple bottom line ... a complete system**

The corporate 'triple bottom line' idea ... that is 'People, Profit and Planet' ... has been introduced recognizing that people and the planet, that is environment are dimensions of performance that should be taken into consideration would be worth having. In the prevailing metrics methodology the mainstream accounting system provides data for

profit reporting and management information systems provide business performance data, while people and planet data are more or less ad hoc and out of the mainstream!

Money accounting metrics facilitate the allocation of resources to create profitable economic entities and profitable activities. There need to be reliable metrics so that resources get allocated to activities that have socio-economic value ... whether or not they generate profit. This is what MDIA does. MDIA changes the paradigm for resource allocation because its metrics are about value as well as about money. Though money accounting is insufficient for effective management everywhere in society, at the national level, in government, in corporate business organizations and not for profits ... it is presently the only one that is widely used.

MDIA adds the missing component. Science and technology provide some amazing possibilities ... but decisions about allocation of resources need to be made by people who are aware of both money profit and social value ... and accountability needs to be not only to the owners of wealth but also to all the stakeholders in the society.

### **Meaningful Metrics**

#### **Not more metrics ... better metrics**

Modern information technology makes it easy to have more metrics ... more mathematical manipulation of data ... more statistics ... and ultimately more information overload. MDIA is about breaking this information overload spiral ... a few meaningful metrics that are clear and just sufficient to get good decisions made reliably.

Many people seem to appreciate that better metrics are needed ... but the efforts to get better metrics seem to be based on the idea that more metrics will improve the situation when what is needed is a quite major rethink about what metrics are needed and how may they be obtained efficiently, affordably and in a timely manner.

The MDIA initiative changes this aspect of metrics from more to less ... rugged and reliable but maybe not academically rigorous. MDIA starts from the premise that the changes needed are not 2% or 3% but 200% or 300% ... and for this rather clumsy measured may serve perfectly well. Bluntly put ... people in abject poverty to not need a 2% improvement in their condition, but a 200% improvement ... and World Bank reports on global development where they have identified a 2% improvement in the GDP of a country with endemic poverty would be laughable if the issues were not so serious!

#### **Good metrics are not free**

Good metrics are not free ... there is a cost that must be paid in order to have good metrics. The design of the data and the analysis must respect the fact that they must be cost effective ... producing more value than they cost.

More expensive metrics are not necessarily better ... more data about some things is a complete waste of money. The aim of MDIA is that decision making is better, and everyone is accountable for socio-economic performance

**But might cost less than prevailing metrics**

The prevailing systems of metrics are a “hodge-podge” of dataflows and analysis that has grown up over years with every interest group “doing its own thing”. There is duplication at the data acquisition stage and in analysis ... and gaping holes in both. The idea that data may be used for multiple purposes is not widely practiced ... and too much data disappears into private archives never to be seen by any interested public.

Simply making better use of existing data has the potential to reduce data acquisition costs and increase the amount of relevant analysis. And ... bluntly put ... having accountants doing more data acquisition and less academics could produce an impressive improvement in data acquisition and analytical performance!

## 3-13 WHAT IMPACT?

### What Impact Will MDIA Have?

Huge!

### With better metrics ... better everything

Some people are quite happy to manage “by the seat of their pants”, but that is not the way best performance is going to be achieved. Even where there are detailed metrics as in the case of major corporations and the stock markets, the results for society may not be good because the metrics are about money more than they are about value. When value metrics are as prevalent as profit metrics a lot is going to change for the better.

*Change the way the game is scored, it changes the way the game is played.*

The impact of MDIA is going to be a better world that has a hope of being sustainable and has a better quality of life worth several hundreds of trillions of dollars!

The impact of good metrics is huge. When high profit value destruction is changed to lower profit value adding, there is an order of magnitude swing in the performance of society and in socio-economic progress. If the world adopted MDIA true value metrics, there could be more rapid progress out of poverty and better decisions about important infrastructure improvement ... potential value swing several trillions of dollars.

Management information rarely uses academic rigor ... but is cost effective and reliable for its limited purpose. Good metrics can substantially improve productivity. This is an example in a factory setting simply resulting from the use of better metrics.

### *Timely data ... almost triple the production*

*A company changed its production reporting from “next day” for review and analysis to something that approximated real time. Instead of “fixes” never getting done, fixes were done almost immediately a problem was identified. With no more resources, the factory produced almost three times what it did before. This is an example of basic control theory in practice ... and an example of the potential for paradigm change in the way resources are managed to improve performance and quality of life!*

The efficiency of the use of resources in most socio-economic activities has never been measured ... it is difficult to know how badly resources are used. From time to time there are studies and it is common for observers to conclude that government performance is an order of magnitude less efficient than equivalent privately managed operations. Part of this is the lack of meaningful metrics almost everywhere for measuring performance.

### **What impact a paradigm shift?**

MDIA will facilitate paradigm change ... and through this there will be impact ... if for no other reason than an improvement in the way socio-economic scorekeeping is done will also change the way socio-economic decisions get made. It is a an accepted reality of management that metrics are important.

#### ***What gets measured gets done!***

The money measure scale of the modern global economy is several hundreds of trillions of dollars. All of these resources are flowing because of money profit decision that are made with most of the decisions ignoring totally any negative value destruction associated with the earning of returns.

There is a record number of money billionaires in the world ... and at the same time a record number of people who are poor and hungry. A socialist agenda to give the rich peoples' wealth to the poor is fatally flawed ... but a social agenda to have decision making based on both profit return and value return could add trillions of dollars to the profit and value creation that improves quality of life for everyone.

When value is measured as much as profit, then decision making will change and quality of life will improve. The capacity of technology to be a partner in progress will be realized more rapidly when profit potential is supplemented by value potential.

With MDIA, good decisions are recognized ... while decisions that destroy value are identified and the reasons for this ascertained. Experience suggests that the difference between an environment where good decisions are being made and one where “anything goes” is not a percentage point or two ... but an order of magnitude or two. In other words, if good data and facts are used for decision making, and resources are properly allocated and deployed, the value adding can be improved by between 10 and 100 times.

The elimination of poverty called for by leaders like Professor Muhammad Yunus is possible ... but it requires way better decision making and allocation of resources than we are normally seeing.

Profit is often value neutral or value destroying ... modest changes in how profits are made can make a huge difference in the value adding of profit making.

#### ***MDIA is not the old EVA***

*EVA ... Economic Value Adding, a trade marked initiative of a US based consulting firm in the 1980s helped the corporate business world to mobilize its resources so that there would be the maximum of money profit value from the business activities. MDIA is different in that the aim is for resources of business and society to be used so that there is both money profit value and value value for the society as a whole and a community in particular.*

MDIA changes the way activities get measured. It is not simply about how much has been done, but what impact there has been and what value has been added as a result of

doing something. Good managers have known this for a very long time ... but many big organizations have adopted systems of management and accountability that have put focus on measures ... quantification ... without a deep understanding of what is happening to deliver results to intended beneficiaries. Other organizations have evolved their systems so that donors are informed while the work being done goes without meaningful metrics.

### ***NGO performance reporting***

*Presently, as much as 90% of the data being reported back to donors in the NGO and not for profit world relates to how much has been done. Almost no data are reported about the impact and value adding that is being accomplished. Rather NGOs tell stories about a single individual ... often heart rending ... and add images ... but these are not meaningful data about anything. It is PR that is available for both highly effective organizations and those that a high performance scamming operations and no way to tell the difference.*

The goal of MDIA is not merely to deploy a value based accounting system ... but for a MDIA based system to change the way major resources are allocated ... and for this to result in an improvement in productivity and quality of life.

In theory, the reason for allocating resources and doing the work is to get a result. The result has a value ... money profit performance and a social value which may be quantified and translated into some money equivalent.

In the case of health interventions the impact should be more good health ... and good health has value.

In the case of education, the impact is better educated students and then the population ... with a high incremental value. In the case of education, the value may only be realized if there are limited economic opportunities for employment or profitable business. With no opportunities, the value of education is largely wasted.

### **Potential huge impact**

When the leaders of the capital markets are using value as much as they use profit, then there will be major changes in the way global capital market resources are allocated.

### ***Social investment potential huge and untapped!***

*The organizer of a recent major conference on Social Capital (SOCAP10) made the observation that the social capital market may be a \$1.5 billion market already in 2010 ... even before formal value reporting goes into effect. People know the importance of value ... but cannot do what they would like to do simply because the metrics are inadequate!*

The progress of modern science and technology has been far greater than most would have predicted fifty years ago ... and it is clear that much of the potential of this progress remains unrealized.

When decisions are made in a timely manner using meaningful data, decisions can be very much better.

***Example: Timely production reporting***

*When the factory reporting system at Southern States Inc., a manufacturing company in Georgia USA, was modified to provide performance data very rapidly ... in fact 20% into the day shift today rather than 24 hours later tomorrow ... factory problems were identified in time for them to be fixed before they caused lost production. Simply changing the timeliness of important data and factory started delivering consistent record production with not other changes or investment.*

The potential for better metrics to change the paradigm of performance means that several billion people in abject poverty today should be emerging from this state in a few years ... at the same time the middle class becomes happier if not money wealthier ... and in the economic totality the rich elite can stay rich and elite, but no longer holder the world to ransom!

**Difficult to quantify**

It is not easy to quantify value outcomes, but it can be done using a system of standard values for the value of outcomes in the community setting. Some outcomes have a money cost and a price when they are purchased ... but many do not.

***Standard value ... a 25 year old***

*A 25 year old with a good education, in good health and ready to work in a high paying job in the United States for several decades has a huge value ... maybe something like \$4 million just in future earning power. A 25 year old with little or no education, undernourished and in poor health in a poor village in a developing country with no work prospects has little value based on economics and future earning power ... and represents some millions of dollars of lost opportunity!*

Hundreds of millions of children will grow up to be of little economic value unless good decisions are made about socio-economic investment. Every child that grows up without education and skills, and with compromised nutrition and health is a multi-million lost opportunity. Add it up and the impact of good decisions is trillions of dollars of better socio-economic performance.

Any community stands to benefit when good decisions are made for the community ... whether the decisions are being made by local leaders, local citizens, local organizations or outsiders. Most communities are missing opportunities because poor decisions are being made.

MDIA does not constitute a benefit ... MDIA is not in itself of value ... but good decisions that result in good activities is where the value lies!

## **Community micro-up decision making**

MDIA helps to change the framework for economic activity and specifically the locus of decision making ... a paradigm change so that the concentration of economic money wealth and power in very large centralized entities will be offset by local decision making and local implementation of economic activities. People who are near a problem often have an understanding of the problem and how it might be solved most effectively. When people solve their own problems, amazing progress can be made. Small things can have huge leverage.

Decision making done to optimize local impact may be an order of magnitude better than any decision made by centralized decision makers, no matter how well intentioned.

### ***The Shenge Project ... an amazing success***

*The Shenge community in Sierra Leone has the modest support of a small multi-sector integrated community development project of FAO funded by UNDP. The project facilitated training, acquisition of materials and ideas about business organization so that with timely decision making and modest allocation of resources, socio-economic progress was enormous and very rapid. The projects removed constraints ... gave nothing away ... and created a self sustaining progressing community.*

*The project was a great success ... but then the country failed! A great little success was overtaken by a global economic system that accepted mayhem as an acceptable cost to satisfy demand for diamonds and a willingness of international profit seekers to supply weapons.*

## **Removing constraints on possibilities**

A society that matches the needs of people and quality of life with the potential of people to satisfy needs and improve quality of life has unlimited potential. While material resources are finite ... the human resource is abundant, and human intellect has reached a point where big problems can be solved as long as the goal is properly defined.

MDIA can contribute to progress and performance ... to improve quality of life by helping to provide meaningful metrics about what is the “state” and what “progress” is being achieved and the performance of society in making this progress ... the cost efficiency and the cost effectiveness.

All winners and no losers is not an impossible dream ... but it does take work to optimize the use of resources. With MDIA all segments of society will progress better than will be possible without the deployment of MDIA ... many times better. Everyone! Meaningful metrics that include the value dimension makes it possible to demonstrate that socio-economic progress can be win-win for everyone rather than being a zero sum proposition where one group wins at the expense of the other groups.

Perhaps, most important MDIA has the potential to stop stupidity ... and to limit the abuses of greedy people and corrupt organizations. If ordinary people knew how bad the

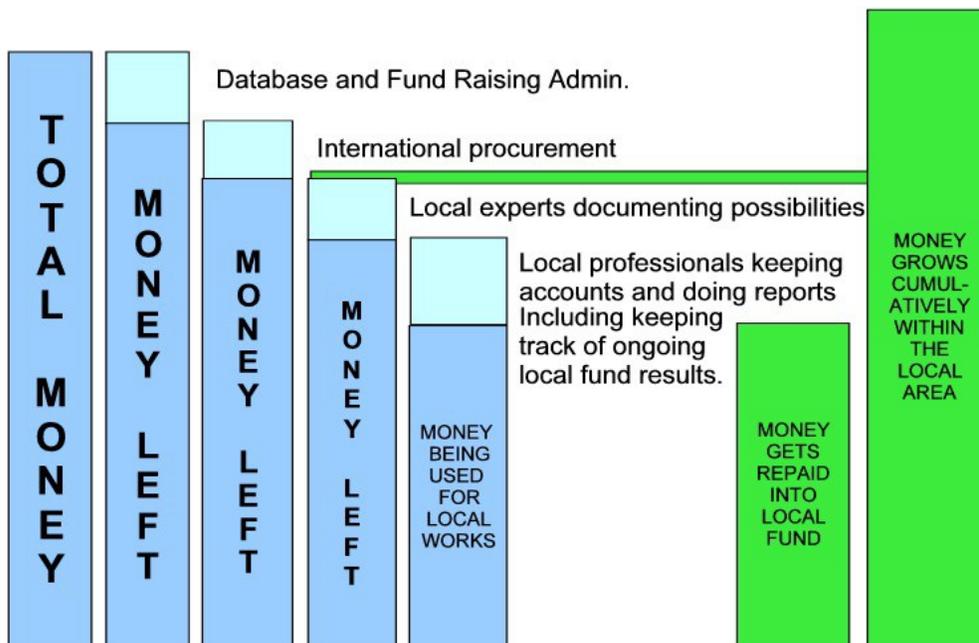
decision making is in major organizations handling millions if not billions of dollars, they would be appalled.

A paradigm change is possible!

### 3-19 ANALYSIS OF FUND FLOWS

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

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



In this approach the economic multiplier works to assist the beneficiaries and helps to reduce cost and make the work sustainable.

## Chapter 4 MORE MEANINGFUL METRICS

## 4-1 MEASURE WHAT MATTERS

### Scorekeeping and Statistics

#### Scorekeeping for society ... for community

Simply put, True Value Metrics is scorekeeping and “stats” for society. It takes what has been developed over hundreds of years ... that is old fashioned double entry accounting used in the business world ... and makes it work for society by including value metrics as well as just money metrics. This is a paradigm shift that improves the management information dimension of decision making for society ... it offers the possibility of more tangible progress and less political posturing.

#### *Scorekeeping and Stats!*

*In the sporting world ... there are always metrics about the score so that everyone knows which team is the winner. The scorekeeping is independent and not in the control of the players, the coaching staff, the owners or the fans. There are also “stats” that are specific to the sport and used to improve the game mainly by players and coaches .*

What metrics are important depends on what the goals are ... in the case of society as a whole the over-riding goal is that quality of life is improved. The Founding Fathers of the United States put pursuit of happiness as a high priority in their thinking, and it seems reasonable that it should remain a high priority. For some this is progress out of poverty, for others this is sustaining an existing good quality of life. True Value Metrics measures what progress whether it is progress out of poverty and or improving quality of life.

#### Metrics for decision making

Measurement for scorekeeping is good ... but there also needs to be data for decision making. What gets measured depends also on what needs to be done. Some measures are always needed ... specifically ... what resources are used and what outcomes are achieved. These metrics are independent of the activity, and independent of any specific process. Other metrics relate to specific activities and relate to specific processes and help to improve activities and processes.

Modern society has a wide range of metrics ... but most are about money and wealth ... and the various activities that translate into wealth. Every corporate organization engaged in business has impressive metrics in their “management information systems” ... and the capital market data services have all sorts of data to help with the analysis of the capital markets and corporate profit performance. So much data about profit and wealth, but very little data to address issues about quality of life and other factors of social importance .

Decision making needs information now ... as good as possible now is what is going to get used. If it turns out to be wrong, then there will have to be adjustment later. This is the real world. Identifying cause and effect is done ... but it is done “on the fly”!

MDIA aims to be for society what cost accounting is for the typical corporate business organization. In corporate business there is management information that relates cause and effect. Society needs something similar. The community needs for decisions to be made that are good for the community, and for decision makers to be held accountable for the way in which they make decisions and use resources.

### **Metrics about quality of life**

Value is the main measure ... not money

What MDIA does is to take the money accounting framework and incorporate value metrics into it. Value quantification in addition to money metrics is a basis for some level of paradigm change. Using value in the data and analysis framework, not merely money is a different dynamic. Value is subjective and not as easy to quantify, but it is very important and the main determinant of quality of life ... much more so than money

MDIA has value at its center just as business accounting has money as its focus. While it may be possible to use money as a metric for wealth, it does not work well as a measure of quality of life. MDIA has progress to a better quality of life as the big goal of a high performance society, not merely the acquisition of more and money money wealth.

### **Value ... subjective ... but still very important**

Rigorous accounting for value requires a quantification for value. This is not easy because value is a subjective idea, but by using a system of “standard values” MDIA has facilitated quantification.

### **Value must be quantified ... just like money**

Nobody really understands what money is ... but it does not seem to get in the way of money being used everywhere to measure business performance and the performance of the economy at a macro-level. Value is more important both for the business organization and for society as a whole, and some way must be used to enable widely accepted quantification of value.

MDIA is introducing a system of “standard value” to facilitate quantification. This is an approach somewhat similar to standard costs in corporate business cost accountancy. Everything gets a “standard value” ... and the aggregate of value transactions becomes the measure of socio-economic performance.

### **An Integrated Analytical Framework**

Starts with a double entry accounting construct

The double entry framework that is used in business accounting serves as a powerful method to organize and control data for use in business decision making. MDIA uses a similar construct. MDIA uses the double entry idea that has made money accounting so effective for corporate performance metrics. The double entry idea makes it possible for

state, progress and performance to be part of a single system with internal checks and balances.

### **Like business accounting ... with value!**

MDIA measures progress and performance a little bit like it is measured in business accounting ... but with value not simply money! Money and value are related but not the same ... and there are two datasets: (1) a dataset that describes a state; and (2) a dataset that describes an activity. This is the same concept that is used in business accounting where there is a balance sheet (that describes a state) and the operating statement or profit and loss account (that describes activities). MDIA uses the very elegant way in which accounting organizes data into transaction data that impact the profit and loss account, and the data that impact the balance sheet.

Progress is the difference between the value at the beginning of the period and the value at the end of the period. The primary metric of progress is very simple. Is the community better now than it was in the past? This is not a complex idea, and there is no reason why there cannot be quick, easy and useful data about this. In the image below, the value of the community is the same at the end of a period as it was at the beginning ... ordinary daily activities produce what is consumed ... it is a stable steady state situation.

Performance is both the efficiency of the activity and the impact of the activity. The data makes it possible to measure how much something cost with what it should have cost. The data also makes it possible to measure the relationship between cost and the impact ... that is the change in value arising for the community.

The purpose of economic activity is to maintain quality of life and make progress ... the elements of “state” and “progress” are set out below together with the metrics of “performance” for the implementation activities.

### **Similar framework using value**

MDIA uses the same basic framework but with value data ... value elements about quality of life and socially important matters, as well as the well established elements about money wealth that are used in the money accounting system. The use of both money results and value results in a complementary manner makes it possible for decision makers to understand through routine reporting the social value impact of profit making and to be held accountable for both.

The money framework is sadly deficient because the money profit reporting is only about organizational performance and money, with no data about the impact of all of this on quality of life, and the decisions about allocation of resources needed to improve quality of life.

In MDIA, “State”, “Progress” and “Performance” are an integrated set of metrics similar to the integrated metrics associated with business accounting and financial reporting ... the balance sheet and the P&L account. In the case of money accounting the reporting is

mainly in connection with organizational performance, in the case of true value metrics it is about the performance of society ... how is the community moving forward!

### **Analytical construct from need to progress**

The management cycle serves to track decisions and resources through a process ... to establish priorities and the assess progress and performance. This information structure helps with this. The structure of information used in MDIA for appreciation of state, progress and performance is:

1. Balance sheet at beginning of period;
2. Needs;
3. Resources available;
4. Resources being used to satisfy needs;
5. Unmet needs;
6. Resources needed to satisfy unmet needs;
7. Incremental external resources mobilized;
8. Incremental resources deployed;
9. Activity ... resources used ... value consumed;
10. Activity ... value creation;
11. Activity ... impact ... value adding;
12. Balance sheet at end of period;

### **Organized data are very important**

#### **Data organization reduces data overload.**

The massive increase in dataflows over the past few years has resulted in rather little increase in information and knowledge, but massive data overload. All planning and operational frameworks need a data flow system and management information. Without these, it is as dysfunctional as a human being without a nervous system.

The global society has built up a very complex institutional framework for the financing and operation of the economy and governance ... but it operates with a very incomplete set of progress and performance metrics. There are pieces, but not a complete framework. Too much of the analysis data are derived from very small surveys and statistical manipulation, with very little of basic cost accounting, and even less of cost effectiveness analysis.

Code systems facilitate the organization of data. The power of relational analysis is maximized by the design of the analytical codes. This is the key to easy analysis, and

relatively easy to do for a relational database. There are different codes including account codes, budget codes, program codes, etc.

#### **A community perspective**

MDIA also looks at socio-economic performance from the perspective of the community. Profit and value for the organization does not necessarily translate into quality of life improvement in a community ... yet this is a core purpose of all economic activity. The idea of the state of the community is reported using a report similar to a balance sheet, the progress of the community is reported by a comparison of balance sheets and the operational performance of the community by looking at the activities of the community.

#### **Complement to money accounting**

MDIA complements other metrics, it is not a system to replace existing systems.

The need for MDIA arises not because MDIA is an alternative way of doing the existing metrics and could therefore replace them, but because MDIA is adding to metrics in a way that supplements existing systems and helps with community level decision making.

MDIA has a community perspective. In MDIA, the primary reporting entity is the community. The state of the community ... the quality of life in the community ... changes because of the socio-economic activities going on in the community that consume resources, create value and produce value adding or value destruction for the community. All the other reporting is subsidiary to the reporting at the community level.

MDIA has some of the characteristics of money accountancy for business ... except that MDIA is not only about money transactions and economic measurements in terms of money but doing something similar with value transactions as well. Money accounting is used everywhere ... in business organizations, in government, in not for profit organizations ... and extensively in economic analysis. Money accounting does not include any accounting for value. MDIA adds a complementary rigorous methodology that does accounting for value just as money accounting does for money.

MDIA builds on established GAAP money accounting but with major extensions. Financial reporting of an organization are based on a universal “money accounting framework” ... the generally accepted accounting principles (GAAP). The balance sheet and the profit and loss account (P&L Account) together represent a unified set of information about the money aspects of the organization. Financial statements comprise a balance sheet, a comparison with a prior period balance sheet and a profit and loss account. This presentation of money data shows the financial state of the organization, how the organization has progressed from a prior period and the performance of the organization ... how the activities of the organization changed the state of the organization.

## **Complements other social progress metrics**

The fact that money profit accounting is insufficient as a system of socio-economic performance metrics is well known, and many initiatives are in progress to address the problem. MDIA recognizes that some of these initiatives have advanced substantially and in some ways are better than MDIA ... while in other ways MDIA is a better solution.

The best way forward is to add a value dimension in whatever way seems to be the most effective in a specific situation.

## **Reporting To Whom? By Whom?**

### **A new paradigm**

Most reporting ends up being part of massive information overload, and sorting out what matters from what does not is a big job, and not usually done well. MDIA does not eliminate or replace anything that exists, but complements it so that there can be more information where it is needed. The users of data about a community are those that are interested in the community ... either as decision makers for the community or as concerned citizens. The data may be used to make decisions or as part of a process that helps to make decision makers accountable.

Summary reporting using the MDIA's value analysis construct will be built up over time for many communities ... ideally all communities. These reports will show how the community has been progressing and what is its present state. In most cases these reports will be web accessible.

A first level of drill down from the community summary will show some of the activities of the community and how these activities have helped or hindered in the progress of the community. An alternative drill down will identify organizations that have been engaged in activities in the community and how these organizations have helped or hindered community progress.

### **By the public for the public**

The question about who does the reporting and who gets the reporting is very important ... but also, maybe, irrelevant. The fact of the community does not change because of any structure of governance ... the community is what it is.

In its most unintrusive form, MDIA compiles data about the facts of the community ... and that is all that is on the record. The scorekeeping is happening because the community exists. There are no fans, no coaches ... just a game going on.

If someone chooses to try to improve the way the game gets played ... to improve performance, they may use the data ... the stats to improve performance.

In other words, the data are passive ... they may be used by anyone and everyone to help to get the game played in a better way.

### **Role of the press ... the media**

The media ... and in its original form, primarily the press or print media ... serves to be the voice of the people in the checks and balances of democracy. The importance of this function is recognized in law by the passage of the 1st Amendment to the US Constitution so that the press could perform this function with little constraint.

These checks and balances are as important today as at any time in history, maybe more so, because of the power of technology and the ability to do a lot of damage to the socio-economic fabric of the world in a very short time.

For MDIA, the question about who does the reporting and who gets the reporting is both important ... but also, maybe, irrelevant. The fact of the community does not change because of any structure of governance ... the community is what it is. The MDIA goal is for data to be accessible so that they may serve the interests of the community.

In its most unintrusive form, MDIA compiles data about the facts of the community ... and that is all that is on the record. The scorekeeping is happening because the community exists. There are no fans, no coaches ... just a game going on.

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In large part MDIA is about public information being reported to the public by the public. MDIA and the information infrastructure are the passive media to move the data and information into useable forms.

MDIA facilitates reporting in a form that facilitates public dialog about important issues, and better dialog about these issues. An element of this is to report on issues that are important to individuals and communities, and about which the individual knows enough to be able to improve the outcome of a particular course of action.

Only the very powerful and the economic elite can make much of a difference at a national and international level ... but most everyone can make a difference at the local level ... and especially around things that have value and impact quality of life. When one community improves its quality of life and puts it on the record ... and then another ... and then another ... there is a combined impact that adds up to something important.

But the underlying paradigm change may be bigger than it might initially appear. The powerful and economic elite are able to do things to benefit themselves and they have the money to invest ... but they are not empowered to do very much for everyone, and especially things that are very personal.

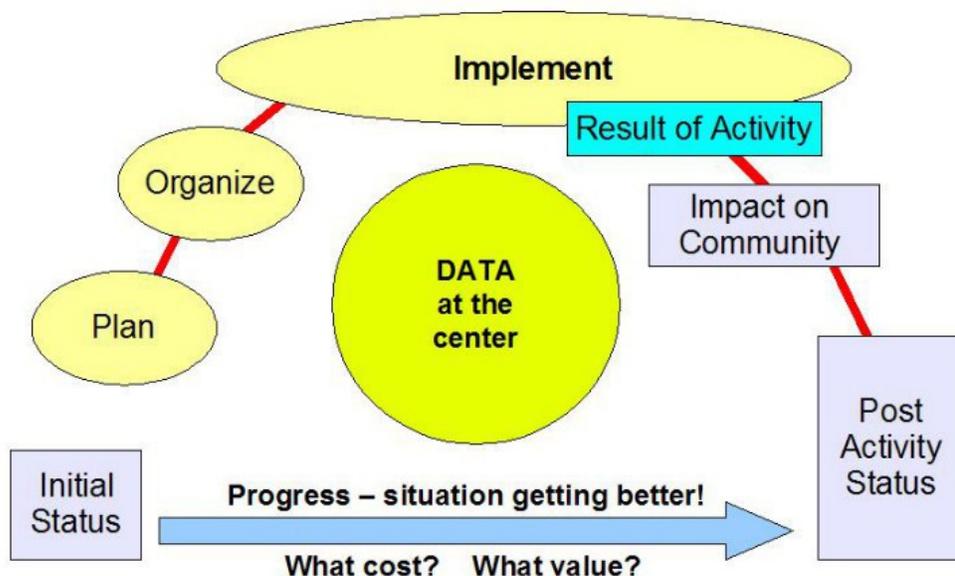
The tools that are controlled from the top of society are quite limited ... something like “pushing on a heavy weight with a piece of string”. So often the heavy hand of regulation ends up being counterproductive ... though a world without law and regulation, as was

evident in the Bush era financial implosion is worse. There has to be a better way ... and the right way starts with the use of data to improve decision making at the local level.

## 4-2 DATA AT THE CENTER OF EVERYTHING

### Data centric decision cycle

This is a simple representation of a data centric decision or management cycle where data are at the center of everything. Data are at the center ... and data are used at every stage of the process. One set of data used by everyone and for everything!



Data are used in every step of the process:

1. Data are used to ascertain the initial status and the post activity status. This provides a metric for progress.
2. Data are used to plan, organize and to implement.
3. Data are used to measure the result of the implementation activity, and the impact on the community. The data answer important questions about performance ... what cost? ... what value?

### Management information

*“Management information is the least amount of information that enables a good decision to be made reliably and in a timely way.”*

MDIA is a paradigm shift for society because it moves into a much broader use of data for decision making and public accountability ... and the goal is not to have academically

rigorous study but society that works and society that progresses and solves problems. Data that are internal to the corporate world are more pragmatic and useful than anything that is used in the academic community and for public information about society.

More than anything else data are an organized way to record facts ... and it is facts that drive success and failure. Data facilitate analysis and therefore make it possible for better decisions to get made.

Data need to be about material matters. It is very easy to create data, especially about small quite meaningless matters ... and then in short order to have “data overload”. Good data for decision making is about matters that matter.

***Don't sweat the small stuff***

Management information needs not only to be meaningful but accessible to decision makers easily and at the right time.

For socio-economic progress and performance ... that is the satisfaction of needs and improvement in the quality of life, progress for the community and efficient and effective performance ... there needs to be timely data about what matters, the data that are needed to make good decision.

It does not matter who makes decisions and who, that is what organization, implements activities. What does matter is that the resulting activities produce good results.

**Use same data for multiple tasks**

The same data are used for multiple tasks ... the facts are the same, and the metrics needed to use these facts in various different functions of management are similar.

- Data for planning ... these data are both strategic and tactical. The process of planning should help with both the mobilization of resources and subsequent implementation.
- Data for implementation ... these data are for operational decision making, and often are best if very detailed.
- Data for oversight ... these data have a focus on progress and performance and help to identify strengths and weaknesses in both the planning and the implementation.
- Data for accountability ... these data have a focus on the performance of the decision makers and the implementation actors in the effective use of resources.

The same data may also be used in different places in the organizational hierarchy or structure of organizations.

- Local use at community level ... it is at the community level where resources are consumed and value is created, and it is of great value to have data that are useful in the implementation of activities at this level.

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- Local use at organizational level ... the same data are useful for those in organizations that have a responsibility for economic activities at the community level
- Consolidation and comparative analysis ... the data may be consolidated or aggregated at a higher level and used for comparative analysis, which in turn helps with identification of best practice and the best activities, organizations and communities.
- Large scale global analysis ... the data may also be organized for use in very large scale global studies using massive amounts of data and computational power.

### **Use metrics that are meaningful**

MDIA metrics have two purposes: (1) to keep score; and, (2) to provide good data for decision making. Data are needed that are relevant to the operations ... to the problems that are the most serious and the activities that are going to have the most impact.

Prevailing money metrics have evolved to serve the stakeholders of the organization, and for this money metrics are very effective ... but MDIA is about serving the interests of society, and for this it is value metrics that are more meaningful. In MDIA both money and value metrics co-exist ... with the expectation that it will be the value dimension of performance that will in due course become the dominant interest of society as a whole.

Good data for everything

### **Purpose of data**

There is purpose for data ... a large part of which is to improve performance. Good data are very powerful ... but not well used for the benefit of society as a whole. People have recognized for a long time that data have value and accordingly most data are held as property to be used for personal and organizational benefit more than for societal benefit. In the main this is legal, though it is very much detrimental to the

The data for decision making is often referred to as management information ... and a useful definition of management information is as follows:

*'Management information is the least amount of information that enables a good decision to be made reliably and in a timely way.'*

Accountancy has a history going back several hundred of years to the advent of the era of merchant adventurers. The system of accounting is based on the give and take nature of transactions ... and reflects this in a system of double entry books.

Management information is quite new. Various forms of analytical accounting were developed in the era of great factories ... costs and works accounting ... and eventually they the advent of commercial computers and electronic data processing (EDP) fully fledged management information systems.

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Data are needed to make key decisions about allocation of resources, and the prioritization of activities. The aim is to use resources so that there is a maximum of community progress ... the maximum increment in the quality of life.

Data are needed to provide a starting point:

1. What are the needs of the community;
2. What are the priority needs ... specifically unmet needs;
3. What are the available local resources that could be mobilized; and
4. What are the possible external resources that could be mobilized.

In my own work, I have always considered that the purpose of management information was simply to improve decision making ... with no reason to exist in its own right. I subscribe to the idea that: Good data and analysis are a good starting point for management information. Relating operational key data with accounting information makes it possible to address issues that are important and will make a difference.

#### *Professional support for metrics*

*In the UK, in an era before computers and corporate management information systems, the corporate community in the UK had quite sophisticated cost accounting. In the UK, the Institute of Cost and Works Accountants trained accountants so that cost accounting served the needs of factory supervisors and managers. The details of cost accounting were instrumental in making factory work cost effective. Sadly, a lot of the more prominent and powerful Chartered Accountants who had a big role in finance and big corporate decision making were also quite disparaging of cost accounting ... and in the end a lot of decisions were made that had a very negative impact on the productivity of factories, and the nation.*

The information needed to understand the progress and performance of the community are similar to corporate money accounting and MIS except that there is formal quantification of the value elements.

#### **Data ... metrics ... facts on everything that matters**

There is no universal master list of what metrics matter. MDIA is based on the fact that every place and time is different, and therefore deserves to have metrics that reflect the reality of the place and the time, and not merely be a derivative of some average derived from complex sophisticated statistical manipulation.

In socio-economic metrics, quantity and money are not enough. There also have to be metrics about value. In MDIA there is a framework that embraces quantity, money and value ... and as well there are metrics for where we are (state), and how things have changed in the past (progress), and what activities have achieved (performance).

Some issues are more important than others ... and importance varies from place to place and from time to time. MDIA uses the concept of materiality to focus on things that are

important, so that the metrics can be used to make better decisions about the major matters of importance. In other words, MDIA has meaningful metrics about everything that matters.

Data are an efficient way of making a record of facts. A key purpose of data is to be a representation of the facts. This is not always easy ... but this is what data should do. Data are a way to record and communicate realities ... tangible facts. There is no question that facts exist ... and the role of data is simply to make it possible to get facts into a form that is easier to manage and analyze.

### **Data to understand and guide progress**

In a data centric management system data are obviously important. Socio-economic progress is an outcome of a complex dynamic with all the elements not well understood. Data are a key to success.

Possibilities can be achieved more reliably when there are data about performance and the application of resources. Data are at the center! MDIA data are central to everything and used for:

1. Planning
2. Implementing
3. Measuring activity
4. Measuring performance
5. Measuring progress
6. Making decisions about next steps

High performance progress is based on data ... on knowledge. All relevant knowledge is taken into consideration. Part of the data are about communities, part about the organizations that work in communities, and part about the many external influences that affect the community. The same set of data are used for analysis, planning, progress and performance metrics and to give feedback so that there is continuous improvement. Decision making should be done on a timely basis, and there will never be enough time to get the perfect information ... but there may be good information for decision making if there is understanding about what the data show.

### **Data for coordination**

Data connect everything ... facilitate coordination

Coordination without data is merely another layer of complexity ... but data in support of coordination is an approach that has the potential to improve performance in ways that are very substantial. Coordination is often expensive and ineffective, but with the use of appropriate data the process of coordination can be facilitated at very little cost.

With appropriate data the best way to work in cooperation becomes apparent with little need for opinionated negotiation. Data show whether or not cooperation is working or not.

#### **Data for scorekeeping**

Scorekeeping ... the metrics for performance are three (1) progress is how much the state of the community improves; (2) activity efficiency is how much something costs versus what it should have cost; and, (3) cost effectiveness is how much progress is achieved relative to resources consumed.

The scientific community has addressed this question in considerable depth because the issue of measurement determines whether or not the scientific analysis has any meaning or not. There are similar questions in the field of socio-economic analysis and policy formulation.

The central idea of management information in MDIA is to measure in ways that are going to be the most useful ... to make the best decisions. It follows from this that performance should be measured where it is needed to make good decisions reliably ... and this is most likely to be at the community level where there is more granularity and less complexity.

Even at the community level there can be a lot of data ... and therefore very easy to have data overload. A lot of data does not mean there is a lot of information ... and especially not a lot of useful information.

Step one is to identify what is important for decision making that is important ... and for this there is the need, first of all, to have data to determine what issues are important.

Based on this, more data are needed about the important issues. There is no need to collect data about things that are of little importance ... or of little relevance to the decisions that need to be made.

Economic analysis using sophisticated statistics may be of academic interest ... but does it help to make better decisions at an operational level. Usually not ... the key information for operational decisions are usually very simple and easily ignored.

#### **Data for public accountability**

Accountability is one of those words that is used in public dialog ... but it is rare for anything very much to be done about it. Data are needed for individual and organizational accountability. While it is expected that decision makers will make decisions for purposes that are in the interest of the organization or for society, this is not going to happen without appropriate checks and balances. There are strong internal financial controls in most well run corporate organizations that ensures good decision making in the interest of the organization is the norm ... but there is nothing like it within the prevailing money metrics for the interests of society. MDIA value accounting is done from the perspective of society and the community and is a way for society to have checks and balances and accountability.

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### Section II – There Are Ways Forward

Accountability has become a fashionable idea ... but not popular within the ranks of decision makers and those in control of resources and wealth. There is dialog and there are conferences to opine about accountability ... but the systems to do accountability never get deployed. MDIA is a step towards accountability. The data and the analysis show performance ... and performance reporting highlights good performance in some place and with some organizations and bad. This is the essence of accountability.

Transparency is a part of this. There has been much talk about transparency for several decades ... but an effective process for doing transparency has never been developed, or, to the extent that it was developed, never deployed.

#### **Data for oversight**

The idea of oversight is normally associated with something negative ... stopping local initiatives on the assumption that local is bad. But good oversight has a very big positive which is that the understanding of progress and performance in the community makes it possible for alternative and perhaps better approaches to be introduced.

The one external resource that has the potential to be almost always a “win-win” is the sharing of technical knowledge so that performance is improved. Sharing knowledge is improved significantly when the specifics of a problem are clear ... and sharing knowledge is most valuable when it is practical usable information.

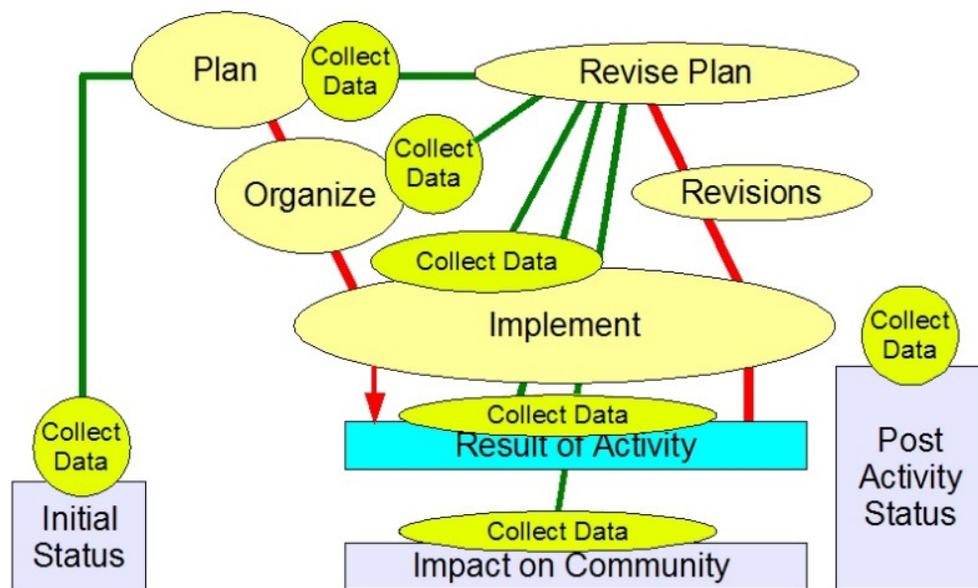
## 4-3 FEEDBACK FOR CONTINUOUS IMPROVEMENT

**Continuum of Improvement ... data in a system that improves performance**

### The basic module

The management cycle has the following form:

1. Collect data, do analysis;
2. plan and organize;
3. implement; and
4. measure and analyze again.



### A system ... a continuum

High performance programs integrate data collection, analysis, planning, action, more data collection, more planning, more action in a perpetual process. These are reflected in the following schematic. Everything has a data component. The basic construct is not done once but is repeated over and over again ... data are collected and used for decision making all the time.

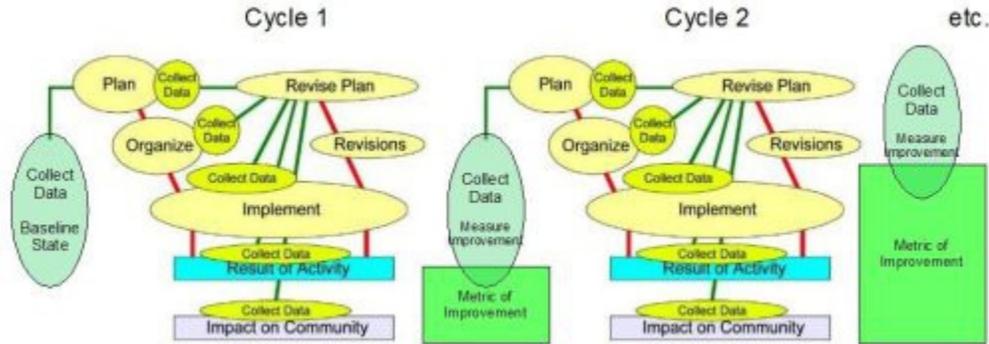
In corporate accountancy there is both balance sheet and operating statement as an integrated whole ... similarly MDIA has the state of the community and the economic activities of the community. Corporate accountancy has focus on money transactions and

# MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

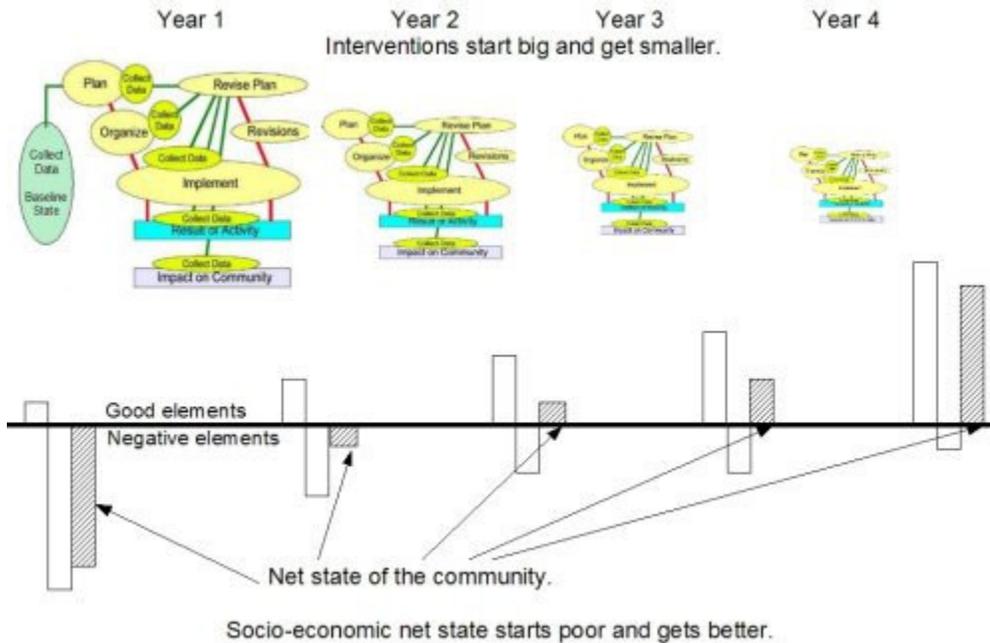
## Section II – There Are Ways Forward

financial profit ... MDIA takes into account the broader idea of social value creation and destruction

The ultimate measure of success is whether the change between the initial status and the post activity status has a value that (substantially) exceeds the costs. The following schematic shows this as a box “Metric of Improvement”.



Over multiple cycles the aim is for the scale of the interventions to diminish and for the impact on community to get better and better, and the bad things to get smaller. The following graphic depicts this over a four year cycle. The interventions start big and get smaller while the net socio-economic state starts poor and gets better.



The global economy functions as a continuous process ... it never stops .. production and consumption keep on going ... value is consumed and value is created. How well it works has to be assessed “on the fly”.

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At some level this is what markets do ... they also keep on going without waiting for deep analysis to show what is “right” or “wrong”. People have to make market decisions with the data that are available.

<http://www.truevaluemetrics.org/DBadmin/DBtxt001.php?vv1=txt2009040300#sthash.wFNfpyx7.dpuf>

## **4-4 STRUCTURE FOR DATA AND ANALYSIS**

### **Quality, Quantity, Money AND Value**

MDIA uses many different data types, not only quantity and money. Four of these are:

1. Qualitative information using text, images, video, etc.
2. Quantities ... numbers using a variety of units of measure (UOM)
3. Money ... the prevailing focus on cost, revenue, profit and a variety of metrics about capital markets and national economic performance like GDP; and
4. Value ... the principal incremental metrics being deployed using MDIA

### **Quality ... qualitative or analog information**

This includes text, images and video information. Quality ... qualitative or analog information is important. It is not only the type, but also the form and the “architecture”. Non-numeric information can be very useful, especially when the data have the architecture to be organized. Text, images and video presentation makes it possible to describe situations and activities. It is particularly useful if the data are organized in ways that enable trends to be easily identified ... time ... and comparison made with other locations ... place. This is done by having all, or as much as possible, of the data identified by time and place.

Various ways are available to facilitate using qualitative data with some form of quantification. The goal with most of these data is to organize them for use in decision making, oversight and accountability.

### **Quantity information ... numbers**

The scale of anything is measured using some form of quantification ... and some relevant unit of measure. With this quantification it becomes possible to understand the scale of things, and appreciate how much the activity is doing relative to the broader surroundings. In the corporate management information arena the use of “key item control” made it possible to put the performance of each part of the company into perspective and improve allocation of resources to address the critical issues as a priority.

### **Money**

Money measures are everywhere, especially in business and economics with analysis based on cost, price and profit. For all practical purposes almost all the organized data are about money metrics ... very little based on value. Money accounting is the basis for most of the performance metrics associated with corporate performance, stock market prices, GDP measures and wealth.

## MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

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Almost all the metrics about corporate performance are based on money profit, which is a derivative of money costs and money revenues ... in turn a derivative of price. Most of the decision making in corporate organizations and the capital markets is based on profit achievement and profit expectations ... with the impact on society of corporate activities almost totally discounted.

When people talk about something being wrong with the way the global socio-economic system works ... this is one of the elements of the global market economy that is causing dysfunction.

There is no simple way to measure value from the perspective of the organization ... yet it is the creation of value that makes an organization's activities worthwhile for a community. A purpose of MDIA is to have metrics about value a part of the analytic framework.

### **Value**

Value is subjective, difficult to quantify ... but immensely important. The consumption and creation of value that result in the adding or destruction of value is the core process in the socio-economic system. Value is far more important than any of the money metrics but not part of the prevailing continuous chatter about money economic measures.

Value is subjective ... and difficult to quantify using a single number. The problem can be resolved using a system of standard values and quantification that puts everything into the correct position “relative” to other things. This approach is relatively simple and very practical with modern technology.

### **The Double Entry Construct**

Using it for value accounting

The double entry construct of old-fashioned accountancy is a very powerful way of organizing data in a way that gives it a lot of meaning. People need to know “Where they are!” and “How well they are progressing!” and this is what the business money profit accounting system does very well.

The balance sheet informs about the state of affairs ... and it does this in a very efficient way. In MDIA this is expanded to include both the money perspective and the value perspective.

A comparison of two balance sheets at different times informs about change over time ... informs about progress or not. In the case of MDIA it is the value change that is of interest.

In money profit accounting there is a profit and loss account which informs about the activities of the reporting entity. In the case of MDIA the value flows of activities are the equivalent of the business profit and loss account.

Other financial reports like the cash flow statement are interesting and serve a big purpose in organization management ... less in the value accounting for community.

There are many other metrics and reports ... economists, stock market analysts and others use a wide variety of financial reports and statistics ... but they are mainly related to the money dynamics of the organization and the economy.

Every move in the underlying economic data are routinely translated into what impact this is going to have on money investors ... it is an impressive capacity for analysis. The followers of capital markets are deeply analyzing the correlation of all the supporting statistics with movements in the capital markets, but none of these measures has anything to do with the society's quality of life.

## **State, progress and performance**

### **Metrics for “State”**

MDIA makes much use of the accounting idea of balance sheet ... a simple way to put “state” on the record. Unlike money accounting, MDIA includes not only the money cost of resources, but the value of the resources. MDIA includes value assets like human capital, and all the components that go into making for quality of life. The money balance sheet is a summary of the assets of the organization, the liabilities of the organization, and how these are financed.

State is a recording of the situation at any given time ... in business money accounting, it is the balance sheet ... in value accounting it is a variant of the money balance sheet to include also the value components. Value at a moment in time is a proxy for quality of life ... and all the many elements that go into making up the quality of life. Central to value in this context is the value associated with the people population and human capital. Knowing facts about a community should be the norm and not the exception. Data about the “state” of the community should be commonplace. If you do not know where you are ... how do you know where you are going.

A balance sheet has both assets and liabilities. In value accounting the basic money concepts are modified so that resources and possibilities are considered as assets while lack of resources and constraints are considered as liabilities.

The assets are of different classes ... the current assets and the long term assets. There are also intangible and other assets. The liabilities are also current liabilities and long term liabilities. Current assets include items like cash, accounts receivable, inventory and items like prepayments. Long term assets include the fixed assets and the provision being made for depreciation. The class may also include long term investments. Intangible assets are items like intellectual property and goodwill.

The “state” of the community is similar to the balance sheet of the organization. MDIA value balance sheet not only has the money assets and liabilities of the community just like the money assets and liabilities of the organization, but also has the value elements of the community that are elements of the quality of life in the community. The value balance sheet for the community has value liabilities that reflect lack of essential resources and constraints that impede progress.

MDIA has community as the primary reporting entity compared to the prevailing money accounting that has the organization as the primary reporting entity. But the concept of “state” and the value balance sheet may be used for any reporting entity.

### **Metrics for “progress”**

Progress in value accounting is like profit in money accounting. The activities of the reporting entity ... the community of the corporation ... produce the progress or produce the profit. The double entry accounting construct means that the progress or the profit may be measured either by assessing the performance of all the activities and then aggregating them, or by looking at the way the state or balance sheet has changed from the beginning of the period to the end.

Progress ... balance sheet change over time is determined by comparison of two balance sheets at two points in time, The change is a measure of change ... hopefully progress, but not always. Socio-economic progress is the improvement of the community value balance sheet over time. It is the difference between two value balance sheets ... similar to profit when it is defined as the difference between two money balance sheets for a business organization.

#### ***Defining profit and the balance sheet***

*Henry Benson, later Lord Benson, when he was the Senior Partner at Cooper Brothers & Co in the UK in the 1950s and giving expert testimony in the British High Court, defined profit in this very simple way: “Profit, My Lord, is the difference between two balance sheets” ... a most elegant definition that incorporates everything and ignores nothing!*

In corporate accountancy, the progress of an organization may be measured by comparing two balance sheets. Similarly the progress of a community is the difference in the state of the community between two times. The progress of the community as measured by the community balance sheet is a proxy for the quality of life of the community.

MDIA uses the concept of “difference between two balance sheets” as the core method for ascertaining progress. In practice this makes it possible to focus on “what is changing” because what is not changing is having no impact on the values in the balance sheet from beginning of period to the end of period.

### **Metrics for “performance”**

The way in which accounting organizes data into transaction data that impact the profit and loss account, and the data that impact the balance sheet is both elegant and powerful. This framework to measure performance is illustrated in the following graphic where the community value at the beginning of the period increases to the value at the end of period ... with various implementation activities taking place during the period.

Progress is the difference between the value at the beginning of the period and the value at the end of the period. The primary metric of progress is very simple. Is the community better now than it was in the past? This is not a complex idea, and there is no reason why

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there cannot be quick, easy and useful data about this. In the image below, the value of the community is the same at the end of a period as it was at the beginning ... ordinary daily activities produce what is consumed ... it is a stable steady state situation.

Progress may be fast or slow depending on how much resources are allocated to the activities for the period. The performance of society is about the way in which the activities are conducted ... whether or not the activities are being done using an amount of resources that is technically correct, or whether resources more resources are being used. Another question about performance is whether or not the activities are using resources and achieving impact and progress in the community.

Because state, progress and performance metrics are integrated in a coherent manner, it is difficult to “fudge” the numbers to get desirable but phony results. This is part of the power of business accountancy, and therefore MDIA. There are no good reasons why MDIA cannot be deployed for value in the social and community setting, just as money accountancy is used in the corporate environment.

## 4-5 REPORTING

### Reporting facilitates good decisions

#### Easy access reporting ... everywhere in the economy

Without metrics it is impossible to manage ... without management information performance is always compromised. It should not be hard work to get the data needed to make good decisions.

#### *Without metrics, performance is compromised*

*I have observed since early in my business career that if I see a company with weak management information, then I am seeing a weak company. In a world where society has inadequate socio-economic management information, it is no surprise that socio-economic performance is poor.*

MDIA aims to make it very easy to get the data that will help get the best possible decisions made about the allocation of scarce resources.

#### Community is the main reporting entity

MDIA has community as the primary reporting entity, not the organization as it is in most money accounting financial reporting. MDIA has the public or society as the primary stakeholder in the access to information about the socio-economic state, progress and performance. MDIA organizes data in a way that is going to be the most useful for decision making and to enable public oversight and accountability. The organizations of data are used to provide clarity about the situation in a community, together with the activities and organizations in the community.

Community is where people live their lives. MDIA has focus on the community more than on the organization. Socio-economic progress and performance is first about people and their quality of life and only secondarily about the profit of organizations. The quality of life of people is more closely associated with community than it is with organization. In MDIA a community is a place ... though in any place there may also be other sorts of communities such as affinity groups, virtual communities, and so forth. In a community there may also be sub-division of the community into smaller units or places ... such as the neighborhood, the block, the building, etc.

Within community there may aggregation by sector or aggregation by organization ... but the aim is better quality of life for the people and families in the community. Decision making about activities determines socio-economic progress and performance ... and MDIA acquires data to help with decision making and holding decision makers accountable for performance. The most important socio-economic measures relate to place ... for many reasons. The place is where people live and work ... the place where quality of life has tangible meaning. A place does not move ... it has a perpetual

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existence. While many factors of economic life can and do move around ... the place stays constant.

MDIA uses value accounting and analysis to show the state of the community and the progress of the community. The framework of analysis shows what is important and what is not, and what organizations and activities are doing to contribute to or constrain progress. Community is the main entity for MDIA to report on progress. MDIA incorporates organizations and activities into the analysis in a subsidiary role ... similar to the accounting for subsidiary organizations and subsidiary activities in group accounting.

#### **By organization**

An organization is usually the entity that does activity ... one or many activities ... in one or many communities. People in organizations are the main decision makers about resource allocation and activities ... and in turn in the progress and performance of the community.

Most organizations have internal money accounting. MDIA adds a value dimension and a very different perspective. The main metrics are derived from activities of the organization and the value proposition associated with these activities.

In MDIA, the performance of an organization is a means to an end, not an end in itself. An efficient organization may have efficient activities that have good community impact ... but it is also possible that an efficient organization has activities that do not have good community impact. MDIA metrics have focus on the impact of activities on people and the performance of the community more than on the performance of the organization.

In MDIA an organization is subsidiary not primary in the hierarchy of reporting and analysis. Money accounting is done almost exclusively from an organizational perspective ... to report profit performance ... to report the receipts and payments of money against a budget. In MDIA it is the community that is most important.

In MDIA the performance of an organization includes how the organization's activities impact on people and community. MDIA consolidates ... does roll-up ... of the activities of an organization not so much to see how well the organization is doing, but more to understand how well the community is doing.

MDIA metrics are valuable in conjunction with the Corporate Social Responsibility (CSR) initiatives that are becoming increasingly common in the business world. Most CSR functions with limited metrics. ... and where there are metrics they tend to be ad-hoc and not part of any system of mainstream reporting.

Ideally MDIA should be an integral part of the organization's accounting and management information system. The basic architecture of MDIA data would allow this and make it possible to do MDIA reporting as thoroughly as the profit reporting.

Accordingly it is useful for organizations to report using the MDIA reporting construct ... and in fact many organizations could improve their public perception significantly by

making full use of value reporting rather than simply doing financial reporting. Not-for-profit organizations communicate next to nothing by distributing detailed financial reports ... it is a near useless exercise. An equivalent level of effort and detail about the value flows of these organizations would be incredibly interesting.

### **Reporting about organizations**

MDIA does not ignore organizations ... they are the main actor that drives the economy. In MDIA the goal is to have the community progress ... and to understand organizational performance from that perspective. It is interesting to know about their profit performance but it is the impact on community, people and families that is of the most interest in MDIA. This is a paradigm change in the metrics about modern society that have been dominated for decades by the profits of business, stock market prices and growth ... largely measured by how much gets consumed.

### **For specific activities**

MDIA uses an “activity” as the basic entity for performance analysis. It is activities that create socio-economic product or value ... consuming resources and value in the process. Any discreet activity may be subject to MDIA style analysis to obtain its value profile and what impact the activity is having on the community. The same information is useful for the analysis of the performance of an organization.

Activity reporting is the foundation element that sustains socio-economic performance. The socio-economic status of the community and socio-economic changes for the community result from socio-economic activity. An activity consumes economic resources and in the process creates economic value ... and where there is a surplus of value creation over value consumption there is value adding.

MDIA uses the activity as the focus of data acquisition because an activity has simplicity, is the entity that sustains socio-economic performance and may easily be associated with factual information as well as time and place. An activity may have some form such as a “project” or a business “branch” ... or a religious unit, or something in health or education or construction ... but this does not change the concept. The activity is something simple that may easily be understood.

Data about an activity may be “rolled up” or consolidated so as to form a bigger entity. This roll up may be a variety of activities that add up to be the aggregate for a community, or the aggregate for a sector, or the aggregate for an organization.

Activities use resources, that is, consume value in order to create value. The process gives either value adding or value destruction. Activities also have a money dimension with money costs and money inflows resulting in money surplus or deficit. Sustainable activities are value adding and money surplus producing.

Accordingly the productivity of economic activity is a critical factor. MDIA metrics therefore have some focus on the activity and the performance of the activity both in respect of its cost efficiency and its cost effectiveness. The metrics of efficiency and

effectiveness relate respectively to the cost associated with the activity and the relationship of cost to impact for the activity. The goal is not merely to do the activity, but to get some useful results from doing the activity.

While many modern corporate organizations straddle many communities, and indeed in some cases many countries ... their activities take place in specific places and it is in these places that there needs to be performance analysis and metrics about the impact on the community. A typical well managed organization will know about the profit contribution of any of its activities anywhere ... in the MDIA reporting framework there will also be knowledge of the value contribution of these activities on the communities where they are.

### **Projects and programs**

A project or program may be similar to activity ... or a subsidiary roll-up ... it depends on the structure of the project or program. In many ways MDIA activity reporting is similar to the project reporting that is done for UN, World Bank and other relief and development initiatives. The main characteristics of the MDIA reporting is clarity about when and where the activity is taking place, and the ability to “roll-up” the information in a useful way to the community level.

The project or program has been an important operating entity for development implementation. Such an entity is well suited to capital projects like major construction, but not at all suited to work such as capacity building and works where a continuing activity is anticipated as in most non-capital support for development.

MDIA does analysis at the “activity” level which may be “rolled-up” to a project or program depending on the circumstances. The size and complexity of many projects and programs makes it a virtual impossibility to have good decision making and accountability. Without this, many projects and programs have failed due to more or less misappropriation of funds. Large projects without clear “community specific” activities also have failure potential associated with the use of “average” solutions for very specific problems.

### **People and family**

MDIA does analysis that is people centric ... does analysis that is bottom-up rather than top-down. The metrics of quality of life have to be relevant to individuals and to families ... and in practical terms this is better done at the community level than at the national level. There are also many reasons for looking at quality of life issues at the community level, not least of which are matters like privacy and the undesirability of any imposition of intervention initiatives at this level.

MDIA has a people perspective, which in turn means family. The economics of the family aggregates into quality of life for the community. MDIA does not attempt to track people and family level progress directly for two reasons (1) at a practical level, this is

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not the level where decisions have a public impact (2) and from a privacy perspective, the data is too invasive to be acceptable as a society wide initiative.

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