

THE ECSOM PROTOCOL AND SAM

We start with a few key elements that need emphasis:

The Social Accounting Matrix as a System for Community Management

1. The community is defined in biological terms as the colony of human and non-human organisms domiciled on a territory defined as an ecosystem and a metabolic unit supporting a food chain. The definition of the metes and bounds of each community and its territory takes into account both the relevant scale of ecosystemic integrity and the social-cultural-economic-political organization of the human settlement supported by the territory.
2. The community is construed as a unit of organization, management and accounting. The analogy is of the business enterprise as such a unit: i.e. with defined metes and bounds as a “business” operating a stock of resources, to which there are defined claims of creditor and owner/stockholders, an operating system, a structured organization, and a system of governance.
3. What corresponds to these elements in the community are: the “citizens” of the community as stakeholders corresponding to stockholders of corporation, the primary beneficiaries of its operations, the stock of natural, man-made, human and cultural resources that constitute the capital resources of the community. These together with the financial claims of the community to other communities, minus the claims of non-citizens from ownership, or loans on the communities assets constitute the Community’s Wealth or Net Worth. The pro forma statement is the equivalent of the corporation’s balance sheet.
4. The production, sales and income statements in matrix form correspond to the corporation’s profit and loss statements. For the community the bottom lines are the incomes generated for the stakeholders by the accounting period’s production and sales activities. These are value-added streams from each of the production and service sectors that are contributed to other industries and to the stakeholders in exchange for their productive contributions during the accounting period.

As a Framework for Resource Inventory and Ecological-Economic Assessment

5. The broad framework provided by the ECSOM Protocol is merely a template for constructing the model of the specific community where it is being applied.
 - a. It starts from the delineation of a territorial scale that is ecologically meaningful. For the Philippines as an archipelago, we hypothesize that the watershed, drainage system all the way to the coastal areas and beyond to the portion of the seas under the jurisdiction of the political units are the most significant territorial limits of the community’s habitat.

- b. That habitat is then specified by a system of classification that reflects both the conditions of conservation and reproduction demanded by sustainability and the productive or carrying capacity of the territory as habitat of colonies of living organisms dependent on it: for example, land of different slopes, elevation, geologic characteristics, soil types, ground and surface water, vegetation, flora and fauna, temperature, fresh water (surface and ground) of different qualities and regeneration rates, marine resources and their biological reproduction rates, species of flora and fauna, etc, mineral resources, etc.
- c. The asset side of the balance sheet is then completed with inventories of capital improvements on land and other natural resources, physical infrastructure, plant and equipment, structures, under classification relevant for the particular community, e.g. by industry or type of service, and form of economic organization (household production, formal business or corporate organization, private versus government, etc.) The financial assets component of the balance sheet are constituted by assets and claims of residents or “citizens” or stakeholders of the community located outside the territory of the community.
- d. The liability and capital or net-worth side of the balance sheet lists the obligations owed by stakeholders to non-citizens and ownership of assets within the territory by non-citizens of the community. This estimate is required to determine a very critical objective of community management which is the preservation and enhancement of the community’s net worth. This is the accounting definition of the Brundtland condition for development to be “sustainable” – that production to support the present generation should not detract from the ability of future generations to sustain and improve their lives. It is “Networth” that a community passes on to its future generations – not just the integrity of natural capital, but its ownership by citizens. What is not owned by citizens cannot be passed on to their children.

As a Framework for Social Assessment

- 6. Sustainability requires that the benefits from production benefit the stakeholders primarily and with an equitable distribution of incomes and costs. The ECSOM Protocol requires a relevant classification of social groups within the community: The relevance once again is prescribed by the realities of the specific community. If there is a substantial Indigenous Peoples group in the community then this classification is important. There is the more usual classification of wage and salary workers, self-employed, small farmers, artisanal fisherfolk, share-croppers, landless farmers working commons, wage workers, professionals, etc., also urban-rural dichotomies, artisans, industrial workers, government employees, armed forces, by employing sector, industry classification, private and government, etc.
- 7. The classification most relevant both for purposes of monitoring productivity of human effort and equity in distribution of incomes must be consistent with

the classification used in tracking final disposition of incomes, consumption and savings. In other words the stakeholders are considered as contributors to production for which they receive shares in the production values of the producing sectors, and as final demand users of production and trade outputs.

8. Production during an accounting period results from the allocation of physical assets and of productive human effort by producing sectors and the flow of goods and services goes into four categories of outlets: other industry sectors, consumption by stakeholders, restoration of natural and human artifact capital consumed in the process, additions to capital stock. Aggregate output flowing to these four uses combine goods and services produced and going directly to final usage within the community, or going to other communities in exchange for goods and services that go to the four categories of usage.
9. Development is defined as the quantitative and qualitative improvement of the supply of goods and services made available to the local stakeholders. To be sustainable the benefits of that development and its costs must be equitably shared by the stakeholders, It must restore and enhance the ecological integrity of the natural resources used in production and the artifact capital to ensure their preservation for future production and consumption and it must preserve and enhance the community's owned wealth or net worth.

The Organization and Management of the Community for Sustainable Development

10. The objective functions for optimum organization and management performance are:
 - a. Measurement of resource productivity, gross value added per hectare or sq meter of land or water and per head of population
 - b. Optimum distribution of capital resources of the community to maximize productivity
 - c. Achieving most advantageous terms of exchange of community products exported for imports
 - d. Equitable distribution of community production and incomes to satisfy improving lifestyles of all segments of the stakeholder population
 - e. Optimum distribution of current production between current consumption, provisions for restoration and enhancement of ecosystem as natural capital resource and environment for quality living, capital enhancement for satisfactory growth rates for improvement of future life.
11. Community organizing for this purpose requires the distribution of community capital among micro-organization units and responsibility centers educated to manage those resources to achieve the above objective functions for the portions of the community balance sheets within their control. The neo-classical fallacy is precisely to assume that privately-owned and sector-specialized business firms seeking to maximize profits for their owners correspond to those micro-organization units. Centuries of historical experience have proven that assumption to be false.

12. The ECSOM Protocol classifies the stakeholders into households, formal business sector (classified into conventional industry categories), government, and the external sectors (sub classified into other communities within a district, other districts, the rest of the province, the rest of the country, the rest of the world.) These classifications are important for accounting consolidation at different levels up the scale.
13. The households are classified by sub-geographical territories – sitio, barangay, neighborhood in a poblacion, poblacion, - and within each geographical area the households are formed into clusters of adjoining households with 5 up to 20 households per cluster. Production sectors are classified into Household (informal) production and Business (formal) production sector, each by industry and commodity categories, much as in the classification used in preparing the Input-Output accounts.
14. The cluster organizations are important in the organization development process – they are the units for training participatory resource inventory, participatory life-style analytical surveys, building up of the computerized data base for the Social Accounting Matrix – balance sheet and production and income statements, income-expenditure-savings patterns, etc.
15. Probably ten clusters per barangay, 20 barangays and one market center (poblacion) per municipality and four municipalities per watershed district. Every 10 barangays will have one computer station plus one station for the poblacion and another for the municipality and another for the district as a whole.
16. Separate classifications for the establishments – private sector (business, church, other institutions), public (local, national government, government corporations).
17. The leadership/management systems also must be specifically designed according to each set of local conditions – e.g. how strong and efficient are local government people, church and other religious groups, NGO community, social and economic power distribution, dominant family positions, multinational company presence, etc.
18. The ECSOM Protocol application and installation process involves clearly defined phases:
 - a. General site survey to establish a prima facie case for the feasibility of a successful installation, analysis of the presence of prerequisite conditions and human, institutional, cultural, organizational resources.
 - b. Preliminary discussions with potential persons, institutions, organizations that will undertake the implementation and installation of the protocol in the area.

- c. Mobilization and organization of the core group that will carry the main responsibility and be the directing and energizing force behind the installation and application,
- d. Detailed design of the organization and management structure, scope of work, resource budgets, installation plan and feasibility study to embody in the project proposal for raising the funding for the installation and application project.
- e. Negotiations for financing of the project.
- f. Inception of installation project, resource mobilization and tooling up. Training programs for organization and installation staffs, organizing and operating staffs.
- g. Community organizing phase.
- h. Participatory action research processes to draw up a baseline model of the Community and its constituent communities.
- i. Participatory assessment, visioning, and planning processes to draw up the sustainable development plan for the Community vision, strategic goals, detailed sectoral targets, and project identification and development priorities. Modeling of Highest and Best Resource Use scenarios.
- j. Program implementation phase: project development, promotion and implementation Tasks.
- k. Monitoring and review and cycle of re-planning and revision of scenarios.

The flexibility of the framework and its adaptability to differences in resource endowments and social, political and economic structures really addresses some of the questions you raise here.

I am file attaching a worksheet showing our preliminary division of the country in ecological “districts”.

I believe, at this stage, it is important to understand the Social Accounting Matrix as an intellectual framework, an analytical scheme, and a management logic or algorithm, even before its boxes are filled with actual figures.