



Citizen-Centered Approaches
to State and Market



Dissemination Note: Accountability

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I. The Challenge of Accountability

Accountability is a global challenge. Failures in both the public and private sectors – ranging from the Greek crisis to Enron - have become daily news. Corruption, the visible sign marking the failure of accountability, has been noted as a significant problem both in developed and developing countries.

The global discussion of accountability is rooted in a number of common factors:

1. The information and communication revolution has made it possible to compare perceptions of accountability or corruption across the world. The scoring of countries or sub-national units on criteria of accountability or transparency is becoming a driver of public discussion, with citizens and other groups invoking rankings. This effect has been heightened as rapid urbanization has granted large populations greater access to news and their representatives.
2. Citizens have become keenly aware of services delivery, and therefore the degree of functionality of governmental and non-governmental organizations indicated by the effectiveness and efficiency of delivery.
3. The 2008 financial crisis stimulus packages and subsequent calls for austerity are now creating a fiscal crisis. To reduce deficits and restore fiscal health, concern with accountability, prevention of waste, and effectiveness and efficiency in delivery have become an imperative both in emerging markets and globally.
4. After more than six decades of foreign assistance failing to result in expected breakthroughs in developing countries, aid fatigue is setting in. If foreign assistance is to acquire public support in the developed countries, in a context where redistributive struggles put significant emphasis on the value of money, then accountability of aid agencies and the recipient governments to their people and their partners must be tackled.
5. Accountable expenditure has become a problem both in developing and developed countries. The expenditure constraint is best illustrated by Iraq, which during the height of the US attention could never spend more than 14% of its massive development budget. These symptoms have also been present in the department of energy in the United States, and in middle income and emerging countries. As institutions are confronted on the one hand with immense needs, and on the other with lack of ability to target the expenditure towards state priorities, a need for system-level accountability has been highlighted.
6. Estimates for required expenditure on infrastructure during the next 25 years range from \$30 to \$70 trillion. Building of infrastructure has been generally notorious for cost overruns, delays in implementation, and the high percentage of the work that needs to be redone by contractors. The construction industry, the engine that builds infrastructure, is perceived to be the most corrupt industry in the world, surpassing defense.

While other factors can be identified across governmental and financial systems, it should be clear that any combination of the above factors would make the need for designing, implementing and reforming accountability systems a global imperative.

II. Sourcebook Objectives and Typology

The objective of this sourcebook is to provide operational guidelines to governmental leaders and managers, civil society and NGOs, business organizations, and citizens. We aim to further both understanding and systematic engagement with issues of accountability.

We therefore begin with a typology of accountability systems, differentiating between four types: fragmented systems, compliance and predictability, program delivery, and public value.

Under predatory or fragmented systems, corruption is not only a symptom but a system, as the formal rules are systematically subverted and distorted by those in power. Fragments and pockets of accountability, however, exist, that provides donors in the case of severely corrupt developing countries with the hope of reform.

Compliance and predictability are the key characteristics of the second type of system. Formal accountability over rights, systemic delivery, rules for delineation of decision rights, authorization of funds, expenditure of funds, building and use of resources, are drawn with immense detail, leaving nothing to chance. Plans or factors that are not permitted in the rules will simply not be acted upon. Auditing under these systems is directed towards the old concept of bean counting, as compliance is the overriding characteristic of the system. While losing in flexibility, such systems ensure predictability. Civil servants would be paid on time, and contracts would be honored, and mechanisms would exist to ensure that every 't' is been crossed and every 'i' dotted.

The third type, building on a system of compliance, changes the criteria of accountability to performance and program delivery. Here, achieving program objectives becomes the key driver. Leaders trust their managers, and managers their people, and all are bound by notions of shared integrity and purpose. They measure themselves and their effectiveness by the results achieved. National programs, which at the beginning of such systems are few in number and prepared with enormous care for learning through mistakes and feedback loops, become generalized over time across the full range of core state functions. Accountability is maintained across all levels by ensuring that the institutions perform with high efficiency and capacity. The problem, however, that this type of system encounters is synergy. Programs and ministries become established bureaucratic and social / political fiefdoms that can block coordination across state functions.

Furthermore, such types of program orientations have significant difficulty in dealing with cross-cutting issues that cannot be assigned to a single implementation organ. Aging populations – one of the major challenges of developed countries, or growing young populations – one of the major challenges of developing countries, cannot be solved by creating a ministry in charge of the elderly or the young. The demographic profile requires a kind of synergy that the ossification of a division of labor among bureaucracies does not achieve.

Public value and coordination are the fourth type of accountability system. Here, the key assumption is that the only constant in the context of a globally interdependent economy is constant change. Assuming that crises are inevitable, and cannot be fully predicted, accountability of leadership is judged by the effectiveness in responding to crises to emerge in a stronger position from these crises. Systems are designed not to create a single “best” design, but rather to

strengthen the drivers and foundations of effective governance. Countries that are confronting crises are finding out that the third type of programmatic systems that delivered the golden age of state-citizen relationships through effective delivery of services and increasing the range of those services become obstacles. Whereas in the third type, audits were about performance, at this fourth level, audits become focused on system capabilities and flexibility.

III. Diagnostic Tools for Comparison

The sourcebook allows for a set of diagnoses of each of these types through delineation of specific variables. ISE has developed a range of diagnostic tools to allow for rapid analysis of a context, including critical stakeholder inquiry, organizational and institutional analysis and an operational framework for governance. These allow us to understand key characteristics and compare and contrast trends within and between countries.

Three notions or critical terms of economy, efficiency and effectiveness comprised the notions of accountability pertaining to the second type of structure. Transparency, outcomes and public value have been added to our expanding range of accountability definitions as a result of types three and four. Each of these notions is explained and illustrated.

Organizationally, the key building blocks of accountability systems are: Treasury, Budget, Procurement, Accounting and Auditing, Project and Program Design, Oversight and Accountability, Risk Management and Licensing and Tenders. We describe each of these building blocks and the relationships among them that result in building of a particular type with its distinctive characteristics. While a significant amount of attention and resources have focused on the individual building blocks, systemic approaches to bring the building blocks into a coherent whole has been rare. This effect can be seen in information management systems deployed in Treasuries in developing countries. Hundreds of millions of dollars have been spent by multi-lateral and bilateral developed countries to install proprietary systems in Treasuries of developing countries. Introduction of such systems have produced some gains – such as the timely payment of checks or the ability to know the expenditure and revenue picture on a weekly or daily basis. But not being driven by clear typologies or delivery of system-wide goals, such approaches have produced gaps between different building blocks of the system. Even after the introduction of financial management software, submission of audit reports to parliaments and acting on those findings are still the exception rather than the rule. Ministries do not effectively cooperate or monitor one another. Alternatives exist through open-source, open-standard software where development of communities of practice is the critical catalyst.

Our typology in this sourcebook offers the prospect of dealing with accountability through system transformations. Given the predominant challenges of restoring public confidence in systems of accountability, we cannot simply rely on replication of the long process of trial and error that resulted in transition from type one to two, and from two to three and then four. Nor can we piece together new accountability systems from ready-made pieces of other countries' methodologies. By focusing on innovations in creating these systems (two, three and four), leaders, managers and practitioners can draw a range of lessons for undertaking more transformative approaches. Part of the purpose of typology is to also open up the possibility of simultaneously tackling hybrids between types. Afghanistan of early 2002 faced a type 1 system of corruption. Compliance and predictability therefore was a key goal for the Ministry of Finance between 2002 and 2004. Given the need for engaging the public as citizens, as an instrument of strengthening government

legitimacy, a number of national programs were established to focus on performance and delivery. Sadly, in Afghanistan of 2012, only Ministries that had National Programs still have a record for delivery. Because accountabilities were distinctly addressed and built at a program level, delivery took place across the length of the country, stakeholders developed partnerships, and international partners funded innovative programs. Both governance systems and funding channels were strengthened through careful early design work that prioritized accountability.

IV. Conclusion

As a socially constructed notion, accountability will undergo constant change, renewal and innovation in our particular time of global interdependence; yet disenchantment with the second wave of globalization and a crisis of confidence of citizens in the future is clear. Getting accountability right is not a choice but an imperative. This sourcebook is a contribution to shaping this discussion by grounding analytic insights into detailed operational processes, procedures and systems.