

# Reconstructing Accountability after Major Disasters

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## Background

### Purpose

Building and sustaining public trust is critical during and after a crisis caused by a disaster. It becomes more critical because often: (i) institutions trusted by the public to protect them are also devastated by the disaster, (ii) providers of resources for relief and recovery are frequently far removed from the crisis,<sup>2</sup> and (iii) political interest wanes before recovery is complete.

Disaster relief and recovery is one of the most complex governance issues. Government agencies are generally unprepared for the sheer urgency of disaster response. The complexity and dynamics of a crisis render normal procedures of planning, implementation, and oversight inappropriate, and make usually competent professionals ineffective. The vast number of relief and recovery partners can lead to unwarranted competition, duplication of assistance efforts, and even duplicity. Meanwhile,

work pressure and confusion lead to delays in preparing proper records.

The imperative of sustaining public trust and the complexity of governance demand strong accountability mechanisms. This is to assure that the governments and other parties (local and global communities) managing disaster response carry out their commitments. Whether the parties act under obligation or out of humanitarian concern, their efforts need to be sustained until public well-being and the social fabric are restored.

Strong accountability mechanisms should lead to better planning and budgeting, and better coordination. They can also lead to more effective political oversight and greater assurance that relief and recovery efforts will continue until recovery is fully achieved.

This paper suggests a new way of viewing the problem of weak or damaged accountability mechanisms in disaster response efforts, and presents new ideas on how to approach

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<sup>2</sup> The term “relief” generally refers to early responses to address basic needs, while “recovery” refers to efforts to restore the social fabric and the well-being of disaster victims. They are correlative, as some recovery is needed for communities to receive ongoing relief, and ongoing relief is needed until well-being and the social fabric are restored. Response refers to provision of immediate and ongoing contributions to both relief and recovery by national and international communities.

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development of accountability in each unique crisis situation.

### The Players in Recovery

The number of players in any relief and recovery operation is extraordinarily large, and the ways in which they participate make accountability extremely complex.

- Almost all government agencies play a role, some struggling to reestablish functionality after a disaster, and others contributing to relief and recovery, with many going far beyond the normal scope of their activities and budgets.
- Sometimes, even in conflict zones, military units from other countries are mobilized for assistance.
- United Nations (UN) agencies and international financial institutions maintain an obligation to assist in relief and recovery. The Asian Development Bank (ADB), considered a major player, has been consistently rapid in providing support for relief and recovery.
- International nongovernment organizations (NGOs) often provide the backbone of humanitarian aid,<sup>3</sup> including the national Red Cross and Red Crescent agencies, each with their own national reporting standards.
- Local NGOs have their own programs, support charity collections, and provide labor to international NGOs.
- Businesses provide assistance, organize charity collections, develop corporate social responsibility programs, and lend assets.

All players operate through contracts with suppliers, consultants, and construction companies. They engage labor from the affected community, volunteers, and migrant workers. Despite certain bad elements capitalizing on a disaster, most people in recovery assistance are responsible, with no intention of avoiding accountability. Unfortunately, the current accountability systems are largely irrelevant to recovery programs and burdensome to relief and recovery.

## Vertical and Shared Accountability

Accountability is “the obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner.”<sup>4</sup> Accountability takes many forms, e.g., vertical and horizontal. Vertical accountability involves reporting to the next-highest authority, creating a line of accountability to the top of an organizational structure. Where external parties have an interest in the performance of an entity, international accounting standards require it to become a reporting entity by disclosing its performance and use of funds to stakeholders. The reports should be audited, followed by an open review of performance, providing an opportunity for debate on the direction of future policy.

Donor institutions such as ADB have long-standing and well-developed relations with governments that include reporting protocols aimed at continually improving aid effectiveness, as well as programs to assist governments in improving public financial management and accountability. These protocols and programs, however, do little to promote accountability when it comes to disaster management, particularly if the donor community insists on a shared planning process, which can lead to the breakdown of accountability.<sup>5</sup>

In 2003, the humanitarian aid community established Humanitarian Accountability Partnership International (HAP International) in response to a common belief that aid organizations should ensure greater accountability to people affected by disasters. The goal of HAP International is to uphold the rights and the dignity of crisis-affected populations.<sup>6</sup> HAP International publishes the *Humanitarian Accountability Report* annually. The 2013 report, which looks back on the organization’s first decade of operations, is particularly valuable.<sup>7</sup>

Following the humanitarian aid community’s lead, most other organizations involved in disaster recovery now also believe that their field agencies

<sup>3</sup> Humanitarian aid is the provision of human and material resources, including relief and recovery, to disaster-affected populations. The humanitarian aid community refers to the national and international NGOs providing humanitarian aid.

<sup>4</sup> *Business Dictionary*, s.v. “accountability.” accessed 18 August 2014, [www.businessdictionary.com/definition/accountability.html](http://www.businessdictionary.com/definition/accountability.html)

<sup>5</sup> B. Nicol. 2013. *Tsunami Chronicles: Adventures in Disaster Management*. CreateSpace Independent Publishing Platform. See references to the Multi Donor Fund for Aceh and Nias and Haiti’s recovery operations.

<sup>6</sup> HAP International. HAP Standard. [www.hapinternational.org/what-we-do/hap-standard.aspx](http://www.hapinternational.org/what-we-do/hap-standard.aspx)

<sup>7</sup> HAP International. 2013. *2013 Humanitarian Accountability Report*. [www.hapinternational.org/pool/files/2013-har.pdf](http://www.hapinternational.org/pool/files/2013-har.pdf)

have public accountability as well as vertical accountability. The reason is the realization of the need to address communication disconnects, which can stand in the way of providing assistance to disaster victims.

By UN resolution, each state is responsible for “the initiation, organization, coordination, and implementation of humanitarian assistance within its territory.”<sup>8</sup> By implication, national governments are accountable for disaster recovery. Most disaster-prone countries have a national agency for disaster management—generally known as a national disaster management authority (NDMA)—that reports overall disaster response to the head of state. NDMA generally have little control over funding (being accountable financially only for their own budget), and normally cease operations before complete recovery.

NDMAs report on activities of all parties involved in disaster recovery, providing an assessment of accountability shared by all. A recent report by the Active Learning Network for Accountability and Performance in Humanitarian Action concluded: “Humanitarian evaluations carried out jointly by NDMA and international organisations could provide invaluable lessons and strengthen relationships, yet until now they have rarely if ever occurred.”<sup>9</sup> While lessons can always be learned, missteps in disaster recovery in Aceh, Haiti, and the Philippines suggest that it is imperative to have accountability systems that facilitate learning such lessons. If accountability were shared, there would also be a need for joint ongoing evaluations of response and recovery for each disaster.

The literature on shared accountability is extensive, illustrating its problematic nature. One aspect, according to a UN report,<sup>10</sup> relates to the tensions that must be managed between “accountability and efficiency; accountability and flexibility; accountability to other players both upwards and outwards; contractual and partnering arrangements between governments and other providers; and formal and informal mechanisms.” It should also be added that more tension is created by delays between action and reporting or feedback,

people’s response, lack of information, and difficulties in communications and logistics.

If there is disagreement about the efficacy of actions taken, any reflection on achievements and failures is bound to result in tension to a certain degree. However, smoothing the way to a consensus in reporting risks a whitewashing of events. The problem is compounded because reports tend to focus on compliance and impacts of aid in disaster zones, with a focus on the expectations of home offices or headquarters rather than on honest accountability of performance on site.

In other words, despite conceptual progress on the nature of and necessity for accountability in disaster recovery and response—and the debate on shared accountability—a great conceptual gap remains between actual reporting of disaster responses and accountability for overall recovery.

## Aceh-Nias

Indonesia’s response to the 2004 tsunami in Aceh and the following earthquake in Nias, and the accountability efforts by personnel in charge in the Aceh–Nias Rehabilitation and Reconstruction Agency—Badan Rehabilitasi dan Rekonstruksi Aceh dan Nias (BRR)—deserve to be commended. The situation was intensely demanding, and challenges and problems of accountability remain.

On the morning of 26 December 2004, Jusuf Kalla, Vice-President of Indonesia, was at a gathering of Acehnese in Jakarta when he learned that Banda Aceh, the capital and largest city in the province of Aceh, had been hit by a tsunami caused by a massive earthquake in the Indian Ocean. He immediately traveled to the airport to fly to Banda Aceh, but because the plane could not land in the devastated city, he turned back and landed in Medan in North Sumatra instead. Taking full command and responsibility, he initiated government relief operations, ordering supply trucks for immediate response.

Within a month, discussion turned to “reconstruction.” Sri Mulyani Indrawati, then minister for development planning, announced that

<sup>8</sup> UN General Assembly. Resolution 46/182. *Strengthening of the coordination of humanitarian emergency assistance of the United Nations*. 19 December 1991. [www.un.org/documents/ga/res/46/a46r182.htm](http://www.un.org/documents/ga/res/46/a46r182.htm)

<sup>9</sup> A. Featherstone. 2014. *Learning from Disaster: How governments gain insight and how regional and international bodies can help*. ALNAP Study. London: ALNAP/ODI. p. 7. [www.alnap.org/pool/files/140407-ndma-study-web.pdf](http://www.alnap.org/pool/files/140407-ndma-study-web.pdf)

<sup>10</sup> M. Edwards. 2011. *‘Shared Accountability’ in Service Delivery: concepts, principles and the Australian experience*. UN Committee of Experts on Public Administration. Vienna Meeting. July 2011. p. 7. <http://unpan1.un.org/intradoc/groups/public/documents/un-dpadm/unpano46320.pdf>

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she wanted all aid to be “on budget,” in accordance with the new Indonesian law on state finance.<sup>11</sup> When major bilateral donors disagreed, the minister decided that assistance should be prioritized over efforts to establish the government’s own system of accountability. She told the donors that coordination is not achieved by weekly coordination meetings, but by “bringing donor funds into the budget under a well-formulated recovery and reconstruction strategy.”<sup>12</sup>

In February 2005, the Government of Indonesia set up 10 teams in Jakarta, with matching teams in Aceh, to prepare sectoral reconstruction plans to be presented at a national workshop in March of the same year. One team was tasked with preparing a plan for financial management. The Aceh financial management team made a presentation that called for a consolidated financial reporting system in lieu of on-budget funding as the basis for accounting for restored assets. The team presented simplified diagrams of the complex array of funding channels, proposing that upstream linkages of assets agreed to be restored or rebuilt should be registered in a database that linked the plans and budgets of donors, the government, and final recipients. The presentation received an ovation, but it was not adopted.<sup>13</sup>

The national development planning agency produced a “reconstruction blueprint,” listing thousands of reconstruction tasks in April 2005. Covering more than 1,200 pages, the list had no clear strategy, or even a definition of what constituted the recovery of communities or local economies as distinct from identified tasks. The list soon became outdated as more information became available, but it had been appended to a presidential regulation, becoming the official basis for measuring accountability.

The Aceh-Nias rehabilitation and reconstruction agency (BRR) was established to coordinate reconstruction, and was provided with funds over the following 4 years, covering approximately a third of the reconstruction costs, making the organization both the coordinator and main player. Each year started with a rush for

tenders, pushing inflation, and ended in a rush to complete works, risking quality and compromising fiduciary responsibilities. BRR demanded greater flexibility and prepared budget revisions to cope with changing information and programs of partner agencies. Changes to the budgetary process were proposed after the first annual budget to provide greater budget flexibility and a matching increase in accountability. The Ministry of Finance took an academic interest in the proposals, but they were not adopted.

Because the formal accountability system was inadequate for the task of timely reporting of achievements, BRR created its own system. Public reports that were prepared with wide donor support were presented at public meetings, which encouraged public review and feedback and further commitment of aid. It took several years of continually improving the collection of information before the reports represented an accurate record of performance, and 5 more years to complete the task of registering and transferring assets.

Despite a vast number of challenges on the road to recovery, the overall result was a remarkable success. A strong, informal accountability system not only revealed what went wrong, but also recorded achievements, making it possible to learn how to expedite and assure disaster recovery.

### **International Organization of Supreme Audit Institutions and Integrated Financial Accountability Framework**

In response to concerns about auditing postdisaster assessment in all countries affected by the tsunami, the International Organization of Supreme Audit Institutions (INTOSAI) put together a task force, which discovered that aid flows could not be traced accurately from donors to recipients, noting that the record of the value of humanitarian aid often varied in the financial reports of each party. Hence, audited reports could not be used to hold actors in humanitarian aid accountable for their use of aid.<sup>14</sup>

<sup>11</sup> Law 17/2003 on national financial management.

<sup>12</sup> M. Moore. 2005. Australia, Indonesia clash on aid. *The Age*. 10 March. [www.theage.com.au/news/asia-tsunami/australia-indonesia-clash-on-aid/2005/03/09/1110316092560.html](http://www.theage.com.au/news/asia-tsunami/australia-indonesia-clash-on-aid/2005/03/09/1110316092560.html)

<sup>13</sup> Interview in April 2005 with Zulkifli Hamid, of the Aceh development planning agency monitoring office, who made the presentation.

<sup>14</sup> INTOSAI. 2013. *The Integrated Financial Accountability Framework (IFAF)*. INTOSAI GOV 9250. [www.issai.org/media/79447/intosai-gov-9250-e.pdf](http://www.issai.org/media/79447/intosai-gov-9250-e.pdf)

In 2008, INTOSAI established a working group that established a new set of policies on auditing of disaster responses in October 2013.<sup>15</sup> The focus of these policies was the Integrated Financial Accountability Framework (IFAF), which is a series of simple and standardized tables that all entities involved in relief and recovery fill out, showing all receipts and payments of humanitarian aid. IFAF was intended to be available online, allowing donors, recipients, and citizens to trace aid from the donor to the final recipient and vice versa. For auditors, IFAF establishes an audit trail through multiple entities, enabling the audits of one institution to aid the audits of others, improving the quality of audits and reducing the effort. IFAF also potentially reduces the reporting burden of donors. More significantly, it can help planners by providing information that assists in reducing wastage and improving productivity.

INTOSAI believes that the value gained from IFAF alone is a sufficient incentive for all organizations to comply. IFAF represents the most significantly advanced system so far in terms of promoting overall accountability. But INTOSAI is aware of IFAF's limitations. For example, audit results appear long after valuable lessons can be learned from the available data. Also, IFAF is tied to the US dollar and to a January–December financial year, not the currency and financial year of the nation in which the disaster has occurred. There are several other limitations, but these do not negate IFAF's importance as a useful tool, nor should they prevent it from being immediately and universally adopted.

IFAF is tied to each source of funding, and its starting point is the generosity of each donor. On the other hand, from the perspective of the affected community and national government, the starting point is the scale of the disaster and performance required for recovery, which constantly need to be reassessed. When the need for an asset and a funding source are identified, an agreement is required not only to match the asset and the funding source but also on how the asset and the funding are to be recorded—and that the records match. This requires a system that can assess the full scope of recovery on a constant basis.

## A New Perspective

In every disaster, the accountability system is derailed to the extent that government systems and authority are damaged. For example, the tsunami in Aceh devastated provincial and local governments, and consequently both public authority and accountability. The process of rebuilding authority was immediate and sustained. Government was restored, and peace was attained. But the systems of accountability were rebuilt far more slowly and less convincingly, demonstrating the difficulty of the process and the dynamics and demands of both those affected and the relief and recovery community.

The perspective proposed in this paper is that public accountability itself is devastated by disaster. In this light, reconstruction of public accountability needs to get under way in the immediate aftermath of a disaster. This requires clear principles set out beforehand that will enable the reconstruction of accountability to align with evolving conditions and agreement on who is responsible for what, who has authority for what, and terms of cooperation.

Meanwhile, reporting on issues of accountability needs to continue until full recovery has been achieved. For almost 5 years, BRR produced accountability reports on recovery and accountability. Its reports were not simply concerned with BRR itself, but with the entire recovery effort. After BRR left, the reports stopped. Questions regarding the extent to which Aceh has recovered and whether assets created have been used effectively are impossible to answer in the absence of any organization overseeing ongoing accountability.

To an extent, the parties that rushed to the Aceh disaster zone recognized their shared accountability. They had a sense of belonging to a common venture with the community to achieve relief and recovery. However, this sense of common venture did not evolve into a sense of belonging to an overall relief and recovery entity that would be accountable for recovery. Relief and recovery was a dynamic process, as parties responded to evolving needs, government dysfunction, community trauma, resource scarcities and excesses, agency

<sup>15</sup> Members of the working group came from the supreme audit institutions of Chile, the Republic of Korea, the Netherlands, Norway, and the United States, while 30 others made contributions during deliberations.

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competition, and security risks. If they had formally recognized their efforts as part of a relief and recovery entity, this entity would not have been merely the sum of what they each were doing, which changed every time there was a change in what each party was doing. Rather, the entity would have been their common commitment to recovery, focusing on ultimate performance, and it would have been a driving force that maintained integrity of their efforts that would persist until recovery had been achieved and accounted for.

### Consequences of the New Perspective

The logical consequences of this new perspective are systemic changes to the way recovery work is planned, budgeted, coordinated, and reported, as well as how accountability is assessed. While such changes will benefit the government and donors, the main beneficiaries will be the disaster response and recovery managers, who will be better able to serve those affected by disasters with improved information and faster feedback.

#### Hyperreporting and Creating History

In Aceh and Nias, everyone was far too busy assisting those in need to produce comprehensive formal reports. The people taking notes and photographs, sending text messages and e-mails, and providing advice on probity for the people making decisions amounted to an informal overall accountability-reporting system for disaster relief and recovery efforts. In real terms, this was a form of hyperreporting, providing multiple contributions to the recording of history that may not be found in formal reports.

#### Changing Budgeting and Accounting

Despite the rich flow of information from disaster zones, the only way to link humanitarian accountability with formal accountability is through budgets and accounting. Normal budgeting and accounting systems are rigid. Planning for disaster recovery needs both greater flexibility and clearer accountability. This in turn demands better planning and accounting that is suited to the dynamics of disaster recovery, while still aligned with normal annual budgets and accounts.

Most recovery efforts involve the creation of assets and building the capacity to manage them. The primary concern of budgets and accounting in disaster management should cover agreement on

who creates what asset for whom, how such assets are to be created and transferred to the appropriate recipients, and how recipients build capacity to manage and maintain them.

This goes a step beyond IFAF. The primary concern of IFAF is recording financial transfers, not the creation and transfer of assets. Assets are included in at least two sets of accounts: the accounts of those who agree to create assets, and the accounts of those who agree to receive them. Generally, there is an intermediary agency, as in the case of Indonesia, where foreign donors transferred assets by law to the government, which in turn transferred them to the beneficiaries. Shared accountability relates to how assets and the development of capacity to manage them are planned, agreed upon, valued, and recorded in each account.

#### Forming Disaster Reporting Entities

IFAF requires that data put into IFAF tables by each entity is consistent with its financial reports, and that the auditors of the financial reports also audit IFAF tables. But unless participating entities create reporting subentities, IFAF tables have to be prepared in addition to financial reporting. For effective local reporting of accountability, each agency in the field should be established as a reporting entity, preparing general purpose and special purpose financial reports, such as IFAF tables.

#### Common Accounting Standards

To assure that reports can be consolidated and assets are properly accounted for, all parties should adopt common accounting standards based on the International Financial Reporting Standards or the International Public Sector Financial Reporting Standards, as well as in accordance with the local government's accounting system. It is possible to envisage a global community of stakeholders—particularly the accounting profession—determining such common accounting standards. Such standards would serve as a guide to the practical application of accounting in emergency situations, requiring appropriate inputs and timeliness of reports, as well as the human resources and costs required for preparing them.

#### Accountants, Financial Managers, and Quantity Surveyors

Few accountants or financial managers are currently involved in disaster management. The adoption of IFAF will require many more to be involved. In both

business and government under normal conditions, responsibility for the management of finance is given to qualified financial managers. The same should apply under crisis conditions. Accountants will be needed not just to keep accounts and prepare IFAF tables, but to take responsibility for all fiduciary matters, particularly to provide data to managers of field operations, who need reliable information on progress and projections of costs related to performance in a highly dynamic environment where information can change on a daily basis.

Because much recovery work involves construction, these professionals should join up with quantity surveyors (cost engineers) with proficiency in costing under disaster and resource-scarce conditions.

### Medium-Term Expenditure Framework with Short Budgeting Cycles

Governments and donor agencies have annual budget cycles, many with different starting dates. Annual cycles do not reflect the need of managers for rapid and accurate financial information. Most agencies divide the year into quarters, and produce quarterly progress reviews and reports. A rolling quarterly budget cycle should be formalized in a medium-term expenditure framework. The budget for each asset and for each program of development capacity to manage and maintain assets should roll out for as many quarters as necessary. Every quarter, accountants should close the accounts of the previous quarter to allow planners to prepare a new rolling budget and to concentrate only on updating budgets.

This would also enable quarterly auditing of progress and updating of IFAF tables, providing faster feedback and adaptation of plans in accordance with the realities in the field. A quarterly cycle would have the effect of enabling continual budget reviews, with clear cutoff points that would enable speedier reconciliation of accounts in different entities.

### Sharing Checks and Balances

The system of checks and balances of government works at several levels. In countries like Indonesia,

each commitment is made by one official, checked by another, and paid by a third. On a senior management level, the chief financial officer is responsible for finances, the chief operating officers are responsible for operations, and the internal auditor is responsible for inspections. At the local government level, a council forms policy, local government agencies implement them, and performance of the local government is independently audited. At the national government level, a constitutional separation of powers applies.

No formal government boundaries define the impact area of a disaster, and it is not possible for victims of a disaster to form their own government, parliament, or courts. Even so, shared accountability demands a form of self-government that includes checks and balances at various levels. It is unnecessary for this self-government to be formalized; what is important is that it exists, functions, and is accessible. Construction industry associations can help organize supervision of their members. Banks can provide financial services and data on financial flows and economic recovery. Parliaments can set up special joint oversight committees.

### Further Reading

Active Learning Network for Accountability and Performance in Humanitarian Action. [www.alnap.org](http://www.alnap.org)

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