Title [optional]

1. Introduction

Accountability has gained significant attention in discussions surrounding the legitimacy of international institutions, given the absence of a global democratic system. Global administrative bodies, such as the World Bank and the International Monetary Fund, face criticisms for their perceived accountability gaps. This literature review focuses on the accountability challenges of these institutions, which are supported by affluent nations and provide aid to developing nations (Stewart, 1984).

The dimensions of accountability in the public sector are diverse, ranging from financial and process accountability to performance, program, and policy accountability (Stewart, 1984). Financial accountability, which involves transparency, record-keeping, and financial reporting, is a key focus of this study (Minja, 2013; Nyamori, 2009; Porter, 2009; Rob, Bebbington, & Collison, 2006).

In the realm of corporate governance, the separation of management roles from ownership, as posited by the Agency-Principal theory, marks its inception (Fisher, 2004). The importance of governance, accounting, and accountability in state-owned enterprises (SOEs) and charitable organizations has been highlighted (Dellaportas, Langton, & West, 2012; Grossi, Papenfuß, & Tremblay, 2015). However, the link between corporate governance and accountability in developing countries like Uganda remains underexplored.

Effective governance and management of SOEs are vital for efficient public service provision and budget consolidation (Grossi, Papenfuß, & Tremblay, 2015). Prior studies have established positive associations between audit committee effectiveness and accountability in Ugandan statutory corporations (Bananuka, Nkundabanyanga, Nalukenge, & Kaawaase, 2018), as well as between corporate governance and internal controls over financial reporting in microfinance institutions (Nalukenge, Tauringana, & Ntayi, 2017). Furthermore, governance in founder firms influences learning and capability development through incentives, authority relations, and norms of legitimacy (Gedajlovic, Lubatkin, & Schulze, 2004).

This literature review aims to investigate and analyze the dimensions and significance of accountability in international institutions, public sector financial accountability, and the link between corporate governance and accountability, particularly in developing countries like Uganda. By reviewing existing research and identifying gaps, this study contributes to a better understanding of accountability's implications for organizational effectiveness and societal well-being.

Literature review

Recently, accountability has become an important topic in the discussion about the legitimacy of international institutions. Because there is no global democracy to which organizations must be accountable, global administrative bodies are often criticized as having large accountability gaps. One paradigmatic problem arising in the global context is that of institutions such as the World Bank and the International Monetary Fund, which are founded and supported by wealthy nations and provide aid, in the form of grants and loans, to developing nations.

There are a number of dimensions of accountability of public officials. Stewart (1984) set these dimensions in the form of a ladder which runs from accountability by standards to accountability by judgment. In Stewart's ladder of accountability, there are five steps which translate into five dimensions of accountability. In the first three steps where public officials are required to demonstrate their compliance with statutes while observing recognized prudent practices, there is financial accountability—which is the major focus of this study—process accountability, and performance accountability. The last two steps include program accountability and policy accountability. Accountability should reflect the traditional financial information in addition to outcomes (Dunne, 2013; Stewart, 1984). Financial accountability in the public sector is seen to mean visibility of activities (physical output), record keeping, and financial reports/annual accounts (Minja, 2013; Nyamori, 2009; Porter, 2009; Rob, Bebbington, & Collison, 2006). To accomplish the objective of financial accountability, the Financial Accountability Standards Board (2006) postulates that financial reporting and accounting should communicate information about an entity's financial position as reflected by assets and liabilities, transactions, and other events and circumstances that change them in terms of financial performance and cash flows.

The origins of modern corporate governance can be traced back to a point in time when the role of managing an entity got separated from the ownership and is premised on the Agency-Principal theory (Fisher, 2004). In their study on governance and accountability in Australian charitable organizations, Dellaportas, Langton, and West (2012) document that the public is entitled to receive high-quality financial disclosures from charities. In their guest editorial, Grossi, Papenfuß, and Tremblay (2015) note that corporate governance, accounting, and accountability of SOEs are crucial and growing topics in public management and other research disciplines. The authors further document that public service provision and budget consolidation cannot be realized effectively and efficiently without powerful governance and management of SOEs. Studies that link corporate governance and accountability are evident, though not common, in Uganda—a developing country. Previous scholars document a positive association between audit committee effectiveness and accountability in Ugandan statutory corporations (Bananuka et al., 2018), while other scholars provide evidence on the positive and significant association between corporate governance and internal controls over financial reporting in microfinance institutions (Nalukenge, Tauringana, & Ntayi, 2017). Gedajlovic, Lubatkin, and Schulze (2004) extend an agency perspective on governance to suggest that a particular blend of incentives, authority relations, and norms of legitimacy in founder firms interacts with the external environment to affect the nature and pace of learning and capability development. Corporate governance deals with how the shareholders (principals) incentivize management (agents) to effectively align management goals with shareholder goals and also to ensure that there was adequate information flow to enable proper monitoring and control of management actions (Millson & Ward, 2005).

The standards of corporate governance are determined by the measures which companies take to improve the way they are directed and controlled, and by the legal, financial, and ethical environment in which they work (Cadbury, 2003). Where there is inadequate accountability, resources will be used inefficiently and ineffectively; thus, inadequate accountability can result in devastating consequences for millions of people and compromise the operations of an organization (Eikenberry & Kluver, 2004). Accountability is an obligation to present an account of and an answer for the execution of responsibilities to those who entrusted those responsibilities, the principal/agent relationship (Eikenberry & Kluver, 2004). Accountability forms the basis of trust in organizations, so when accountability relationships are undermined, our trust in organizations is damaged.

Conclusion

In conclusion, accountability has emerged as a critical concern in discussions surrounding the legitimacy of international institutions. The absence of a global democratic framework has led to substantial accountability gaps in these organizations, such as the World Bank and the International Monetary Fund. The dimensions of accountability in the public sector, including financial, process, performance, program, and policy accountability, play a vital role in ensuring transparency and responsible governance.

Corporate governance, rooted in the separation of management and ownership, holds significant implications for accountability. Effective governance and accountability are crucial in state-owned enterprises and public service provision. However, research linking corporate governance and accountability in countries like Uganda remains limited.

It is evident that inadequate accountability can lead to inefficient resource utilization and severe consequences for organizations and society at large. Therefore, addressing accountability gaps is essential for promoting effective organizational performance and maintaining public trust.

This literature review has shed light on the dimensions and significance of accountability in international institutions, the public sector, and corporate governance. By identifying research gaps and exploring these issues, this review contributes to a deeper understanding of accountability's role in organizational effectiveness and societal well-being. Moving forward, further research is needed to develop robust accountability frameworks and practices that can address the challenges faced by international institutions and promote responsible governance worldwide.

4. Resources:

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