

**THE PROBLEM OF MANAGEMENT ACCOUNTABILITY
IN THE PUBLIC SECTOR OF THE UNITED ARAB
EMIRATES (UAE): CASE STUDY OF TWO PUBLIC
SECTOR ORGANISATIONS.**

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A thesis submitted in fulfillment of the requirements for award of
the Degree of Doctor of Philosophy of the University of Hull,
England.

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DECLARATION

I hereby declare that no part of the work referred to in this thesis had been submitted in support or satisfaction of an application for another degree or qualification of any university, and that this thesis had been researched by me for the degree of PhD at the University of Hull, England.

DEDICATION

To my wife, sons and daughters for their great interest and unlimited support and understanding, which gave me the source of strength and inspiration to continue my study, through out the difficult and critical phases of the programme.

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ABSTRACT

This study originates from the search of the author, who himself is a main Agent, as per the Principal-Agent Model developed in the study, for proper Management Accountability in his public sector organization. The problem of low level of Management Accountability in the public sector of the UAE has been pervasive in the sector and raised many questions, the cardinal ones being: why has the situation arisen and what might be done to improve it? These are the main questions addressed in this study. The major objective of the study, therefore, is to identify and evaluate the factors that account for the observed low level of Management Accountability in the public sector of the UAE with the aim of finding an appropriate solution to improve the situation.

To achieve this objective, both secondary and primary data/information were used extensively and intensively with a much heavier reliance on primary data because of the highly qualitative nature of the topic and the lack of appropriate secondary data. Apart from the general questionnaire survey of the public sector, two representative public sector organizations – Etisalat and Ministry of Health – were selected for in-depth study of the subject-matter. Both quantitative and qualitative data were used; the latter was obtained largely through questionnaire survey and personal interviews spread over a period of two years using purposively selected samples (purposive sampling method) from the general public and the case study organizations. Various testing techniques, including Z-test, ANOVA, Correlation and Regression analysis, were employed to test for the validity and reliability of findings of the research. We are confident of the validity and reliability of our results but we do also recognize the limitations of the study, for example, the coverage of the study in terms of the number of organizations researched, for the purpose of generalization.

The main findings of the study are summarized as follows:

- The general public questionnaire survey results confirm that the level of Management Accountability in the public sector of the UAE is lower than the average of similar sectors, for example, in the UK.

- The general performance of the public sector in terms of achieving objectives is below average.
- The performance of the case-study, Etisalat, in terms of posted financial statements is encouraging but this is against the background of very weak competition because of the legislative monopolist status the corporation enjoys in the market. However, the level of Management Accountability in the corporation is less than average.
- Both the general performance in terms of achieving objectives and the level of Management Accountability in the Ministry of Health are below average.
- The causal factors are grouped into three categories: Social-cultural, Organisational and Personal factors. Each group has sub-factors that have differential effects on the confirmed low level of Management Accountability in the sector.

The main recommendation made was that the **Principal-Agent Model** developed in the study should be adopted to streamline and formalize the five relationships involved in the model. The pillars of the recommendation are the legalisation, formalisation and control of the relationships in the model to achieve a higher level of Management Accountability in the sector. The implementation of our recommendation would require a change in attitude, perception and other social-cultural as well as organizational factors.

It would require some will-power and commitment to introduce the changes that might lead to the improvements that are projected in the study. Recent developments in the country, such as the call of the Minister for Information and Culture, for constructive criticism of the activities and performance of government organizations indicates a burgeoning recognition of the problem of accountability in the public sector and the need to address it effectively.

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CHAPTER 1

INTRODUCTION: THE RESEARCH PROBLEM

1.1 INTRODUCTION

The 1970s and 1980s saw the Public Sector and its enterprises and organisations returned to the centre stage of economic policy debate in both developed and developing countries (Ramanadham, 1984; Kaletsky, 1985; Heald, 1986; Killick, 1986;). The debate is particularly poignant in the developing countries where the Public Sector still dominates the economic activity of those countries. In these economies, the sector provides the highest number of jobs, performs both economic and social welfare functions; contributes significantly to the Gross Domestic Product (GDP) and, of course, consumes the highest proportion of the annual budgets. It is not surprising therefore that the sector continues to attract much attention.

The focus of attention has always been on the performance of the Public Sector enterprises and organizations. The resultant debate has two main groups of contenders. One group looks pre-dominantly at the economic performance of the Public Sector enterprises and organizations (Heald, 1986) while the other group emphasizes the social welfare functions of the enterprises (Jones, 1982; Killick, 1986). While the latter group recognizes the economic under-performance of the enterprises compared to the private sector, they argue that the social welfare functions of the sector are satisfactory and compensatory for its economic failures (Kaletsky, 1985). The other group, on the other hand, concentrates on the economic performance of the sector and argues that there is

gross inefficiency in the economic performance of the sector, the social welfare functions notwithstanding. This group argues further that the economic development of a country depends more on the economic performance rather than the social welfare functions of its enterprises and organisations particularly at the early stages of economic development (see Rostow, 1954; Lewis, 1970; Meier & Seers, 1984). They contend that this being the case, the poor economic performance of the dominant sector of the economy (ie. the Public Sector) will have an inevitable net adverse effect on the overall development of the economy. They maintain that Public Sector enterprises have notorious track record of poor performance, ineffectiveness, inefficiency and poor management accountability compared to private sector enterprises.

Despite the intensity of the debate, the fact still remains that sufficient and conclusive data-base has not been compiled to indicate categorically that Public Sector enterprises in all countries and circumstances are inefficient and poor economic performers. More importantly, even if the case of poor performance was established, hard facts on why this is the case seen to be scarce especially in the newly emerging monolithic and homogenous economies such as those of the Arab countries in the region of the Arabian Gulf. This study will consequently focus on the Public Sector enterprises and organisations in one of the countries of the region - the United Arab Emirates (UAE).

1.2 BACKGROUND TO THE RESEARCH

The United Arab Emirates (UAE) is located in the Arabian Peninsula, North of the Equator. It is bordered on the North by the Arabian Gulf and on the West by the State of Qatar and the Kingdom of Saudi Arabia; on the South by the Sultanate of Oman and on the East by the Gulf of Oman. The UAE has a total land area of 83,600 sq. kms with a population of 2.6million inhabitants in 1996. (Department of Planning, 1999)

The United Arab Emirates is a Federation of seven member states - Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Qaiwain, Ras al-Khaimah and Fajairah. The Federation was formally established in December 1971 by the Federation Law 1971 but was not completed until February 1972, when the joining of the seventh member, Ras al-Khaimah, took place (Simon, 1992). The Law established the political structure of the Federation and set up five federal institutions to administer the country.

The first institution is the Constitution, which provides the Legal system of the UAE. A provisional constitution was set up in 1971 when the Federation was formed but after due consultations, the Constitution was ratified and adopted as a permanent Constitution of the UAE in 1996. One of such issues is the imbalance in the contribution of member units to the constitution, even though they are dependent on its resources for development. After much debate, a permanent constitution was approved and established in 1996.

The Presidency is the second federal institution and it constitutes the Government. It consists of the President of the UAE, His Highness Sheikh Zayed Bin Sultan Al Nahyan, the prime minister and vice-president, Sheikh Maktoum bin Rashid al-Maktoum, and the deputy prime minister, Sheikh Sultan bin Zayid al-Nahayan, among others. The position of president is determined by the Supreme Council of Rulers, which consists of hereditary rulers from the seven states. The election process of the president and his deputy takes place every five years.

The National government is represented by the Council of Ministers, and it constitutes the third federal institution of the UAE. Its main roles involve the drafting of federal laws, which include the budget and regulations for implementing the various federal laws. At least one minister represents each state, but senior posts are allocated to the larger Emirates.

The separate Emirates are represented by a national legislature - Federal National Council (FNC) - consisting of 40 appointed members. This is the fourth federal body and its role is purely of a consulting nature. The issues that the FNC can debate are determined by the Council of Ministers.

The Federal Supreme Court is the fifth body to contribute to the political structure of the UAE. On a formal basis, the five judges that make up the Supreme Court presides over any dispute between member Emirates and the federal government, or between member Emirates themselves. The Supreme Court acts as the judicial custodian of federal laws and an interpreter of the provisions made in the constitution.

The UAE economy depended very heavily on Oil revenue and trade activities in the 1970s and 1980s. Since 1991 the heavy dependence upon Oil revenue has, on average, declined as a result not only of the decline in oil prices but also the policy of diversification of the sources of income of the country away from Oil exports. In fact, in 1991 Oil revenue accounted for only 35% of the Gross Domestic Product (GDP) compared to 65% in the 1970s (Dept. of Research & Studies, 1996). A similar downward trend is evident in the contribution of oil revenue to total government revenue and public expenditure. In 1994, for example, oil revenue represented 77% of the total government revenue and 55% of total public expenditure but this declined to 75% and 53% respectively in 1995 (Central Bank of UAE, 1996). The policy of diversification of sources of income seems, therefore, to be working successfully.

The end of the Gulf War in early 1991 paved the way for economic recovery in the UAE. Business confidence was boosted by the Government's determination to press ahead with several large-scale energy-related projects. The Government also announced a plan to spend some Dh 25 billion in the 1991-94 period not only on Oil projects but also on non-Oil infrastructural development.

The Gulf crisis (from August 1990 to February 1991) resulted in minimal adverse effects. Like other Gulf States, the UAE suffered from a temporary capital outflow and a sudden drop in tourist arrival; but both sectors have since recovered. A number of public sector projects were suspended, signalling a marked downturn in the construction industry which

experienced a boom before the crisis. The Oil industry, however, benefited from the crisis: revenue rose by about 50% in 1990 compared with the previous year. This is the result of higher prices and increased output. Despite the disruption caused by the war, the UAE gross domestic product (GDP) in 1990 was estimated by the International Monetary Fund to have grown by 23.5% in nominal terms. The outlook of the future of the UAE economy is thus optimistic.

The UAE is an active player on the international scene and is very keen on keeping its relations with friends in the Gulf, the Arab world and elsewhere strong. This has been reinforced through past experience concerning its relationship with other oil producing nations and the conflicts that can occur in the production of oil. As a member of the Gulf Co-operation Council (GCC), the Arab league, the Organisation of Petroleum Exporting Countries (OAPEC) and the non-Aligned Movement (NAM), the UAE is committed not only to developing its economy but also to supporting the course of the various organisations in which it remains a member. Its oil wealth provides the means for supporting such a huge expenditure programme while the public sector provides the channels through which the country meets most of its obligations to internal and external demands.

1.2.1 The Public Sector

Until 2 December 1971 when the Federation of the UAE was established, there was no formally structured or defined public versus private sector divide in the country. There was rather a fusion of both sectors with the Oil industry, which was owned and controlled by a

Western Consortium led by British Petroleum and Shell, dominating the economic landscape of the country. A burgeoning utilities industry including Water, Telephone, Electricity and Wireless, which were themselves owned by either national businessmen or foreigners (mainly British firms) intermingled with the private enterprises

After the formation of the Federation in December 1971, the government set out to restructure the foundation of the economy and thus established the formal divide between a public sector dominated by government ownership and control and a private sector dominated by private enterprise. This was done within the comprehensive economic development plan of the government that was formulated in 1973. (Economist Intelligence Unit, 1993)

However, in 1968, the then government of the Emirate of Abu Dhabi had set up the first joint stock company, the National Bank of Abu Dhabi, to operate as a partially State owned enterprise followed by the acquisition of 25% in Gulf Aviation Company that became Gulf Air in 1974. In 1976 the Federal government established the Emirates Telecommunications – ETISALAT – as partially State owned enterprise. These acquisitions were made within the government strategy of enhancing the establishment and development of the public sector to serve development projects in the country. In the late 1970s and 1980s, the number of public sector enterprises increased substantially along with private sector firms. The rapid growth in the number of enterprises in both the public and private sectors was the logical consequence of the fast and massive economic development progress that took

place within the period and up to the early 1990s. This rapid growth resulted mainly from the intervention of the government in the economic welfare of the nation in order to promote faster socio-economic development programmes to satisfy increasing demand for public goods and services as well as modernising and expanding the productive capacity of the economy.

The public sector in the UAE comprises mainly of government Ministries/Departments, state part-owned companies and public enterprises (trading units). The public sector is dominant in the economy of the UAE and contributes substantially to the socio-economic welfare of the country. For example, the Government Departments within the sector employed about 215,000 persons out of a total national labour force of 955,100 at the end of 1995, representing 22.5% of the labour force in that year. In comparative terms, the number employed by the Departments increased from 168,471 persons in 1985 to 215,000 in 1995; an increase of 28% over the ten year period (Central Bank, 1997). Foreign expatriates and migrant workers dominate the labour force in the public sector and, indeed, the private sector. In recent years, however, the number of UAE nationals in the labour force has increased respectably largely because of better education, increase in the number of school leavers and change in the attitude of women toward working in state run establishments. In 1985, for example, 33,700 UAE nationals were employed in Government Departments out of a total employment of 168,471 compared with 43,000 out of 215,000 in 1995; an increase of 28% over the period (Dept. of Research & Studies, 1996). Similarly, the public sector contributes substantial amount of income to the coffers

of the Treasury annually. In the fiscal year of 1996, for instance, the revenue generated by the public sector amounted to 31% of the total government receipts in that year.

Thus, despite its modest start, the public sector in the UAE has assumed, within a short period of time, the traditional dominance of the socio-economic activity of the country, as is the case in other countries particularly the developing countries. The sector has been very important in financing and supporting various economic activities particularly those activities that are considered as providing the infrastructure of the economy such as roads, power, water and schools.

Despite its contribution in the economy, the public sector and its dominance of the socio-economic activities of the UAE has raised increasing concern among the consumers of the goods and services of the sector, academics and even government officials about accountability, performance and efficiency of the sector. It is generally argued that the performance of the sector in terms of set and realized objectives often diverge in spite of the availability of financial resources. The enterprises in the sector are seen as ineffective in the achievement of objectives and inefficient in the use of resources. The public has placed these failures and shortcomings at the doorstep of poor management performance in the public sector especially poor management accountability for the use of the vast amount of resources put in the sector.

1.3 THE RESEARCH PROBLEM

While the concern and criticism of the public is understandable, the question still remains as to prevalence of poor performance and management accountability in the public sector. As an Executive Accountor¹ in one of the public sector organizations in the Emirate of Abu Dhabi, one has encountered the concerns of the public in the sector and has no reason to suggest that accountability in the sector is anything to write home. It is an existing and real problem in the public sector. However, the researcher's observation is not sufficient enough to conclude *a-priori* that poor performance as well as poor management accountability is prevalent in the UAE public sector. We decided to conduct an exploratory research to establish a basis to justify the observation of the researcher and the concerns of the public. The results of the research conducted through personal interviews in early 1998 using a structured grading scale (column 1) are reported in Table 1.1.

As can be seen in the Table, we chose seven main public services organizations and asked a randomly selected twenty (sixteen co-operated fully) members of the public to assess the performance of the organizations in terms of their (respondents') level of satisfaction or dissatisfaction with the level of management accountability in the organizations.

¹ The researcher is currently the Under-Secretary of the Abu Dhabi Finance Department, an equivalent of Permanent Secretary in the British Civil Service.

Table 1.1

Exploratory Research Results: Level of Satisfaction with Public Sector Performance

| Level of Satisfaction | Min. of Labour | Telecom. Etisalat | Min. of Education | Immigration | Min. of Health | Water & Electricity | Municipality |
|-----------------------|----------------|-------------------|-------------------|-------------|----------------|---------------------|--------------|
| Very satisfied | 0 | 3 | 0 | 1 | 1 | 1 | 0 |
| Satisfied | 4 | 7 | 4 | 4 | 3 | 4 | 4 |
| Indifferent | 5 | 3 | 6 | 5 | 4 | 5 | 6 |
| Dissatisfied | 5 | 3 | 5 | 5 | 6 | 5 | 4 |
| Very dissatisfied | 2 | 0 | 1 | 1 | 2 | 1 | 2 |
| Total Sample | 16 | 16 | 16 | 16 | 16 | 16 | 16 |

The clear message from the results is that the satisfaction level of the public with the performance of the public services organizations surveyed is well below average except the Telecommunication monopolist, ETISALAT, whose performance rating is well above average.

Taking the “Indifferent” rating (i.e. average rating) as the divide between satisfied and dissatisfied, it can be seen that the ratings below average are 7 respondents for Ministry of Labour, only 3 for Etisalat, 6 for Education, 6 for Immigration, 8 for Health, 6 for Water & Electricity and 6 for Municipality. In contrast, the number of respondents who rated the performance above average is less than 6 in each case except Etisalat, which had a

staggering 10 respondents. The conclusion of our exploration research is that the concerns of the public and the observation of the researcher are real.

This result in support of the concerns and criticisms of the public has triggered the desire to carry out a thorough research to determine why there is poor management accountability in the public sector of the UAE. Other complementary questions that emerge from this are:

- a) What are the factors that account for the low level of management accountability?
- b) What is the degree of influence of each of these factors upon the observed situation?
- c) What can be done to make the Public Sector enterprises in the UAE more accountable and efficient?
- d) How can this be done given the resource constraints of the country?

These questions provide the main thrust of the research. Two of the public sector organisations in our exploratory research – Etisalat and Ministry of Health – have been selected for use as the cases for the study. The main justification for this choice can be seen in the results in Table 1.1. While our sample respondents rated Etisalat as the best performer among the seven organisations, the Ministry of Health was similarly rated as the worst performer by the same sample. It is logical, therefore, to use these two organisations as our case study enterprises not only because of the ratings but also because of the

constraint on the number of cases to study deriving from financial, time and other resources limitations. Chapter 4 will touch on this issue later.

It is also worth noting that though there is a considerable amount of work done with regard to the performance of public sector enterprises in both developed and developing countries, no specific research on management accountability and performance of public sector enterprises in the UAE has been undertaken. The need to carry out this research is thus evident and justified.

1.4 RESEARCH OBJECTIVES

The main objectives of this study, therefore, is to identify and assess the factors that account for poor management accountability and inefficiency in the public sector enterprises in the UAE with the aim of recommending appropriate solutions. This objective is disaggregated into the following more specific sub-objectives. The study intends:

- a) To examine the performance, particularly in terms of management accountability, of public sector enterprises in the UAE using case studies;
- b) To identify the factors that are largely responsible for the low level of management accountability in the public sector of the UAE.
- c) To assess the degree of influence of the factors contributing to the low level of management accountability in the sector; and,

- d) To develop an appropriate model for improving management accountability in the UAE and, indeed, in other countries with similar environment and problems.

1.5 USEFULNESS OF THE STUDY

The outcome of the study will help the government of the UAE to formulate the right policies in connection with the performance and accountability of public sector enterprises. The model developed will provide a practical approach to ensuring a much higher level of management, and, indeed, other forms accountability in the sector. This helps to reduce the current high level of resource misuse and wastage as a result of poor accountability. Besides the government, investors and the public generally will benefit from the outcome of this study especially those stakeholders who have direct interest in the target companies – Etisalat and the Ministry of Health. However stakeholders will also use the finding to correct any adverse variances that have caused unsatisfactory results.

On the other hand students and academics will use the outcome of the study, particularly the model that is developed, for further research. Both Accountors and Accountees will derive much benefit from this study to improve their performance and accountability. Thus, the nation will be better off from the results of this study if implemented conscientiously.

1.6 DEFINITION OF TERMS

Often terms mean different things to different people and terminological ambiguity produces protracted arguments that lead to a waste of time and other resources. It is necessary therefore to define some of the main terms that are used in this study. The following terms are thus defined for the purpose of clarity in this study.

1.6.1 Accountability

Paul, as quoted in Levaggi (1995), defined accountability as "Holding individuals and organisations responsible for performance measured as objectively as possible". On the other hand, Jackson (1982) focused his definition on how to be accountable. "Basically accountability involves explaining or justifying what has been done, what is currently being done and what has been planned. Accountability arises from a set of established procedures and relationships of varying formality. Thus, one part is accountable to the other part in the sense that one of the parties has the right to call upon the other to give an account of his activities. Accountability therefore involves the giving of information" (Jackson, 1982). Based on these definitions, there are two key elements in the concept of accountability: the need for information and judgment concerning decision-making. Accountability thus requires that managers/officials of public sector enterprises to be responsible and accountable for their decisions and actions.

Politicians and civil servants are supposed to be accountable for policy decisions they make much as the management of the enterprises are accountable for their action. However these sets of accountabilities need ways of measuring performance. Because

the ultimate goal of accountability is to secure a technical and allocative efficiency as conditions for the economy to reach Pareto - optimal point - accountability structure is needed in the absence of or due to failure of perfect market structure, which is the case for public sector monopolies. This topic of "Accountability Concept" is elaborated in chapter 3.

1.6.2 Efficiency:

This concept has been defined by the Australian Accounting Research Foundation as "The use of financial, human and physical resource such that output is maximised for any given set of resources inputs or input is minimised for any given quantity and quality of output" (see, McCrae and Vada, 1997). Generally, efficiency may be classified into two types: productive and allocative efficiency. Productive efficiency is measured by the average cost of producing goods and services whereas allocative efficiency is measured by the extent to which the economic system produces that mix of goods and services that reflects the preference of consumers as expressed by their consumption decision.

Efficiency and economy seen as concepts compliment each other in operation. In a free market both types of efficiency exist. Competition forces producers to reduce prices while consumers' choice influences producers and their decision about what to produce and sell. When there is a market for the goods and services of public sector enterprises, economic and productive efficiency is taken care of. Competition would force producers whose costs are high to reduce them or they would be squeezed out of the markets. There may therefore be no need for independent measures or analysis of such costs, but there

may be a need for a target measurement for the use of resources such as return on capital employed. However where there are no markets for the products, public accountability for the use of resources would be required of those who have been entrusted with the stewardship of public money. The management of the enterprises must demonstrate how well the money is spent hence measurement and reporting efficiency and effectiveness are essential part of public accountability which is needed to be independently validated and monitored.

1.6.3 Effectiveness:

Following the Australian Accounting Research Foundation, we define effectiveness as "The achievement of the objectives or other intended effect of progress, operations or activities" (see, ibid.). As stated by Pendlebury and Schreim (1990, p.117), for many public enterprises effectiveness is difficult to determine, as objectives are often imprecise and ambiguous. They state that, "The effectiveness of many public services is, of course, difficult to determine. Objectives are often imprecise and ambiguous, and even if they were not, their achievement will frequently be impossible to measure. Under such circumstances the evaluation of effectiveness is an inherently subjective process and the appropriateness of involving auditors has always been a matter for concern"(Pendlebury and Schreim, 1990, p.117).

1.7 LAYOUT OF THE STUDY.

Chapter 1: Introduction: The Research Problem

Chapter 1 identifies the research problem, sets the objectives to direct the study and gives a summary layout of the study.

Chapter 2: Theoretical Issues on Public Sector Economics

This chapter reviews the literature that is relevant to our research topic in order to develop an appropriate theoretical framework for the research project. The concentration here, however, is on public sector economics and its contribution to an understanding of the operation of public sector enterprises. The literature reviewed includes market structures, the Bureaucracy Model, Public Choice Theory and the Principal-Agent Relationship Theory.

Chapter 3 Theoretical Issues in Accountability

This chapter focuses on discussing the concept of accountability and its various dimensions. Definition of the concept is discussed in greater details in this chapter. The nature of accountability in public sector organizations is explored leading to a discussion of the Generalised Theory of Accountability. The framework of analysis for the study is discussed in this chapter.

Chapter 4 Research Methodology

This chapter discusses the methods used in conducting the research. We employed exploratory, secondary and primary research methods to investigate the problem and

obtain the required data for our work. Problems encountered during the research and the ways these were resolved are also be explained.

Chapter 5 The Politico-Economic Structure of the UAE

This chapter provides general overview of the UAE economy with an emphasis on the Emirate of Abu Dhabi so that a full picture of the macro background to the study may be given.

Chapter 6 The Public Services Sector of the UAE

This Chapter gives an overview of the public sector in the UAE, particularly that of the Emirate of Abu Dhabi. This provides a background to the case-studies. Using mainly survey research findings, an assessment of the general level of performance and management accountability in the sector is made and discussed.

Chapter 7 Case Study 1 : The Telecommunications Corporation (Etisalat)

This chapter gives details of the background of Etisalat and the services it provides. Other relevant operational details are discussed and an assessment of the operational effectiveness and the level of management accountability in the Corporation are made, discussed and analyzed using mainly primary research results. Some comparisons with British Telecommunication (BT) are made.

Chapter 8 Case Study 2: The Ministry of Health

This chapter discusses the operation of the Ministry of Health. Again the objective here is to show whether the Ministry as a public sector organization has been efficient in terms

of its general performance and management accountability. Comparisons with the British National Health Services are made and discussed.

Chapter 9 Factors Constraining Management Accountability

This chapter will highlight the comparative results Etisalat and the Ministry of Health as a prelude to identifying the factors responsible for the level of Management Accountability established through our research results. International comparisons particularly from the UK are made and discussed.

Chapter 10 Analysis of Effects of the Constraining Factors

This chapter analyzes the factors identified as the main constraints on the level of management accountability in order to establish their differential influences. Various techniques of analysis are employed to get best results.

Chapter 11 Recommendations

In chapter 11 a model is developed and recommended for resolving the problem of low level of management accountability in the UAE public sector. How to implement the recommendations are explained here. Other recommendations obtained from our empirical research results are also discussed.

Chapter 12 Conclusion.

The work is summarized; the main findings briefly restated with a concluding remark. Areas for further research are identified.

CHAPTER 2

**THEORETICAL ISSUES ON PUBLIC SECTOR
ECONOMICS**

2.1 INTRODUCTION

This chapter reviews some of the main theoretical issues in public sector economics. It focuses on the development and failure of market-based competition in the sector and the alternative provisions of Bureaucratic structure, Public choice framework and the Principal/Agent theory as means of ensuring accountability in the sector. Market-based competition provides a mechanism for allocating resources. Perfectly competitive markets, according to neo-classical economics, provide the most efficient means of resource distribution, but internally public sector organisations are subject to substantial state intervention and thus the neo-classical style competition does not apply (Turner and Hulme, 1997). The reasons often given for such extensive intervention relate to market failure in relation to the neo-classical model and equity considerations (McGuire et al., 1988; Donaldson and Gerard, 1993). Such a failure provides an incentive to search for an effective alternative model that provides an efficient method of accountability in the allocation of resources in the system. Thus, as Levaggi (1995) argues, an accountability structure is needed in the absence of or due to a failure of a perfect market structure in a neo-classical definition. The ultimate goal of accountability is, in fact, to secure technical and allocative efficiency, a necessary condition for the economy to reach a Pareto-optimal point. This is the view espoused in this review of theoretical issues and we begin with looking at the market-based competition models.

2.2 FORMS OF ECONOMIC SYSTEMS

There are various forms of economic systems and each has its distinct characteristics.

Generally, countries are free to choose an economic system that they find suitable to their social and political needs. The main economic system can be grouped into three:

- a) **Market economy** where consumer demands determine the patterns and volume of supply and market forces – the interaction of demand and supply of goods and services, which in turn determine price of goods/services within the market. The U.S. economic institutions actively pursue this type of system.
- b) **Mixed economy** where private and public sector industry co exist as partners and the government intervenes in the economic system when it feels politically appropriate to do so. This type of system is practised in European countries and some developing countries.
- c) **Centrally planned economy** where the state owns all the means of production and distribution and the government decides what to produce; and at what price and for whom. This type of economic system is still operative in Cuba and North Korea even though the old communist bloc had abandoned it wholly or partially.
(Trotman – Dicknson, 1996)

Within a chosen economic system there will be either one single market or many kinds of markets and each market system has different market structures and operates under different conditions. For example, free market economy and mixed economy as a forms

economic system behave differently from centrally planned economic system. The former system distinguishes between firms operating in the markets depending on their competitive power and influence but the latter does not provide for competition. Whatever economic system a country chooses, the basic elements of the neo-classical economic models still apply in various forms.

2.3 MODELS OF MARKET STRUCTURE

There are mainly four models of market structure – perfect competition, monopolistic competition, oligopoly and monopoly – and these are reviewed briefly here.

2.3.1 Perfect Competition Model:

In the perfect competition market structure, it is price, reflecting supply costs and demand values that motivate suppliers and consumers to allocate and utilize resources efficiently. In this market, the manager has no power over price, being compelled to accept the prevailing one, since price is determined by the interaction of all buyers and sellers. The typical industry demand curve and that of the firm in a perfectly competitive market structure are very distinct. In fact, a major distinction between firms operating in a perfectly competitive market and those operating in any other type of market is in the shape of the firm's own demand curve.

A diagrammatic representation of the demand situation described above is given in Figure

2.1:

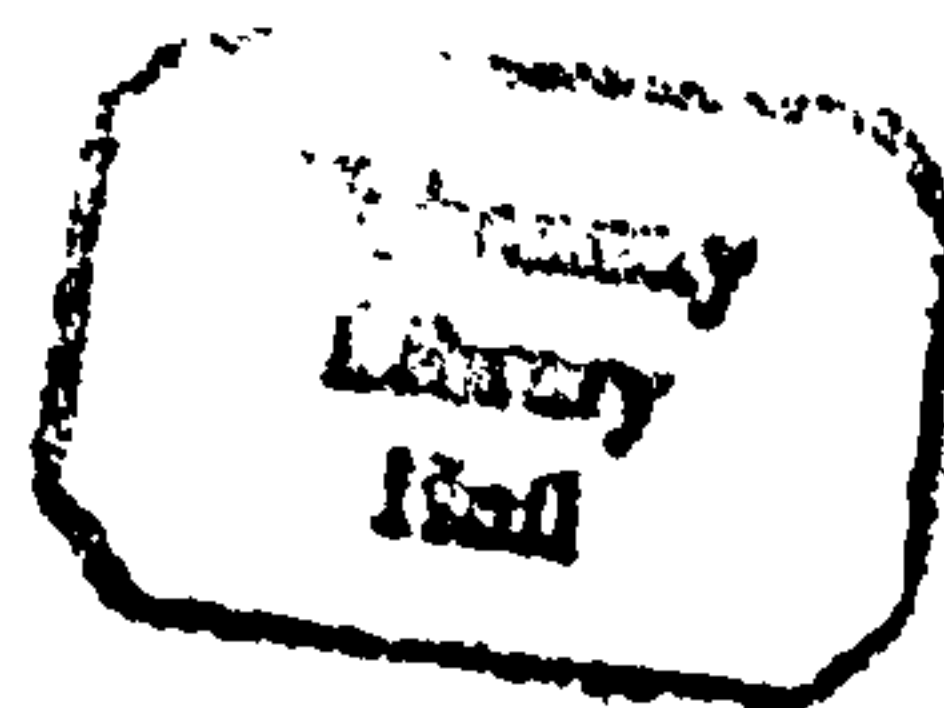
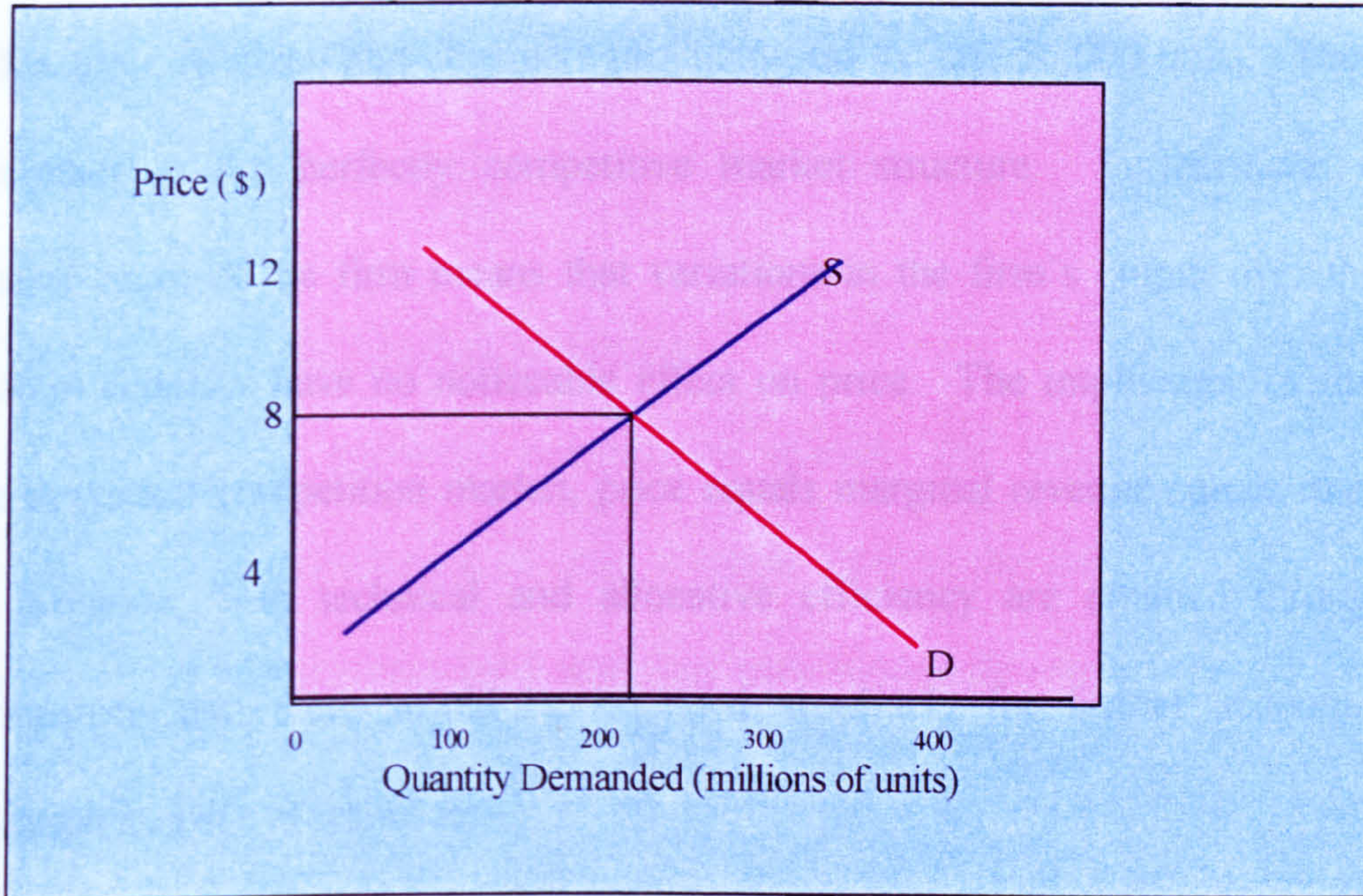


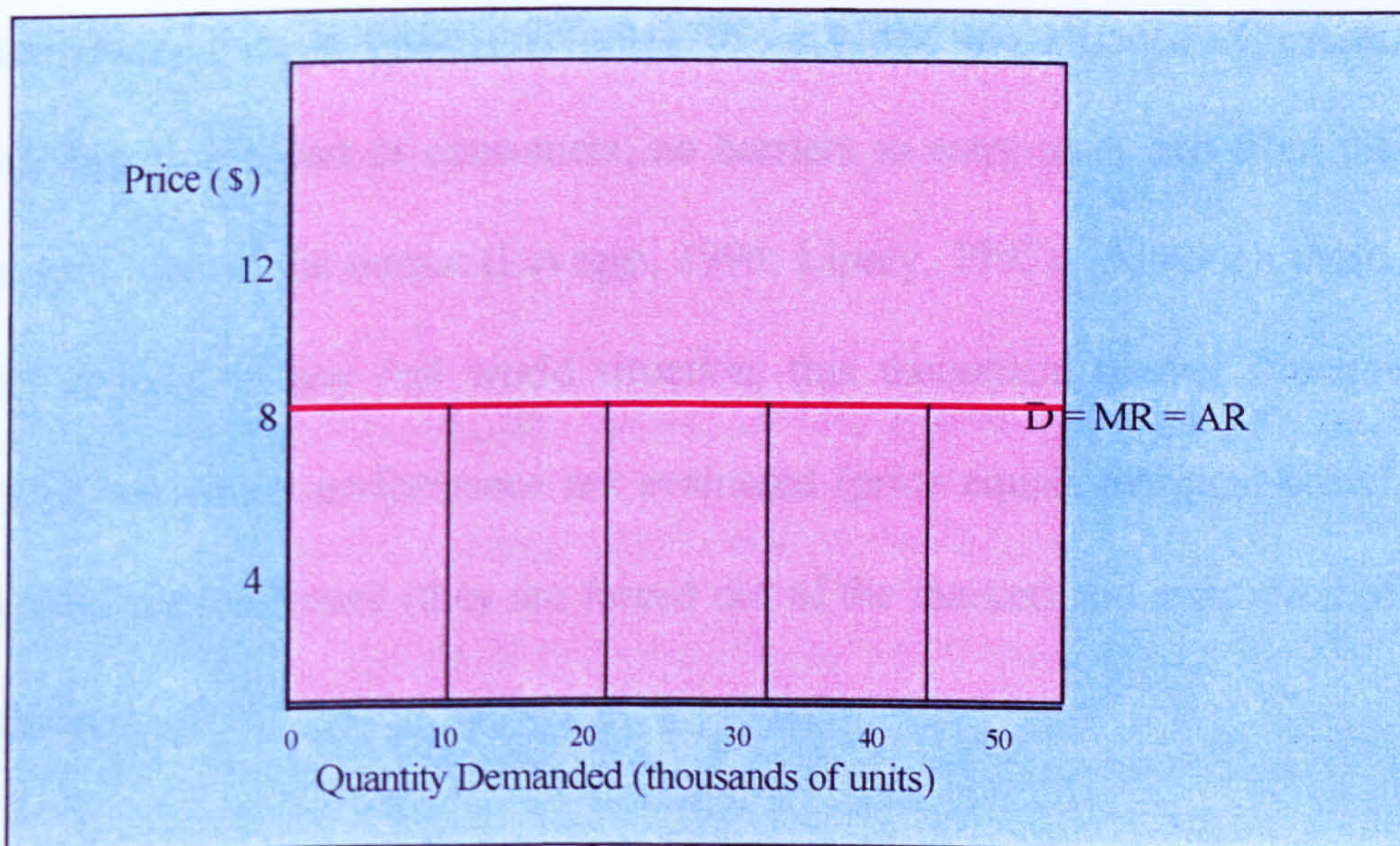
Figure 2.1

Perfect Competition: Industry and Firm demand curves

a) Industry Demand Curve



b) Firm's Demand Curve



As can be seen in Figure 2.1, the industry's demand curve is negatively sloped while the firm's demand curve is virtually horizontal (perfectly elastic). The competitive industry has output of 200 million units when the price is \$8 while the individual firm takes that market price as given and considers producing up to, say, 50,000 units. The firm is thus a price-taker in the perfectly competitive market structure. Furthermore, the horizontal demand curve of the firm means that variations in the firm's output over the range that it needs to consider have no noticeable effect on price. The implication of this is that for a firm in perfect competition market, price equals marginal revenue equals marginal cost. In this situation, both technical and allocative efficiency are attained through the market mechanisms and there would be no need absolutely for further accountability for the allocation and use of resources.

The perfect competition model is built on some conditions. The major conditions (assumptions) include those that relate to certainty, the absence of externalities, perfect knowledge on the part of consumers, no barriers to entry to or exit from the market and a clear definition of the output (Levaggi, 1996; Lipsey, 1995). Although these conditions are hardly attained in any real world situation, this theoretical market structure provides the standards on which performance are evaluated (price equals marginal costs); sanctions for those who are inefficient (they are forced out of the market) and a standard of quality for all to achieve.

These standards, however, have hardly been attained anywhere and certainly not in the highly competitive market situations in the world. As stated earlier, the failure of the perfect market structure in a neo-classical definition or the absence of it has led to the emergence of other market structures that attempt to provide some sort of accountability for the allocation and utilization of resources in the market.

2.3.2 The Monopoly Market Structure

In contrast to the perfectly competitive market, the monopoly market structure is characterised by the existence of only a single firm in the industry which is able to raise price above the competitive level and thus earn monopoly (super normal) profits (Sloman, 1997; Lipsey, 1995; Ellwood, 1996). However, Baumol and Blinder (1997) think there two distinct types of monopoly:

- a) **Pure monopoly** which they defined as *“an industry in which there is only one supplier of a product for which there are no close substitutes and which is very hard or impossible for another firm to co-exist”* (p. 256); and
- b) **Natural monopoly**, defined as *“an industry in which advantages of large scale production make it possible for a single firm to produce the entire output of the market at lower average cost than of number of firms each producing small quantity”* (p. 258).

A **pure monopoly** does not exist in the real world (even in the telecommunication sector) whereas **natural monopoly** does exist in most economies often through the support of government of the country as in the case of public sector enterprises.

The demand curve of the monopoly firm has a negative slope unlike the firm in a perfect competition market. As a result, the monopoly firm's marginal revenue is less than the price at which it sells its product (see, Figure 2.2). That is, the monopolist must lower its price in order to sell an extra unit.

Figure 2.2 shows that in a monopoly market structure, when total revenue (TR) is rising, marginal revenue (MR) is positive and demand is elastic. When TR is falling, MR is negative and demand is inelastic. It also shows that TR is highest at the point of unit elasticity and MR equals zero.

The profit-maximizing monopolist produces at the point where marginal cost equals marginal revenue:

$$MC = MR \dots\dots\dots 2.1$$

Figure 2.2

MONOPOLY FIRM DEMAND CURVE

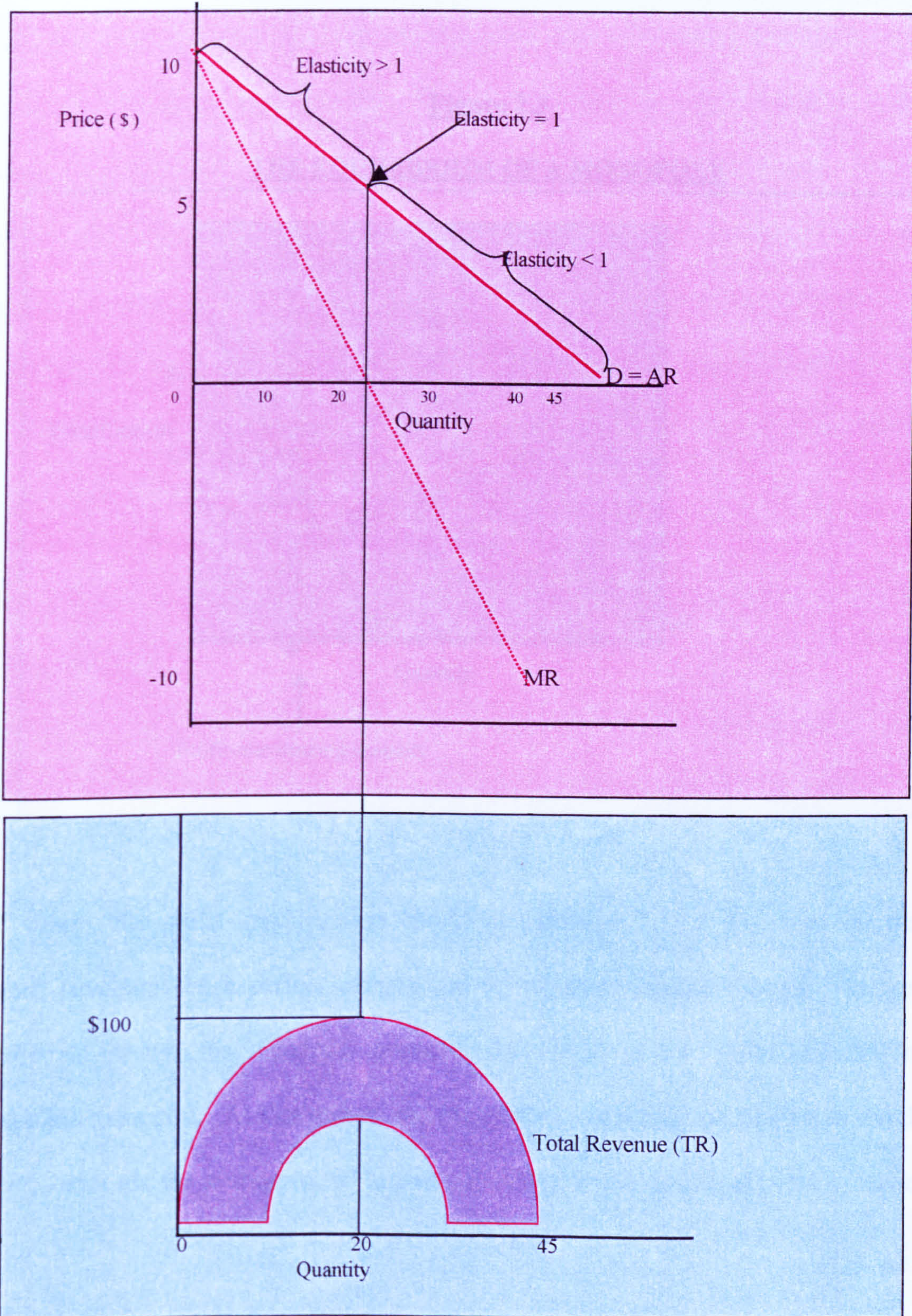
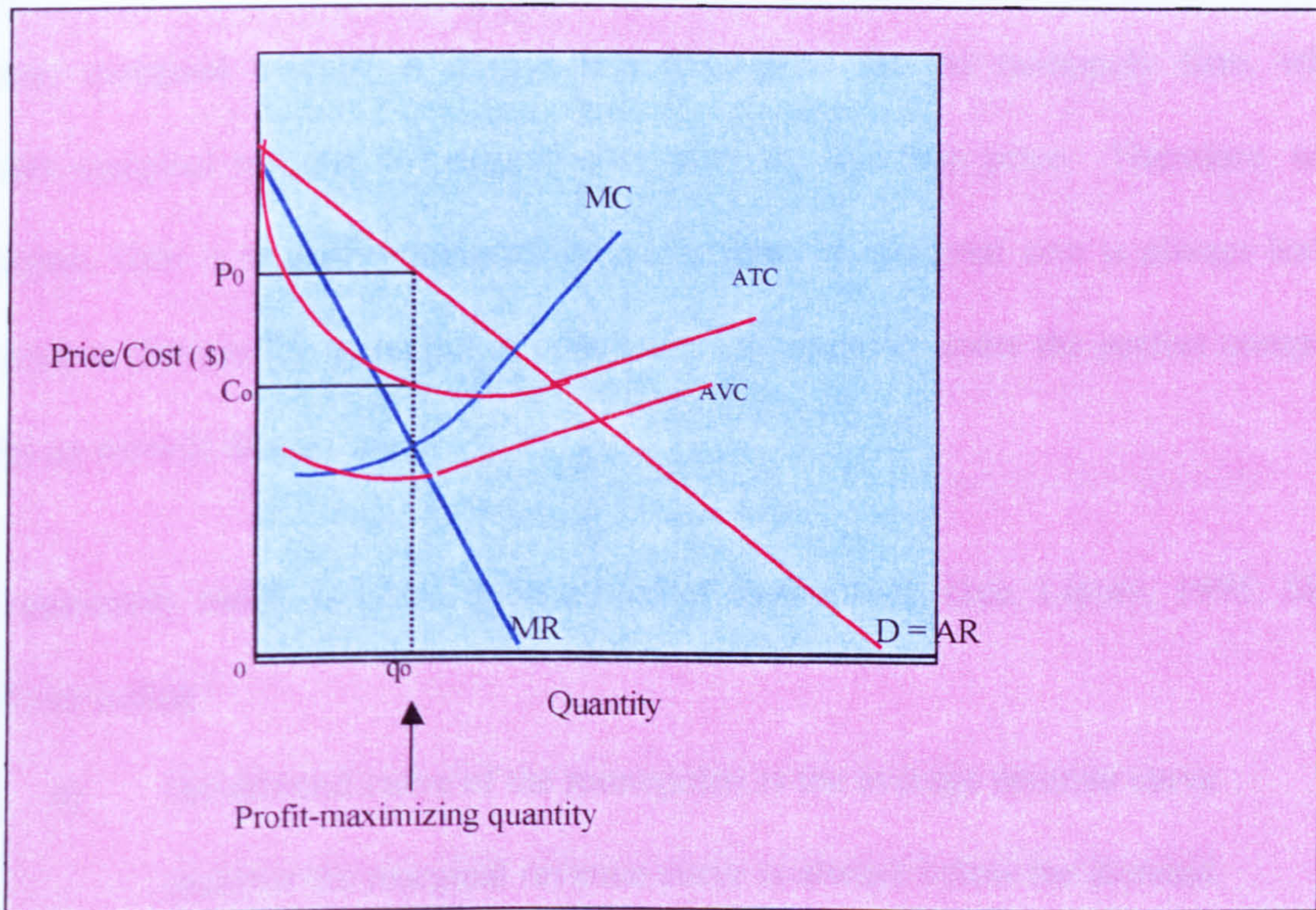


Figure 2.3 demonstrates the profit maximization equilibrium position of the monopoly firm applying condition (equation 2.1) above.

Figure 2.3

THE EQUILIBRIUM OF A MONOPOLY



Of course, the profit maximization condition (equation 2.1) is true also for the other market structures, be it perfect competition or imperfect market structure. However, as Figure 2.3 shows, the monopoly produces the output q_0 for which marginal revenue equals marginal cost. At this output, the price of p_0 – which is determined by the demand curve – exceeds the average variable cost. Profits per unit are the difference between the

average revenue of p_0 and the average total cost of c_0 . Total profits are the profits per unit of $p_0 - c_0$ multiplied by the output of q_0 , which is the light turquoise area.

Thus, when the monopoly firm equates marginal cost with marginal revenue, it reaches the equilibrium shown in Figure 2.3. That is, the output for which marginal cost equals marginal revenue ($MC = MR$) and the corresponding price to that output. Notice that, because marginal revenue is always less than price for the monopoly firm, when it equates marginal revenue to marginal cost, both are less than price. Therefore, when a monopoly firm is in profit-maximizing equilibrium, its marginal cost is always less than the price it charges for its output in contrast to the situation under the perfect competition model as we will discuss later.

The monopoly model is based upon a host of assumptions (see, Lipsey, 1995; Sloman, 1997) including:

- a) the demand curve of the monopolist is the average revenue curve and that the marginal revenue curve is always below the demand curve meaning that marginal revenue is less than price.
- b) Monopoly maximises its profits by setting the output where $MR = MC$ and the price is higher than MR and AC .
- c) Under monopoly the firm and the industry are the same entity.
- d) Monopoly does not have a supply curve.
- e) The demand curve of a monopoly has a negative slope.
- f) Monopoly always wishes to maximise profits.

These assumptions contrast with those of perfect competition and thus raise questions about the efficiency of the monopoly model as an alternative mechanism for accountability in the allocation and utilization of scarce resources.

In addition to the assumptions, various privileges and barriers sustain monopoly power.

These include among others (see, Ibid.):

- i) Legal protection provided by government which might restrict entry into the market, e.g. in the Postal Services and Telecommunications;
- ii) Patent grant by governments, which provide exclusive rights of productions of a product for a period of time to investors, e.g. pharmaceutical companies to produce innovative medical products;
- iii) Control of scarce resources or inputs, e.g. diamonds in South Africa;
- iv) Self erected barriers to entry through, for example, aggressive advertising campaign for their products through spending a vast amount of money thus making it very difficult and hard for new companies to establish themselves in the market;
- v) Large sunk investment costs in the business operations and technical superiority deriving from the possession of technological expertise, which is well ahead of competitors in the short run;

- vi) Economies of scale deriving from cost and operational advantages.

In many situations these barriers have not only sustained monopoly but also enabled the firms to earn *super abnormal profits* (Turner and Hulme, 1997). For an economy to secure technical and allocative efficiency in order to reach a Pareto-optimality (a condition for effective accountability), these legal and artificial barriers must be dismantled.

2.4 OTHER MARKET STRUCTURES.

Some other market structures, which are classified as imperfect competition, fall between the ideal-types – perfect competition and monopoly. The markets include monopolistic competition (developed by Edward Chamberlin in the 1930s) and oligopoly market structure.

2.4.1 Monopolistic Competition:

Monopolistic competition is a situation where there are many firms competing in the market but where each firm does have some degree of market power in terms of being able to determine what price to charge for its product.

The monopolistic competition model is based on the following assumptions:

- a) There are quite a large number of firms and, as a result, each firm has an insignificant small share of the market; and its actions will not affect its rival to any great extent;
- b) There is freedom of entry of new firms into the industry;
- c) Unlike perfect competition each firm produces or provides products/services in the some way different from its rival. As a result of such differentiation the firm can raise its prices without loosing all its customers;
- d) Even though there are many firms in the industry there is only one firm in a particular location under monopolistic competition.

Given these assumptions, the firm in a monopolistic competition has a demand curve with negative slope (see Figures 2.4A & 2.4B).

The negative slope of the demand curve suggests deviation from the horizontal demand curve facing the firm in perfect competition. This is because of the nature of the monopolistic market which allows some differentiation of product/service to influence the market and hence the technical and allocative efficiency of the market. Given this, monopolistic competition is itself not an efficient accountability model.

Figure 2.4A

SHORT-RUN EQUILIBRIUM IN MONOPOLISTIC COMPETITION

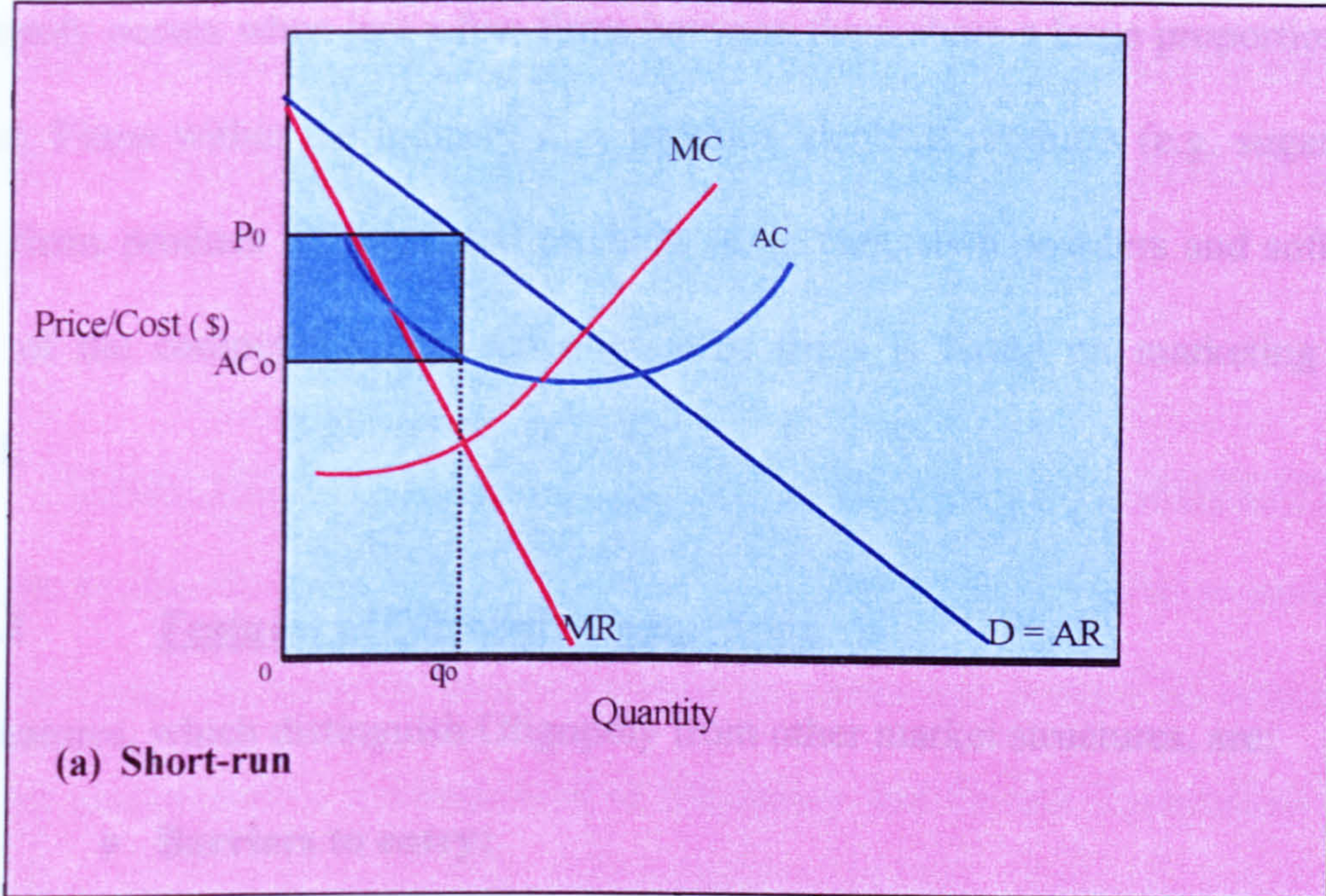
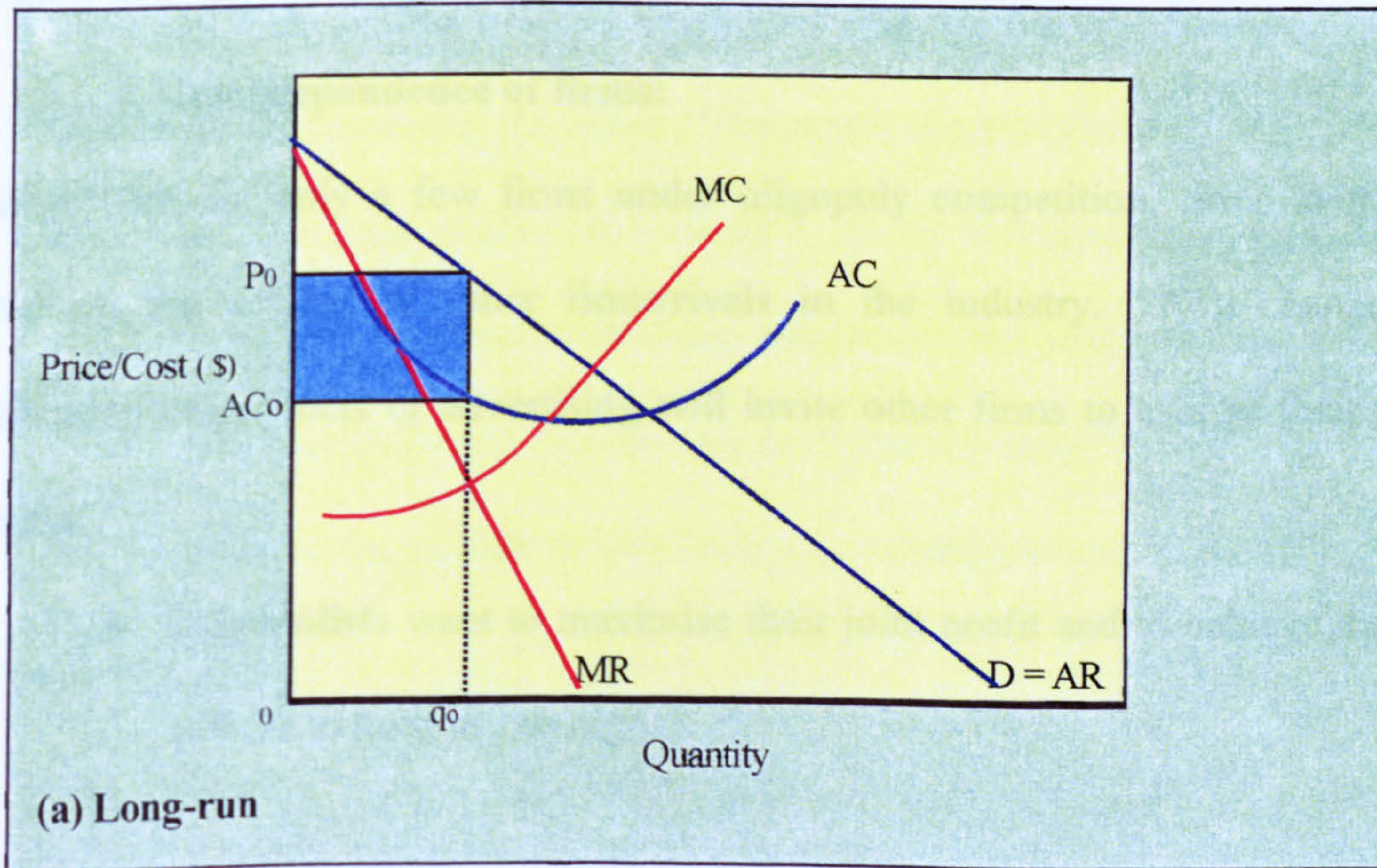


Figure 2.4B

LONG-RUN EQUILIBRIUM IN MONOPOLISTIC COMPETITION



2.4.2 Oligopoly Competition

Oligopoly occurs when just a few firms between them share a large proportion of industry output. Firms within the industry may produce identical products (e.g. sugar, petrol) but most firms produce differentiated products (e. g. cars, soap powders and soft drinks) and most of the competition between oligopolist firms is based on marketing a particular brand.

2.4.2.1 Features of Oligopoly Competition

The features, which distinguish Oligopoly from other market structures, are:

- ◆ **Barriers to entry:**

Under Oligopoly model there are various barriers of entry to new firms and these barriers vary from industry to industry. In certain cases they are flexible whereas in others they are rigidly erected.

- ◆ **Interdependence of firms:**

Because there are only a few firms under oligopoly competition, firms in the industry depend on the actions of other firms/rivals in the industry. Any change in price specification of products or advertising will invite other firms to change their prices and strategies.

- ◆ **Oligopolists want to maximise their joint profit and to achieve that they collude to keep prices higher.**

Oligopoly competition, like the other non-perfectly competitive markets (i.e. monopoly and monopolistic markets), is an abrasion from the benchmark market structure – perfect competition – that is capable of achieving technical as well as allocative efficiency in the market. To this extent, oligopoly market structure is not an efficient accountability model.

2.5 COMPARISON OF MONOPOLY WITH PERFECT COMPETITION

In order to identify a benchmark market model that will achieve Pareto-optimality in the allocation and utilization of society's scarce resources and provide an effective basis for efficient accountability, a comparison of Monopoly and Perfect Competition models is in order. By making such a comparison it would be clear why economists (since Adam Smith) have condemned private and public sector monopolies as inefficient.

The main objections to the existence of monopoly market structure as a model for accounting for the technical and allocative efficiency in the market are:

- a) Due to legal protection provided to the monopoly higher profit can be earned at the expense of their consumers but when perfect competition is introduced/allowed that earned profit would only be sufficient to cover the firm's costs, including the owner's opportunities cost of capital;

- b) Due to their ability to restrict output, monopoly could raise its short-run prices, whereas perfect competition cannot take such an action because under perfect competition a firm's output is a tiny portion of the industry;
- c) Similarly in the long run, monopoly can restrict output to charge higher prices since monopoly output is determined by the profit maximization requirement of $MR = MC$ but in the perfectly competitive industry this practice would be impossible;
- d) The concept of efficiency and resources allocation requires that marginal utility of each commodity is equal to its marginal cost; this condition can be attained only in perfect competition market where $MU = P$ and $MC = P$ so $MU = MC$, whereas the monopoly would produce less than the competitive industry. In such a case $MU = P$ and $MC = MR < P$ so that $MC < MU$. Since MU exceeds MC a small portion of the society's resources is used to produce monopoly firm's commodity. In a sense monopoly leads to inefficiency in the resources allocation by producing little output and charging higher prices.

Others (see, Sloman, 1997) argue that monopoly as a form of market structure has credible advantages that might lead to efficient accountability in the market.

They argue that:

- i) Monopoly may achieve substantial economies of scale because of large capital investment in plants, synergies, arising from centralized administration and avoidance of duplication of services e.g. telecommunication services in a country. If the synergies achieved with the result of marginal cost curve substantially below that of the same industry under perfect competition, monopoly will produce higher output at lower prices;
- ii) Monopoly may have a lower cost curve due to more research and development and more investment. By using part of its supernormal profits for investments and research and development programme monopoly may realize higher rate of efficiency than that achieved by small firm with limited funds.
- iii) Monopoly with potentially low cost and inefficiently run operation could be subject to take over bid by other firms thus forcing monopoly to be efficient to avoid such corporate raid.
- iv) With a possibility of supernormal profits when protected by patents monopoly may be encouraged to be more innovative to avoid new firms producing new products.
- v) In the case of public sector monopoly such as Water and Electricity Corporation which is established to provide services to all citizens at a reasonable price regardless of its profit maximization principle. This type of monopoly is encouraged and subsidized by the government for social and political reasons.

In many cases, public sector monopolies are established and encouraged to develop because of two main reasons:

- a) For national security reasons the corporation cannot be left entirely in the hands of a private owner to control the supply and prices of the electricity; and,
- b) Because of the heavy subsidy it receives from the government, corporation has to remain in the hands of the government even though its existence could be considered as a pure monopoly.

On the other hand, the merits of perfect competition as a benchmark for efficient accountability for the allocation and use of resources in the society are summarized as follows:

- i) Since $\text{price} = \text{MC} = \text{MU}$ under perfect competition, optimal position for allocation of resources may be achieved.
- ii) Competition among firms act as a spur of efficiency therefore firms under perfect competition structure could be more efficient compared to monopoly.
- iii) Perfect competition encourages development of technology due to the competition among firms operating within the industry so that their business could survive.
- iv) Under perfect competition there is no need for advertising thus avoiding substantial expenditure, which could avoid average cost increase thus making an economic use of the nation's scarce resources.

- v) Under perfect competition producers respond to consumers' change of taste so the resources will be moved in accordance with the customer utility.
- vi) Competitors restrict bargaining power and individual's economic power and bring about order in economic affairs without state intervention or regulations.
- vii) Perfect Competition provides a standard of efficiency by which actual performance of economic institution and organization can be appraised.
- viii) Perfect Competition model may help government to formulate policies towards industry.

Even though there are many benefits claimed for Perfect Competition there are also some limitations. Under perfect competition there is no guarantee that goods produced will be distributed to the member of society in the fairest proportions as a distribution of income will lead to different pattern of consumption and hence production. So perfect competition may not lead to optimal combination of goods being produced. Perfect competition may also lead to production of goods that affect environment so that the pollution inside cannot be guaranteed by perfect competition model. Furthermore, Firms under perfect competition may not be able to carry out research and development programmes due to the fear of copying by other firms and lack of funds to invest in such programmes to improve products/services. Similarly, under perfect competition products are undifferentiated so lack of variety of goods could be considered as disadvantage to consumers.

Despite these limitations, the merits of Perfect Competition as a benchmark for technical and allocative efficiency in the market and society are overwhelming. It provides the 'best' standard for accountability in the society, whether in private or public sector. In contrast, the other market structures, particularly Monopoly Competition, are abrasions of Perfect Competition and because of their different forms of restrictive practices in the marketplace. They cannot be presented as 'standards' for accountability either in the private or public sector.

Thus, even though the theories of monopoly, perfect competition and imperfect competition did serve many purposes since their introduction by the economists, Smith, Marshall, Cournot and Edgeworth, unfortunately they remain largely as pieces of intellectual work divorced of real life practice. Many companies in both private and public sectors do not use the marginal cost, marginal revenue model to derive their profit maximisation for the following reasons. First, firms with sole profit maximisation objectives may not exist in real life because there are many objective available to these firms i.e. firms might set objectives for increasing their share of market size or they might have satisficing profit target as Simon (1978) argues. Satisficing hypothesis states, "*firm could produce any one of a range of outputs that produce profit at least equal to the target level*" (Ibid.). Second, companies especially in public sector do not use profit maximisation model to plan their output and market strategy due to social and political reasons imposed on them by the owners.

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Third, sometimes there is disparity between number of sellers and buyers in the market and the principle underlying perfect competition state, that the sellers and buyers should be aware of the availability of the prices and the opportunities of products and quality. This requirement may not be practical or easily obtainable by the producers and the consumers in order to comply with perfect competition model. Fourth, many companies, possibly due to ignorance, do not use the profit maximisation model at all for either of these market structures in their business planning and their profit is as good as the one using the market structure model. Finally, the profit maximisation theory is too crude an assumption about the motivation of the firm. Normally the firm's decision behaviour, which influences its profit result, depends on the organisational structure and decision-making process within that structure.

But considering that the Perfect Competition is only a utopian concept and does not exist in the real world and that the Monopoly and other imperfect market structures (i.e. Monopolistic and Oligopoly markets) are inefficient accountability models, there is still the need to search for practical alternative models. The search takes to consider some other models including, the Bureaucratic model, the Public Choice Theory and the Principal-Agent Relationship Model.

2.6 BUREAUCRATIC MODEL

Whether the organizations/enterprises are owned publicly or privately, the most important aspect of any organization or structure is the way the organization is run and staffed as well as the accountability system provided in that structure. The end result of any particular style of management will depend on the organizational structure selected. Two main types of model are available; the Bureaucratic and the Market-oriented model. Each model has its own meaning and characteristics.

With regard to bureaucracy and its structure, Max Weber, the scholar of Bureaucracy wrote in the late nineteenth century that; *“Fully developed bureaucratic mechanism compares with other organizations exactly as does the machine with non mechanical mood of production”* On the other hand, Donahue (1989, p. 46) states that; *“Bureaucracies like machines are costly to build and keep in operation, prone to break down if neglected or misused, but capable, if carefully designed and maintained of prodigious efficiency when performing functions for which they are suited”*. The growth and development of classic model of Bureaucracy had been prominent in the twentieth century and the bureaucracy has been ubiquitous. It was present, for example, in the OECD countries, former Communist countries and the Third World countries. Bureaucracies had been very noticeable in the Third World countries due to their systems of government and the reliance on colonial rulers and expatriates and experience in establishing public sector organizations.

Jan-Erik Lane (1987) had identified ten different terms for the usage of bureaucracy. Mark Turner and David Hulme (1997) selected four meanings of bureaucracy which are commonly used in academic literature on bureaucracy in the developing countries. These meanings are as follows:

a) Rules by the Bureau:

Beetham (1987, p.3) referred to this type of bureaucracy as:

“A system in which ministerial positions were occupied by career officials usually answerable to the hereditary monarchy”

b) Professional Administration:

This type of bureaucracy is similar to the model of bureaucracy developed by Max Weber (Gerth and Mills, 1948). This model of bureaucracy as analyzed by Weber is characterized by *“A clearly defined division of labour, an impersonal authority structure, a hierarchy of office, dependence on formal rules, employment based on merits, availability of career and distinct separation of members’ organizational and personal lives”* (Gerth and Mills, 1948). He also stated that this form of organization represents: *“The rationalization of collective activities”* and was *“capable of attaining the highest degree of efficiency”* This particular type of organization was popular in the late nineteenth century both in public and private sector.

c) Public Administration

This type of organization is termed bureaucracy. Beetham (1987) identified the following characteristic for this bureaucracy as quoted by Turner and Hulme (1997, p.83):

“Its compulsory character, its particular relation to the law [and] the public accountability of its operations”.

d) Negative characteristics

This bureaucracy is associated with state organisations that have the following characteristics: evokes the slowness, ponderousness, the routine, the complication of procedures, and the maladapted responses of ‘bureaucratic’ organizations to the needs which they should satisfy, and the frustrations which their members, clients, or subjects consequently endure (Turner and Hulme, 1997).

2.6.1 Assumptions of Bureaucratic Model

The model of classic bureaucratic structure assumes that:

- a) Bureaucrats attempt to maximise their own utility (i.e. they aim to increase their power, prestige and security and income by using hierarchical structure for their own ends instead of furthering the objectives of the organization they work for.)
- b) Weber’s model of bureaucracy relies on the assumptions that most bureaucrats are disinterested and motivated by the ideals of being a service to the state.

- c) the bureaucrat pursues his own ambition which may lead to budget maximisation by the agency/organization. Larger budget allocation means more staff, more power and higher personnel status within the organisation.

Niskamen (1973) argues that among the several variables that may enter the bureaucrat's motives are : salary, perquisites of the office, public reputation, power, patronage, output of the bureau, ease of making changes, and ease of managing the bureau. All except the last two are a positive function of the total budget of the bureau during the bureaucrat's tenure. It is impossible for a single bureaucrat to act in 'the public interest', because of the limits on his information and the conflicting interests of others, regardless of his personal motivation. This leads even the most selfless bureaucrats to choose some feasible, lower-level goal, and this usually leads to developing expertise in some narrow field. Thus, a bureaucrat who may not be personally motivated to maximise the budget of his bureau is usually driven by internal and external conditions to do just that. The notion of maximisation of bureaucrat's utility is challenged by Leavey (1991) who did not find empirical evidence to support such arguments.

2.6.2 Post-Bureaucratic Paradigm

Some modern public administration scholars and writers like Barzelay and Amejani (1995) argue that government bureaucracy in 1920's is shifting away from the centralised controlled hierarchical bureaucratic structure which permeated public organisation for many years towards the post bureaucratic paradigm (market oriented government

organisation) because of the failure of classic bureaucratic structure, which had been developed by Max Weber in the theory of social and economic organisation in 1920s. The new model of market oriented government organisation had been favoured by those public management scholars to improve government operations and accountability. The proponents of the new model argue that customer satisfaction, quality services and value are the main components of government services and that the government competition for work is crucial for providing incentives to public organisations/enterprises to become efficient and effective. The new model as explained by Barzelay and Amejani (1995) directs government services towards value result, quality and value, production, voluntary compliance and accountability set up instead of the traditional bureaucratic paradigm that defends and emphasizes the concept of public interest, administrative control, hierarchical structure and enforcing responsibility.

In Table 2.1 the old bureaucratic and post-bureaucratic paradigms are compared to show more graphically their differences. The post bureaucratic movement towards market oriented government is fuelling various innovations within the public sector in the U.S. and the U.K. For example, Osborne and Geabler (1992) discuss the innovative use of revolving funds in government as a means for government services to be market driven in order to generate profit from their services and finance capital expenditure in the U.S. However the momentum to remodel government organisation with market oriented style is growing very fast in the U.S. and the U.K. In the U.S. for example, *the National Performance Review* headed by the Vice President Al Gore (1993) recommended putting

customers first with emphasis on giving customers a voice and a choice, making services organisation to compete, creating market dynamics; and using market mechanism to solve the problem. In the U.K. for instance, the government introduced efficiency unit in the Prime Minister's office in 1979, followed by Financial Management Initiative and the introduction of Citizen Charter to measure the local authorities' performance.

Table 2.1

COMPARING BUREAUCRATIC PARADIGMS

| Bureaucratic Paradigm | Post-Bureaucratic Paradigm |
|--|---|
| Public Interest | Results citizens' value |
| Efficiency | Quality and value |
| Administration | Production |
| Control | Winning adherence to norms |
| Specify functions, authority and structure | Identify mission, services, customers, and outcomes |
| Justify costs | Deliver value |
| Enforce responsibility | Build accountability |
| Follow rules and procedures | Strengthen working relationships |
| Operate administrative systems | Understand and apply norms |
| | Identify and solve problems |
| | Continuously improve processes |
| | Separate service from control |
| | Build support for norms |
| | Expand customer choice |
| | Encourage collective action |
| | Provide incentives |
| | Measure and analyze results |
| | Enrich feedback |

Source: Barzelay (1996)

2.6.3 Criticisms of Bureaucracy

Bureaucratic structure has been charged with the following criticisms:

- i) It is reckoned to grow very fast thus absorbing enormous resources with little production.
- ii) In Weber's model bureaucracy is assumed to be efficient instrument of policy implementation but in the developing countries this model was disappointing due to over staffing, lack of skilled labourers and professionals, lack of clear operational objectives, poor communication and co-ordination among the various governmental departments and organisations as well as centralisation of decision making and distance of public servants from their clients.
- iii) Hierarchical structure may not lead to efficient organisation when comparison of output with input is made because the bureaucracy is very slow in moving especially toward innovative and adaptation of modern management technique. The model of political control in this form of organization (i.e. bureaucracy) may not give the assurance of management accountability.
- iv) The theory of bureaucracy is no longer seen as providing efficiency within the organisation despite Weber's arguments for such a set up. Moreover the model of bureaucracy is thought by many scholars as undemocratic and inefficient compared to the market-oriented model.
- v) Wilson's model which advocated the separation between policy makers and administrators have not been adhered to rules due to the fluid and complex relationship between the political leadership and the bureaucrats.

vi) Weber's model of bureaucracy emphasizes the rigid adherence to rules and procedures which are good features of control but according to Merton (1968) the rigid adherence to rules may result in reduction in efficiency as *"Adherence to rules, originally conceived as a means, becomes transformed into an end-in-itself, there occurs the familiar process of displacement of goals whereby 'an instrumental value becomes a terminal value'. Discipline, readily interpreted as conformance with regulations, whatever the situation, is seen not as a measure designed for specific purposes but becomes an immediate value in the life-organisation of the bureaucrat."*

Despite its shortcomings bureaucracies had played an important role in the Third World countries' development and it had contributed to the growth and stability of the government system in the late nineteenth and twentieth century but in recent years bureaucracy model had been subjected to a considerable debate and criticism due to neoclassical thinking which advocated market oriented activities of government. This new thinking has created new management structure in public sector organisation thus accelerating the privatization programme in Europe and developing countries. However the driving force behind post-bureaucratic paradigm is the management accountability concern, the value for money principles, the efficiency and effectiveness policy of government and the need for public involvement in the daily affairs of the government and government policy setting. Compared with classic administration model the post-

bureaucratic model benefits may not be as anticipated initially because the new system requires more time to adjust and to evaluate its practical use and outcome.

2.7 PUBLIC CHOICE THEORY

2.7.1 Introduction

The most important theory applied to public sector bureaucracy is *Public Choice Theory*. The theory is a sub-branch of economic thoughts concerned with the application of micro economic principles to political and social areas of activity (Mueller, 1989). Stretton and Orchard (1987) defined Public Choice theory as “*the economic study of non market decision making or simply the application of economics to political science*”. The microeconomics implication of the theory is thus evident in its definition and practice.

2.7.2 Main Postulate of the Theory

The basic behavioral postulate of the public choice theory, as is the case in economics, is that man is an egoistic, rational, utility maximizer. Besides the behaviour predictions, public choice theory provides alternatives, the most obvious being to allow competition and choice and to return as many activities as possible to the private sector thus advocating the maximization of choice by individuals for both individual freedom and efficiency reasons. The theory is used also to explain how public goods/services are demanded and supplied.

Within the public choice theory framework there are many relevant links to performance measurement. The most significant ones are:

- Measuring the elimination of government failure;
- Measuring cost difference between publicly and privately provided services;
- Measuring the constitutional and pressure group constraints on budget maximising bureaucrats.

The public choice theory postulates the following set of government failures:

- a) Instability - political business cycle;
- b) Inefficiency;
- c) Manipulated agendas;
- d) Bureaucrat budget maximisation;
- e) Rent-seeking and wealth-transferring efforts of interest groups.

2.7.3 Assumption of the Theory

Some basic assumptions underpin the public choice theory. These are:

- i) The theory holds a comprehensive view of rationality according. As argued by Stigler (1975, p. 171) *"A rational man must be guided by the incentive system within which he operates. No matter what his own personal desires, he must be discouraged from certain activities if they carry penalties and attracted toward others if they carry large rewards. The carrot and the stick guide scientists and politicians as well as donkeys"* (p. 171)

- ii) Dun Leavy (1986) states that the '*rational actor*' model which is at the centre of the public choice theory assumed that people have a set of well-formed preferences which they can perceive, rank and compare easily.
- iii) Their preference orderings are logically consistent:
- iv) People seek to maximise their benefits with least costs in their decisions. They act rationally when they pursue their preference in an efficient manner and maximise benefits net of costs;
- v) People are basically egoistic, self-regarding and instrumental in their behaviour, choosing how to act on the basis of consequences for their personal welfare;
- vi) The theory assumes that individual material self-interest sufficiently motivates most economic and political behaviour by the use of neoclassical economic theory.

2.7.4 Critiques of Public Choice Theory

The public choice theory, like any economic theory, has been subject to some criticisms by those who advocate traditional bureaucratic structure and government intervention in the social and economic welfare of the citizens (see, Walsh, 1995; SELF, 1993). They argue that after 30 years of its development, the public choice theory and attempts to apply it to government settings, have earned mixed results. Furthermore, public choice theorists favour market solutions even where public sector provisions appear cheap and better value for money due to their strong and biased belief that public sector/agency intervention is coercive to resources allocation, which may reduce the right of the customers/citizens to choose services for them.

In addition, the public choice theory postulates that all public intervention will fail to some extent. This assumption may not be valid or realistic.

Even though public choice theory has suffered from the generality of its concept, it has provided alternatives to the bureaucratic model, which greatly restricted the freedom of individual and his choice as well as failing to provide an equivalent structure of incentives and rewards to those of the market. Moreover the public choice theory can be applied to various societal settings: rational choice assumptions are applied to political parties (Down, 1975) Committee (Black, 1958) and bureaucracies (Down, 1967; Niskamen, 1971, 1973, 1974). However, because the public choice theory leans more towards micro-economic principles, which are underpinned by some restrictive assumptions, the theory may not be able to provide efficient accountability of resource allocation and utilization. We will therefore turn to the Principal-Agent model for an alternative option.

2.8 PRINCIPAL-AGENT RELATIONSHIP THEORY

2.8.1 Introduction

One of the powerful and influential economic theories that has direct bearing on management accountability model is the Principal-Agent theory. The principal agent theory was originally developed as an economic theory to deal with the relationship of the principals (the shareholders) and the agents (managers) for a firm in the private sector. It was later extended to include public sector organizations because of its very relevance to

the public management activities especially when applied to management accountability generally.

2.8.2 Assertions of the Theory

However the theory attempts to find an incentive scheme for Agents to act in the interest of Principals and to safeguard the interest of the Principal. The activities of the Agent should be monitored by the shareholders through executive and non-executive board of directors who may help in “attenuating the discretion of the management” (Vickers and Yarrow, 1988, p. 13) within the framework of fiduciary relationship and legal contract which specify the agents obligation and rights.

However the agency principles arising from this legal and fiduciary relationship that seeks to establish incentive for agents (or group of agents) to take decision on behalf of principal (or group of them) that affect the wealth and objective of the principal. To protect his interests, the principal must decide on the size of the optimal incentive scheme to be set for the agent. This incentive scheme is constrained by two factors. The first of these is that the agent will behave in self-interested way given the incentive scheme regardless of its size and structure. The second constraint is that the incentive scheme must be attractive and rewarding enough for the agent to induce him to participate ‘faithfully’ in a venture with the principal who seeks to maximize his profit/return. Thus, the honest participation of the Agent in decision-making on behalf of the principal depends on the size and attractiveness of the incentive scheme.

2.8.3 Assumptions of the Theory

The Principal and Agent theory assumes the following behaviour within the privately owned firm and publicly incorporated enterprises;

- a) The principals (shareholders) want to maximize the profits or returns on capital invested;
- b) The agents (the managers) may want to pursue a policy of growth within the firm thus profit maximization is not the objective;
- c) The stakeholders (the principals) in a state owned enterprise wants to maximize the economic welfare of the nation;
- d) The agents (firm managers) are assumed to be self-interested parties in the work they perform on behalf of the principal. The self-interested behaviour as it relates to the public sector enterprises/organization as Arrow (1964) demonstrates, happens because the principal cannot fully monitor the agent's behaviour and because of information asymmetric.

The principal - agent theory tries mainly to address the contractual relationship between principals and agents that exists within an organizational framework and to determine the optimal method to motivate agents to act in the best interests of the principal despite the strong self interested behaviour. Since principals do not have full information about the agents' performance nor are capable of observing their agents perform their public duties, principals often introduce control mechanism to monitor the agents' activities. Incentive scheme within government organization may not be adequate to minimize agents' self-

interested behaviour (i.e. fixed salary and security may not induce staff to avoid self-interested behaviour).

Jenson and Meckling (1976) urge that private and public organizations do develop incentives or implement operating rules to minimize self interested behaviour because the divergence of interest between principals and agents is an avoidable cost to be borne by the principal.

2.8.4 Problems of Agency Theory

Despite its importance to public sector enterprises/organizations especially with regard to management accountability aspect, principal-agent theory has many problems associated with its application and model. These problems as cited by Vickers and Yarrow (1988, p. 7) as follows:

“A situation in which a principal (or group of principals) seeks to establish incentives for an agent (or group of agents), who takes decisions that affect the principal, to act in ways that contribute maximally to the principal’s objectives. The difficulties in establishing such an incentive structure arise from two factors: (a) the objectives of principals and agents will typically diverge, and (b) the information available to principals and agents will generally be different (for example, the former might not be able to observe some of the decisions of the latter).”

Besides the inability of the principal to observe precisely the agents' activity, the application of principal-agent theory to public sector organization/enterprises, raises different questions for accountability from that of privately owned firms because it is difficult to determine who are the principals or to find out what they want. Due to the wide interest of the principals, being an electorate, control over the agents may not be effective. From the agents point of view it is difficult for them to find out what each principal might require thus the agency problem is compounded or worse in the public sector compared with that of private sector. Contracting out the services may reduce these agency problems in the public sector so that the problem becomes of that of private sector.

Donahue (1989) argues that contracting out public services creates agency problems and questions of their own. The concepts of agency illuminate some basic issues involved in carrying out the public's business. How fully can the principal – the public – specify what is to be accomplished in its name and at its expense? Does competition discipline suppliers and thereby ensure the public a fair price? Is the product sufficiently measurable to allow for output-based contracts? Or do factors beyond the control of the agent affect outcomes too strongly to permit payment by results alone? If measurement or risk problems require input-based contracts, are agents tempted to inefficiency or deception and, if so, how well can the public discern and control these tendencies? Such factors determine how confidently and efficiently public officials can use contracts with profit-seeking agents to fulfill common needs. (Ibid.). When contracting out public

services there is a problem of ensuring compliance and any incentive paid for that work might lead to resentment from other staff within the organization.

The critics of profit maximization model which is assumed to be the driving force for the relationship between the principal-agent had put forward objections to the concept of profit maximization, which relates to agency theory. They state that due to incomplete market, different tax requirement of individual and asymmetric information, the interest of different shareholders will not coincide, even though they want to maximize their profit because there will be lack of consensus with regard to shareholders' ranking of alternative managerial policies of public and private organization. (i.e. institutional investors may prefer higher dividend pay out compared with an individual investor faced with tax requirements and position). Furthermore, shareholders may not want to maximize their financial return if they are also consumers of the firm's products because of the incidence of higher profit on their consumption of the product; i.e. public utility products/services. In addition, because of the limited holdings of individual investors (not having very diversified portfolio) in the number of companies, the risk neutrality assumption may not hold up.

Despite these criticisms and the problems associated with its application to public and private sector organization, the principal agent theory is still a useful and powerful concept for management accountability framework. These criticisms however could not be considered to negate assumptions underlying the theory because there is a very strong

relationship between the incentive scheme and the activity of the agent when acting on behalf of the principal. Even so, a mechanism is needed to balance the incentive scheme and the financial reward of the agent to protect principal interest and therefore a balancing criteria need to be developed to satisfy both parties. (Principal-agent). These balancing criteria might be found in an appropriately designed and efficient accountability model that would attain both technical and allocative efficiency in order to reach Pareto optimality in the economy. In the next chapter we shall explore the possibility of having such an accountability model.

CHAPTER 3

THEORETICAL ISSUES IN ACCOUNTABILITY

3.1 INTRODUCTION

Accountability is one of the fashionable words of our time. Over the years, new institutions and new techniques have been developed in the service of accountability, ranging from the various Audit Offices to a mess of ombudsmen. Accountability is not merely seen as a crucial link in the chain between governors and governed; effective democracy demands a system, which ensures that the former are accountable to the latter. Equally, accountability is increasingly seen as a means of stretching scarce resources. If better value for money is to be achieved in the public sector, it is argued, ~~and~~ then once again an effective system of accountability is needed.

This preoccupation with the institutions and techniques of accountability mirrors wider concerns. The modern Welfare State is also the Service-delivery State. Its development has compounded the problems of making those who deliver services answerable both to those who finance them and those who use them. Furthermore, as the systems of service delivery have become more complex and intractable, so it has become more difficult to assign responsibility.

Accountability is to the organization what breathing is to the body. The concept is endemic in our lives and it is as complex as it is confounding. As human beings we are continuously engaged in the activity of making sense of the world, including the sense of self in the world, by giving and receiving accounts. Accountability begins with individuals in simple societies; it ends with institutions in complex societies. It starts with telling stories and adding up and ends with justification and explanation. It is as

slippery a term as it is ambiguous. Yet, the concept of accountability has not only passed through the ages as an important reference of stewardship in civic societies but it has also emerged as an indicator of ethical and moral standard in modern organizations. In fact, the concept of accountability is as old as discourse about the nature of civic society (Levaggi, 1995). The Athenian States and the Egyptian Kingdoms of prehistoric times extolled the notion of accountability, particularly political and financial accountability in their public affairs (Normanton, 1966). The Athenian Financial State Law, for example, required that public officials entrusted with carrying out public duties to report on their conduct in office to the Assembly of Citizen ten times a year. The public accountability that was set up by the Athenian people was direct, continuous and comprehensive in nature in order that their government's performance was assessed at the end of their term of office (Roberts, 1982).

The concept of accountability has two intertwined aspects. One is universal; the other is historical. Accountability, in the sense of rendering intelligible some aspect of our lives or us, is a distinctive and pervasive feature of what it is to be human. Human beings are continuously involved in making and giving accounts to others, and to ourselves, about who we are, what we are doing, etc. This universal aspect of accountability is a condition of our participation in any social world. The universal aspect of accountability enables our experience in the world to be rendered intelligible to others and to us. For example, it enables us to produce this 'account' of accountability in the UAE public services.

However, as human beings, we participate in particular social worlds. Universal processes of accountability do not float free of historically and culturally distinctive frameworks of accountability. We are inescapably within historically specific, and often discordant, frameworks of accountability. It is these frameworks that identify and articulate our sense of who and what we are.

Frameworks of accountability, however, are not restricted to formal accountability systems, such as annual statements of accounts to shareholders (principals) provided by corporate executives (agents) or procedures (e.g. regular elections) developed to render politicians responsive to electorates. Formal accounting systems are always embedded in already established frameworks of accountability that make such systems relevant and meaningful. As Mouritsen (1994: p4) argues, formal accounting systems:

"... may or may not be called forth in systems of accountability. Their calling forth depends on people deploying their potentiality to support or raise issues through controlling interpretations of accounting results.... Accounts are thus produced in and contextualised by systems of accountability."

To this extent, accountability is a widespread phenomenon that occurs whenever people strive to account for their experience in the world. As a result, accountability arises in relation to diverse situations that differentiate people in terms of their status, access to resources, authority, responsibilities, etc. In work organizations, people are often

represented as managers or as workers. In universities, academic staff is differentiated from administrative staff and students. Underpinning these divisions are sundry material and symbolic means of securing compliance with the particular meanings and values that are privileged by these frameworks. In work organizations, workers are charged by managers with the responsibility for clocking in on time and are penalized for poor timekeeping; and managers are held accountable for the timekeeping of their staff. In universities, students are ascribed responsibility for submitting assignments by the due date, a responsibility enforced by a variety of rewards and punishments. However, the range of human actions that are accountable is extensive, and certainly flows well beyond the confines of so-called formal institutions such as universities, factories or government.

But, interestingly, many writers on accountability are preoccupied with the description, classification and analysis of the components and workings of accountability structures and systems without giving a serious thought to the need for a common base for understanding the term (see, for example, Gray *et al.*, 1987). Some others offer a series of reflections upon accountability as a universal and historical property of social structures and relations (Willmott, 1996). Yet another group, focuses on comparing accountability in public and private sector organizations with a stress on the differences in settings and framework as well as objectives and responsibilities (Hague, et al, 1975). Underlying these discourses is the lack of a commonly accepted definition of the term 'accountability'. Often terms mean different thing to different people at different times and this provides a fertile ground for endless semantical argument. Thus, a useful point

of departure for a discussion on the theoretical issues of accountability is a conceptual definition. What is accountability?

3.2 DEFINITION OF ACCOUNTABILITY

Although the concept of accountability is as old as discourse about the nature of civic society, the word itself has passed into the ordinary language of political discussion only recently and this explains why accountability, as it is used to day, tends to be such a slippery, ambiguous term (Day and Klein, 1987). Its various meanings, reflecting changing usages and contexts over time, tend to be conflated in what has become a popular and common word, often with confusing results. This underscores the need for an operational definition of the term as the basis of the framework of analysis in this work.

In his work, Roberts (1991) defines accountability as:

“a form of social relation which reflect symbolically upon the practical interdependencies of actions: an interdependence that has always both a moral and a strategic dimension”.

This definition is very general and it fails to identify the type of interdependencies that exist between individuals. More importantly, the definition fails to explain the reasons why these links arise and the moral dimensions of the links. In a similar general perspective, Lawton and Rose (1991) define accountability as:

“a process where a person or group of people are required to present an account of their activities and the way in which they have or have not discharged their duties”

But, Ranson and Stewart (1994) introduce the element of control into the general definition stating that:

“Accountability is usually conceived as an institution of control, being held to account. This implies formal ties between parties one of whom is answerable to another for the quality of their action and performance in stewardship of public funds or services”

These definitions seem to stress the unique relationship between the accountee (principal) and the accountor (agent) and the need for formalization of the relationship to make accountability effective. Underlying these definitions, however, is the element of control in the exercise of accountability obligations, which Ranson and Stewart introduce explicitly. But Simey (1968), quoted in Ranson and Stewart (1994), points out that;

“Accountability is not (only) about control but (also) responsibility for the way in which control is exercised. The distinction is a fine one but it is of fundamental importance. In other words accountability is not an administrative tool but a moral principle. Of those to whom responsibility is given, an account of their stewardship shall be required. It is a principle whose purpose is to govern the relationship between those who delegate authority and those who exercise it”.

Shafritz (1992), on the other hand, sees the term in a much broader perspective and defines it as;

“The concept that officials are to be held answerable for general notions of democracy and morality as well as for specific legal mandates”

This definition involves the provision of information by those held answerable to those seeking answers – a typical principal/agent relationship. Jackson (1982) drives this point home by stating that:

“Basically, accountability involves explaining or justifying what has been done, what is currently being done and what has been planned. Accountability arises from a set of established procedures and relationships of varying formality. Thus, one part is accountable to the other one in the sense that one of the parties has the right to call upon the other to give an account of his activities. Accountability therefore involves the giving of information”

However, Dunsire (1967) points out that the concept of accountability involves not only giving information but also an evaluation of the action relating to the activity.

The view of ‘evaluation of the action relating to the activity’ as an element in the definition of accountability is reflected in the definition of Paul (1991) which states that accountability is simply:

“Holding individuals and organizations responsible for performance measured as objectively as possible”.

But, in his definition, Dunsire (1978), as quoted in Ranson and Stewart (1994), brings out more directly the role of 'evaluation of performance' as a basis for accountable relationship:

"Being accountable may mean... no more than having to answer questions about what has happened or is happening within one's jurisdiction... But most usages require an additional implication: the answer when given, or the account when rendered, is to be evaluated by the superior or superior body measured against some standard or some expectation, and the differences noted: and then praise or blame are to be meted out and sanctions applied. It is a coupling of information with its evaluation and application of sanctions that gives accountability or 'answerability' or 'responsibility' their full sense in ordinary usage".

Brooks (1995) also defines accountability in a similar perspective;

"a mechanism to ensure that individuals can be called to account for their actions, and that sanctions are incurred if the account is unsatisfactory"

Dunsire and Brooks recognize not only the need for evaluation of accountability but also the need for sanction against the accountor (agent) if the account rendered was seen to be unsatisfactory. In a more operational definition, Gary and Jenkins (1993) define the term as:

"an obligation to present an account of and answer for the execution of responsibility to those who entrusted those responsibilities"

They explain that this obligation depends on the allocation of praise and blame, rewards and sanctions that are seen as distinguishing features of accountability in action. Therefore to have accountability there must exist principal/agent relationship governed by a code of conduct that binds principal/agent in the establishment, execution and adjudication of their relationship.

The key elements of accountability that are common to these definitions are:

- the need for information, which is basically concerned with giving account, and
- judgment concerned with holding account.

The full idea of accountability involves both rendering and judging as a basis for action, but the implications of each requirement are different. Accounting information is usually the result of asymmetry of information and often implies distance. The agent that keeps the account has better information than the other party. The account has the role of reducing the information asymmetry between the two parties and thereby preventing cheating by the better-informed agent.

Gray, Owen and Adams (1996, p. 38) have encapsulated the information need and evaluation requirements of the term with the underlying responsibilities of the concept in their broad but operational definition which perceives accountability as:

“the duty to provide an account (by no means necessary a financial account) or reckoning of those actions for which one is held responsible.”

Thus the information need and evaluation requirement of accountability involves two responsibilities or duties:

- the responsibility to undertake certain actions (or refrain from taking action), and
- the duty to provide an account of those actions.

In the simplest example – that of the shareholders (the principal) and the company (the agent) - the directors of the company have the responsibility to manage the resources (financial and non-financial) entrusted to them by the shareholders and a responsibility to provide an account of this management through the annual report and financial statement, which may act as a mechanism for discharging accountability. The essential elements of this process arise from a relationship between the agents and the principals, a relationship defined by the society and which provides the principal with a right to information (Ibid. 1996).

Despite the general nature of the definition of accountability, unclear usage of the accountability concept and its wide range of implication to public sector organizations/enterprises and market-based structure, all or some of these definitions of accountability share many common elements. Implicitly or explicitly the definitions of accountability include, for example, the need for information, clear mandate, reporting system and criteria for performance evaluation.

From this definitional complexity, it appears that a useful definition of accountability should assume that the locus of higher authority is found in an organizational or intergovernmental chain of command, the standards of performance are clear and unambiguous and the reporting mechanisms are limited to those specified in operational procedures for documentation and record keeping. Accountability may not, therefore, be an intrinsic characteristic of a system: it is simply a means towards a specific end. Its main role is to ensure that behaviour is consistent with societal norms and values, and that such behaviour complies formally or operationally with specific legal mandates. Furthermore, from the variations in scope, perspective and focus of the definitions, we can deduce that accountability cannot be described by a set of homogenous and fixed rules: its content depends on the economic purposes for which the system of accounts is designed. If the account and its form have to be chosen according to the objectives pursued, it follows that an institution will be accountable only with respect to the objectives pursued by keeping the account and within the values, privileges and obligations of societal context of operation. Thus, the concept of accountability, particularly in the public sector, is flexible in time, scope and place.

3.3 DIMENSION OF ACCOUNTABILITY

As we have already discovered, accountability is a complex phenomenon and operates in different ways in different circumstances. To understand the concept much better, therefore, we need to appreciate its various dimensions and attributes and the way in which these dimensions and attributes are applied to public sector organisations.

As members of the public, we expect our public servants, whether they are politicians or officials, to be accountable for the way in which they discharge the duties of their office.

In this sense, accountability is linked to the concept of responsibility. As Day and Klein (1987) remind us: *'One cannot be accountable to anyone, unless one also has responsibility for doing something'*.

Simon et al. (1950) suggest that responsibility can be viewed in three ways:

- responsibility as legal authority;
- responsibility as a moral obligation;
- responsibility as responsiveness to values.

Simon et al. state that in the first case it is having responsibility for a job; the second case is a matter of fulfilling an obligation towards another person while the third case refers to a situation where a public servant is charged with carrying out the wishes of others with particular reference to the values that are held by those charging the servant with carrying out the function. To this extent, they argue, accountability may be seen as *'those methods, procedures and forces that determine what values will be reflected in administrative decisions. Accountability is (thus) the enforcement of responsibility'* (Simon et al, 1950, p. 513.). In other words, the study of accountability in public sector organisations concerns itself with establishing how responsive government and administration can be achieved.

This introduces us to two main dimensions of accountability in public sector organisations: political and managerial accountability. Early forms of accountability

concentrated on the way in which monies were spent and the question of whether the activities of organisations were within the law (Lawton and Rose, 1991). In addition, there was concern about the misuse of public funds and bribery and thus rules were made to ensure the probity of organisations. Thus, the earlier focus of accountability has been on probity and legality of transactions. In recent years, however, this focus was found inadequate for the increasing complexities of government and business activities and therefore the refinement of accountability has been seen the only way out in public and private sector organisations to enhance performance and provide the required transparency of information to the public and shareholders alike.

This refinement had touched all aspects of the concept of accountability and extended the dimensions of accountability to include:

- political accountability;
- management accountability;
- legal accountability;
- consumer accountability;
- professional accountability.

3.3.1 Political Accountability

Political accountability is about those with delegated authority being answerable for their actions to the people, whether directly as in simple societies or indirectly as in complex societies (Day and Klein, 1987). This form of accountability focuses on the political dimension and manifests mainly in Central and Local governments where the senior civil

servant in the department would be accountable to his minister and the minister, as a member of the cabinet, will be accountable, in turn, to parliament for the discharge of responsibility. This doctrine is known as '*Ministerial Responsibility*'. This accountability concept assumes that powers are vested in the appropriate minister with civil servants taking decision on his behalf or in his name.

Such a system of accountability may have been appropriate in a time when the scale of the public sector was much smaller than today (Lawton and Rose, 1991). The current growth of the state has meant that this model of accountability is no longer sufficient. Large government departments will make thousands of operational decisions and it is unrealistic to assume that ministers can be held responsible for every bit of decision. We have, therefore, a much more complex system of accountability which has a number of dimensions that require clear criteria for judging the performance and accounts of those with delegated authority.

The problem here is whether the criteria of judgment are available and, if available, whether they are objective – a minefield of contention. Since the criteria of judgment are often contestable, officials to whom authority has been delegated are required to provide reasons, justification and explanation of their behaviour so that the people can make judgment about whether decision-makers have acted honestly and wisely. The main issue in complex societies is whether the linkages between action and explanation are in place and, if in place, adequate to the task in hand (Day and Klein, 1987). That is, whether the

channels of communication are operating and whether the sanctions are sufficient to compel a justification if needed. A secondary set of issues involves questions about the openness of the process and the existence and availability of the information needed to assess actions.

3.3.2 Management Accountability:

Management accountability, in contrast to political accountability, is about making those with delegated authority answerable for carrying out agreed tasks according to agreed criteria of performance (Ibid.). Perhaps the simplest way to distinguish between the two dimensions of accountability is to see political accountability as involving an account being presented to an external and public audience while management accountability is concerned with the internal processes. Thus, management accountability is concerned mainly with internal issues and processes such as cost effectiveness, efficiency, budgetary control, monitoring performance and effectiveness. This technical process can, though it need not, be carried out by neutral, impartial experts. However, systems of accountable management may be introduced to delegate responsibility to those nearest the point of service delivery, for example, area office managers. This involves making decisions including, for example, delegating powers such as viring money from one budget heading to another, promotion of staff, making of local rules and so on, further down the hierarchy. This takes place on the assumption that those close to the point of delivery are best able to make decisions about service delivery.

Management accountability has a number of dimensions. Five dimensions have been outlined (Halachmi & Bouckaert, 1966, pp.115-116; BASB, 1993, p. 11) which include:

- i) *Policy accountability* - selection of policies to be pursued or rejected:
- ii) *Program accountability* – that is establishment and achievement of goals (outcomes and effectiveness);
- iii) *Performance accountability* - establishment and achievement of objectives (efficiency and economy);
- iv) *Process accountability* - using adequate processes, procedures or measures in performing the actions called for (planning, allocating and managing);
- v) *Probity and legality accountability* - spending funds in accordance with the approved budget being in compliance with law and regulations.

Day and Klein (1987, p.27) have grouped the five dimensions into three as follows:

- a) *Fiscal/Regularity Accountability* – this is about making sure that money has been spent as agreed, according to the appropriate rules: legal accountability can be seen as a counterpart to this, in so far as it is concerned to make sure that the procedures and rules of decision-making have been observed.
- b) *Process/Efficiency Accountability* – this is about making sure that a given course of action has been carried out, and that value for money has been achieved in the use of resources.
- c) *Programme/Effectiveness Accountability* – this is about making sure that a given course of action or investment of resources has achieved its intended result.

These dimensions of managerial accountability can also be conceptualized as being concerned with inputs, outputs and outcomes. Thus we have:

- *fiscal/regularity dimension* being concerned with checking that the appropriate inputs, whether of resources or administration, have gone into the policy or service-delivery machine;
- *process/efficiency dimension* being concerned with checking that the appropriate outputs have been produced, and that the ratio between inputs and outputs (efficiency) is the most favourable possible;
- *programme/effectiveness dimension* being concerned with the ultimate question of whether the intended outcomes have been produced, whether the desired impact has been made.

Combining the political and management concepts of accountability in their various dimensions might suggest a simple, hierarchical model. At the top is political accountability, which sets the policy objectives and generated the criteria used in the neutral technical process of management accountability, running from the relatively simple fiscal/regularity accountability to the more complex programme/effectiveness accountability, from inputs to outcomes.

This conceptualisation is based on a number of assumptions and it is precisely these assumptions that make the whole concept of accountability problematic in the modern world. The first is that the institutional and organizational links between political and

management accountability exist and are effective; and that the processes do in fact mesh. The second is that the political processes do in fact generate precise, clear-cut objectives and criteria necessary if management accountability is to be a neutral exercise in the application of value-free techniques. The third is that the organization structure is such that the managers accountable to the politicians can answer for the actions and performance of the service deliverers.

These three assumptions are, however, questionable. First, the links between the political and management systems of accountability, forged in the nineteenth century, are ill-adapted to the current service delivery state. The result is a perception of 'overload' and demands for the creation of new links. Second, it is apparent that political processes do not necessarily generate the kind of clear-cut objectives and criteria required if audit is to be a neutral, value-free exercise. Often the dividing line between political and management accountability is blurred as objectives and criteria are generated at all levels in the hierarchy. The result is demand for opening up the system as a whole to public scrutiny, and creating a more complex, but not necessarily hierarchical, system of accountability. Third, and compounding the arguments both for better links and for a more complex system of accountability, the organizational structure of many public programmes is characterized by the fact that some service-delivers do not fit into a vertical or hierarchical model of accountability; they are instances of horizontal accountability to their peers (Hague et al, 1975).

Lastly, and more generally, the imagery of accountability needs to be elaborated and made more sophisticated. To talk of links in the system of accountability and set out taxonomy of different kinds of accountability is to risk confining any analysis to a mechanistic, verbal straitjacket. This will imply that the effectiveness of a system of accountability can be evaluated in terms of the appropriate connections being made and the appropriate techniques used. Equally important, our analysis would suggest, is to examine the dynamics of the system, which means looking at the quality of the information flowing down the various pipes (to vary the imagery) and the associated ability to translate nominal control into real control. This will determine the extent to which public actions are consequently open to scrutiny by individual citizens. These then are the issues that form the basis of our framework of analysis for this study.

3.3.3 Accountability to the Law:

This form of accountability exposes the public sector organisation to challenge in the court of law if they exceed the power granted to them by the statute so that the public is safeguarded against the action of the administration. Central to this is the doctrine of *ultra vires*, which limits the powers of public bodies to that which the law empowers them to exercise. Thus, the decisions of local authorities, ministers and so on, come under the scrutiny of the courts when such decisions are considered to have exceeded the powers conferred under the law.

3.3.4 Accountability to the Consumer or Client:

Due to the pressure exerted on them through public complaints and criticism, public sector organisations have established a mechanism for customer's complaints and grievances. The customers can appeal against an administrative decision to a tribunal or through ombudsmen as well as internal systems of complaint. Besides the complaint channels within the organisation, the following elements must be attended by the organisation to achieve performance and accountability towards its customers and stakeholders:

- i) The organisations must know their client base;
- ii) The firms should be able to measure clients' satisfaction with the organisations goods or services;
- ii) The organisations must have a ready responsive and measurable reaction when clients' satisfaction declines.

Thus, the criticisms have forced public sector organizations not only to be customer oriented but also to reconsider the way in which they organize and deliver the services they provide in order to be more accountable and responsive to their customers.

3.3.5 Professional Accountability:

Professional accountability is concerned with issues relating to civil servants whose professional experience and knowledge make him vulnerable to 'double accountability'. On the one hand they are accountable to their professional association and the other to their political peers or masters. This may lead to distortions in policy, particularly in

local government where professionals tend to assume dominant positions and can exercise considerable influence.

In some other cases the incidence of 'double accountability' may lead to a conflict of interest and divided loyalty on the part of the professional. It is quite possible that the wishes of political masters may be for one set of policy preference while the professional group tends to prefer another. The resolution of this conflict may be in favour of the trends of the profession rather than those policies of the politicians, particularly when professional advancement and career development may be decided by fellow professionals in the broad professional community rather than by local politicians. In fact, there are areas of work in the public sector from which politicians may not wish to exercise direct political control, for example, areas where professionals make scientific judgment about a particular issue. The influence of the professional is thus on the increase in public sector organizations and does certainly require some level of accountability since their 'professional decisions' will affect the welfare of the public.

All these accountability dimensions would work only when a set of measurable criteria is established for the subordinates and the top management level and a system for delegation and control of authority is set up. Though confusing and complex, some form of suitable accountability structure is needed particularly when, as Levaggi (1995) argues, the perfect market structure in neo-classical sense does not exist or cannot work efficiently – as in public sector organizations.

3.4

ACCOUNTABILITY IN PUBLIC SECTOR ORGANIZATIONS

Accountability is, of course, not exclusive to public sector organizations. Private sector enterprises attach much importance to accountability as a method of examining how people discharge responsibility and the financial performance of the enterprise. However, it has been argued that the concept of accountability takes on greater importance in the public than the private sector (Gray and Jenkins, 1985; Day and Klein, 1987). The reasons for this situation may be summarized as follows:

- i) Since public sector organisations are entrusted with monies collected through taxation, management of projects and execution of public policies, the public demands that those responsible for public monies and public policies present a public account of their activities.
- ii) Due to the responsibility entrusted to civil servants/public managers, citizens expect a high standard of conduct from them especially in the way they spend the money and the way in which the public policy is determined.
- iii) Unlike private sector goals, public sector organisations are entrusted with multiple objectives which may some times conflict with each other so monitoring such tasks through accountability could, conceivably, enhance the effectiveness and efficiency of the policy as well as the civil servants.
- iv) The diversity of public sector organisations and the huge variations in the activities that they undertake mean that differing methods of accountability will apply in different situations. It is therefore difficult to generalize about the process of accountability in the public sector. Despite this, it is possible

to detect some trends such as the increasing role of management accountability in all parts of the public sector.

- v) Because of the size of the public sector organisations with their long chain of command, it might be difficult to control the activities of those charged with execution of policies.

These reasons have not, however, dampened or improved the argument about the effectiveness of accountability in the public sector. Neither have the reasons led to a precise and measurable set of standards for evaluating the responsibilities which the public have entrusted upon civil servants in the public sector.

In his definition of accountability as;

' ... a mechanism to ensure that individuals can be called to account for their actions, and that sanctions are incurred if the account is unsatisfactory',

Theo Brooks (1955) identified four words – *individuals, sanctions, unsatisfactory and mechanism* – as the main components of the definition.

He explains that the *individuals* (that is the civil servants) are generally held accountable for the activities of their organizations and so they provide the accounts. If the account rendered is found *unsatisfactory* by the accountee/principal *sanctions* are imposed upon the organization or department, which directly affect the ability of the individuals (the civil servants) to carry out the responsibilities of their departments or organizations. For the account to be satisfactory in process and procedure (not necessarily in content), it

must be embodied in a defined *mechanism* that provides direction on presentation, evaluation and control. These four words, he argues, provide the basis and substance of accountability in public sector organizations: the most important being '*mechanism*'.

Brook argues that accountability as a '*mechanism*' for providing an account of actions has a procedure to follow and an objective to achieve. The achievement of these imperatives provides the gateway to a satisfactory accountability. He explains that the accountability mechanism has only six components and to identify them the following six questions must be answered:

- a) Who is giving the account?
- b) To whom is the account to be given?
- c) For what action or job is the account to be given?
- d) How is the account to be given?
- e) When is the account to be given?
- f) What happens if the account is unsatisfactory?

Brook states that if individuals claim that accountability exists in their organizations, they must be able to answer all six questions credibly. If just one component is absent, he warns, accountability does not exist in that organization. This condition is neutral to sector (public or private) and job position held by the individual.

Brook (1987, p.16) reduces these questions to a simple list, which he collectively labeled as the *Accountability Criteria*:

Table 3.1
The Accountability Criteria

| |
|----------|
| Who? |
| To? |
| For? |
| How? |
| When? |
| What if? |

Brook states that the criteria lie at the heart of accountability and there are reasons to support his view. This is because the criteria provide a simple but comprehensive scheme for assessing whether accountability exists in a given situation. It is self explanatory, easy to use and extremely directive in procedure and purpose.

3.4.1 A Generalised Accountability Model

Gray, Owen and Adams (1996) have proposed a generalised model of accountability which emanates from their definition of the term:

“ The duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible.”

They state that this definition provides two responsibilities: responsibility to undertake certain actions and responsibility to provide an account of those actions.

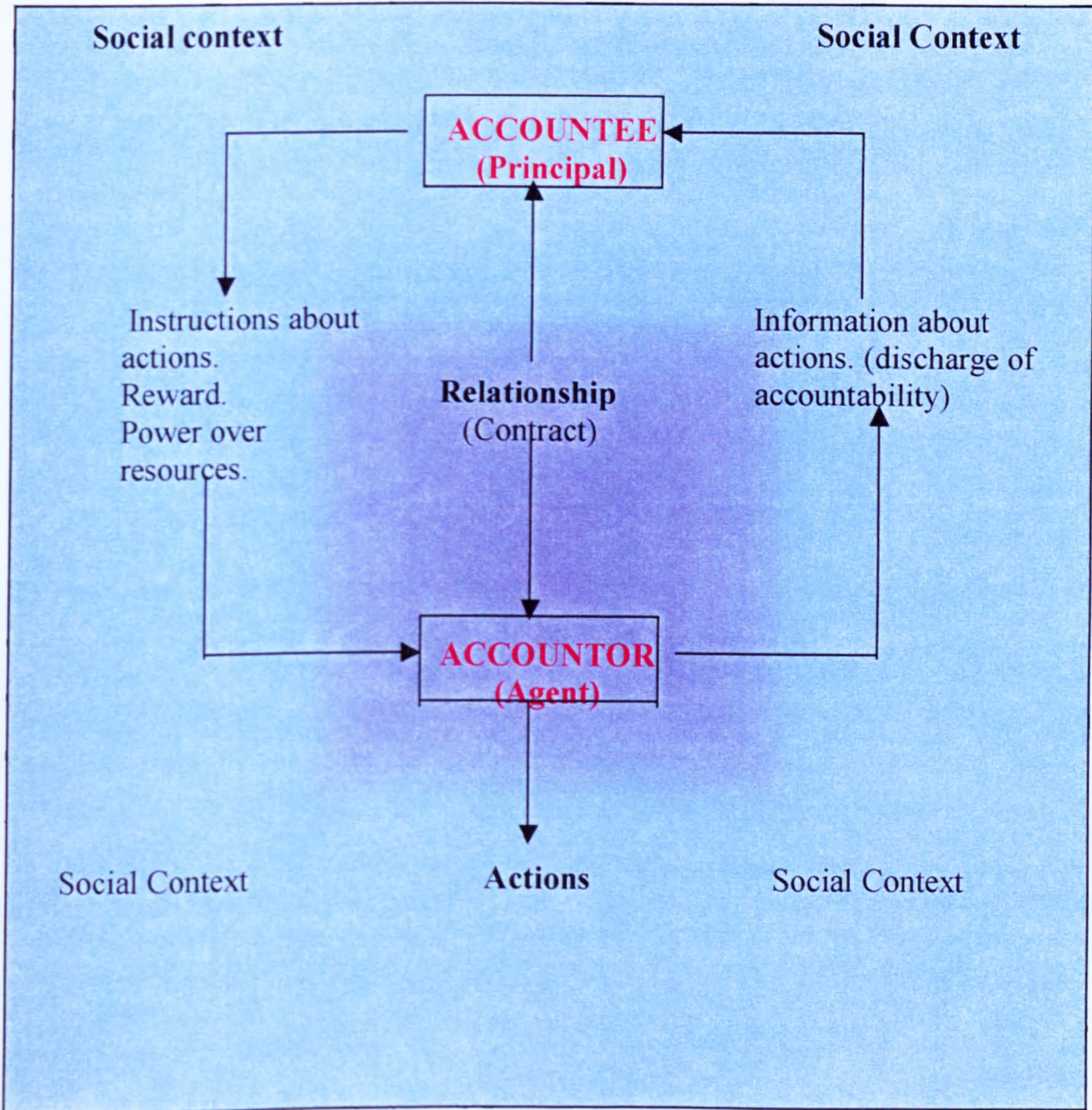
The emergent relationship involves two main actors – *an Accountee (Principal) and an Accountor (Agent)* – whose specific relationship is defined by *society* while their *rights and obligations* are defined by an internal contract. While the *Accountee (Principal)* has a right to information, the *Accountor (Agent)* has the obligation to provide the information based upon a specified set of criteria, for example, *Brook's Accountability Criteria* discussed above. Both parties interact through these provisions of the wider societal environment and the internal contractual environment of the organisation. This accountability relationship is put into a general model as shown in Figure 3.1.

Figure 3.1 is a simple model but can be used to explore many complex situations. The model hypothesises a simple two-way relationship between an accountee (the principal) and accountor (the agent). The terms of the flows between the parties and the actions and accountability required will be a function of the relationship (contract) between the parties. This, in turn, will reflect the social context of the relationship, for example, the value society places on honesty and openness in the discharge of official duties.

The essence of the model is the relationship between the parties and the role that society ascribes to it. It is this relationship that ascribes responsibility and permits right to information, and thereby determines the accountability. So the crucial issue is how the relationship – that is, *the contract* – is determined.

Figure 3.1

A GENERALISED ACCOUNTABILITY MODEL



Source: Gray et al, 1996, p.39

In the model, *society* is defined as sets of relationships, for example, between individuals, between organisations, between the State and the individual or organisation and between individuals and the rest of the natural environment and so on. Thus the “social context” in

the model refers to a series of individual *social contracts* between members of society and society itself. These contracts may be both legal and non-legal – that is, moral or natural contracts: that is, some relationships and parts of some relationship are governed by law whereas other relationships – and some part of all relationships – are governed by the ruling ethics, value and principles of society. These *contracts* provide the basis for the rights of the parties in that relationship including rights and responsibilities relating to information flows. To relate all these to accountability, we must first distinguish between legal and non-legal, or moral or natural, rights and responsibilities (Likierman, 1986; Likierman and Creasey, 1985). The most obvious rights and responsibilities are those established in law. The law lays down the minimum level of responsibilities and rights and thus the minimum level of legal accountability at any given time in any given country (Tinker et al., 1991)

While the law frequently identifies responsibility for actions it rarely specifies the responsibility to account for those actions – the accountability. On the moral side, the society and the value system of the individual determine the moral rights and responsibilities that influence accountability in organisations.

This model is simple but powerful as conceptual guide for understanding the issue of accountability in organisations particularly in public sector organisations. The model identifies the relevant variables and players in the accountability game that will be found useful by researchers. Combined with Brook's *accountability criteria*, the model has

much to offer in understanding and analysing the issues and problems of accountability in public sector organisations. While the generalised accountability model provides the structure for understanding the relationships in the accountability web, Brook's *accountability criteria* supplies the ingredients for an in-depth study and analysis of the accountability concept.

3.4.2 Assumptions of Accountability concept in the Public Sector

The concept of Accountability assumes the following links:

- a) In public sector organisations, civil servants are accountable to ministers and ministers, in turn, are accountable to the Cabinet, which itself is accountable to the legislative body – for example, the Parliament. This assumption no longer matches reality because the relationship is more complex than this. The links are no longer effective in the current circumstances of complex relationships in public sector organisations.
- b) Efficiency and accountability are two sides of the same conceptual coin. This assumption is strengthened by the attempts since 1960s to improve and promote efficiency and managerial accountability in developing and developed countries.
- c) Accountability should be less concerned with the individual's actions, than with over all performance of the group. As quoted in Day and Klien (1988, p.42), the 1969 Fulton Committee's report on the Civil Service argues that "Accountable management means holding individuals and units responsible for performance measured as objectively as possible".

- d) The services are devised and delivered by people who may differ in their ability to define what the objectives or outputs are supposed to be.
- e) The ability to determine who is competent to assess the progress made towards the achievements of those aims may also vary.
- f) The ability of the service deliverers to appropriate the currency of accountability may also reflect such characteristic of the services as the division of labour between the groups of providers.
- g) It is assumed that there is no accountability without responsibility within the organisations.
- h) The political processes do in fact generate precise, clear-cut objectives and criteria necessary if managerial accountability is to be neutral exercise in the application of value-free techniques.
- i) The organisational structure is such that manager accountable to politicians can answer for the actions and performance of the service deliverers.

These assumptions have provided the basis for most of the accountability concepts discussed above. However, while some of these assumptions are still valid to a large extent, some others need reviewing to be applicable in the current circumstances and complexities of relationships in public sector organisations.

3.4.4 Management Approach to Accountability:

To facilitate the promotion and implementation of the concept of accountability and ethics within public and private sector organisations, relevant managerial approaches may

be adopted as alternative options. Among these approaches is the traditional managerial approach, which requires that authority and responsibilities are clearly defined while overlapping functions are reduced to a minimum so that they do not obscure responsibility and frustrate accountability. In the same vein, strict subordination must be observed and the subordinate must obey the directive and command of his superior so that organisational effectiveness and accountability can be secured.

Furthermore, there should be appropriate span of control so that subordinate can be controlled and their activities monitored by the super-ordinates in order that effective management and proper accountability can be harnessed. Subordinates should be encouraged to be loyal to the organisation and to their superiors through incentive pay, pension scheme and conflict of interest regulation as well as through occupational specialization which makes it difficult for employees to find another employment elsewhere. Formal disciplinary system should be established to enforce accountability and subordination. There should be internal audit within the organisation so that employee/civil servant cannot abuse public trust.

The problem with this approach is that it has a narrow focus. It is concerned more with protecting managerial values than protecting the public from betrayal of trust. As an alternative option, the *Market-based Public Management* approach has a different view of accountability and ethics. It focuses exclusively on performance and results. The new model treats the traditional managerial approach as obstacles to cost effective

government. It favours external oversight by legislature that assesses performance. Accountability within the *Market-based Public Management* framework can be enforced through market mechanism and customers' judgement/preference. Even this new approach operates on the basis of checks and balances that involve a guardian system in which the guardians themselves are guarded effectively to ensure appropriate use of resources and accountability. The problem is, how can the guardians be guarded?

3.4.5 Difficulties in Guarding the Guardians

Despite the establishment of accountability process in public and private sector organizations and oversight exercised by legislative and managerial machinery, it is not easy to find satisfactory means of establishing standards to guard the guardians of public conscience and welfare. This results from various reasons.

First, due to the special expertise and the access to information, it is difficult for those charged with oversight to hold public administrators accountable. Public administrators enjoy the advantage of full time status, so outsiders who are charged with oversight of their activities may not be able to devote sufficient time to check the routine works. As a result of this inability, accountability may become a weak and ineffective method of monitoring the public civil servants' performance.

Second, as a result of job security afforded to public administrators and the protective nature of the personnel system, it is difficult to dismiss or discipline an employee without

going through cumbersome procedures which tend to be costly and time consuming so accountability of civil servants may be impaired. It is reckoned that the greater the effort to control the subordinate's behaviour by top level officials the greater the effort made the subordinates to counter act such control, the more staff and resources are required from both sides to secure accountability.

Third, the lack of co-ordination among various public organizations could impede the effort to hold public administrators accountable. Due to the size and scope of public sector organizations' activities it is difficult to hold administrator accountable for deviation from the public interest.

Lastly, fragmentation of agency structure and function could lead to overlapping responsibility which may make it difficult to hold public administrator accountable.

Contracting out government services may result in some difficulties in tracing a third party responsibility when there is no precise definition and terms of the job to be performed.

Despite these difficulties, the concept of accountability, if defined appropriately and developed efficiently, may contribute enormously to effective and responsible management and administration of public and private sector organisations. There are clear advantages in having an accountability system firmly in place in an organisation; and these outweigh the inevitable limitations such as the employment of amateur

accountees (Guber, 1987); lack of co-operation between accountant and accountee; vagueness of the concept; the monopolist market power of public sector organisations (Pallo, 1992); increasing cost of accountability and monitoring systems; the issue of measurement (Hollstrom and Migrom, 1990) and the difficulty in setting precise public sector objectives and criteria for evaluating effectiveness of accountability.

The main advantages of accountability if effectively established and implemented include, among others:

- i) Accountability model limits bureaucratic discretion through compliance with tightly drawn rules and regulations. Public administration scholar Francis Rourke wrote in the late 1970s that; *“The reformers of the 1960s and the 1970s seem bent not on extending but on curtailing the independence of bureaucratic organizations. They argue that bureaucracies represent formidable concentrations of power in contemporary society, and that executive agencies should be brought back within the political system and made more accountable. If traditional efforts at reform could be described as an attempt to depoliticize the administrative process in the United States, the reform movement in our day seems rather aimed at re-politicizing administration—at least in the sense of restoring public control over previously independent agencies.”* quoted in Light (1993, p.12).

Most public administration textbooks define accountability as one of Command-and-control so accountability is seen as a product of limit on bureaucratic discretion – limit

that flow from clear rules (command) and the formal procedures (monitoring and enforcement) that make them stick (control);

- ii) The framework for accountability implies explicit development of performance standards and measurement to respond to the need for accountability. Financial management control, information and frequent reporting provide quantitative information for the understanding of the accountability of an enterprise.
- iii) Accountability concept had facilitated the introduction of Public Indicators, Citizen Charter and Financial Management Initiative in some developed countries.
- iv) One of the driving forces for the establishment of accountability model is to improve public sector performance and control (financial, legislative, social and managerial) for sustained economic and social development. This objective to a certain extent had been achieved.
- v) With the availability of the appropriate tool of accountability the public civil servants can be held accountable. These tools of accountability can be employed simultaneously to achieve the intended results. Table 3.2 shows the tools available.
- vi) In certain developing countries like Malaysia there had been close linkage between performance improvement and accountability thus strengthening the belief that performance improvement of public sector organisation could be the result of the

Table 3.2

CHOOSING THE TOOLS FOR ACCOUNTABILITY

| ENDS (To facilitate/enhance) | MEANS (Tools) |
|--|--|
| Legitimacy of Decision-makers | Constitutions; electoral systems for governments and decision-making bodies; bureaucratic systems of Representation; Royal prerogative; legislation; letters of appointment; formal delegation of authority; Standing orders |
| Moral Conduct | Societal values; concepts of social justice and public Interest; professional values; training/induction Programs |
| Responsiveness | Public participation and consultation; debates; Advisory bodies; public meetings; freedom of Speech. |
| Openness | Parliamentary question times; public information Services; freedom of information laws; public Hearings; green and white papers; annual reports |
| Optimal resource utilization | Budgets; financial procedures; rules of virement; Parliamentary public accounts committees; auditing; Public enquiries and participation; formal planning Systems |
| Improving Efficiency and | Information systems; value for money audits; setting objectives and standards; program effectiveness guidelines; appraisal; feedback from public |

Source: Turner and Hulme (1997, p.124)

public accountability, which had the focus of the public rather than the politicians and bureaucratic superiors, as has been the case in the past.

vii) With a market-based forms of accountability consumers' power is strengthened thus making public sector organisation more responsive.

3.5 FRAMEWORK OF ANALYSIS

We have adopted the *Generalised Accountability Model* in co-junction with Brook's *Accountability Criteria* as the framework of analysis in this study. As stated above, when combined with Brook's *Accountability Criteria*, the *Generalised Accountability Model* has much to offer in understanding and analyzing the issues and problems of accountability in public sector organisations. The model provides the structure for understanding the relationships in the accountability web and the Brook's *Accountability Criteria* supplies the ingredients for an in-depth study and analysis of the accountability concept within the structure.

The generalised model will enable us identify the structure, actors, relationships (both legal and non-legal) and the associated actions taken in the accountability process in the UAE public sector organisations using our case-study organisations. Brook's criteria will enable us carry out an in-depth study and analysis of the accountability concept, procedure and evaluation in the UAE public sector organisations.

The main research approach is primary survey involving the use of questionnaires and personal interviews. Secondary data/information will provide most of the background materials. A detail discussion of the research method used in this study is given in chapter 4.

3.6 SUMMARY

In the last 20 years there had been many attempts by various governments in industrialised nations to strengthen and to clarify accountability concept and its mechanism in both public and private sector settings. In the U.S., the government introduced three reforms through a statute in 1978. The first reform is the Civil Service Act which contained a clear commitment to performance pay, merit bonuses and greater stewardship of the government's human capital. The second reform is the ethics in Government Act, which created financial disclosure processes that, although heavily tilted towards compliance measure, envisioned an appointment of senior civil servants with a greater incentive and drive to perform in the public interest.

To enhance efficiency and accountability in public sector organisation many reforms also had been introduced at state and local level in the U.K. during this period. These reforms include efficiency scrutinises, value for money audits, performance indicators, resource management initiatives, cash limits, computerised financial information system, delegated budget and internal market. In addition the general process of reshaping public sector organisation is being encouraged by the transformation of regulatory model towards the

inclusion of commercialized public sector operation. Moreover in public choice theory, politicians and bureaucrats are seen as self-interested individuals whose personal aim for wealth, status, influence and security can be satisfied only through a process of competition. In order to control these self-interested individuals, public sector accounting and accountability systems need to be transparent. Information about decisions should be freely available, decision-making process should involve the full range of interested parties or stake-holders and appropriate market-based incentives are needed to ensure that bureaucrats and politicians are accountable for their actions. Accountability therefore should be seen as an important element in helping the stakeholders to harness the self-interests of politicians and bureaucrats.

Even though there had been some obstacles in the way of accountability concept, the efforts, which have made in the developed countries, had been somehow successful in removing the element that impedes the progress and growth of accountability concept. However the accountability concept will continue to attract researchers and professionals in and outside government circles despite the recent public sector restructuring which impacted adversely on the role of accountability as means of evaluating and directing civil servants' performance.

This chapter has discussed some of the major theoretical issues relating to the accountability concept and debate. There is clear evidence that the debate will continue because of the dynamics not only of the concept but also of the institutions and the surrounding social environment. For this study, we have adopted the *Generalised*

Accountability Model of Gray et al (1996) for the framework of analysis to carry out our study of accountability in the UAE public sector organisations.

CHAPTER 4

RESEARCH METHOD USED IN STUDY

4.1 INTRODUCTION

This chapter discusses the method of research employed in this study. The discussion covers mainly the following areas:

- (a) Research strategy;
- (b) Description of the variables to be measured;
- (c) Sampling;
- (d) Method of data collection
- (e) Method of data analysis

The chapter concludes with the limitations imposed on the study by circumstances beyond our control.

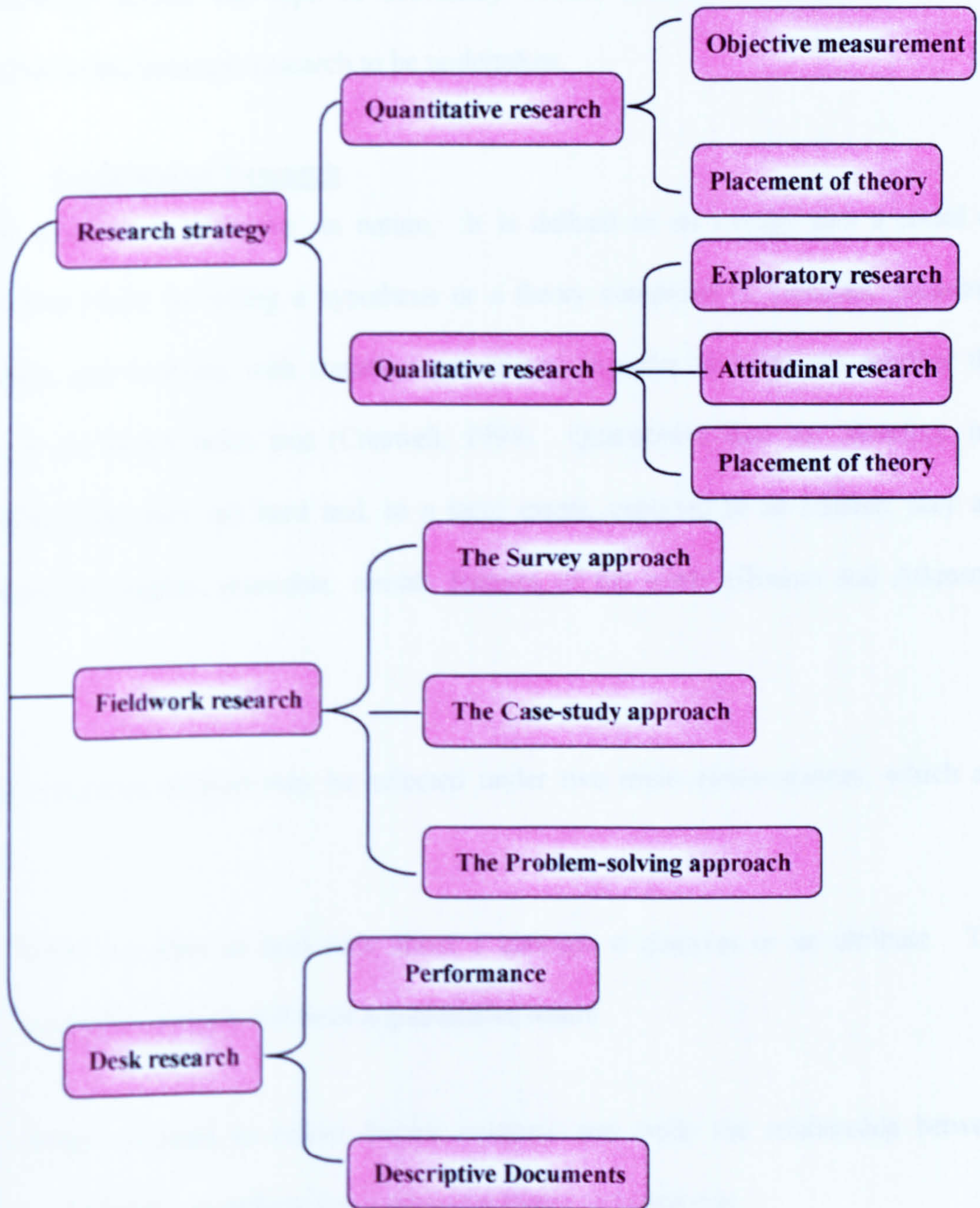
4.2 RESEARCH STRATEGY

Sometimes, terms mean different things to different people; it is thus necessary to define what “research strategy” means before we proceed further. Here, research strategy may be defined as the way in which the research objectives may be achieved or questioned.

There are two types of research strategies, namely, “quantitative research and qualitative research”. The decision on which type of research strategy to adopt depends on the purpose of the study and the type and availability of the information that is required to answer the research question and achieve the objectives of the study. The configuration of the span of the method of data collection and the relative significance of the research strategy are shown in figure 4.1

Figure 4.1

The Span of Data Collection Method



Source: Creswell, 1994.

From the figure, it can be inferred that there is the need to identify the research strategy suitable for the study at hand before proceeding to other stages of the study. In a way, the research strategy defines the type of secondary source information required and the method of fieldwork (primary) research to be undertaken.

4.2.1 Quantitative Research

Quantitative research is 'objective' in nature. It is defined as an inquiry into a social or human problem based on testing a hypothesis or a theory composed of variables, measured with numbers, and analysed with statistical procedures, in order to determine whether the hypothesis or the theory holds true (Creswell, 1994). Quantitative data are, therefore, not abstract information, they are hard and, to a large extent, expected to be reliable; they are measurements of tangible, countable, sensible features of the world (Bouma and Atkinson, 1995).

Quantitative research method may be selected under two main circumstances, which are as follows:

- a) When we want to find facts about a concept, a question or an attribute. The information sought will be of a quantitative nature.
- b) When we want to collect factual evidence and study the relationship between these facts in order to test a particular theory or hypothesis.

4.2.1.1 Place of Theory in Quantitative Research

In 'quantitative' study, the hypotheses, research questions and objectives can be better understood when they are grounded in a theoretical framework. The concept of a theoretical framework is explained in detail in a later section. However, at this point the term 'theory' will be discussed. A theory is commonly understood to have certain characteristics. Kerlinger (1979), cited in Creswell (1994, p.73), defined a theory as 'a set of interrelated constructs (variables or questions), that presents systematic view of phenomena by specifying relationships among variables, with the purpose of explaining natural phenomena. Here, the systematic view might be an argument, a discussion, or a rationale that helps to explain (or predict) phenomena that occur in the world'.

In quantitative studies one uses a theory deductively and places it towards the beginning of the plan for a study. The main objective is to test or verify a theory, rather than develop it. One thus begins the study by advancing a hypothesis or restating a given theory, then data is collected to test the hypothesis or theory. The result of the test provides a basis for reflection on whether the hypothesis or theory is confirmed or refuted by the facts of the study. The theory, if confirmed, thus becomes a framework for the research project and an organizing model for the research questions or hypotheses. It also provides a framework for the planning and organization of information/data collection procedure (Creswell, 1994).

4.2.2 Qualitative Research

Qualitative research, on the other hand, is 'subjective' in nature. It emphasizes meanings, experiences (often verbally described), description and so on. The Information gathered in qualitative research can be classified under two categories of research, namely, exploratory and attitudinal.

4.2.2.1 Exploratory Research

Exploratory research is used when we have a limited amount of knowledge about our topic and thus require more information to better define the topic and delimit its boundary for a meaningful research. Here, the interview technique is usually selected as a method of data collection. The purpose of exploratory research is intertwined with the need for a clear and precise statement of the recognized problem.

Researchers conduct exploratory research for three interrelated purposes: (i) Diagnosing a situation, (ii) Screening alternatives and (iii) Discovering new ideas (Zikmund, 1997). For instance, Personnel research managers often conduct exploratory research as a diagnostic tool to point out issues of employees' concern or to generate possible explanation for motivational patterns. For example, preliminary interviews with employees may be utilized to learn current 'hot' issues, as well as concerns about bread-and-butter issues such as wages, working conditions, career opportunities, and the like. In this study we used exploratory research to seek better clarity about the main subject matter --- i.e. management accountability. We also carried out exploratory research to limit the boundary of the research as well as establishing the feasibility of the study in terms of data availability from

4.2.2.2 Attitudinal Research

Attitudinal research is used to ‘subjectively’ evaluate the ‘opinion’, ‘view’, or ‘perception’ of a person towards a particular object. The term ‘object’ is used to refer to an ‘attribute’, a ‘variable’, ‘factor’ or ‘question’. Attitudinal research is entirely qualitative though the results can be translated into quantitative explanation and analysis.

The main research approach in this study is empirical-based survey using questionnaires and personal interviews. As will be discussed later, questionnaires were used to obtain qualitative data, which was converted to quantitative data for analysis. The information collected were mainly opinions, views, impression, evaluation and perspectives of individuals about identified objects or situations. All of these are attitudinal data.

The usefulness of attitudinal information cannot be over-emphasized. The research objective is to identify and evaluate the factors responsible for the alleged low level of management accountability in public sector organizations in the UAE. While the identification aspect of the objective of the study provides quantitative answers to the question “which factors caused the problem?” the evaluation aspect provides qualitative largely (attitudinal) answers to the crucial question; “why did the problems occur?” So our qualitative (attitudinal) research has been very useful.

4.2.2.3 Place of Theory in Qualitative Research

In qualitative research the use of theory is less clear than in quantitative research because there is no standard terminology or rules about placement. A theory may emerge during the

data collection and analysis phases of the research or be used relatively late in the research process as a basis for comparison with other theories. The placement of theory in qualitative research tends to be towards the end of the study. Therefore, the product of qualitative research will be throwing up hunches and hypothesis that can be tested more rigorously by further quantitative research.

Creswell (1994) identifies some principles to observe about using a theory in the qualitative approach. These are:

- (a) employ it in a manner consistent with the type of qualitative design,
- (b) use it inductively so that it does not become something to test but rather to develop and be shaped through the process of research,
- (c) create a visual model of the theory as it emerges, and
- (d) if used at the end of the study, compare and contrast it with other theories.

In this study, an adapted theoretical model defining the procedure for establishing management accountability in the public sector in a social context and setting such as the UAE has been developed. This was done at the end of the research and analysis of findings in Chapter 11. It is an appropriate procedure because we had to analyse the findings, compare them with existing models of accountability before attempting to develop the model. We have compared the model and are confident of its suitability to the social setting of the UAE and countries in similar social context and value system.

4.3 COMPARING QUANTITATIVE AND QUALITATIVE RESEARCH

From the above discussion a number of contrasting features of quantitative and qualitative research has emerged. The difference between quantitative research and qualitative research is rather like the difference between counting the shape and types of design of a sample of green houses as against living in them and feeling the environment. Table 4.1 shows a comparison of the two research approaches.

Table 4.1

Some Differences Between Quantitative And Qualitative Research

| | | Quantitative | Qualitative |
|---|---|---|---|
| 1 | Role | Fact-finding based on evidence or records | Attitude measurement based on opinions, views and perceptions measurement |
| 2 | Relationship between researcher and subject | Distant | Close |
| 3 | Scope of findings | Nomothetic | Idiographic |
| 4 | Relationship between theory/concepts and research | Testing/confirmation | Emergent/development |
| 5 | Nature of data | Hard and reliable | Rich and deep |

Source: Bryman, 1988.

The differences between them may be somehow quantifiable but such measurements will not convey the importance and the special impact of some over others. Bryman (1988) provides a useful list of differences between the two research strategies.

Table 4.1 includes some of the important dimensions. Naturally, the focal point of any research is its outcome. Although Table 4.1 shows distinctive features of the two strategies, the relationship between theory/concepts and research strategy in terms of verifying the theory/concept to emerge from the data is not as clear-cut as is sometimes implied.

The differences tabulated above (Table 4.1) and their implications are evident in our study and results. For example, while we have been able to identify most of the factors that account for the low level of management accountability, our knowledge of the factors has been enriched and expanded by the qualitative responses from our questionnaires. These are very useful sources and forms of information that have enriched our analysis and evaluation of the factors.

4.4 SAMPLING DESIGN

One of the major sources of questions about the validity and reliability of a piece of empirical research is the sampling design with its resultant sample size (McDaniel and Gate, 1991). It is therefore necessary to explain the sampling design in some details. Furthermore, the application of the methods of research and the associated instruments of investigation are based on the availability of a sample while the reliability of the results of the empirical research depends on the *appropriateness and randomness* of the sample. A discussion of the sample design before the other aspects of the primary data collection process is thus in order.

Designing the research sample can take many forms, each of which is suitable for a particular purpose. Listed below are some of the types of sampling methods available:

- (i) Simple random sampling
- (ii) Purposive sampling
- (iii) Convenient sampling
- (iv) Quota sampling
- (v) Systematic random sampling
- (vi) Stratified random sampling

Because of the nature of this study, the non-random *purposive sampling* method is adopted in selecting the members of the various samples used in the study. The study is largely a case study of the problem of management accountability in the public sector hence the sampling approach must recognize the need to be biased towards the selection of relevant officials, such as the Accountees and Accountors, in the case study organisations. Similarly, within the relevant groups of officials in the organisations, the selection and inclusion in the relevant samples of those directly involved in giving accounts of their stewardship (accountors) and those to whom they render the account (accountees) is necessary for the validation of the study and test of reliability of the results obtained from the samples. The *purposive sampling* technique is one of the most appropriate methods to achieve this inevitable bias in sampling. These are some of the reasons for the choice of *purposive sampling* as the sampling method in this study.

As explained in chapter 1 (see Table 1.1), the case study public sector organisations used in the study are the Emirates Telecommunications Corporation (ETISALAT) and the Ministry of Health (MOH). Apart from the significant importance of these organisations in the socio-economic life of the nation, they represent, as can be seen in the results of our exploratory research reported in chapter 1, Table 1.1, two contrasting cases of performance as rated by our sample respondents. Our decision to use these organisations for our study has been influenced significantly by these results. In addition, the two organisations showed more tendencies to co-operate with the research than other similar organisations approached. Finally, we chose only two public sector organisations because of time, finance and human resources constraints on the study.

The limitations, such as bias, reliability etc., in designing a non-random purposive sampling are recognized. It is, for example, difficult to engage in generalization from the findings of such a sample. However, these deficiencies should be considered against the situational circumstances of the study. In this study, the situation with respect to knowledge about public sector accountability is not very wide spread to encourage us to increase the sample size to include every citizen. Furthermore, the study and research period were very limited which made it impossible to adopt a more time consuming research and sampling approach. There are also limitations on the study imposed by finance, human and other resource constraints. These circumstances and constraints have influenced our sampling approach and sample sizes. However, it is not expected that these limitations will have significant adverse effect on the findings and analysis in this study.

4.4.1 The Sample Size

One of the main objectives of this study is to find out the views and opinion of the general public as well as the relevant accountors and accountees over the issue of low level of management accountability in the public sector. To achieve this, the sample(s) to be used must not only be appropriate in size but also relevant in type; hence there is need to explain the nature of the samples as well as the sample sizes used in the study.

The main types of samples are used in the study as follows:

- i) the general public sample;
- ii) the individual case study sample; and,
- iii) the combined sample of the two case studies.

Each sample was selected in the following way using as stated earlier the *pursive sampling* method which is considered appropriate for this type of research.

a) The general public sample

The general public sample of 500 members was selected from a sampling frame (population) of 1500 people drawn from the UAE public with a purposive bias towards some particular elements (accountees and accountors) in both the federal and Emirate public services sectors as shown in Table 4.2. The sampling-frame was selected from lists of personnel currently working or retired in the public and private sectors of the economy, ministers, chairmen, directors, under-secretaries, managers, businesspersons, professionals and the general public available in public records such as telephone directory, postal directory, Chambers of Commerce directory, Municipality records and the *Diwan* of the

Emirates. The sampling frame was fairly representative and, partly, on the basis of this, the sample of 500 prospective respondents drawn from it was assumed representative.

Table 4.2 shows the pre-survey distribution of our sample of 500 prospective respondents among the relevant categories. The distribution in the Table is arbitrary with respect to the general public group and in the ratio of 1:2 in the case of the accountee/accountor group. The ratio of 1:2 has been used because the civil services of the seven Emirates combined is much larger in number of employees than the Federal civil service though not in the exact proportion of 2:1. So there is also some arbitrariness in the distribution of the accountees and accountors.

Table 4.2

General Public Sample: Distribution of Prospective Respondents by Category

| Category | Federal Public Service | Emirates Services | Total |
|--|------------------------|-------------------|------------|
| General Public | 150 | 200 | 350 |
| Accountees (Ministers/Chairmen) | 20 | 40 | 60 |
| Accountors (Under-Secretary/Director/Manager) | 30 | 60 | 90 |
| TOTAL | 200 | 300 | 500 |

We do not expect our arbitrary distribution to affect the outcome of the sample survey because we have given some measure of weighting to the relevant groups in our sample.

In terms of the actual response to the questionnaire administered on the general public sample, Table 4.3 presents the number of responses. As can be seen in the Table, a total of 280 members of the three sample groups actually filled in the questionnaires and returned. This represents a response rate of 56%, which is reasonably high considering that mail questionnaire surveys typically do not achieve high response rates.

Table 4.3

The General Public Sample Survey: Distribution of Actual Respondents

| Category | Federal Public Services | Emirates Public Services | TOTAL |
|----------------|----------------------------|-----------------------------|-------|
| General Public | 80 | 120 | 200 |
| Accountee | 10 | 20 | 30 |
| Accountor | 15 | 35 | 50 |
| TOTAL | 105 | 175 | 280 |

However, we supplemented the postal survey with hand delivery and collection. This method accounted for about sixty percent of the completely filled and returned questionnaires.

b) The Case Study Samples

In the case of the case study organisations –Etisalat and the Ministry of Health (MOH) – the entire work force constituted the population out of which a purposive sample of 40 members was selected. The distribution of the sample members according to category is presented in Table 4.4.

Table 4.4

The Case Study Sample: Distribution of Respondents

| Category | ETISALAT | Ministry of Health (MOH) | TOTAL |
|---|-----------|--------------------------|-----------|
| General Employee | 10 | 10 | 20 |
| Accountee | 5 | 5 | 10 |
| Accountor (Including sub-accountors) | 25 | 25 | 50 |
| TOTAL | 40 | 40 | 80 |

Clearly, the selection in this case is one of equal representation in all the categories and from each of the case study organisations. The equal representation enables us to compare our survey results fairly. The accountee and accountant categories comprise of the following officials:

- Minister/Chairman/President (Etisalat)
- Senior/Vice Presidents (Etisalat)
- Under-Secretary/General Manager
- Assistant Under-secretaries
- Financial Contollers
- Directors
- Heads of Departments/Senior Managers.

Specific questionnaires (see Appendices B and C) were sent or delivered to the case study sample respondents particularly, the Accountees and Accountors, and effort was concentrated on ensuring that the questionnaires were filled and returned. As a result, a 100% response rate was obtained. The reason for the extra effort expended in ensuring that respondents, particularly the accountees and accountors, filled and returned the questionnaires was because the case study organisations constitute the focal point of the research and, hence, their responses were vital to the study.

c) The Combined Case Study Sample

This sample comprised of a randomly selected 30 accountees and accountors (including sub-accountors) from the combined sample of 60 accountees and accountors of the two case study organisations (see Table 4.4). Equal number of respondents (15) was selected randomly from each of the organisations' samples. The detail distribution of respondents is shown in Table 4.5 and the designations of the selected respondents are as follows:

- Minister/Chairman/Senior Vice President of Etisalat (4)
- Vice President/Under-Secretary/Asst. Under-Secretary/Financial Controller (10)
- Directors/Senior Managers/Heads of Departments (16)

Table 4.5

Distribution of Combined Etisalat and MOH Sample for Personal Interview

| Category of Staff | Case Study Organisations | | Total |
|-------------------|--------------------------|--------------------------|-----------|
| | Etisalat | Ministry of Health (MOH) | |
| Accountee | 2 | 2 | 4 |
| Accountor | 5 | 5 | 10 |
| Sub-accountor | 8 | 8 | 16 |
| Total | 15 | 15 | 30 |

The combined sample was used mainly during the personal interview stage when the “Tick Questionnaire” (see Appendix E) was also administered.

4.4.2 Personal Interview Sample

A focused personal interview was conducted using the combined sample of 30 Accountees and Accountors (including Sub-accountors) from the two case study organisations.

The interviews were conducted over a period of three months from April to June 2000.

The main rationale underlying the use of a combined sample of the two organisations for the personal interviews is as follows:

- The objective of the study is the same for both organisations;
- The research findings of each case study have been compiled and analysed in detail to identify the commonalities and differences thus a combined sample interview provides an additional basis for validation of the individual results;
- Need for a sample size larger than 30 to enable us use standard tests of validation and reliability of the results;
- There were resource constraints if we were to enlarge the sample for interview.

It was thus convenient and reasonable to have a combined sample from the two case study organisations for the personal interviews. There was no indication that this approach had any negative effect on the outcome of the study.

4.5 DATA COLLECTION APPROACH

The qualitative research strategy is adopted in this study mainly because of the nature of the study. The main objective of the study, as stated earlier, is to identify and assess the factors responsible for the management accountability problems in public sector organizations of the UAE. This involves obtaining the views and opinions of various individuals in organizations in the sector particularly in the case-study organizations. To this extent, the study is an attitudinal study, which is better conducted through qualitative rather than quantitative approach as discussed in section 4.2 above. This does not exclude the use of quantitative techniques if and when relevant. Consequently the following research techniques and how they have been used in the study are discussed in this section:

- (i) Desk research (secondary data)
- (ii) Fieldwork research (primary data)
- (iii) Questionnaire
- (iv) Sampling

4.5.1 Desk Research (Secondary Data)

Data collected using desk research approach is called “secondary” data because the data is obtained from documents compiled by others. The most significant advantages of secondary data relate to time and cost of the study. In general, it is usually much less expensive in terms of money to collect and use secondary than primary data (Steward and Kamins, 1993). Furthermore, secondary data are easier to collect and much less time consuming than the collection of primary data.

Most of the secondary data for this study were collected from the following sources:

- (i) Central Bank Reports and Publications
- (ii) Reports and Publications of Ministry of Finance, Abu Dhabi
- (iii) Chambers of Commerce Documents
- (iv) Government Department Reports and Publications
- (v) Relevant books, academic journals and other literature
- (vi) OECD, IMF, EIU and World Bank documents and publications
- (vii) Newspapers, periodicals, magazines etc.
- (viii) Ministry of Health files and publications
- (ix) Etisalat Reports and Publications
- (x) Files and Publications of Ministry of Economy & Commerce, Abu Dhabi.
- (xi) Other public records and publications

These sources provided information, which were analysed and critically appraised to write the literature review, the background information chapters and some aspects of the findings and recommendation chapters. Thus, secondary sources of information/data have been crucial to the successful completion of this research project. The advantages of this source of data cannot be underestimated. Besides the time saving virtue of secondary sources of information and the fact that it is much easier to collect compared with primary sources of data, secondary data could be reliable if appropriate control mechanisms were used to ensure that much of the potential biases were reduced to a minimum. In this study, we achieved this advantage by comparing secondary data from different sources.

This does not mean that the disadvantages of secondary source information are not recognized. Indeed, such disadvantages including the question of reliability and accuracy of secondary data were taken into account while using the data. For example, data collected from one source were compared with similar data from other sources to ascertain accuracy, reliability and consistency. Other shortcomings of this source of data such as the representativeness of data, comparability and biases were also recognized and appropriate measures taken to minimize their effects. The secondary information/data used in this study, therefore, are reliable and accurate to a significantly high degree. This is complemented by the primary data collected through questionnaire and personal interviews specifically for the purpose of this study.

4.5.2 Fieldwork Research (Primary Data Source)

The collection of primary data through fieldwork research may be undertaken in the following ways:

- (i) Observational study
- (ii) Experimental study
- (iii) Case study approach
- (iv) Survey method

While the observational and experimental studies are useful in their own right, they are not relevant in this study. These methods of research usually require long periods in the 'field' and they tend to emphasize detailed evidence. Furthermore, the methods generally produce

quantitative data without qualitative explanation of the information collected. Case-study approach, on the other hand, is used when the researcher intends to support his/her argument with data from an in-depth analysis of a person, a group of persons, an organization or a particular project. This and the survey method of research are the appropriate methods for this study. The survey method is particularly relevant in this study because it provides the basis and research instrument suitable for obtaining qualitative data, such as questionnaire survey and in-depth personal interviews. The case study, on the other hand, provides us the opportunity to carry out an in-depth study of relevant organizations that may supply information to solve the research problem of this study.

4.5.2.1 The Survey Method

The survey method is used to gather data from a relatively large number of respondents within a limited time frame. It is thus concerned with a generalized result when data is abstracted from a particular population or sample. The survey method may be implemented by:

- (i) Postal questionnaire
- (ii) Telephone questionnaire
- (iii) Personal interviews.

Of these techniques of the survey method, the postal questionnaire and personal interview were used in this study.

4.5.2.1.1 The Postal Questionnaire

Three questionnaires (see Appendices A, B and C) were designed for information collection. Each questionnaire focussed on each of our three sample groups: the general public, Accountees and Accountors (see the section on questionnaire below). The general public questionnaires were partly sent by post and partly hand delivery to our sample of 500 respondents drawn from a population (sampling frame) of 1500 people to fill and return.

The response rate, as stated earlier, was very good. A total of 280 duly completed questionnaires were returned or collected within the period representing a satisfactory 56% response rate. As mentioned above, the main method used to distribute the questionnaires was by post though our research assistants supplemented this with hand delivery and collection.

Postal questionnaires are economical to use; they constitute a quick method of conducting a survey and they provide the opportunity for respondents to consult to answer the questions. The limitations of this method include inflexibility: lack of control over respondents or their answers and the requirement that the questions must be simple and direct. Supplementing the postal questionnaire method with personal interviews surmounted some of these limitations, as was gladly discovered in our fieldwork.

4.5.2.1.2 Personal Interview

This is a face-to-face interpersonal role situation in which respondents are asked questions relating to the research. In this study, personal interviews were conducted first during the exploratory phase of the study to crystallize the research problem in order to determine the relevant research objectives and focus. At this stage, some government officials and members of the public were interviewed. The replies and comments of this sample population of the actual population from which the research survey samples were drawn were very useful in shaping and focussing the topic of study.

As stated earlier, the actual personal interviews took place over a period of time in late 1999 and early 2000. In late 1999, preliminary personal interviews were conducted and this was followed by further interviews in early 2000 (April to June) after the questionnaires have been returned and an initial examination of the results has been undertaken. The members of the sample chosen for the interviews were selected randomly as discussed in some detail in section 4.4. 2 above. The interview questions were semi-structured (see Appendix D) with emphasis on specific issues not covered fully in the postal questionnaires (Appendices A, B, and C). A supplementary "Tick Questionnaire" (see Appendix E) was also administered during the personal interviews.

The personal interviews were meant to give respondents an open-ended discussion since the expected answers were of qualitative nature expressing the views and opinions of the respondents. The medium of communication in most of the interview was Arabic so respondents were comfortable in discussing the issues and expressing their opinions.

However, respondents who were comfortable with the use of the English language as the medium of interview were interviewed in English. The main limitation in the use of this method is the lack of sufficient time on both the respondents' and the interviewer's sides. The answers from these interviews have been very useful in the analysis of the findings of the study.

4.6 THE QUESTIONNAIRE

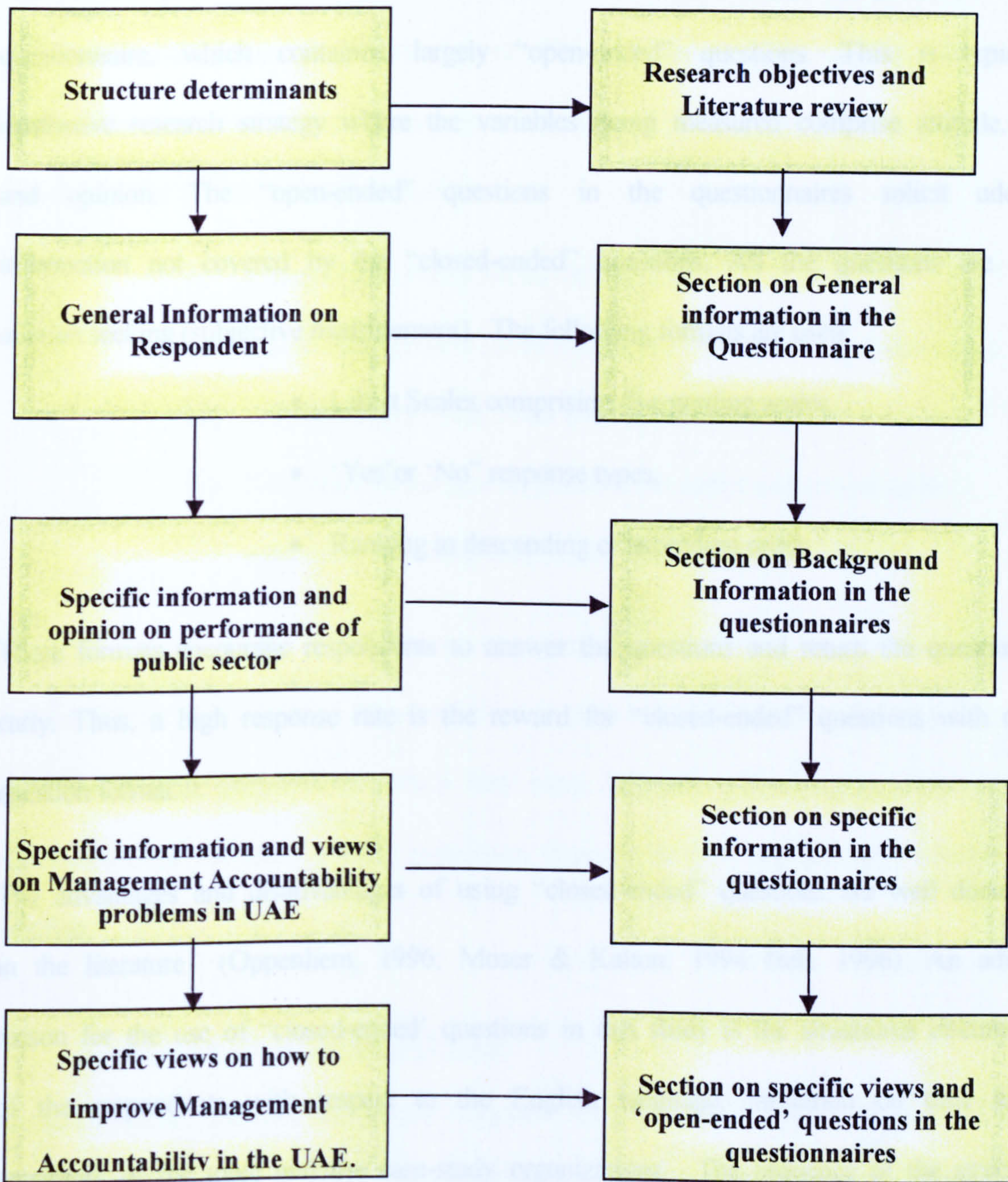
The questionnaire is an essential instrument in the survey method of research. It is more so in attitudinal research such as the study at hand. The design of a questionnaire is based upon the research objectives and theoretical directions derived from the literature review. These enabled us to identify the relevant topics and issues, which in turn, determined the scope and nature of questions in the questionnaire. This was the procedure adopted to design and develop the questionnaires used in this study.

4.6.1 Structure of the Questionnaire

The type of information required determined the structure of the questionnaires. This was determined mainly by the research objectives as given in chapter 1. The structure was thus developed in a logical sequence from general information to specific information as represented in Figure 4.2.

Figure 4.2

Structure of Accountability Questionnaire



4.6.2 Forms of Questions

Most of the questions in the questionnaires are closed-ended except the personal interview questionnaire, which contained largely “open-ended” questions. This is typical of qualitative research strategy where the variables being measured comprise attitude, views and opinion. The “open-ended” questions in the questionnaires solicit additional information not covered by the “closed-ended” questions. All the questions are mainly opinion seeking (subjective measurement). The following formats are used:

- Likert Scales comprising five grading scales,
- ‘Yes’ or ‘No’ response types,
- Ranking in descending or ascending order.

These formats encourage respondents to answer the questions and return the questionnaires early. Thus, a high response rate is the reward for “closed-ended” questions with opinion question format.

The advantages and disadvantages of using “closed-ended” questions are well documented in the literature (Oppenliem, 1996; Moser & Kalton, 1994 Bell, 1996). An additional reason for the use of “closed-ended” questions in this study is the situational circumstances of the respondents with respect to the English language, limitation on time and the sensitivity of the topic and the case-study organizations. The sequence of the structure as seen in Figure 4.2 determined the logical flow of the questions in the questionnaires.

4.6.3 Pilot-Testing of Questionnaire

The questionnaires were pilot-tested on a small sample of the actual population on whom the final questionnaires were administered. The pilot-test sample was selected by using non-random purposive sampling approach because of the diverse nature of the sample population. The pilot-test sample included:

- i) 1 accountees (Policy maker –Chairmen),
- ii) 2 accountors (Public sector executives – Under-Secretary/Director);
- iii) 2 accountors (Private sector executives – CEOs);
- iv) 5 members of the general public (both public and private sector employees including those of the case-study organizations).

The feed back from the pilot-test was very useful in developing the questionnaires to its current format and content. It enabled us to improve the questionnaires significantly to serve the specific purposes for which they were designed. The questionnaires were then administered on the study sample population through the post and by hand delivery where possible.

4.7 VARIABLES TO MEASURE IN STUDY

As stated earlier, the core information required for the study is mainly qualitative meant to identify and assess the views and opinions of producers and users of reports of stewardship with respect to resources, responsibilities, trust and authority entrusted to the care of civil servants by the government and the general public of the UAE.

The following specific attitudinal variables have been identified for assessment and measurement through the questions in the questionnaires and the personal interviews conducted:

- i) Awareness of problems of Accountability in general in the public sector;
- ii) Awareness of low level of Management Accountability in public organizations;
- iii) Attitude towards the problem of low level of Management Accountability;
- iv) Opinion on the definition of Management Accountability;
- v) Experiences of poor Management Accountability in the public sectors;
- vi) Opinion on why the problem developed and seem to have persisted in the public sector;
- vii) Views on the social-cultural, personal and organizational factors responsible for the low level of Management accountability in the UAE public sector;
- viii) Views on appropriate methods for eliminating the problem of low level of Management Accountability in the public sector.

This qualitative information has not only indicated the attitude of the UAE population, as represented by our sample, towards the low level of Management Accountability in the

public sector but also enabled us to carry out an analysis of the views and opinion with the aim of understanding the causal factors and their effects. Such analysis has enabled us to develop a framework (model) for solving the problem.

4.8 HYPOTHESIS TESTED IN THE STUDY

Though hypothesis testing belongs mainly to the quantitative research strategy, an attempt is made in this study to test the following “attitudinal hypothesis” which are based upon the objectives of the research:

Hypothesis 1 : The general public of the UAE believes that the level of management accountability in the public sector is less than average compared to similar sectors, for example in the UK.

Hypothesis 2 : The UAE public is aware of the adverse effects of the poor level of management accountability in the public sector.

Hypothesis 3 : There is a low level of management accountability in the Telecommunications Corporation (Etisalat).

Hypothesis 4: There is a low level of management accountability in the Ministry of Health (MOH) of the UAE.

Hypothesis 5: The general public, the accountees and accountors collectively believe that the level of management accountability in the public sector of the UAE is low compared to the UK.

Hypothesis 6: The general public, the accountees and accountors believe that the accountability problem is caused by various social factors.

Hypothesis 7: The general public, the accountees and accountors believe that the accountability problem is caused by various personal factors.

Hypothesis 8: The general public, the accountees and accountors believe that the accountability problem is caused by various organizational factors.

Hypothesis 9: The public believes that the general performance of the public sector is less than the average of similar sectors in, for example, the UK.

Hypothesis 10: The public believes that the accountability problem has caused some distrust of reports from the public sector.

Findings and analysis in the study have enabled us to test these hypotheses for confirmation or refutation of their contentions.

4.9 SUMMARY

This chapter has described and explained the actual research strategy and approach used in the study. It explains the research design with particular attention to the techniques used to obtain primary data from fieldwork. The design of the questionnaires used in the study is carefully explained including the structure, form, sequence and format of the questions.

Being a qualitative research, the issues and limitations of the nature of research are presented and discussed. The sampling method used and the justifications for its application are presented. The sample size and breakdown are also given and explained.

The main limitations of the study such as time, financial and other resource constraints are indicated. These constraints, however, have no significant adverse effects on the findings and analyses of the study.

CHAPTER 5

THE POLITICO-ECONOMIC STRUCTURE OF THE (UAE)

5.1 INTRODUCTION

The United Arab Emirates (UAE) (in Arabic–al-Amaraat-Al-Arabiya Al Mutahida) is the youngest of the states of Arabian Peninsula. Established only in December 1971 after British withdrawal from the East of the Suez, the country comprises a Federation of seven emirates – Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Fujairah, Umm Al Quwain and Ajman, which were formerly known as the Truicial States (Ministry of Information and Culture, 1992). Since establishment, the country has attracted international attention, partly because of its extensive oil reserves and partly because of its strategic location.

The country is situated in the Eastern part of the peninsula of Arabia at the mouth of the Arabian Gulf. It is bordered by Oman to the North-East and East; Saudi Arabia to the South and West and the Arabian Gulf to the North. The five states of Sharjah, Ajman, Umm Al Quwain, Ras Al-Khaimah and Fujairah are often described as the Northern emirates. The total area of the UAE, excluding islands, is about 77,700 square kilometers. Abu Dhabi and Dubai are the two largest emirates and, while six of the emirates are strung out along the southern shore of the Arabian Gulf between the base of the Qatar peninsula in the west and Musandam Peninsula in the east. Fujairah is the only emirate without direct access to the Arabian Gulf. Fujairah lies on the eastern coast of the Musandam Peninsula.

The Emirates have 700 kilometer of coastline, of which 100 kilometers are on the Gulf of Oman. Along the Arabian Gulf coast are some offshore islands, coral reefs and ‘sabkha’

or salt-marshes. Stretches of gravel plain and barren desert interspersed with oases characterize the inland region.

Much of the impetus for the creation of U.A.E. came from the personal commitment of the rulers of Abu Dhabi, Sheikh Zayed Bin Sultan Al Nahayan and Dubai, Sheikh Rashid Bin Saeed Al Maktoum. As rulers of the largest and richest Emirates – Abu Dhabi had been pumping oil since 1962 and Dubai since 1969 – it was natural that they should take the leading role in the new federation. As the largest and wealthiest emirate, Abu Dhabi has provided the U.A.E.'s only President, Sheikh Zayed, re-elected unanimously every five years by the Supreme Council, the body comprising the rulers of the seven Emirates. Since 1979, the Ruler of Dubai has held the vice-presidency and prime ministership. Ministries are allotted to the seven Emirates on a proportional basis.

The UAE has a sub-tropical, arid climate, with the hottest period of the year falling between May to October and coldest period between December and March. Daytime temperatures can vary from 26°C in December to 44°C in September, while nighttime temperatures can vary from 12°C to 26°C respectively. Rainfall is infrequent and irregular throughout most of the emirates, occurring mainly during the winter with occasional local thunderstorms. Rainfall hardly exceeds 13 centimeters a year in most places though higher readings may be obtained in mountain regions (The British Bank of the Middle East, 1992).

5.2 POLITICAL STRUCTURE

As a federation, the U.A.E. is guided by a Constitution drawn up in 1971 and ratified as a permanent Constitution in 1996 after a 25-year period of 5-yearly renewal. The absence of a permanent constitution prior to 1996 allowed for flexibility in the way the state's institutions developed and in the informal negotiation between individual emirates on the balance of power between federal government and individual emirates.

The healthy rivalry between Abu Dhabi, whose oil reserves and wealth dwarf those of its federal partners, and Dubai, which has carved itself a place as the U.A.E.'s pre-eminent commercial centre, has driven much of the measured progress the country has made towards more formalised federal union in the last 25 years. Given that it bears the bulk of the federal budget, subsidising some of the smaller Emirates completely, Abu Dhabi has pushed for greater power for the central government. Dubai, on the other hand, has traditionally resisted attempts to formulate unified federal policies on matters such as trade policy, in which it has pursued a vigorously independent line. Originally, the bulk of decision-making was made in informal meetings of the Supreme Council of Rulers. Since Sheikh Maktoum Bin Rashid Al Maktoum became prime minister in 1990, the importance of the Council of Ministers has grown considerably in its role of drafting laws approving budgets and overseeing the role of federal government. There is no elected assembly in the U.A.E.; the Federal National Council consisting of 40 appointed members exists as a forum for discussion of government policy, but has no decision-making powers.

5.3 POPULATION AND EMPLOYMENT

The population of the UAE reached an estimated 2.58 million in 1997 reflecting an annual average rate of growth of 5% since 1990. Table 5.1 shows the population breakdown by Emirates. As can be seen in the table, Abu Dhabi followed by Dubai are the most populous Emirates and, of course, they are the two largest in land area.

Table 5.1

UAE; Population by Emirate, 1980 – 1997 (In thousands)

| Emirate | 1980 | 1985 | 1990 | 1993 | 1994 | 1995 | 1996 | 1997 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Abu Dhabi | 451 | 538 | 772 | 871 | 879 | 942 | 952 | 1000 |
| Dubai | 279 | 336 | 484 | 548 | 605 | 689 | 695 | 737 |
| Sharjah | 160 | 216 | 303 | 342 | 392 | 403 | 412 | 435 |
| Ajman | 36 | 51 | 74 | 83 | 96 | 121 | 123 | 133 |
| Umm al Qaiwan | 12 | 21 | 26 | 30 | 40 | 36 | 36 | 39 |
| Ras al Khaimah | 74 | 94 | 125 | 141 | 142 | 144 | 147 | 153 |
| Fujaira | 32 | 44 | 60 | 68 | 76 | 76 | 78 | 83 |
| TOTAL | 1,044 | 1,300 | 1,844 | 2,083 | 2,230 | 2,411 | 2,443 | 2,580 |

Source: Ministry of Planning, Abu Dhabi.

The growth in population was due mainly to the inflow of foreign labour. The exact proportion of foreign to national labour in the labour-force is not known but some estimates put it around the 75% mark. Table 4.2 gives the estimate of population by nationality in 1995. It can be seen in the Table that expatriate and foreign migrant workers and their dependants dominate the UAE population and labour-force.

Employment in the UAE expanded at an annual average rate of growth of 7.7 percent between 1993 and 1997. This reflected the very rapid growth of non-oil employment, particularly in trade and manufacturing (including natural gas and petroleum processing) where annual average increases of 13.7 percent and 10 percent, respectively, were recorded. Employment in agriculture also rose at an above average rate (8.7 percent) but its share in total employment was relatively small at about 7.5 percent. Below average employment growth occurred in the crude oil and construction sectors and especially in finance, insurance, and government services.

Table 5.2
UAE: Estimate of Population by Nationality in 1995 ('000)

| COUNTRY | WORKING EXPATRIATES | DEPENDANTS | TOTAL | % in TOTAL |
|---------------------------|----------------------------|-------------------|--------------|-------------------|
| ASIAN COUNTRIES | 1,215 | 287 | 1,502 | 61.0 |
| INDIA | 587 | 163 | 750 | 30.5 |
| PAKISTAN | 307 | 83 | 390 | 15.9 |
| BANGLADESH | 103 | 8 | 111 | 4.5 |
| OTHERS | 218 | 33 | 251 | 10.2 |
| ARAB COUNTRIES | 170 | 114 | 284 | 11.6 |
| EGYPT | 55 | 34 | 89 | 3.6 |
| SYRIA | 29 | 14 | 43 | 1.8 |
| JORDAN | 22 | 21 | 43 | 1.8 |
| OTHERS | 64 | 45 | 109 | 4.4 |
| AFRICAN COUNTRIES | 30 | 20 | 50 | 2.0 |
| SUDAN | 20 | 10 | 30 | 1.2 |
| SOMALIA | 7 | 6 | 13 | 0.5 |
| OTHERS | 3 | 4 | 7 | 0.3 |
| EUROPEAN COUNTRIES | 22 | 15 | 37 | 1.5 |
| UNITED KINGDOM | 12 | 9 | 21 | 0.9 |
| OTHERS | 10 | 6 | 16 | 0.7 |
| AMERICAN COUNTRIES | 5 | 5 | 10 | 0.4 |
| AUSTRALIA | 1 | 1 | 2 | 0.1 |
| TOTAL EXPATRIATES | 1,443 | 442 | 1,885 | 76.6 |
| UAE NATIONALS | | | 576 | 23.4 |
| TOTAL POPULATION | | | 2,461 | 100.0 |

Source: Research & studies Department, Chamber of Commerce & Industry, Dubai.

5.4 RECENT ECONOMIC DEVELOPMENT

5.4.1 Introduction

The UAE is the best performing economy in the Gulf Region though each of its constituent emirates retains a considerable degree of autonomy over their individual economic, financial and political affairs. The Oil sector continues to provide the main source of fiscal revenues and export earnings. The country is also a significant exporter of liquefied natural gas (LNG). Over 90% of the UAE's oil and gas resources are in Abu Dhabi.

5.4.1 Oil Sector Development and Prospects

The UAE's proven reserves of crude oil are officially estimated at 100 billion barrels, the third largest after Saudi Arabia and Iraq, and equivalent to about 10 % of world reserves. At present levels of output, the ratio of proven reserves to production is estimated to give the federation around 120 years of oil supplies. The oil reserves are located mainly in Abu Dhabi emirate which acts as the swing producer in maintaining the UAE's total production at its OPEC quota. Abu Dhabi's production in recent years has been 1.8 to 1.9 million barrels per day (mbd); output in the other oil producing emirates – Dubai, Sharja and Ras Al-Khaima – amounts to about 0.3 mbd and is declining due to the gradual exhaustion of Dubai's wells (see Table 5.3).

The UAE's policy of crude oil production is to adhere strictly to its OPEC quota which remained unchanged at 2.161 mbd between 1993 and 1997. In the light of this policy, the

Table 5.3

UAE: Summary of Oil and Gas Production, Export and Prices, 1993-97

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|----------------------------------|--------|--------|--------|--------|--------|
| (In millions of barrels per day) | | | | | |
| Crude oil production | 2.20 | 2.20 | 2.20 | 2.26 | 2.39 |
| Abu Dhabi | 1.80 | 1.80 | 1.82 | 1.86 | 1.91 |
| Dubai and others | 0.36 | 0.36 | 0.34 | 0.30 | 0.25 |
| (In millions of cubic meters) | | | | | |
| Natural gas production | 20.06 | 22.50 | 24.50 | 27.50 | 31.00 |
| LNG exports | 2.83 | 3.33 | 4.44 | 6.34 | 6.34 |
| NGL exports | 7.57 | 7.51 | 7.29 | 8.11 | 9.60 |
| (In millions of US dollars) | | | | | |
| Crude oil exports | 12,256 | 11,934 | 12,762 | 14,795 | 14,273 |
| Abu Dhabi | 9,980 | 9,718 | 10,514 | 11,967 | 11,048 |
| Dubai and others | 2,043 | 1,989 | 2,005 | 2,103 | 1,647 |
| LNG and NGL exports | 963 | 991 | 1,467 | 1,932 | 2,703 |
| Total hydrocarbon exp. | 13,220 | 12,926 | 14,230 | 16,728 | 16,976 |
| (In millions of UAE dirhams) | | | | | |
| Crude oil exports | 44,993 | 43,811 | 46,850 | 54,313 | 52,396 |
| LNG and GNL exports | 3,536 | 3,639 | 5,387 | 7,094 | 9,922 |
| Total Hydrocarbon exp. | | | | | |
| (In US dollars per barrel) | | | | | |
| Average oil price | 15.99 | 15.57 | 16.65 | 19.87 | 18.80 |

Source: Abu Dhabi National Oil Company, Abu Dhabi

authorities have focused on the development of the country's natural gas resources and the production of petroleum condensates, which are recovered in association with the

production of crude oil and natural gas and are not subject to the OPEC quota. The individual emirates retain ownership and control of oil resources in their emirates.

The Federal Ministry of Petroleum and Minerals has only an advisory and statistical function although the Minister represents the UAE at OPEC meetings. In Abu Dhabi, the Supreme Petroleum Council formulates policies on the basis of advice provided by the government-owned Abu Dhabi National Oil Company (ADNOC). In the other emirates, the Rulers' Offices formulate policies, and operations are carried out by joint ventures with majority government ownership. The Dubai Petroleum Company operates the offshore fields at Fateh, Falah and Rashid with foreign partners Total, Conoco and Wintershall. Crescent Oil is the operator of Sharjah's offshore Mubarak field.

Although oil is still the mainstay of the economy, its contribution to GDP has declined steadily from about 60% in 1980 to around 31% in 1997. Efforts at further diversifying the economy are continuing and, in particular, attempts are being made to expand the tourism sector, financial services industries and manufacturing as well as gaining market share in the entrepot trade. Since 1992, the non-oil economy has grown strongly and the value of non-oil exports (largely re-exports) has increased substantially.

5.4.3 Non-oil Sector Development

The non-oil sector has expanded rapidly since the end of the Iran-Iraq war in 1988. The three principal factors in this development comprise: sharply expanded trade and trans-shipment operations, markedly improved public sector infrastructure, and the emergence

of a strong manufacturing sector. The continuing diversification of the UAE's production base is evidenced by the steadily increasing share of the non-oil sector in total GDP at constant prices in recent years from 63.5 percent to 69.3 percent as shown in Table 5.4.

It is also reflected in the faster growth of factor inputs into the non-oil sector relative to the oil sector. Over the same period, employment in the non-oil sector grew at an annual average rate of 7.7 percent compared with 5.1 percent in the oil sector. Similarly, the gross fixed capital formation in the non-oil sector grew at an average annual rate of 11.5 percent compared with 0.9 percent in the oil sector.

The form of diversification has varied according to the development strategies of the emirate governments which take into account the emirates' comparative advantages and resource endowments. Abu Dhabi's growth strategy emphasizes the development of capital-intensive energy based activities such as petrochemicals and fertilizers. Dubai is expanding its role as a commercial and financial hub, building on the entrepot trade, and has become an attractive tourist destination for both GCC and European nationals. Sharjah has traditionally been the centre of small-scale manufacturing for import replacement and textiles for export and has about 45 percent of UAE manufacturing industry.

Table 5.4
UAE: Sectoral Origin of GDP at Constant (1990) Prices; 1993-97

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---------------------------------|---------|---------|---------|---------|
| | (in millions of U.A.E. dirhams) | | | | |
| Gross domestic product | 128,018 | 134,368 | 145,283 | 159,889 | 163,309 |
| Crude oil production | 46,780 | 43,416 | 45,660 | 52,479 | 50,150 |
| Other production | 81,238 | 90,952 | 99,623 | 107,410 | 113,159 |
| Agriculture | 3,032 | 3,979 | 4,287 | 4,793 | 5,216 |
| Industry | 25,373 | 28,101 | 30,667 | 33,035 | 35,087 |
| Mining and quarrying | 358 | 386 | 509 | 518 | 544 |
| Manufacturing 1/ | 11,030 | 13,742 | 15,582 | 17,103 | 18,043 |
| Electricity and water | 2,668 | 2,555 | 2,222 | 2,359 | 2,473 |
| Construction | 11,317 | 11,418 | 12,354 | 13,055 | 14,027 |
| Services | 52,833 | 58,872 | 64,669 | 69,582 | 72,856 |
| Trade | 14,986 | 16,210 | 16,951 | 18,796 | 19,963 |
| Wholesale and retail trade | 13,145 | 14,260 | 14,925 | 16,253 | 17,242 |
| Restaurants and hotels | 1,841 | 1,950 | 2,026 | 2,543 | 2,721 |
| Transportation, storage, and communication | 7,412 | 7,886 | 9,459 | 9,889 | 10,166 |
| Finance and insurance | 6,234 | 7,342 | 8,375 | 9,228 | 9,637 |
| Real estate | 9,393 | 11,884 | 13,782 | 14,961 | 15,355 |
| Government services | 14,932 | 15,200 | 15,807 | 16,624 | 17,362 |
| Other services | 2,368 | 3,259 | 3,445 | 3,755 | 4,085 |
| Less: imputed bank service charges | -2,492 | -2,909 | -3,150 | -3,670 | -3,711 |
| | (In percent of GDP) | | | | |
| Gross domestic product | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Crude oil production | 36.5 | 32.3 | 31.4 | 32.8 | 30.7 |
| Other production | 63.5 | 67.7 | 68.6 | 67.2 | 69.3 |
| Agriculture | 2.4 | 3.0 | 3.0 | 3.0 | 3.2 |
| Industry | 19.8 | 20.9 | 21.1 | 20.7 | 21.5 |
| Mining and quarrying | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 |
| Manufacturing 1/ | 8.6 | 10.2 | 10.7 | 10.7 | 11.0 |
| Electricity and water | 2.1 | 1.9 | 1.5 | 1.5 | 1.5 |
| Construction | 8.8 | 8.5 | 8.5 | 8.2 | 8.6 |
| Services | 41.3 | 43.8 | 44.5 | 43.5 | 44.6 |
| Trade | 11.7 | 12.1 | 11.7 | 11.8 | 12.2 |
| Wholesale and retail trade | 10.3 | 10.6 | 10.3 | 10.2 | 10.6 |
| Restaurants and hotels | 1.4 | 1.5 | 1.4 | 1.6 | 1.7 |
| Transportation, storage, And communication | 5.8 | 5.9 | 5.8 | 6.2 | 6.2 |
| Finance and insurance | 4.9 | 5.5 | 9.5 | 5.8 | 5.9 |
| Real estate | 7.3 | 8.8 | 9.5 | 9.4 | 9.4 |
| Government services | 11.7 | 11.3 | 10.9 | 10.4 | 10.6 |
| Other services | 1.8 | 2.4 | 2.4 | 2.3 | 2.5 |
| Less: imputed bank Service charges | -1.9 | -2.2 | -2.2 | -2.3 | -2.3 |

Source: Ministry of Planning, Abu Dhabi.

1/ Includes natural gas and petroleum processing industries.

However, it is now promoting large-scale industry in a new trade zone and arts-oriented tourism. The northern emirates focus on agriculture, quarrying, cement, and have some specialist manufacturing industries (pharmaceuticals) and shipping services. Fujairah is also a popular tourist destination because of its monsoonal climate.

A common core of these development strategies is an expanded role for private sector investment and activity. To this end, each emirate government (and the federal government in the northern emirates) has provided a modern infrastructure – roads, utilities, telecommunications, ports and airports, and hospitals and schools. The UAE has spent about \$200 billion on infrastructure in the past 25 years. Provision of excellent infrastructure – including electricity and water - has been a key incentive for the location of manufacturing and services enterprises in the country. The absence of income taxation on labour or capita (except for banking profits) has also attracted private investment. In addition, the emirate governments have provided direct incentives for private investment in industrial zones such as free or low cost land, pre-built factories and warehouses, and subsidized water and electricity tariffs.

Dubai in particular, and the UAE in general, has become a trade centre for a region that comprises the Arabian peninsula, Iran, Pakistan, the Indian subcontinent, East Africa, and more recently, the Baltic countries, Russia and other countries of the former Soviet union. This has spurred to a significant degree the evolution of transportation, storage, financial, wholesale infrastructure, and the large number of incoming business travelers has boosted retail, hotel, restaurant and other service industries.

5.4.3.1 Manufacturing

Manufacturing in the UAE is represented by 1,500 industrial complexes. The sector is characterized by a segmentation between large, capital – intensive establishments in the area of chemicals, petrochemicals, plastic, and basic metal products on the one hand, and smaller, less capital-intensive establishments in the area of food products, textiles, metal products and other manufacturing activities on the other hand. The smaller establishments are mostly private sector companies, while the large entries are primarily government owned.

The expansion of the manufacturing sector has benefited from liberal labour market regulations highly elastic labour supply at low wage levels, a well–developed infrastructure and an abundant supply of cheap energy. During 1991-1994, the manufacturing sector recorded an annual average real growth rate of five percent, or slightly below the average real rate of the non-oil sector. However, in 1995 the growth of the manufacturing sector accelerated to nine percent compared with six percent for the non-oil sector.

The major element in the manufacturing and enterpot activities base of the emirates in the Jebel Ali Free Zone (JAFZ) in Dubai. The free zone includes the world’s largest man made port, and was established in 1985. It offers the possibility of 100 percent foreign ownership: guarantees exemption from corporate taxes for 15 years allows companies to repatriate all profits; and provides various ware housing office, and accommodation facilities.

The JAFZ is primarily a warehousing and distribution hub, but has also become an important industrial zone in Dubai. During 1994-98 the number of companies in the free zone more than doubled from 735 to 1500 establishments.

5.4.3.2 Construction

Construction, which accounts for around 10 percent of economic activity did quite well in the past few years, recording annual average growth rate of 5.5 percent during 1993-97 which was below the growth of real non-oil GDP. Nonetheless, the construction sector is an important contributor to GDP growth: in 1997 it accounted for 0.6 percentage points of the 3.6 percent growth in real non-oil GDP, which was the same contribution as the manufacturing and wholesale and retail sectors. This contribution largely reflects labour input as employment in construction averaged over 19 percent of total civilian employment over 1993-97, the highest share of any sector.

Developments in the construction sector are closely linked to government development expenditure (of which the provision of infrastructure is an important component) and net lending (in large part for the construction of commercial properties and private residences). However, the importance of additional infrastructure in total construction has declined as many large infrastructure projects, especially the road network, have been largely completed.

5.4.3.3 Agriculture

The agriculture and fisheries sector expanded in real terms at an average annual rate of 14.5 percent between 1993 and 1997, and its share in total GDP at constant prices increased from 2.4 percent to 3.2 percent over the same period. The rapid growth of the sector reflects both an increase in the labour force (which averaged almost 9 percent per year) and investments in dams and irrigation equipment to bring more land under cultivation. Land reclaimed from the desert amounts to over 250,000 acres, including agricultural land and green areas. Among the various products, the output of vegetables rose at an annual average rate of 27 percent over 1993-97, poultry at 15 percent and meat at 6 percent. More modest growth of 2 percent per year was recorded for dates and fish products.

5.4.3.4 Services

The services sector as a whole was responsible for 55-65 percent of the growth of real non-oil GDP over 1993-97 (see, Table 4.5). Within the sector, the largest contributor to growth in 1993-95 was real estate, but the profitability of this sector declined in 1996-97 owing to an excess supply of low-cost residential properties after the rationalization of the expatriate labour market in 1996 and an oversupply of commercial buildings in Abu Dhabi in 1997.

The finance and insurance subsector also expanded strongly in 1993-96 in response to the need for trade and business financing construction loans and consumer banking services. Data for 1997 indicate that the growth in profitability of the subsector slowed in 1997; however, many banks achieved record profits.

The largest contribution to growth in 1996-97 came from the wholesale and retail trade sector which benefited from the expanding tourism industry and from successful trade promotions including the annual Dubai Shopping Festival. In addition, trade in Dubai and Sharjah was boosted in 1995-96 by purchases of consumer goods by residents of the former Soviet Union for export to their countries.

The government subsector (excluding the Armed Forces) also made significant contributions to real GDP growth during 1993-97. However, the relative share of the subsector in total GDP declined from 11.7 percent to 10.6 percent over the same period. The decline reflects largely a slow down in employment in the subsector as both the Federal and Emirates governments started to recognize that they could not afford to be the employer of last resort in all situations. Consequently, employment in government services rose at an annual average rate of only 2.5 percent over 1993-97, well below the rates of previous years.

Table 5.5

UAE: Real Growth by Sectors, 1993-97

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|-------|--|-------|------|------|
| | | (Change in percent) | | | |
| Gross domestic product | -0.4 | 5.0 | 8.1 | 10.1 | 2.1 |
| Crude oil production | -12.4 | -7.2 | 5.2 | 14.9 | -4.4 |
| Other production | 8.1 | 12.0 | 9.5 | 7.8 | 5.4 |
| Agriculture | 9.8 | 31.2 | 7.7 | 11.8 | 8.8 |
| Industry | 4.9 | 10.8 | 9.1 | 7.7 | 6.2 |
| Mining and quarrying | 7.6 | 7.8 | 31.9 | 1.9 | 4.9 |
| Manufacturing 1/ | 5.6 | 24.6 | 13.4 | 9.8 | 5.5 |
| Electricity and water | -7.3 | -4.2 | -13.0 | 6.1 | 4.8 |
| Construction | 7.5 | 0.9 | 8.2 | 5.7 | 7.4 |
| Services | 9.7 | 11.4 | 9.8 | 7.6 | 4.7 |
| Trade | 14.2 | 8.2 | 4.6 | 10.9 | 6.2 |
| Wholesale and retail trade | 15.7 | 8.5 | 4.7 | 8.9 | 6.1 |
| Restaurants and hotels | 4.2 | 5.9 | 3.9 | 25.5 | 7.0 |
| Transport, storage & communication | 6.4 | 6.4 | 19.9 | 10.2 | 2.8 |
| Finance and insurance | 19.6 | 17.8 | 14.1 | 10.2 | 4.4 |
| Real estate | 22.3 | 26.5 | 16.0 | 8.6 | 2.6 |
| Government services | 6.0 | 1.8 | 4.0 | 5.2 | 4.4 |
| Other services | -30.2 | 37.6 | 5.7 | 9.0 | 8.8 |
| Less : imputed bank | | | | | |
| Service charges | 8.7 | 16.7 | 8.3 | 16.5 | 1.1 |
| | | (Change in percent of GDP of previous period) | | | |
| Gross domestic product | -0.4 | 5.0 | 8.1 | 10.1 | 2.1 |
| Crude oil production | -5.2 | -2.6 | 1.7 | 4.7 | -1.5 |
| Other production | 4.8 | 7.6 | 6.5 | 5.4 | 3.6 |
| Agriculture | 0.2 | 0.7 | 0.2 | 0.3 | 0.3 |
| Industry | 0.9 | 2.1 | 1.9 | 1.6 | 1.3 |
| Mining and quarrying | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Manufacturing | 0.5 | 2.1 | 1.4 | 1.0 | 0.6 |
| Electricity and water | -0.2 | -0.1 | -0.2 | 0.1 | 0.1 |
| Construction | 0.6 | 0.1 | 0.7 | 0.5 | 0.6 |
| Services | 3.6 | 4.7 | 4.3 | 3.4 | 2.0 |
| Trade | 1.4 | 1.0 | 0.6 | 1.3 | 0.7 |
| Wholesale and retail trade | ... | 0.9 | 0.5 | 0.9 | 0.6 |
| Restaurants and hotels | ... | 0.1 | 0.1 | 0.4 | 0.1 |
| Transportation, storage, And communication | 0.3 | 0.4 | 1.2 | 0.6 | 0.2 |
| Finance and insurance | 0.8 | 0.9 | 0.8 | 0.6 | 0.3 |
| Real estate | 1.3 | 1.9 | 1.4 | 0.8 | 0.2 |
| Government services | 0.7 | 0.2 | 0.5 | 0.6 | 0.5 |
| Other services | -0.8 | 0.7 | 0.1 | 0.2 | 0.2 |
| Less: imputed bank | | | | | |
| Service charges | -0.2 | -0.3 | -0.2 | -0.4 | 0.0 |

Source: Ministry of Planning, Abu Dhabi

1/ Includes natural gas and petroleum processing industries.

5.5

FISCAL DEVELOPMENTS

There has been a significant improvement in the public finances since 1994 reflecting favorable oil prices and policies of fiscal restraint (see, Table 5.6). Recognizing the need to diversify the revenue base and to address the deteriorating fiscal balance, the federal government and the emirates introduced non-oil revenue measures and took steps to further contain expenditures. Aided by favorable oil and gas export prices, total expenditure declined as a share of GDP to 36.7 percent in 1997 (compared with 41.2 percent in 1994). The bulk of the fiscal retrenchment fell on capital spending, which declined in nominal terms and was significantly lower than budgeted. These measures resulted in narrowing of the overall deficit (excluding investment income) from 14.6 percent of GDP in 1994 to 5.2 percent in 1997.

In 1996, as a result of an average increase in oil export prices of 19 percent, total hydrocarbon revenues rose by about 16 percent to Dh 37 billion (or 21 percent of GDP). Non hydrocarbon revenues also rose sharply by 37 percent to Dh. 14.4 billion. Among these revenues, profit transfers increased by about 50 percent, while income tax receipts rose from Dh 1.9 to 3.2 billion. Fees and charges also rose due to higher water and electricity consumption. Consequently, total revenue, excluding investment income, increased by about Dh 9 billion.

Table 5.6.

U.A.E.: Consolidated Government Finances, 1993-97

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|----------------------------------|---------------------------------|---------|---------|---------|---------|
| | (In millions of U.A.E. dirhams) | | | | |
| Total revenue | 40,019 | 37,464 | 42,533 | 51,425 | 56,999 |
| Hydrocarbon | 32,044 | 28,694 | 32,033 | 37,007 | 41,138 |
| Nonhydrocarbon <i>of which:</i> | 7,975 | 8,770 | 10,500 | 14,418 | 15,861 |
| Customs | 323 | 606 | 1,335 | 1,427 | 1,676 |
| Profit transfer | 1,202 | 1,422 | 1,311 | 1,989 | 2,302 |
| Income tax | 1,688 | 1,121 | 1,895 | 3,212 | 2,799 |
| Fees and charges | 2,280 | 2,980 | 3,909 | 4,649 | 5,037 |
| Total expenditure | 55,068 | 57,946 | 63,443 | 76,648 | 66,461 |
| Current | 42,048 | 42,204 | 45,758 | 62,353 | 51,008 |
| Federal | 14,973 | 15,236 | 15,645 | 16,456 | 17,591 |
| <i>Of which</i> : Foreign grants | 38 | 288 | 274 | 38 | 220 |
| Development | 11,362 | 11,745 | 12,022 | 10,260 | 10,913 |
| Federal | 595 | 738 | 543 | 497 | 529 |
| Abu Dhabi | 7,801 | 8,813 | 8,114 | 7,450 | 7,609 |
| Dubai | 2,413 | 1,510 | 2,483 | 1,395 | 1,849 |
| Sharjah | 554 | 685 | 850 | 850 | 856 |
| Ras Al-Khaimah | ... | ... | 31 | 68 | 70 |
| Loans and equity | 1,657 | 3,997 | 5,663 | 4,035 | 4,540 |
| Domestic | 1,725 | 4,067 | 5,713 | 4,141 | 4,752 |
| Foreign | -68 | -70 | -50 | -106 | -212 |
| Overall deficit (-) | -15,049 | -20,482 | -20,909 | -25,223 | -9,462 |
| Financing | 15,049 | 20,482 | 20,909 | 25,223 | 9,462 |
| Domestic bank | -2,702 | 2,195 | -3,042 | 2,148 | 597 |
| Exceptional financing 1/ | 17,751 | 18,287 | 23,951 | 23,075 | 8,865 |
| Memorandum items: | (In percent of GDP) | | | | |
| Total revenue (excluding | | | | | |
| Investment income) | 30.5 | 26.7 | 27.1 | 29.3 | 31.5 |
| Hydrocarbon | 24.4 | 20.4 | 20.4 | 21.1 | 22.7 |
| Nonhydrocarbon | 6.1 | 6.2 | 6.7 | 8.2 | 8.8 |
| Investment income | 3.7 | 5.3 | 6.3 | 6.1 | 5.7 |
| Total expenditure | 42.0 | 41.2 | 40.4 | 43.6 | 36.7 |
| Current | 32.0 | 30.0 | 29.1 | 35.5 | 28.2 |
| Development | 8.7 | 8.4 | 7.7 | 5.8 | 6.0 |
| Loans and equity | 1.3 | 2.8 | 3.6 | 2.3 | 2.5 |
| Overall surplus (+)/deficit (-) | -11.5 | -14.6 | -13.3 | -9.7 | -5.2 |
| Domestic bank financing | -2.1 | 1.6 | -2.1 | 1.3 | 0.3 |
| Exceptional financing 1/ | 5.3 | 5.8 | 8.7 | 3.0 | 4.9 |
| Nominal GDP in millions of Dh. | 131,221 | 140,482 | 157,144 | 175,781 | 181,012 |

Sources: Federal and Emirate governments, Ministry of Planning.

1/ Includes use of investment income and transfers from AADIA's foreign asset rose from 26.7 percent of GDP in 1994 to 31.5 percent in 1997

Total expenditure, excluding a one-time transfer of Dh 7 billion to settle government obligations arising from the liquidation of the Bank of Credit and Commerce International (BCCI), declined as a share of GDP to 39 percent (compared with 40.4 percent in 1995), reflecting the authorities' continued efforts to restrain spending. The bulk of fiscal retrenchment fell on capital spending, which declined by 16 percent over the previous year and was substantially lower than budgeted.

The outcome for 1997 was significantly better than expected in the federal and emirate budgets. The consolidated government deficit narrowed to the equivalent of 5 percent of GDP, an improvement of four percentage points over the 1996 outcome. This improvement reflected a combination of factors - most importantly, the Dh 4.1 billion increase in hydrocarbon revenues arising from a sharp increase in condensates exports and from a retroactive payment of US\$400 million for past deliveries of LNG to Japan, which more than offset a 5.5 percent decline in the average crude oil export price. Non-hydrocarbon revenue continue to rise, but at a much slower rate than in the previous year because of a Dh. 0.4 billion decline in oil-related income tax receipts from foreign partners. Receipts from fees and charges continued to rise, reflecting higher fees including those related to the issuance and renewal of passports and expatriate labor permits, as well as increased consumption of water and electricity and upward adjustments to electricity and water charges in Dubai toward the end of the year.

Growth in spending was constrained in most categories (see, Table 5.7). The growth in wages and salaries decelerated from 8 percent in 1995 to about 4 percent in 1997.

During the same period growth in spending on goods and services decelerated from 12 percent to less than 1 percent. However, the annual growth in subsidies and transfers remained about 16 percent because of the absence of fees and charges for public education and health services for nationals, and unchanged tariffs on the consumption of electricity and water for nationals. Foreign grants, after declining during 1994-96, were raised in 1997 to their 1993 level of Dh 1.4 billion.

Table 5.7

Consolidated Government Current Expenditures by Economic Category, 1993-97

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|-------------------------|---------------------------------|--------|--------|--------|--------|
| | (In millions of U.A.E. dirhams) | | | | |
| Wages and salaries | 10,646 | 10,914 | 11,814 | 12,579 | 13,115 |
| Goods and services | 15,175 | 15,648 | 17,570 | 18,295 | 18,359 |
| Subsidies and transfers | 4,822 | 4,172 | 5,364 | 18,634 | 6,887 |
| Total | 30,643 | 30,734 | 34,747 | 49,508 | 38,361 |
| Federal | 14,935 | 14,948 | 15,370 | 15,743 | 16,866 |
| Abu Dhabi | 10,537 | 10,680 | 13,168 | 27,507 | 14,379 |
| Dubai | 5,171 | 5,106 | 5,849 | 5,839 | 6,654 |
| Sharjah | | | 360 | 419 | 462 |
| | (In percent of total) | | | | |
| Wages and salaries | 34.7 | 35.5 | 34.0 | 25.4 | 34.2 |
| Goods and services | 49.5 | 50.9 | 50.6 | 37.0 | 47.9 |
| Subsidies and transfers | 15.7 | 13.6 | 15.4 | 37.6 | 18.0 |

Sources: Federal and Emirate governments, Ministry of Planning.

Development expenditure declined from 8.7 percent of GDP in 1993 to 6.0 percent in 1997 as a result of a sharp reduction in outlays on water and electricity (Table 8) net lending (loans and equity) peaked in 1995 at 3.6 percent of GDP and then declined to 2.5 percent of GDP in 1997, reflecting the development of excess capacity in commercial construction in Abu Dhabi.

5.6 THE PUBLIC SECTOR

Until 2 December 1971 when the Federation of the UAE was established, there was no formally structured or defined public versus private sector divide in the country. There was rather a fusion of both sectors with the Oil industry, which was owned and controlled by a Western Consortium led by British Petroleum and Shell, dominating the economic landscape of the country. A burgeoning utilities industry including Water, Telephone, Electricity and Wireless, which were themselves owned by either national businesspersons or foreigners (mainly British firms) intermingled with the private enterprises

After the formation of the Federation in 1971, the government set out to restructure the foundation of the economy and thus established the formal divide between a public sector dominated by government ownership and control and a private sector dominated by private enterprise. This was done within the comprehensive economic development plan of the government that was formulated in 1973.

The public sector in the UAE comprises mainly of 23 federal government ministries and departments; 22 federal enterprises; 7 Emirate governments; 5 independent and autonomous federal agencies; and 8 local authorities. On a gross basis, the federal budget covers the operations of all the federal ministries and departments and the federal independent and autonomous agencies. It also includes the financial flows to and from the federal public enterprises. During the 1977-80, jurisdiction over functions pertaining to justice, police, health, education and information were transferred to the federal government. Since 1981, the federal government has also been partly responsible for administering the UAE's foreign aid programme.

The public sector is dominant in the economy of the UAE and contributes substantially to the socio-economic welfare of the country. For example, the Government Departments within the sector, employed about 215,000 persons out of a total national labour force of 955,100 at the end of 1995, representing 22.5% of the labour force in that year. In comparative terms, the number employed by the Departments increased from 168,471 persons in 1985 to 215,000 in 1995: an increase of 28% over the ten year period (Central Bank, 1997).

Foreign expatriates and migrant workers dominate the labour force in the public sector and, indeed, the private sector. In recent years, however, the number of UAE indigenes in the labour force has increased respectably largely because of better education, increase in the number of school leavers and change in the attitude of women toward working in

state run establishments. In 1985, for example, 33,700 UAE indigenes were employed in Government Departments out of a total employment of 168,471 compared with 43,000 out of 215,000 in 1995; an increase of 28% over the period (Dept. of Research & Studies, 1996). Similarly, the public sector contributes substantial amount of income to the coffers of the Treasury annually. In the fiscal year of 1996, for instance, the revenue generated by the public sector amounted to 31% of the total government receipts in that year.

Thus, despite its modest start, the public sector in the UAE has assumed, within a short period, the traditional dominance of the socio-economic activity of the country as is the case in other countries particularly the developing countries. The sector has been very important in financing and supporting various economic activities particularly those activities that are considered as providing the infrastructure of the economy such as roads, power, water and schools.

Despite its contribution in the economy, the public sector and its dominance of the socio-economic activities of the UAE has raised increasing concern among the consumers of the goods and services of the sector. academics and even government officials about accountability, performance and efficiency of the sector.

The Public Sector in developing countries has a notorious track record of poor performance, ineffectiveness, inefficiency and poor management accountability compared to the private sector. It is not surprising that most of the developing countries

have embarked upon deregulation of their economies in the form of privatization to reduce the adverse impact of the public sector enterprises.

It is a common knowledge among the consumers of public service goods and services in the UAE such as Water and Electricity that the performance of the sector in terms of set and realised objectives often diverge in spite of the availability of financial resources. The enterprises in the sector are seen as ineffective in the achievement of objectives and inefficient in the use of resources. These failures and shortcomings have been placed at the doorstep of poor management performance, inefficiency, poor accountability and ineffective use of the vast amount of resources put in the trust of these enterprises by the public. This, it may be argued, has prompted the government of the UAE to opt for privatization as a means of making the public sector enterprises more effective and efficient. More detail discussion of the performance of the sector in terms of accountability, especially Management Accountability, is presented in the next chapter.

5.7 SUMMARY

The UAE has had the best performing economy in the Gulf over the past five years and the medium-term outlook remains quite positive. The achievements of low inflation and strong growth in the non-oil sector have been facilitated by prudent government policies. These policies include: a liberal exchange and trade system; and outward-oriented economic strategy that stresses private sector initiative within a framework of effective

regulation; extensive infrastructure investment by the government; and improved confidence in domestic financial institutions.

The main drawback of the recent buoyant economic performance is that it raises expectations even higher and increases the country's dependence on foreign labour.

In the future, development policies will strike a balance between attaining faster economic growth fuelled by labour intensive sectors – such as construction, textiles, and tourism – and encouraging a more self-sustained growth with a greater participation of nationals in private sector activities. This will involve essentially further deregulation or liberalization of the economy through rolling back of the frontiers of the public sector. This is expected to improve not only general performance but also the level of accountability, especially Management Accountability, in the sector. The next chapter takes up this issue.

CHAPTER 6

THE PUBLIC SERVICE SECTOR IN THE UAE

6.1 INTRODUCTION

It is difficult to talk about the public sector without mentioning the private sector as the two sectors complement each other within any country. Public and private sectors vary with time within countries and between countries. However, the users or employees of the public services sector in any country are concerned with the level, quality and accessibility of those services as well as income and job security for their effort and productivity. They are also concerned with proper accountability for the public funds and resources entrusted into the care of the civil servants and politicians of the nation.

In the developed and developing countries public institutions (public sector organizations) are set up and financed by the State for the benefits of the State and its citizens through taxation and other miscellaneous government revenues, and their objectives are normally determined by political consideration in the State. The organizations are controlled or regulated by the State and their management is accountable to the State through the appropriate civil servants in the hierarchy. Public sector organizations are usually formed by and operated within extensive rules and regulations, which are mostly concerned with the proper use of public funds and resources.

6.2 GENERAL CONCEPT OF PUBLIC SECTOR

Any generalization about the public sector in terms of its scope, definition, role, performance, accountability, etc. is bound to be an exercise fraught with much difficulty. The concept of *public sector* has raised much debate and the end of the debate seems

distant (Deakin, 1994; Common, et al., 1992; Leach and Davies, 1996; Fynn, 1997; Ranson and Stewart, 1994; Chapman and Cowdel, 1998).

Defining the public sector, Chapman and Cowdel (1998), quoting from Adam Smith (1796), state that the public sector consists of:

those public institutions and those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual, or small number of individuals; and which it, therefore, cannot be expected that any individual, or small number of individuals, should erect or maintain (p.2).

By implication, Chapman and Cowdel argue that only a government can establish a public sector operation. This suggests the enormity of scope and resource requirements of a public sector and its ramifications. Underscoring the scope and complexity of the operations of the public sector, Flynn (1997) makes some distinction between public and private sector management by stating that: *Public services are not usually sold to people at a price which yields a profit and are not withheld from people who cannot afford them.* Here Flynn introduces another of the complexity of the operation of the public service - the equity principle – which expects all users of public services to be treated equally and, where price is available, the public organization/enterprise should not aim at maximizing profit.

During 1980s and 1990s the issue of public and private sector efficiency had been a subject of intense debate. One side of the debate argues that private sector businesses are more efficient in the use of resources than public sector organizations that regard the issue of efficient use of resources as a secondary matter (Deakin, 1994; Dunleavy, 1991). The other side presents the case that private management and public administration are similar in respect of business activities and that private sector managerial practices are wholly transferable (Self, 1965). In the 1980s a third view of public sector administration emerged – the "new public management" concept. The proponents of this view, whose inspiration derives from the market-oriented ideology of Margaret Thatcher of Britain, argue that there is much difference between traditional public administration and private business management practices (see, Green, 1987; King, 1987; Deakin, 1994; Fynn, 1997). However, Perry and Kreamer (1983) argue that the "new public management" concept is a mere combination of traditional public administration and some characteristic of private business management. Like Farnham and Horton (1999), they state that organizations are divided into two types: private and public. Private organizations are those created by individual or groups for mainly economic purposes while governments for mainly political and social purposes create public organizations. In practice the dividing line between public and private sectors is blur and, it is difficult to determine where public organizations end and private ones begin.

The principle of the welfare state has led governments to be deeply involved in the economic, social and political affairs of their citizens with the assumption that civil servants know more about the needs of the citizens (Lowe, 1993). The implication of this is that the civil servants are entrusted with not only an enormous amount of public resources to provide goods and services but also the confidence of the public in doing so. It is thus absolutely necessary that a credible account of the use of the public resources and confidence be rendered periodically. It can easily be argued that accountability mechanisms are institutionalized in all public sector organizations through the institution of the Auditor General or other watchdogs such as the Ombudsman in the UK. However, the question may be asked whether the accounts rendered by civil servants in various countries are credible and satisfactory in all cases? This question applies to other countries as it does apply to the UAE hence this study.

6.3 THE ESTABLISHMENT OF UAE PUBLIC SERVICE SECTOR

Until 2 December 1971 when the Federation of the UAE was established, there was no formally structured or defined public versus private sector divide in the country. Shaikhdoms or Rulers' Courts existed in each of the seven Emirates and these handled public, and private enterprises as well as the affairs of the Emirates. There was thus a fusion of both sectors with the Oil industry, which was owned and controlled by a Western Consortium led by British Petroleum and Shell, dominating the economic landscape of the country. A burgeoning utilities industry including Water, Electricity and

Wireless, which were owned by either national businessmen or foreigners (mainly British firms) intermingled with the private enterprises.

6.3.1 Development of Federal Public Service System

After the formation of the Federation in December 1971, a new federal public service structure, which differed from the pre-federation structure, was established. With the new structure, the government set out to reorganize the foundation of the economy and thus established the formal divide between a public sector dominated by government ownership and control and a private sector dominated by private enterprise. This was done within the comprehensive economic development plan of the government that was formulated in 1973 (Economist Intelligence Unit, 1993).

However, in 1971 the Federal government had set up the currency board as a wholly owned state financial institution to issue local currency and to supervise the banks followed by the establishment of the Emirates Telecommunications (ETISALAT) in 1976 as partially State owned enterprise. These acquisitions were made within the government strategy of enhancing the establishment and development of the public sector to serve development projects in the country. In the late 1970s and 1980s, the number of public sector enterprises increased substantially along with private sector firms. The rapid growth in the number of enterprises in both the public and private sectors was the logical consequence of the fast and massive economic development progress that took place within the period and up to the early 1990s. This rapid growth resulted mainly from the intervention of the government in the economic welfare of the nation in order to promote

faster socio-economic development programmes to satisfy increasing demand for public goods and services as well as modernising and expanding the productive capacity of the economy.

The federal public service sector comprises mainly of government ministries, wholly owned parastatals and public enterprises (wholly and partially owned trading units). The public sector plays a major role in the economy of the UAE and contributes substantially to the socio-economic welfare of the country. For example, in 1972 the federal public expenditure (both current and development) amounted to Dh.164 million and by 1976 the spending on government organizations and development programme went up to Dh. 4.2 billion and the revenue was Dh.201 million and Dh.4.2 billion in 1972 and 1976 respectively. However the development expenditure in the budget up to 1975 was very modest ranging from Dh 15 million in 1972 to Dh 303 million in 1975 but in 1976 this expenditure went up to Dh.2 billion due to the government policy of promoting more economic growth in the Northern Emirates through construction of road networks and low cost houses (Ministry of Planning, 1977). The growth in the federal public sector continues and by the end of 1996 the total expenditure were Dh16.9 billion rising to Dh.18 billion and Dh.21.3 billion for the year of 1997 and 1998 respectively whereas the revenue for the same period was Dh.18 billion, Dh.19.6 billion and Dh.19.8 billion. With the exception of public enterprises, the federal public sector organisations employed about 5,433 employees in 1971, 18,654 persons in 1975 and 56,415 persons out of a total

labour force of 1.3 million at the end of 1996 representing 4.3% of the labour force in that year (Ministry of Planning, 1997).

Besides the public sector organization, the federal government owns and operates few public enterprises/agencies. These enterprises/agencies include Etisalat, Central Bank, Industrial Bank of UAE, Real Estate Bank, ARBIFT (Arab Bank for Investment and Foreign Trade), Marriage Fund, and the Post Office. A majority of these enterprises/agencies are run on commercial basis using private sector style of management and accounting; and their federal ownership reflects the nature of their activities and functions in the whole country. Unlike other locally incorporated public enterprises, a majority of the federal agencies were set up and granted monopolist power over certain services such as telecommunications. Even though the federal public sector organizations had been established since 1971-72 some of the activities of the ministries had been transferred from the Emirates public sector especially health, education, information and defence during the last 25 years.

6.3.2 Development of Emirate Public Service System

Due to the individual Emirate's unique requirements of certain public services, each Emirate had retained some public service for the benefit of that Emirate's user/consumer. These public services had been chosen on the basis of each Emirate's ability to finance and run these services. Furthermore, the decision to have separate Emirate public services was based on the premise that these public services would not overlap or interfere with federal activities (locally and internationally); contradict the constitution or restrict the powers of

the legislative or executive bodies. Since some of these public services organizations had been set up by the governments of the Emirates well before the UAE federation, it was further thought that these organizations could remain within the public sector of the Emirates provided they continue to serve the citizens on equal basis and to compliment the federal government's organization. This means that the objectives of the Emirate public services are not in conflict with the objectives of the federal public service sector. Essentially, the Emirate public services were established to provide those services, which may not be provided adequately by the federal public services because of the special nature or characteristic of such services. Prior to the UAE federation, the public service within the individual Emirates varied with the needs and wants of their publics as well as with the availability of resources to support such public organizations. For example, Chart 1 in appendix H shows the different levels of operation and activities of the Emirates pre-federation. The Chart shows that the scope of operation and type of organization of the Emirates of Abu Dhabi, Dubai and Ras al Khaimah, for instance, are very different. Similar differences are evident in the other Emirates.

However, the emergence of modern public services in the Emirates of Abu Dhabi, Dubai and Sharjah dates back to 1960s and early 1970s whereas in the Emirates of Ajman, Umm al Quwain, Ras al Khaimah and Fujairah, similar public sectors emerged in the late 1970s. The modern public sector in the Emirate of Abu Dhabi commenced with the 1961 development budget of about Dh.43 million for capital projects such as civil airport, jetty, power station, road network, houses and seaports. In addition to this, a current budget of

Dh.1,820 million was set up for the Ruler's court expenditure, police force, guards and civil list beneficiaries. As far as the other Emirates are concerned, development projects and some of the current expenditure were met from the Trucial States Development Scheme and internal receipts from ports and custom levies as well as miscellaneous revenues. All these receipts and payments were effected through the Rulers' personal accounts. In the mid 1960s and 1970s the public service sectors in the seven Emirates were restructured in a better organized manner particularly in the Emirates of Abu Dhabi and Sharjah. The Emirate of Dubai also restructured its system but to a much lesser extent than both Abu Dhabi and Sharjah.

Public sectors in the Northern Emirates were at their evolutionary stage for both the periods immediately prior to the federation and thereafter up to 1973. Therefore information covering the size or contribution of the sectors was not available to measure and to trace their historical development with some precision. In 1973 the IMF mission estimated that the total oil revenue of Dubai Emirate was Dh.550 million compared with Dh.152 million in 1972, in addition to other departmental revenue totaling Dh.55m in 1973 and Dh.49m in 1972. However the total government expenditure for the Emirate of Dubai amounted to Dh.110 million in 1972 and Dh.172 million in 1973 thus recording a surplus of about Dh.91 million and Dh.400 million in 1972 and 1973 respectively. All the income and expenditure of the Emirate of Dubai are directly under the control of the Ruler because there is no strict separation between the financial operations of the Ruler

and those of the Emirate. The Ruler supervised all the activities of the departments and allocated the necessary funds for projects in the Emirate (IMF, 1973).

6.3.3 Current Position of Federal Public Service Sector

Despite its modest start in 1971/72 the public sector in the UAE had assumed within a short period of time, the traditional dominance of the socio-economic activity of the country, as is the case in other countries particularly the developing countries. The sector has been very important in financing and supporting various activities particularly those activities that are considered as providing the infrastructure of the economy such as roads, power, water and schools. However the public sector had contributed roughly 55% of GDP in 1998; (GDP in 1998 was Dh.170 billion) and accounted for about 59.6% of the total investments, both private and public as at the end of 1998 (excluding oil sector investments). The investments were made in the following areas: Public Service Organization Dh.13.5 billion, Public Enterprises Dh.15.8 billion and Private Sector Enterprises Dh.19.8 billion thus representing 27.5%, 32.1% and 40.4% respectively at the end of 1998. Moreover, the contribution of the public sector organizations (without public enterprises) was Dh.20 billion at the end of 1998 and since 1972 this sector has grown by 17.6% until the end of 1998. In 1972 the contribution of the Public Sector Organizations to the GDP was Dh.289 million representing 4.5% whereas in 1998, it was Dh.20 billion representing 12% of GDP approximately (Ministry of Planning, 1998).

Besides its contribution, the public service sector has created 140,000 job opportunities for nationals and expatriates up to 1996 (excluding defence and police force). In addition to the 140,000 government employees, the public enterprises sector, which is part of public sector, was estimated to have employed between 15,000-20,000 persons by the end of 1996 (Ibid.).

6.4 STRUCTURE OF UAE PUBLIC SERVICE SECTOR

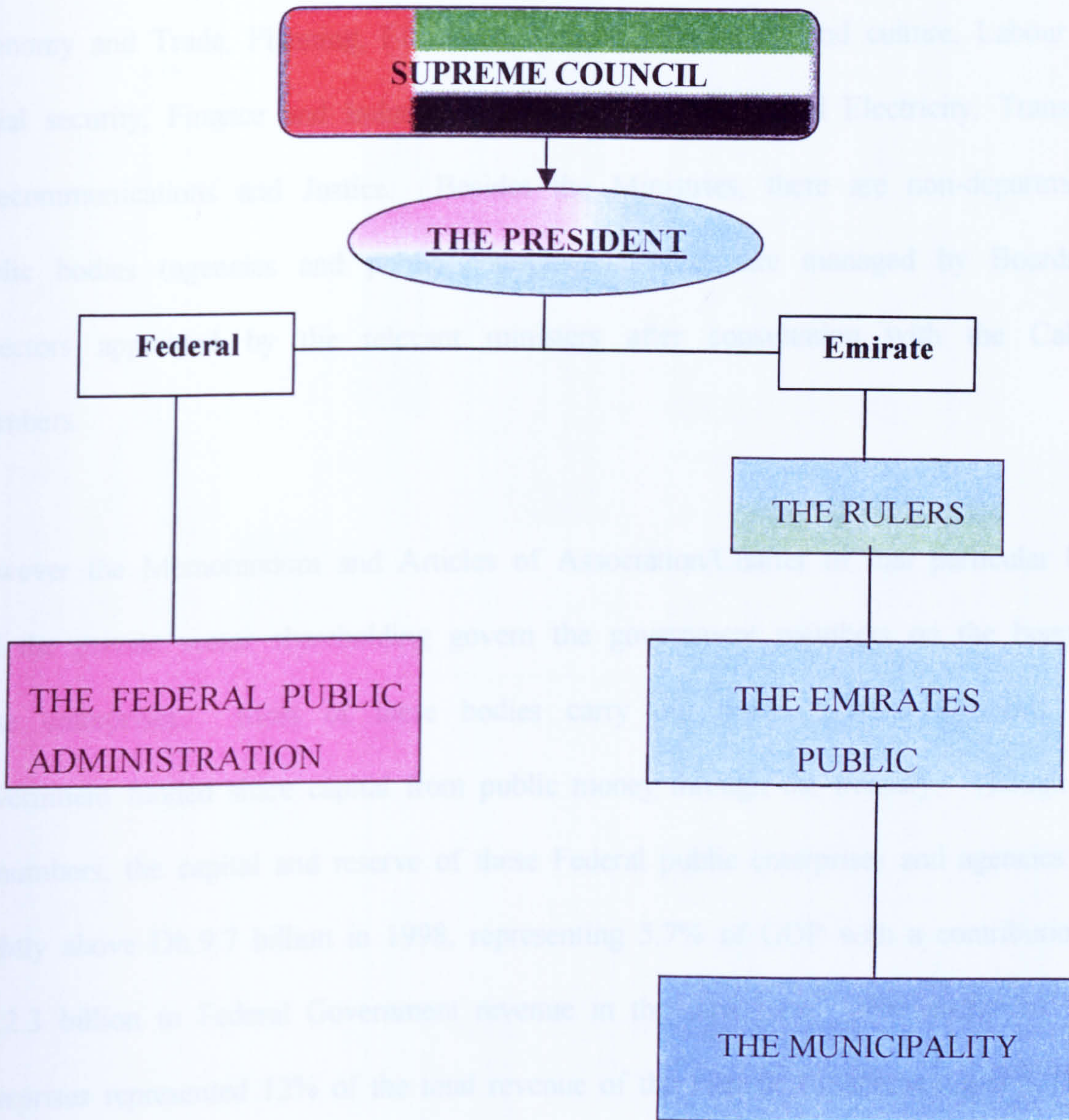
6.4.1 The Government and Civil service:

In the UAE, the public administrative structure is divided into two parts: Federal and Emirate government systems as shown in Figure 6.1.

At the top of the governmental/administrative hierarchy is the Supreme Council made up of the Rulers of the seven Emirates; it nominates and appoints the President. There are the federal and Emirate administrative systems with the President at the head of the federal system and the Rulers at the head of the Emirate systems. The Emirate system has the Municipality; the federal structure has no similar set up. Compared with the structure of the American system of administration, the Federal – Emirate – Municipality structure of the UAE may be likened to the Federal-State-Local government structure of the American system.

Figure 6.1

The UAE: Structure of Public Administration

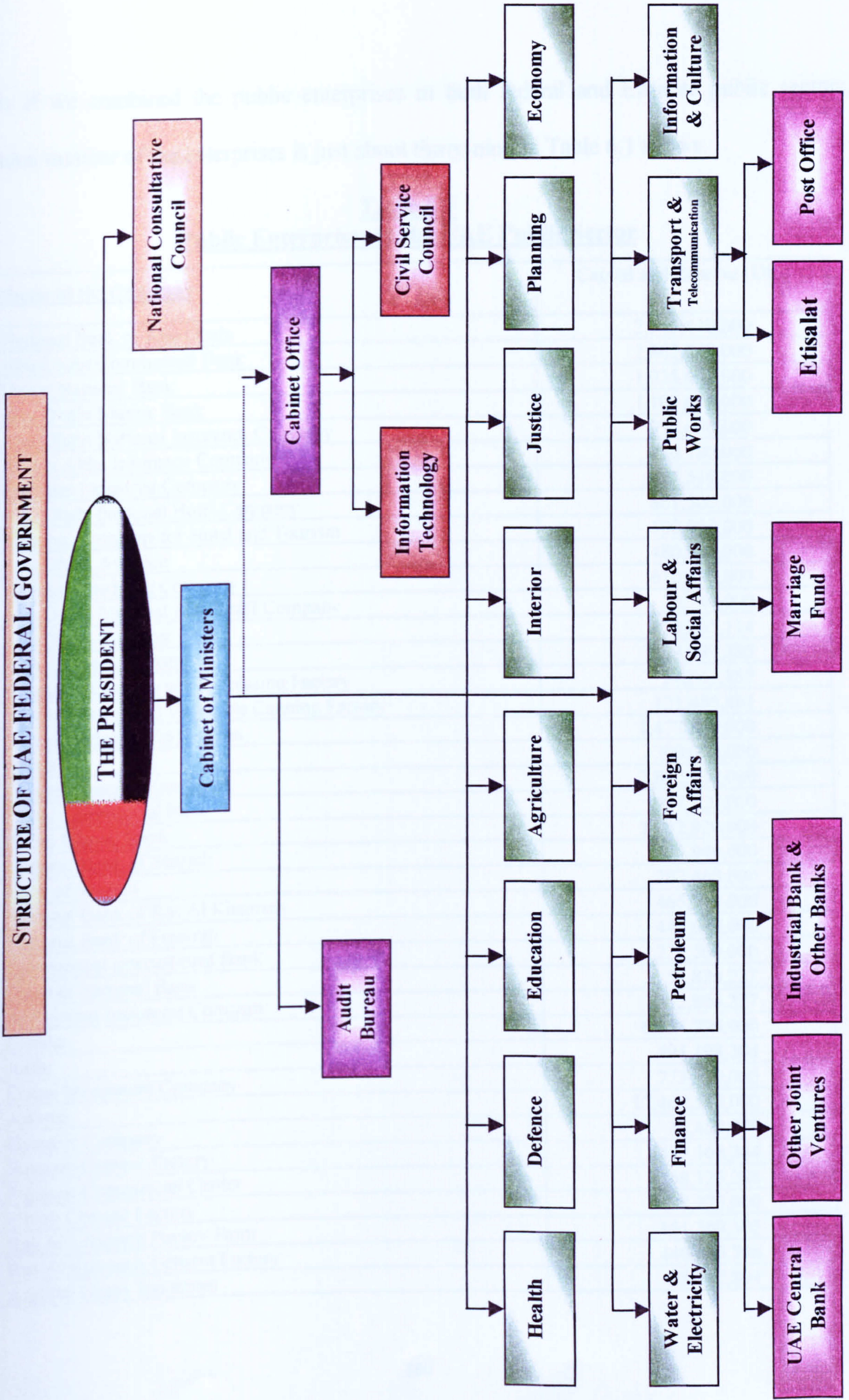


In greater details and as shown in Figure 6.2, the Federal government system is composed of the President, the cabinet and departmental ministers, non departmental ministers and Ministers of state. The President appoints all ministers (including the Prime Minister).

The Government is organized into the following Ministries: Defence, Petroleum and Mineral Resources, Foreign Affairs, Interior, Agriculture and Fisheries, Public Works, Economy and Trade, Planning, Education, Health, Information and culture, Labour and social security, Finance and Industry, Cabinet office, Water and Electricity, Transport, Telecommunications and Justice. Besides the Ministries, there are non-departmental public bodies (agencies and public enterprises), which are managed by Boards of Directors appointed by the relevant ministers after consultation with the Cabinet Members.

However the Memorandum and Articles of Association/Charter of that particular body and the private sector shareholding govern the government members on the board of these enterprises. Most of these bodies carry out public service functions with Government funded share capital from public money through the treasury. Though few in numbers, the capital and reserve of these Federal public enterprises and agencies was slightly above Dh.9.7 billion in 1998, representing 5.7% of GDP with a contribution of Dh.2.3 billion to Federal Government revenue in the same year. The profits of these enterprises represented 12% of the total revenue of the Federal Government and 1.4% of GDP in 1998 (Ministry of Planning, 1999).

Figure - 6.2



Even if we combined the public enterprises in both federal and Emirate public sectors, the total number of the enterprises is just about thirty-nine as Table 6.1 shows.

Table 6.1
Public Enterprises in the UAE Public Sector

| <u>Name of the Company</u> | <u>Capital and Reserve (Dh.)</u> |
|--|----------------------------------|
| National Bank of Abu Dhabi | 2,519,410,000 |
| Abu Dhabi Commercial Bank | 2,862,200,000 |
| Union National Bank | 1,035,948,000 |
| Abu Dhabi Islamic Bank | 1,103,650,000 |
| Abu Dhabi National Insurance Company | 922,630,000 |
| Al Ain Ahlia Insurance Company | 230,180,000 |
| Emirates Industrial Company | 177,510,000 |
| Abu Dhabi National Hotel Company | 861,500,000 |
| National Company for Hotel and Tourism | 100,000,000 |
| Abu Dhabi Aviation | 480,360,000 |
| National Dredging Company | 610,570,000 |
| Abu Dhabi National Food Staff Company | 75,740,000 |
| Abu Dhabi Compost Plant | 153,265,114 |
| Al Ain Compost Plant | 113,099,385 |
| Vegetable Canning and Processing Factory | 54,052,857 |
| Al Mirfa Dates and Vegetable Canning Factory | 121,485,861 |
| General Industry Corporation | 1,477,869,000 |
| GAMCO | 200,000,000 |
| Emirates International Bank | 2,822,620,000 |
| Dubai Commercial Bank | 997,120,000 |
| Dubai Islamic Bank | 1,002,820,000 |
| National Bank of Sharjah | 339,940,000 |
| Bank of Sharjah | 307,660,000 |
| National Bank of Ras Al Khaimah | 465,590,000 |
| National Bank of Fujairah | 448,040,000 |
| Commercial International Bank | 222,260,000 |
| Fujairah National Bank | 52,826,227 |
| Al Fujairah Insurance Company | 52,826,227 |
| Etisalat | 6,654,790,000 |
| Julfar | 494,198,204 |
| Dubai Investment Company | 773,920,000 |
| Ammar | 17,468,510,000 |
| Gypsum Company | 14,450,979 |
| Fujairah Cement Factory | 439,168,344 |
| Fujairah Commercial Center | 68,123,288 |
| Union Cement Factory | 478,375,000 |
| Ras Al Khaimah Poultry Farm | 151,369,305 |
| Ras Al Khaimah Cement Factory | 440,463,798 |
| Arabian Heavy Industries | 68,412,804 |

With respect to the Agencies owned by the federal government, these are also few in numbers as Table 6.2 shows.

Table 6.2
Government Agencies in the Public Sector

| <u>Agency</u> | <u>Sector of Activity</u> |
|---|----------------------------------|
| Abu Dhabi Fund for Economic Development | Economics |
| Abu Dhabi National Oil Company (ADNOC) | Oil Sector |
| Abu Dhabi Investment Authority | Economics and Finance |
| Marriage Fund | Social Affairs |
| UAE Real Estate Bank | Bank and Real Estate |
| Housing Authority | Accommodation and Property |

Source: Ministry of Planning, 1999.

The Government of Abu Dhabi owns a majority of the companies and agencies in Tables 1 and 2 mainly because of the greater wealth of the Emirate compared with the others. The agencies perform different economic and social functions, which aim at improving the socio-economic welfare of the nation and its people. The capital and reserves of both the enterprises and the agencies as at December 1998 was put at about Dh.47 billion which represented 28% of the GDP in that year. However most of the enterprises are incorporated jointly with private sector investment in the form of joint stock companies.

At the Emirate level, each Emirate has its public administration system with the Ruler on top of the hierarchy. Below the Ruler is the administrative apparatus and the municipality where necessary. The Emirate administrative system, which is generally designed on the basis of the social and political needs of the people of the Emirate, range

from simple and centrally controlled administrative systems such as exist in Dubai, Sharjah, Ras al Khaimah, Umm Al Quwain and Ajman to a fairly modern system as exist in the Emirates of Abu Dhabi and Sharjah to a certain extent.

6.4.2 Abu Dhabi Emirate Public Administration System

Before the UAE Federation and after H.H. Shaikh Zayed Bin Sultan came to power as the Ruler of Abu Dhabi (6 August 1966), the Emirate of Abu Dhabi witnessed a rapid expansion in its public administrative system. By mid- 1970, the number of Departments in the administration reached twenty-eight, and, in July of the following year a new administrative reform was introduced in the Emirate. The new structure is presented in Figure 6.3.

By December 1968, the Emirate's public sector organisations employed about 7,458 persons while the total current and development expenditure for the same period was Dh.730 million of which Dh.305 million was allocated for development programme. In 1971, the number of government employees (both monthly and daily paid) in the Emirate decreased to about 4,734 persons – about 49.9% (3,724 persons) reduction - due to the transfer of some of the Emirate's public services to the UAE federal government (Ministry of Planning, 1999). Despite the reduction in the number of persons employed by government organisations, the total expenditure of the Emirate in 1971 amounted to about Dh.1.0 billion of which Dh.391million was spent on development programmes such as

roads, water and electricity, port and public buildings and housing and grants to friendly nations. However, the government revenue during 1971 amounted to Dh. 1.6 billion.

Prior to 1968, the financial operations of the Emirate of Abu Dhabi government were integrated with the Ruler's financial affairs. But in 1968, with the re-organization of the government of Abu Dhabi, the fiscal and financial arrangements of the government were re-structured in a way that permitted the separation of the Ruler's private finance from that of the government. This enabled proper planning and budgetary controls to be established and the responsibility for the delivery and implementation of the Emirate's public policy to be entrusted with the Executive Council. The structural re-organization of the system was undertaken in anticipation of an imminent union and in response to a large number of governmental bodies.

The new structure, as presented in Figure 6.3, has the Ruler at the apex of the hierarchy. Because the Ruler of the Abu Dhabi Emirate is the current President of the country, the Crown Prince and Deputy Supreme Commander of the Armed Forces, His Highness Shaikh Khalifa bin Zayed bin Sultan Nahyan presides over the affairs of the Emirate. As can be seen in the Figure, the Ruler's Representatives assist the Ruler in the Eastern and Western Regions. A Council of Ministers with a Cabinet combine with the Ruler's Representatives to complete the upper echelon of the ruling Structure.

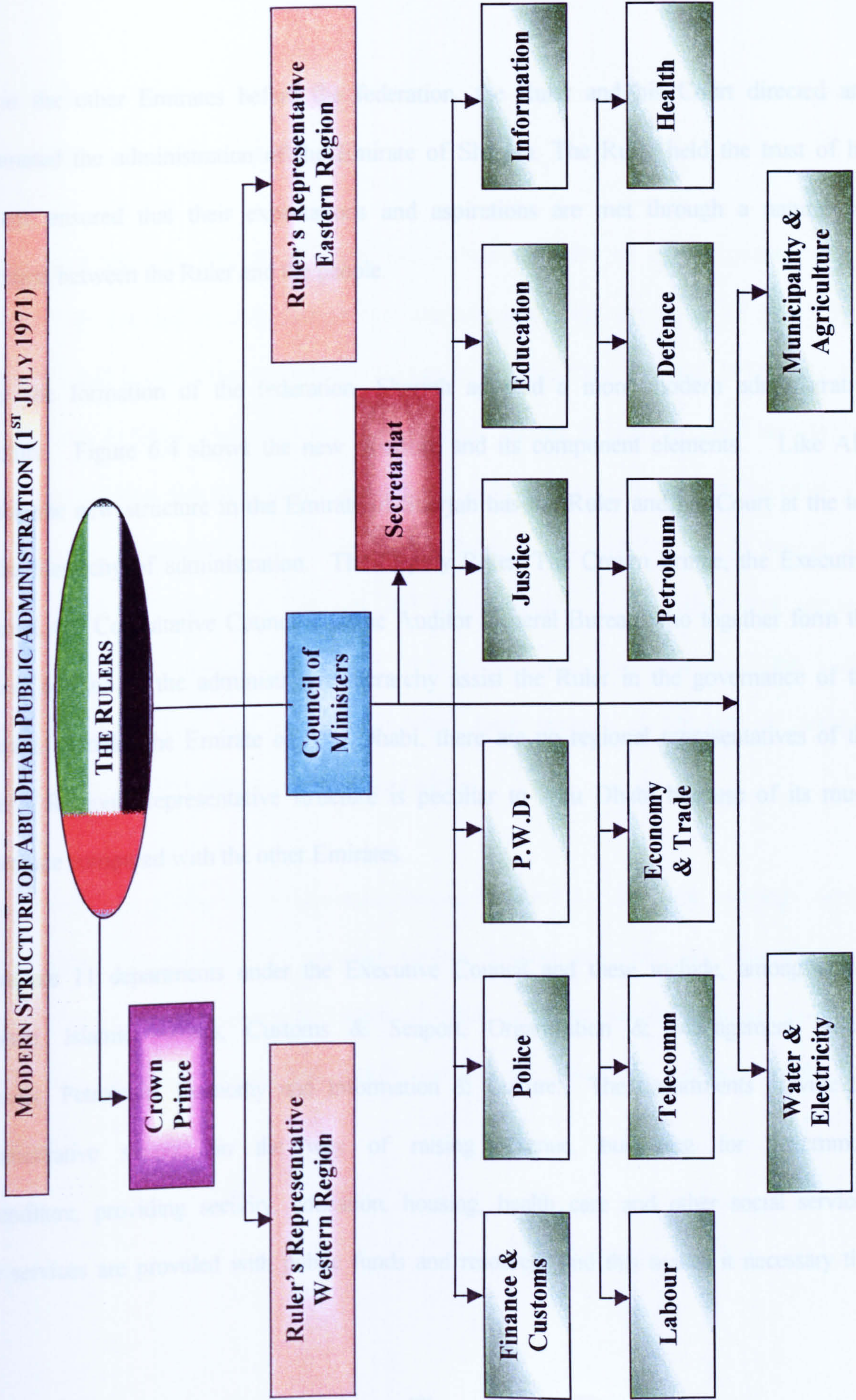
There are 14 ministries under the Council of Ministers and these include, among others, Finance & Customs, Justice, education, Information, Economy & Trade, Petroleum, Water & Electricity and Municipality & agriculture. The ministries provided the main stream support for the administration in the way of raising revenue, budgeting for government expenditure, providing security, education, housing, health care and other social services. These services are provided in trust for the citizens of the Emirate and more importantly, the funds and resources used are owned and provided by the public. It is therefore necessary that the civil servants produce reliable, detail and accurate account (report) of the use of the public funds and resources entrusted in their care. Management accountability is thus an essential part of their function and responsibility.

The Council of Ministers and the Cabinet of the Emirate continued to run government businesses until they were disbanded in December 1973 when a unified and larger Federal Council of Ministers and a federal Cabinet were established.

6.4.3 Sharjah Emirate Public Administration System

The Emirate of Sharjah adopted a similar administrative structure as Abu Dhabi until the creation of the Union in 1971. Before then, the departments of the Emirate of Sharjah were: Emiri Diwan, Municipality, air and seaport authority, water and electricity, labour and social affairs, Petroleum and mineral affairs, police, postal authority, education, finance, custom and justice.

Figure - 6.3



As in the other Emirates before the federation, the Ruler and his Court directed and dominated the administration of the Emirate of Sharjah. The Ruler held the trust of his citizens ensured that their expectations and aspirations are met through a natural co-operation between the Ruler and the people.

After the formation of the federation, Sharjah adopted a more modern administrative structure. Figure 6.4 shows the new structure and its component elements. Like Abu Dhabi, the new structure in the Emirate of Sharjah has the Ruler and his Court at the top of the hierarchy of administration. The Deputy Ruler, The Crown Prince, the Executive Council, the Consultative Council and the Auditor General Bureau who together form the second echelon in the administrative hierarchy assist the Ruler in the governance of the Emirate. Unlike the Emirate of Abu Dhabi, there are no regional representatives of the Ruler. Regional representative structure is peculiar to Abu Dhabi because of its much larger size compared with the other Emirates.

There are 11 departments under the Executive Council and these include, among others, Finance, Islamic Affairs, Customs & Seaport, Organization & Management, Social Security, Petroleum, Economy and Information & Culture. The departments provide the administrative support in the way of raising revenue, budgeting for government expenditure, providing security, education, housing, health care and other social services. The services are provided with public funds and resources and this makes it necessary that

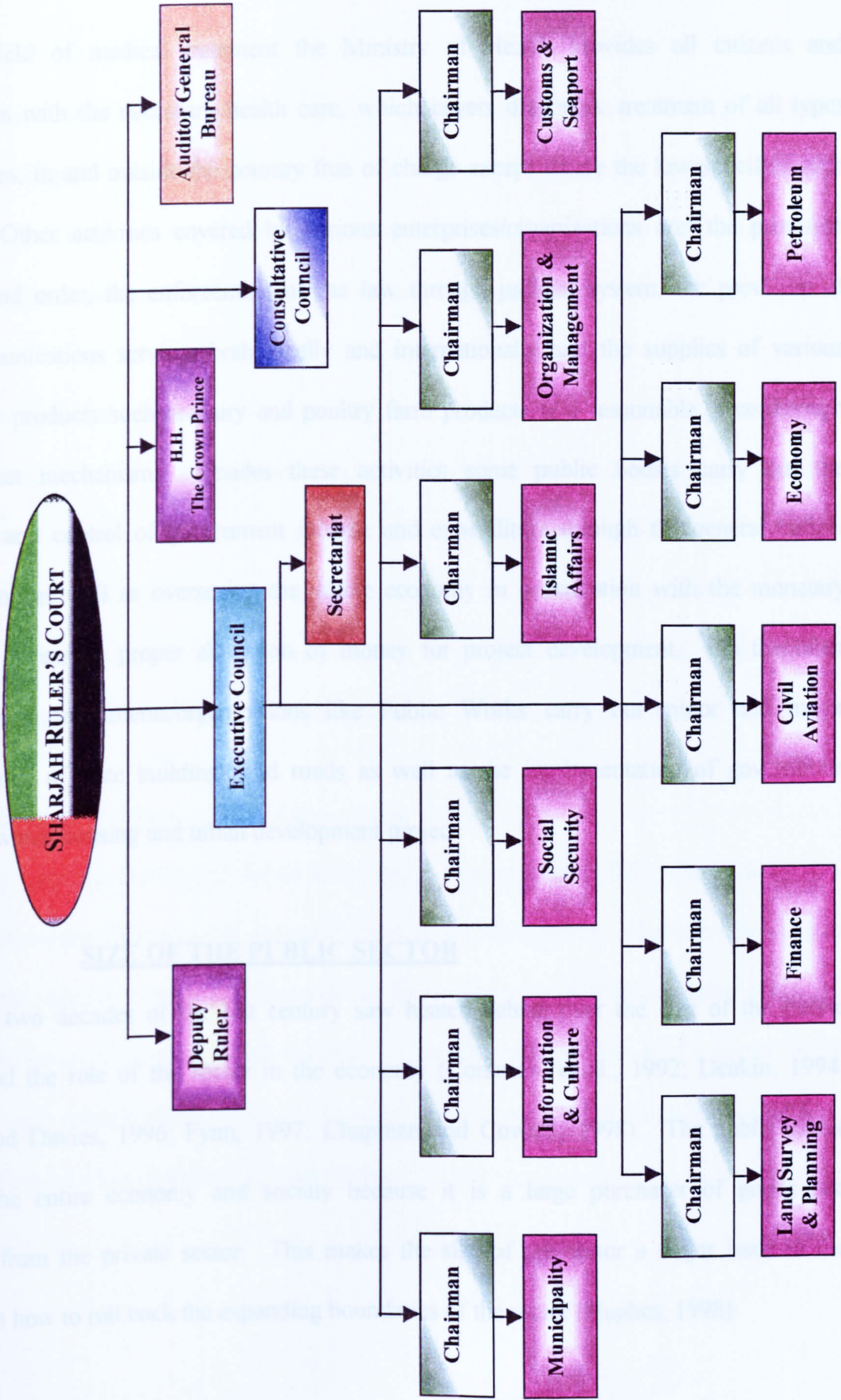
the civil servants produce reliable, detail and accurate account (report) of the use of public funds and resources entrusted in their care

On the other hand, the Emirate of Dubai Public Administrative set up was geared towards commercially oriented structure because of the attitude of the late Ruler of Dubai H.H. Shaikh Rashid towards the government system in the Emirate. By mid 1970 the public organizations in Dubai were very few and modestly staffed in order to avoid bureaucratic system and to give the government organizations a private sector's style of business. The Government Departments were Diwan, Municipality, Land and Property, Customs, Oil Affairs, Finance, Police and Passport and Immigration. In the other four northern Emirates - Ajman, Umm Al Quwain, Ras-Al-Khaimah and Fujairah - the public administrative structure was in its rudimentary form because of the lack of financial resources and the tribal culture of these Shaikhdoms.

The activities of public enterprises/organizations in the UAE are wide ranging. In the area of public services, the state provides nursery, primary and secondary education to all citizens free of charge followed by higher education for those students who are willing to pursue their university studies both locally and abroad through the relevant ministry and department.

Figure - 6.4

STRUCTURE OF SHARJAH EMIRATE GOVERNMENT



In the field of medical treatment the Ministry of Health provides all citizens and expatriates with the necessary health care, which covers diagnosis, treatment of all types of illnesses, in and outside the country free of charge except where the law specifies such charges. Other activities covered by various enterprises/organizations are: the provision of law and order, the enforcement of the law through judicial system, the provision of telecommunications services both locally and internationally and the supplies of various consumer products such as dairy and poultry farm products at a reasonable price through the market mechanism. Besides these activities some public bodies carry out the planning and control of government income and expenditure through the general budget programme as well as overseeing the whole economy in consultation with the monetary authority to ensure proper allocation of money for project development. On the other hand, some departments/organizations like Public Works carry out minor and major maintenance of state buildings and roads as well as the implementation of government policy towards housing and urban development project.

6.5. SIZE OF THE PUBLIC SECTOR

The last two decades of the last century saw heated debate over the size of the public sector and the role of the sector in the economy (Common, et al., 1992; Deakin, 1994; Leach and Davies, 1996; Fynn, 1997; Chapman and Cowdel, 1998). The public sector affects the entire economy and society because it is a large purchaser of goods and services from the private sector. This makes the size of the sector a major issue in the debate on how to roll back the expanding boundaries of the sector (Hughes, 1998).

The determinants of the boundary includes, among others, the extent of government activities and operations, the contribution of the sector to the GDP, the number of people employed in the sector at any time, the output produced and distributed by the sector and the kind of economic system prevalent in the country (Hughes, 1998).

Besides government operations, the size of the public sector depends on government policy towards infrastructure projects, budget allocation and availability of fund to finance the size required. Most of the size of the public sector in the UAE had been determined by the need for law and order in the country, socio-economic infrastructural development and modern amenities which cannot be provided by the private sector due to the high investment capital required and the potentially low rate of return expected.

6.5.1 Federal Public Sector: Size of Operation

Despite the fact that the Federal public sector had a modest start in 1971, the Civil Service started with twenty-eight member federal Cabinet to run the country. However, by the end of 1976, the ministerial posts had increased to 30 members by establishing more ministries for the expansion of services in all regions. Currently, the position of the sector is 30 ministries, one cabinet affairs office, 4 agencies, 5 enterprises and 8 educational institutes, 2 universities and 6 higher colleges of technologies.

The Federal Civil Service has thus witnessed a rapid growth. The number of Civil servants increased from 4,000 in 1971/72 to over 24,000 by the end of 1976. By the end of 1996, the Federal public service employed 56,415 out of a total labour force of 1.3 million (excluding the Armed Forces) and spent a wage bill of Dh.16.9 billion in the year 1996 rising to Dh.18 billion and Dh.21.3 billion in 1997 and 1998 respectively. Most of the growth in civil service took place in education, health and other service organizations (Ministry of Planning, 1997 & 1999).

Such a rapid growth may easily be interpreted as signs of rapid economic transformation in the economy. Clearly, there has been much socio-economic activities in the economy in the last decade. The petroleum sector has been expanding with all the auxiliary activities expanding in dictum. The Construction sector, particularly, has shown an enormous expansion in the last ten years and in 1998 was declared the second fastest growing Construction sector in the World (*Gulf News*, 16 April, 1999). The consumer goods sector has also expanded enormously recently. All these expansions require similar development and growth in infrastructural and other support services provided only by the government.

We asked our general public sample respondents the question: How would you consider the current size of the U.A.E. public service in relation to the population of the country, which is only 2.6 million people (1997 figures)? Table 6.3 presents the answers while Figure 6.5 gives a graphic presentation of the same.. As can be seen in the Table, a clear majority of our respondents think that the current size of the federal public services sector

is on the large side relative to the population of the country. The mean percentage response shows that an overwhelming 62.4% of the sample respondents think that the public services sector is large (or too large; 11.7%) for the country's 2.6 million population and 1.3 million workforce. The Pie chart (Figure 6.5) gives an even more graphic perception of the relative size of the majority.

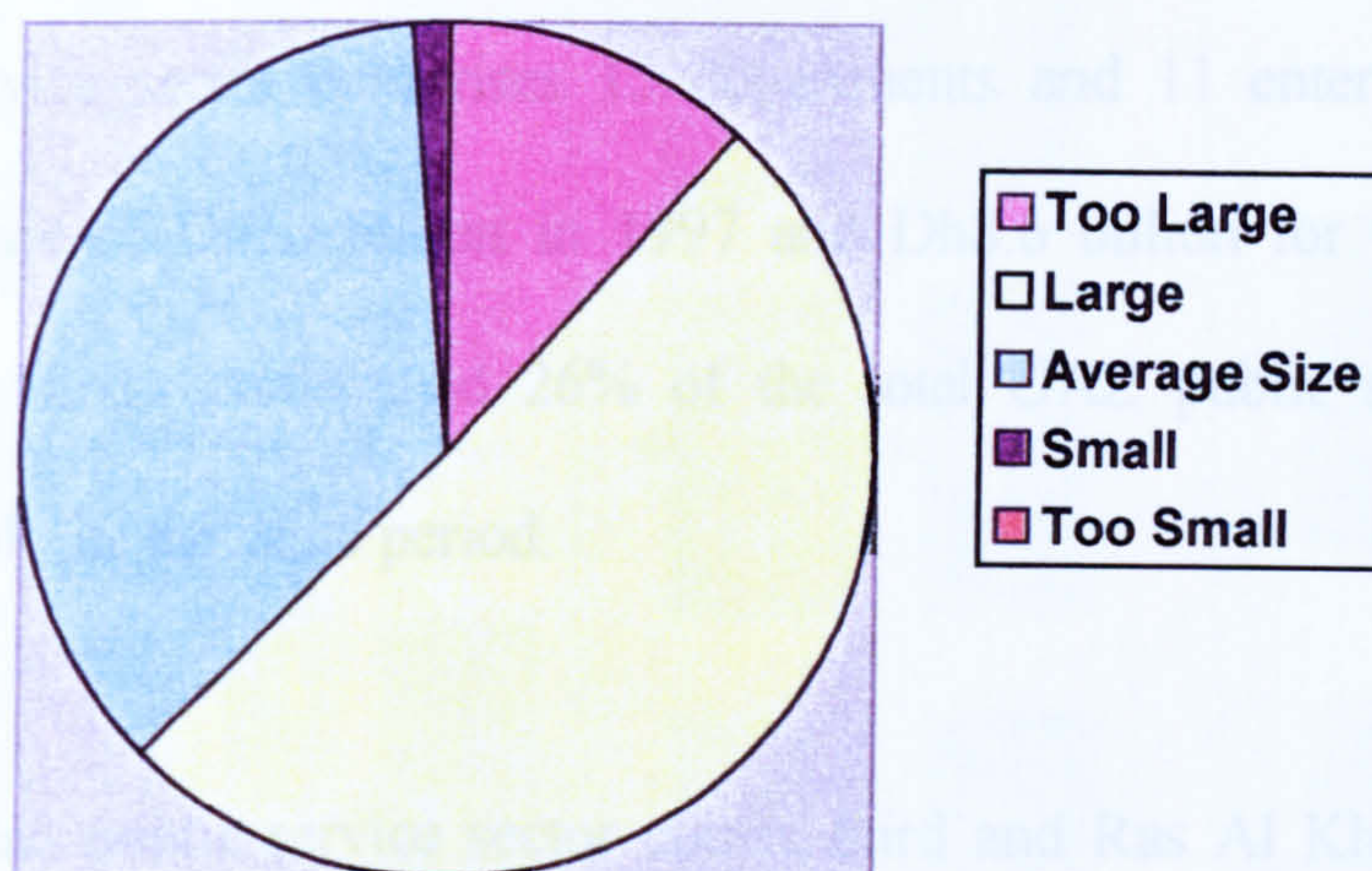
Table 6.3

Relative Size of UAE Public Services Sector

| RELATIVE SIZE | The Public | | Accountors | | Accountees | | Mean % Response |
|---------------|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| | <i>Response</i> | <i>% of Response</i> | <i>Response</i> | <i>% of Response</i> | <i>Response</i> | <i>% of Response</i> | |
| Too Large | 18 | 9% | 8 | 16% | 3 | 10% | 11.7% |
| Large | 102 | 51% | 24 | 48% | 16 | 53% | 50.7% |
| Average Size | 75 | 38% | 17 | 34% | 11 | 37% | 36.3% |
| Small | 4 | 2% | 1 | 2% | - | - | 1.3% |
| Too Small | - | - | - | - | - | - | - |
| TOTAL | 200 | 100% | 50 | 100% | 30 | 100% | 100% |

The consistency of response across the respondent categories is interesting. It can be seen in the Table that there is a consistent majority in all the three categories of respondents who think that the size of the public services sector is large relative to the population of the country.

Figure 6.5
Relative Size of UAE Public Sector



Such an oversize could cause inefficiency and lapses in managerial accountability and performance. This finding tends to support, by implication, the government's current policy of privatization of some of the public sector utilities such as Water & electricity.

6.5.2 Emirate Public Services Sector: Size

Among the Emirate public sectors, the Abu Dhabi government organizations and enterprises are the largest in size and numbers. Figure 6.6 shows the structure and organization of the government of Abu Dhabi Emirate. As can be seen in the Figure, there are 12 Departments, 3 Diwan, 6 agencies and 17 enterprises.

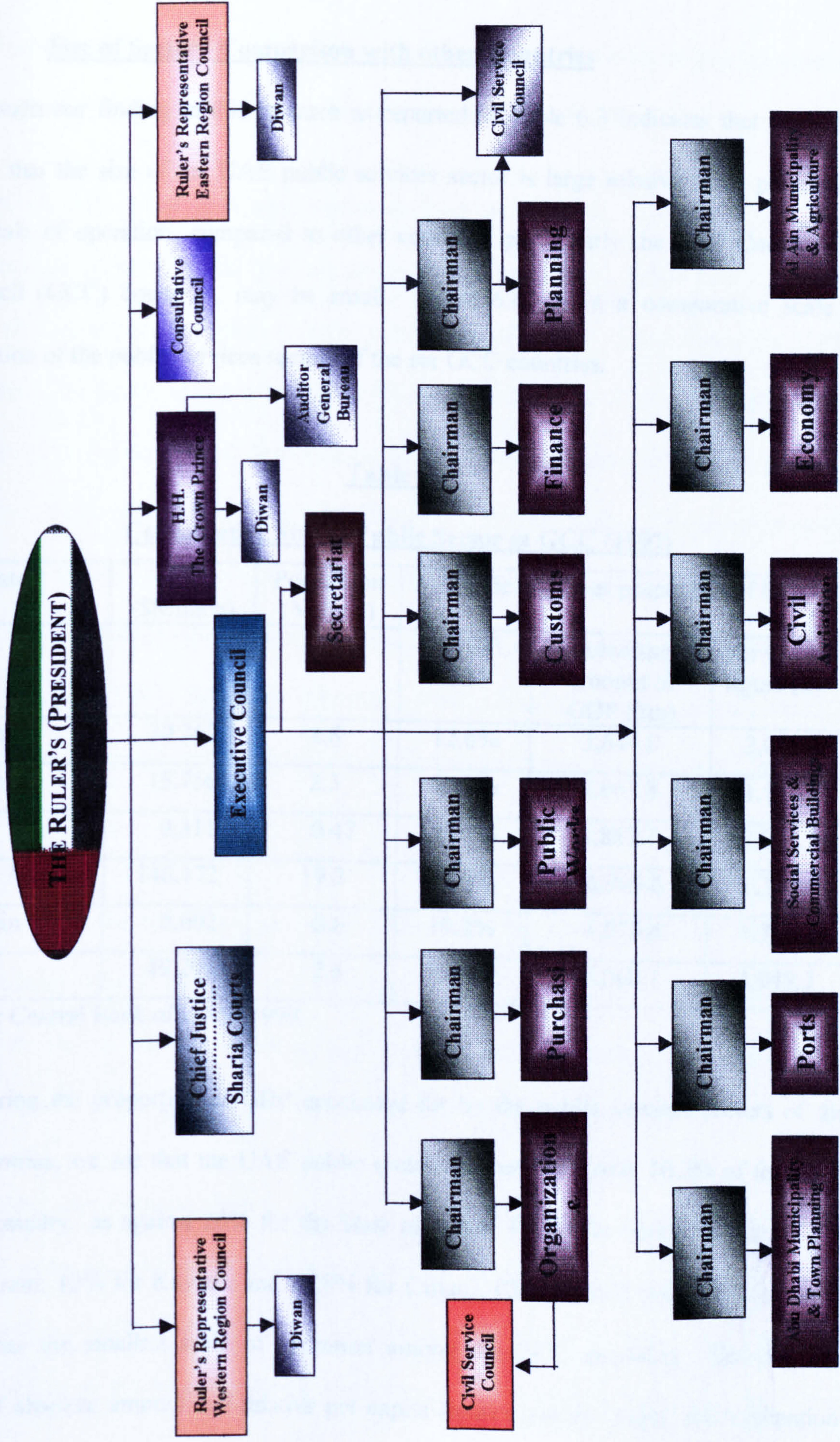
The public sector organizations in Abu Dhabi employed 54,224 persons on a monthly basis and 34411 workers for daily paid for 1997 and 56,931 employees and 35,243 daily

workers for 1998 with a budget of Dh51 billion for 1997 and Dh56 billion in 1998. Abu Dhabi Public service sector contributed 53% of the total UAE sectors, (Dh.18.6 billion) and 5.5% of GDP at the end of 1997. The Emirate of Dubai ranks second after Abu Dhabi. Its public service sector comprises 15 departments and 11 enterprises with total government expenditure of Dh10 billion in 1997 and Dh8.6 billion for 1998. However Dubai public service sector contributed 26% of the total UAE public service sector in 1997 and 2.7% of GDP for the same period.

The Emirate of Sharjah public service sector comes third and Ras Al Khaimah ranks the fourth among the Emirates' sectors. Sharjah's public service sector comprises 11 departments where as Ras Al Khaimah's Public sector consists of 10 departments. The total expenditure of of these Emirates are respectively Dh1.3 billion and Dh254 million for 1997; and Dh1.2 billion and Dh250 million for 1998. On the other hand, the Emirate of Sharjah and Ras Al Khaimah public service sectors contributed 11% and 1.3% of the total government public service for the year 1997 making 1.1% and 0.14% of GDP respectively for the same period. The public service sectors of the remaining Emirates are very small and their contributions to the GDP are also insignificant.

Figure - 6.6

STRUCTURE OF ABU DHABI EMIRATE GOVERNMENT



6.5.3 Size of Sector: Comparison with other Countries

Although our finding in this research as reported in Table 6.3 indicates that the public think that the size of the UAE public services sector is large relative to its population, its scale of operation, compared to other countries particularly the Gulf Co-operation Council (GCC) countries, may be small. Table 6.4 shows a comparative scale of operation of the public services sectors of the six GCC countries.

Table 6.4

Comparative Size of Public Sector in GCC (1997)

| Emirate | GDP (\$Million) | Population (Million) | Public Sector as proportion of GDP | | |
|--------------|--------------------|-------------------------|------------------------------------|------------------------------------|---------------------------|
| | | | % Of GDP | Absolute amount of GDP (\$m) | Per Capita figure (\$) |
| Kuwait | 30.367 | 1.8 | 12.0% | 3,644.0 | 2,024.4 |
| Oman | 15.756 | 2.3 | 16.9% | 2,662.8 | 1,157.7 |
| Qatar | 9.311 | 0.47 | 20.0% | 1,862.2 | 3,961.7 |
| Saudi Arabia | 146,172 | 19.3 | 17.8% | 26,018.6 | 1,348.1 |
| Bahrain | 5,602 | 0.6 | 19.2% | 1,075.6 | 1,792.7 |
| UAE | 49,205 | 2.6 | 10.3% | 5,068.1 | 1,949.3 |

Source: Central Bank of UAE, 1999.

Comparing the proportion of GDP accounted for by the public services sectors of the six countries, we see that the UAE public sector accounted for only 10.3% of the GDP of the country as against 20% for the State of Qatar; 17.8% for Saudi Arabia; 19.2% for Bahrain; 12% for Kuwait; and 16.9% for Oman. Clearly, the UAE public services sector has the smallest scale of operation among the GCC countries. However, in terms of absolute amount and relative per capita figures (see the Table) this contention

may not be correct. This is one of the problems of using relative (%) measures in comparison and analysis – the effect of absolute values is generally hidden.

Compared with other developed countries such as the UK, the size and scale of operation of the UAE public services sector is very small. The public sector in Britain and other countries consume a large percentage of GDP. Lord Skidelsky (1996) estimates that public sector spending in Britain accounted for 42.5% of GDP in 1995 despite the privatization and deregulation of the 1980s and early 1990s by the radical Conservative governments of Margaret Thatcher and John Major. The trend is similar in other countries of the world, and the reasons for such rapid growth in the public sector is well documented in various studies (Jackson and Price, 1994; Midwinter, 1994; Timmins, 1995; Horton and Farnham, 1999). But the question of accountability in the public sector has received relatively much less attention (Day and Klein, 1987).

Even though the public sector in the UAE plays an important role in the economic activity of the country, there are some differences between what is offered by the industrialized nations like UK and the current practice in UAE. These differences stem from various factors including differences in the social needs and wants of the citizens as well as the ideological perspectives of the UAE and other nations.

In the UAE, for instance, there is no specific policy towards full employment because nationals who are eligible to work constitute the minority of the labour force. The UAE need of foreign labour force is estimated to be within the range of 70-80% in certain sectors of the economy hence employment of nationals is not a problem in the

country to give it an urgent attention. In 1998, the labour force was estimated at 1.3 million of which 1.5% was reckoned to be unemployed among expatriates and retired individuals (Ministry of Planning, 1999). However this low level of unemployment is considered essential for the functioning of a free labour market so that salaries and wages would not come under labour market pressure. Similarly, there is no officially declared and formal welfare state in the UAE even though education and health services are available free to all citizens as well as social security benefits for the needy people.

Furthermore, with the exception of Water and Electricity supplies and land transport, all public enterprises make some profit towards capital invested like any private sector firms. And, the UAE the government finances its budget through oil revenue, income from investments both locally and internationally and through domestic charges and levies, so the budgets of public sector organizations are not constrained by the resources government would raise for the extension of state activity unlike other countries where taxation and borrowing are the main revenue sources. Public sector enterprises borrowing are very small and therefore the state is not under pressure of debt services in the UAE to ration resources among alternative competing opportunities.

The public sector's objectives in the UAE are based on 'a need driven' approach rather than the social and political approach that characterized the system of some of the industrialized nations in the 19th and 20th Century. In the UAE, the government has never allocated resources through direct control such as setting up public sector/bodies

in order to counter act market imperfections or to secure supply of public goods at a certain level or even to ensure the fair distribution of resources between public and private sector. Also, the few privatized firms are not regulated as in the UK or other industrialized countries. In the UAE, there is the feeling that such regulation and restriction are simply indictment of the very privatization policy that was thought to eliminate public sector restrictive practices. All privatized firms in the UAE are thus left to operate freely in the market without any restriction.

6.6 THE ROLE OF PUBLIC SECTOR IN UAE

6.6.1 Structural Role

Public service sector in UAE played an important role at a time when the private sector was unable to participate in the economic activities in the early 1970s because of the large finance requirements for investment in infrastructure projects such as roads, water and electricity and other public utilities. Most of the government organizations/ enterprises were established by the state directly or jointly with very few businessmen who were financially capable of contributing to the share capital of joint stock companies with some of the Emirate governments. Due to the reluctance of the private sector to invest in the public sector services, the State assumed the sole responsibility to provide the services in addition to other social services such as health, education and the provision of law and order. By undertaking to carry out all the country's needs for modern services, the government extended its role and involvement in the socio-economic activities of the nation. As a result, the State institutions and enterprises out-stripped the private sector firms by 3 to 1 by the end of

the 1970s. Without public service sector expansion in 1970s the private sector may not have been encouraged to invest in parallel with public sector organizations or to commit itself to the promotion of the country's economic growth and prosperity. However the public service sector was the driving force for the development and evolution of the private sector management and productivity of the 1990s. With the result that the private sector has overtaken the public sector in terms of percentage contribution of fixed capital formation to GDP in 1997.

6.6.2 Economic Role

The UAE government had followed, to a large extent, a market-based policy since the inception of the UAE public sector. Most of the public enterprises had a mixed ownership and the state shareholdings range from 10% to 70% in certain companies depending on the capitalization requirement. The basic principle of the government is; 'the more the capital intensive the industry or the sector, the higher the level of government involvement in term of Capital investment'. Since 1980s the government had undertaken to reduce the state involvement in the economic life of the nation through privatization of management and ownership as well as contracting out some public services to improve efficiency and effectiveness of the use of public resources. In the same spirit, the government has set up a mechanism for competitive tendering to reduce cost and to give opportunities to private sector participation. In 1993, the total public expenditure (Federal and local spending) was Dh.55 billion where as in 1996 that spending rose to Dh77 billion before it declined to Dh72 billion in 1998: This represents 40% increase between 1993 and 1996 and an average annual increase of 3.4% over the six year period 1993 - 1998. However the total government revenue

has been growing at a rate less than that of total public spending for the same period. Total government receipts amounted to Dh40 billion in 1993 whereas in 1996 it was Dh51 billion, which represents a rise of 28% for the period. The bulk of the government spending went to education, health, defence, police and the administration of law and order.

In the UAE, the public sector is entrusted with the responsibility of delivering goods and services to all citizens and expatriates at a reasonable price. Some of the prices of the goods and services cover costs plus small margin of profit for public enterprises. However in case of the public organizations such as Education and Health the whole cost or approximately 95% of it is borne by the state in the form of direct subsidy.

6.6.3 Social Role

Public service organizations owe their existence to the social policy goals of the government. Since 1975 the local and Federal governments had undertaken to provide the necessary social services to all citizens and expatriates. These services range from education and health services to various social benefits such as social security payments to needy citizens and pension schemes and other assistance (financial and non financial) which are provided by the public service sector. The social service sector had grown very rapidly in the last 20 years and the focus of the government, in particular, was on education and health due to their importance to the economy and to the social needs of the country. In 1975 the social services sector employed 12,128 persons and in 1996 the number of people employed rose to 45,465 thus recording an increase of 275% (Ministry of Planning, 1999). The government current expenditure for this sector has

risen from Dh504 million in 1975 to Dh6.38 billion in 1996. As a result of the government social policy that brought about a fast growth in education, health services and other welfare benefits, the public schools had recorded a substantial increase in both the number of schools and number of students. In 1975 the number of schools was 185 and the number of students was 161,803 but by 1996 these figures went up to 639 schools and 300,337 students. However, the social service sector had contributed 12.4% and 12.8% to GDP in 1996 and 1997 respectively.

6.7 PERFORMANCE OF THE PUBLIC SERVICES SECTOR

Measurement of the performance of public service sector has been a major problem in both developed and developing countries. The issue has been how to measure performance; what standards to use and what to measure. Measures which exist are *ad-hoc* standards and far from systematic. Carter, Klein and Day argue (1992 quoted in Hughes, 1998 p. 181) that different indicators can be developed for different purposes: "Given different policy objectives, different kinds of performance indicator systems will emerge. So, for example, if the prime concern is with the efficient use of public resources, the emphasis will be on trying to devise output (and, if possible, outcome) measures: the approach of the economist.... If the prime concern is with accountability, their timeliness may be more relevant. If the focus of attention is on managerial competence, then the stress may be on setting targets for the performance of individual units or branches. These objectives may, of course, co-exist within the same branch". (Hughes, 1998, p. 183)

There is no identifiable and specific performance standard in most of the public service sector organizations of the UAE. The implicit understanding is that the sector is meant to provide efficient services to the public but what is 'an efficient' service is not defined anywhere. Given this situation, we adopted an empirical survey of the views and opinion of the consumers and producers of public goods and services to assess the performance of the sector. The basic argument underlying this approach is the marketing concept of 'customer orientation'. The marketing concept assumes, rightfully, that the *Consumer is king and supreme*. That is to say all producers of goods and services do so to satisfy the needs of the consumer and they remain in business only so long as the consumer is satisfied with their goods and services. This applies even to a monopolist in the public sector since there is no absolute monopoly anywhere. The consumer of public goods and services in the UAE thus constitutes the best option to evaluate the performance of the public services sector.

6.7.1 Objectives of the Public Services Sector

We asked our general public sample respondents to identify and rank the areas that should constitute the main objectives of the Public Services organizations in the UAE. Table 6.5 shows the mean score of the answers and the associated ranking of the results. As can be seen in the Table, while the provision of social services, education services and houses services top the list in ranking (1st. and 2nd.), the provision of performances evaluation and statistical reformation (accountability) rank third in the assessment of the public above socio-economic development and employment of nationals as the main objectives.

Table - 6.5

Main Objectives Of Organizations In The Public Sector

| OBJECTIVES | Mean Score | Ranking |
|--|------------|---------|
| To provide good Social Services | 5 | 1 |
| To provide comprehensive annual evaluation of Performance the sector | 3 | 5 |
| To provide Employment for all nationals | 3 | 5 |
| To provide good Health and Housing Services | 4.4 | 2 |
| To provide a full and accurate account of the use of funds & resources allocated to it by the public | 4 | 3 |
| To provide Security to all in the country | 4 | 3 |
| To provide good Education Services | 4.5 | 2 |
| To provide accurate information/data to the public | 4 | 3 |
| To encourage socio-economic development of UAE | 3.4 | 5 |

This suggests the importance to the public of the need not only to provide social services but also to render full and accurate account of the use of funds and resources allocated to public service organization (Management Accountability). By implication, this finding indicates that managerial accountability, among other goals, is an important objective that the UAE public services will have to achieve.

We followed up this result and asked the respondents the following question: On average, what score would you give to the UAE public services for the performance of each of the following services? Table 6.6 presents the results, which have been calculated on the basis of mean score for each category of respondents. An overall mean score has been calculated and, on this basis, an overall ranking has been derived.

As can be seen in the Table, the overall ranking of the mean scores of the three categories of respondents shows consistently the lowest ranking for all the accountability related services such as annual evaluation of performance, annual account of the use of funds and resources, and provision of information/data to the public. These services also scored lowest consistently across the three category of respondents. Provision of security, housing, health and social services top the ranking in that order but there seems to be poor accountability for the funds and resources used to provide these services.

It is particularly interesting to note that both the accountees and accountors do agree that the services that provide a basis for accountability in the public services sector of the UAE are poorly supplied. None of the two groups of respondents had a mean score of more than 3, which was the mean score for annual evaluation of performance derived from the scores of the Accountors.

Our findings here is collaborated by the results of another question posed to our respondents: ‘On average, what score would you give to the UAE public service for the provision of statistical information in each of the following areas?’ The results show that the respondents scored the public services lowest in the provision of statistical information that relate to accountability such as resource allocation and utilization information, objective of Ministries and financial information.

Table - 6.6**Service Performance Score for UAE Public Service Sector**

| Service Provided | Mean Score | | | Overall Mean Score | Overall Ranking |
|--|------------|-----------|-----------|--------------------|-----------------|
| | Public | Accountor | Accountee | | |
| Provision of Social Services | 4 | 4 | 4 | 4 | 4 |
| Annual evaluation of Performance | 1.5 | 3 | 2 | 2 | 7 |
| Provision of Employment | 3 | 4 | 4 | 3.7 | 5 |
| Provision of Health Services | 3.5 | 4 | 5 | 4.2 | 3 |
| Annual account of the use of funds & resources | 1 | 3 | 2 | 2 | 7 |
| Provision of Housing Services | 4 | 4.5 | 5 | 4.5 | 2 |
| Provision of Education Services | 4 | 4 | 4 | 4 | 4 |
| Provision of Security | 5 | 5 | 5 | 5 | 1 |
| Provision of Information/Data to the public | 1.5 | 2 | 2 | 1.8 | 8 |
| Annual account of income and expenditure | 2 | 3.5 | 3 | 2.6 | 6 |

In fact, examining closely the results in Tables 6.5 and 6.6, we see that while our respondents indicate in Table 6.5 that accountability related services should be considered top objectives of the public services sector, the results in Table 6.6 suggest

that these services are not efficiently and satisfactorily provided. There is thus accountability problem in the sector.

6.7.2 Availability of Performance Standards in the Sector

In order to assess the performance standards available in the public services organizations, we extracted the answers of the 80 Accountee and Accountor respondents in the general public sample to the following question: “Does your Ministry or Company set performance standards for the services or products it provides to ensure value-for-money?” Table 6.7 presents our results.

Table - 6.7

Availability of Performance standard in Public Service Sector

| Response Type | Response | % of Response |
|---------------|----------|---------------|
| Yes | 21 | 26.0% |
| No | 59 | 74.0% |
| TOTAL | 80 | 100.0% |

An overwhelming majority – 74% - indicated that their organizations have no performance standards while only 26% indicated that they do have some form of performance standards.

A supplementary question was put to the respondents who answered “yes” to indicate the types of performance standards available in their organizations or companies. The result is shown in Table 6.8. Out of the 21 respondents who answered “yes”, 18 or 86% of them stated that they have ‘internal performance standards’; 2 or 9.6% of them

indicated that they use ‘Quality Assurance Procedures’; and 1 or 4.4% said they use ‘Customer Requirement’. A follow-up question on the types of performance standards used in public services organizations led to the results presented in Table 6.8. The Table shows that only 21 members of the 80 accountee and accountor group in the general public sample responded. It can be seen that internal performance standards are virtually the only evaluation measures used in the organizations of the few respondents.

Table - 6.8

Types of performance Standard used in the Public Service Sector

| Type of performance Standard | Response | % of Response |
|--------------------------------|----------|---------------|
| ISO 9000 performance standards | - | - |
| Internal performance standards | 18 | 86.0% |
| Quality assurance Procedures | 2 | 9.6% |
| Consumer Requirement | 1 | 4.4% |
| Other (please specify) | - | - |
| TOTAL | 21 | 100.0% |

This result leads us to conclude that there is hardly any clearly defined set of performance standards in almost all the public services organizations in the UAE.

Management performance is measured informally and often on personal criteria.

6.7.3 Use of External Performance Evaluators

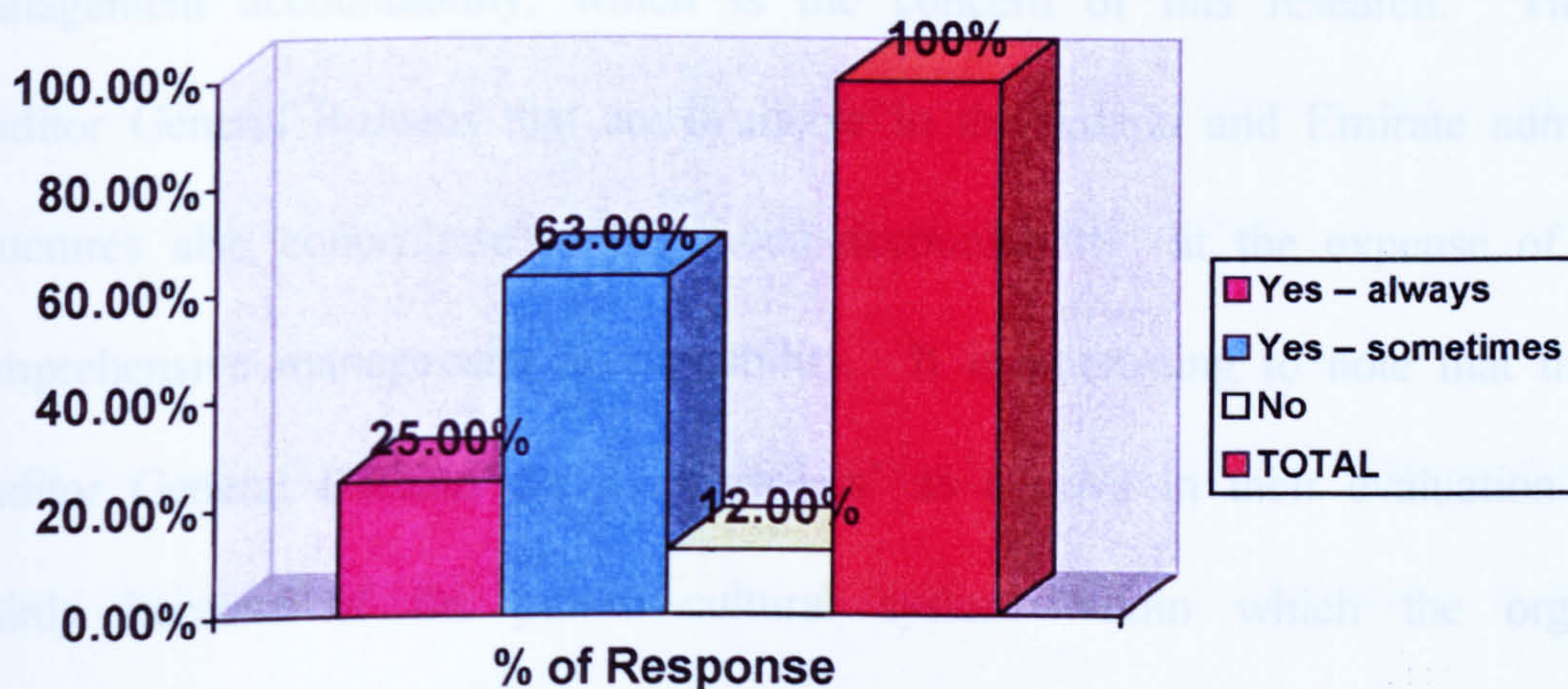
Since the administrative structures of the various levels of government in the UAE have an institution called “Auditor General Bureau”, a question in our questionnaire

requested the respondents to indicate if their organizations use external performance evaluators such as Accountants, Consultants or Auditors to assess performance. We extracted the answers of the relevant respondents and these are reported in Table 6.9 and presented graphically in Figure 6.7.

Table - 6.9
Does Your Organizations use External Performance Evaluators?

| Response Type | Response | % of Response |
|-----------------|----------|---------------|
| Yes – always | 20 | 25.0% |
| Yes – sometimes | 51 | 63.0% |
| No | 9 | 12.0% |
| TOTAL | 80 | 100% |

Figure 6.7
Does Your Organization use External Performance Evaluators ?



It can be seen in the Table that 63% of the respondents indicate that they use external evaluators 'sometimes'; 25% state that they use external evaluators 'always' while

only 12% do not use such evaluators. Figure 6.7 presents a graphic view of the responses showing the dominance of those who use external evaluators some of the time. The other responses are also colourfully presented and contrasted against the total. A complementary question requests the respondents to indicate the type of professional bodies their organizations use. About 63% of the respondents stated that their organizations use Auditors to assess the performance of their institutions: 24% use Accountants while 11% do not use any external professional bodies.

A follow up personal interview involving five of the respondents who indicated that they use external Auditors and two of those who use Accountants revealed interesting practice. It is correct that external Auditors and accountants are used by some of the public services organizations but it seems that no meaningful use is made of the reports submitted by these external professional bodies. Perhaps more importantly, these external professional bodies concentrate on 'financial accountability' rather than management accountability, which is the concern of this research. The internal Auditor General Bureaus that are available in the federal and Emirate administrative structures also concentrate on 'financial accountability' at the expense of the more comprehensive management accountability. It is interesting to note that the internal Auditor General Bureaus are as 'harmless' as a dove in their evaluation. This is mainly because of the politico-cultural system within which the organizations operation.

6.8 IS THE PERFORMANCE OF THE PUBLIC SECTOR SATISFACTORY?

Our findings so far indicate that the UAE public services sector has much to be desired from the setting of specific objectives, provision of management accountability related information to the design of identifiable and specific performance standards. Despite this, some public sector enterprises have made contributions to the GDP. For example, the enterprises contributed Dh2.2 billion in 1997 and Dh3 billion in 1998 towards government budget. These income contributions amounted to 4% and 7% of the total government revenue for 1997 and 1998 respectively. However some of the public organizations like defence, education and health services did not bring very much in the form of cash to the treasury but contributed indirectly to the national economy in the form of healthy and better educated citizens.

To assess the level of satisfaction with the performance of the public sector the following question was asked: "In general, to what extent are you satisfied with the performance of the public sector departments and organizations in the UAE?" Table 6.10 shows the result while Figure 6.8 presents the graphic picture.

It can be seen in the Table that a clear majority (59%) of the respondents indicated 'dissatisfied/very dissatisfied' with the general level of performance in the public services of the UAE; 25% were indifferent while only 16% were satisfied. These percentages are also shown graphically in Figure 6.8.

Table - 6.10

Level of satisfaction with Performance in Public Service Sector

| Level of Satisfaction | Grading Scale | Response | % of Response |
|-----------------------|---------------|----------|---------------|
| Very satisfied | 5 | - | - |
| Satisfied | 4 | 45 | 16.0% |
| Indifferent (Average) | 3 | 70 | 25.0% |
| Dissatisfied | 2 | 112 | 40.0% |
| Very dissatisfied | 1 | 53 | 19.0% |
| TOTAL | | 280 | 100.0% |

| Descriptive Statistic | |
|-----------------------|--------|
| Mean | 2.3821 |
| Std Error | 0.1671 |
| Std Deviation | 0.9140 |
| Sample Variance | 0.8354 |
| Sum | 667 |
| Count (N) | 280 |

Given the results in Table 6.10, we decided to test the hypothesis that the level of satisfaction with the general performance in the public services sector in terms of achieving objectives is less than the average in similar sectors. We formulated the null hypothesis:

$$H_0: M \leq 3$$

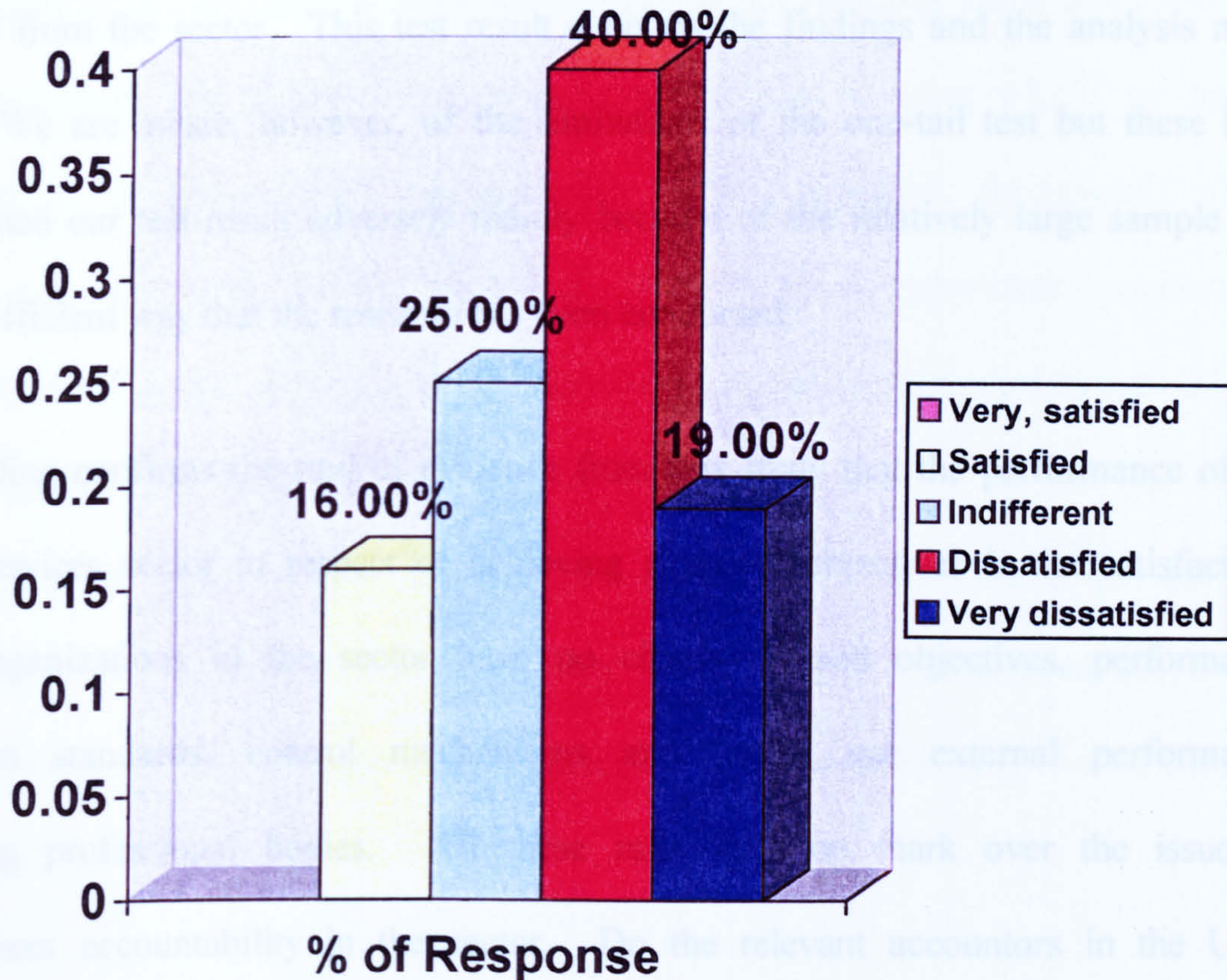
and the alternative hypothesis:

$$H_1: M \geq 3$$

where:

- 3 is the average score on the Likert grading scale; and
- M is the mean of the sample survey results.

Figure 6.8
Level of satisfaction with Performance in Public Service Sector



The Z test about one mean with sampling error ($\alpha = 0.05$) is used and this gives a table value of Z (critical) = 1.64. We then calculated the test statistic as:

$$Z = \frac{2.382 - 3.00}{0.167} = -3.704$$

The null hypothesis is thus accepted and the more important alternative hypothesis rejected because the calculated Z-value (-3.704) is less than the critical Z-value (1.64). Thus, with 95% confidence, we infer that the performance rating given to the public sector by our sample respondents is significantly lower than the average performance

rate of 3 on the Likert grading scale. This means that the general performance of the public services sector in the UAE is significantly lower than the average performance expected from the sector. This test result supports the findings and the analysis made above. We are aware, however, of the limitations of the one-tail test but these have not affected our test result adversely mainly because of the relatively large sample size and the efficient way that the research has been conducted.

This finding confirms the trail of evidence from this study that the performance of the public services sector in respect of achieving expected objectives is not satisfactory. Many organizations in the sector have no clearly defined objectives, performance evaluation standards, control mechanisms and hardly use external performance evaluating professional bodies. All these raise question mark over the issue of management accountability in the sector. Do the relevant accountors in the UAE public services sector provide a high level of management accountability? Do they provide management accountability at all? The next section investigates these questions.

6.9 STRUCTURE OF ACCOUNTABILITY IN THE UAE PUBLIC SECTOR

As discussed earlier, the UAE has three levels of government – Federal, Emirate and Municipality – out of which both the Federal and the Emirates have their public services. Accordingly, each of the public services has its structure of management accountability, which, for all intents and purposes, is similar to one another except in a few minor areas (cf Figures 6.9 and 6.10 below).

6.9.1 What is Management Accountability?

Any system of government, whether democratic or not, requires some form and level of accountability that ensures that the government acts in ways which are broadly approved by the community. Accountability is thus absolutely fundamental to any society and the UAE is no exception. In a western democratic society, the management of public organizations is accountable to political representatives and the general public for achieving the objectives set for them. In the UAE, the accountability of similar public organizations depends upon the statute that set them up – that is whether Federal Law or Emirate Ruler’s decree. This notwithstanding, a major problem in the discussion of accountability is the question: what do we mean by accountability?

We asked our sample respondents to choose from a list of definitions the definition that is closest to their view of management accountability. Table 6.11 shows the results. As can be seen in the Table, the mean percentage response of our respondents indicates that a clear majority of 53.3% defines management accountability as:

*“the provision of detail account of the performance
and use of resources allocated to the Ministry/organization”.*

The choice of our respondents is interesting partly because it shows their concern for comprehensive and detail performance reports and partly because it shows their awareness of the concept of management accountability as distinct from other forms of accountability such as political or financial accountability. It is also interesting to

note that the chosen definition (B) is the preferred choice of all the three categories of respondents. Apart from the general public who chose the definition by a score of 43%, the choice score of the Accountors and Accountees are both well above 55%. We intend to use this definition (B) as our operational definition in this study.

Table 6.11

Definition of Accountability in the UAE

| DEFINITION OF ACCOUNTABILITY | The Public | | Accountors | | Accountees | | Mean % Response |
|---|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| | <i>Response</i> | <i>% Of Response</i> | <i>Response</i> | <i>% Of Response</i> | <i>Response</i> | <i>% Of Response</i> | |
| Provision of general annual account of the performance of the Ministry (A) | 36 | 18.0% | 5 | 10.0% | 5 | 16.0% | 14.7% |
| Provision of detail account of the performance and use of resources allocated to the Ministry (B) | 86 | 43.0% | 30 | 60.0% | 17 | 57.0% | 53.3% |
| Provision of detail annual budget of income and expenditure of the Ministry (C) | 14 | 7.0% | 5 | 10.0% | - | - | 5.7% |
| Provision of detail annual account of the use of resources allocated to the Ministry (D) | 64 | 32.0% | 10 | 20.0% | 8 | 27.0% | 26.3% |
| TOTAL | 200 | 100% | 50 | 100% | 30 | 100% | 100.0% |

6.9.2 The Federal Public Sector Structure of Accountability

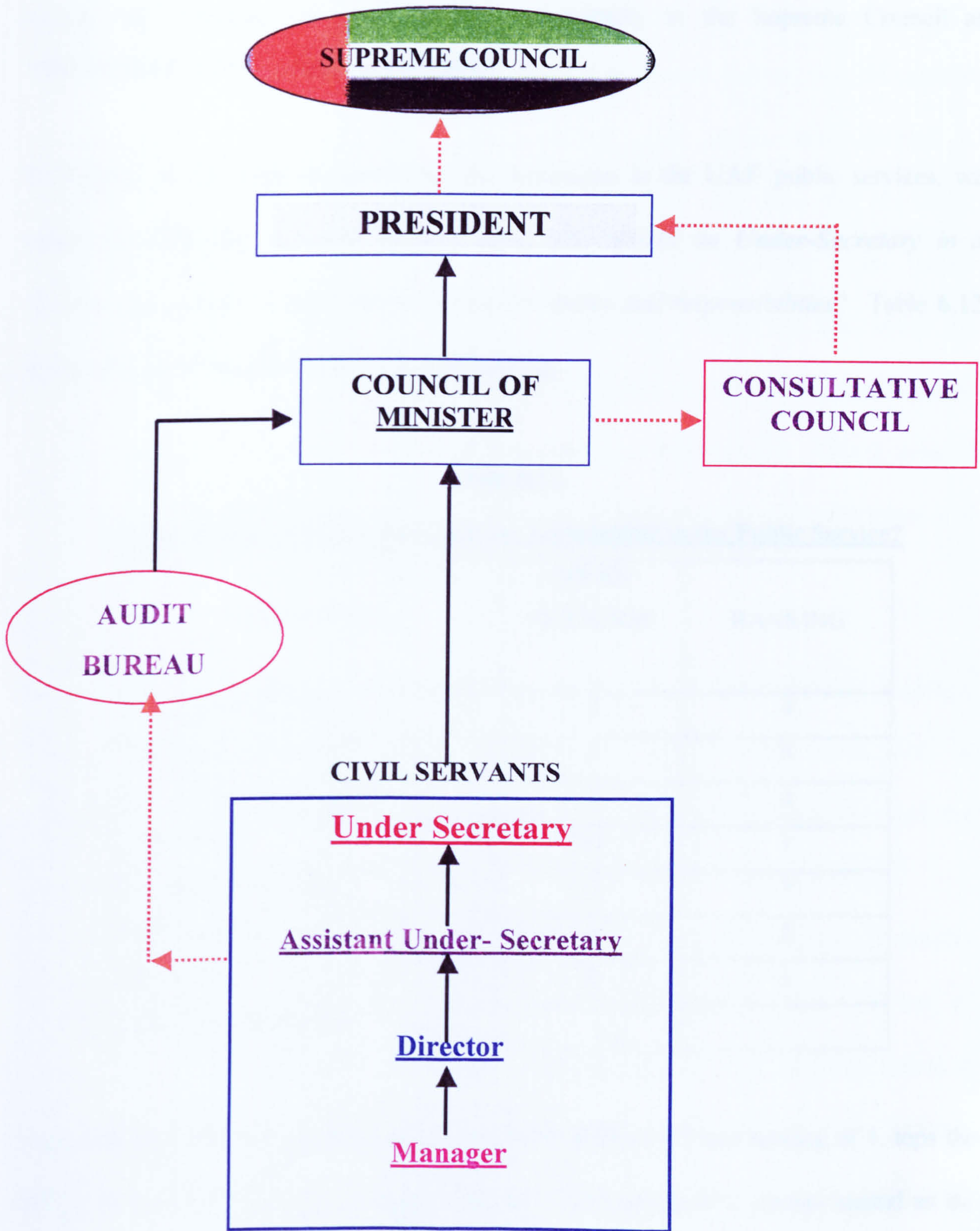
The President, through Presidential Decree in accordance with the Federal Constitution, creates Federal public service organizations. The relationship between the UAE citizens and the government could be considered as a principal/agent relationship because the citizens are assumed to have given their consent indirectly to the President/Ruler to appoint a government to join with him to run the country on their behalf. The President must therefore bear the ultimate responsibility of ensuring that the interests and aspirations of the citizens are satisfied and upheld. According to Day and Klein (1987, p.6); “Political accountability begins when individuals are given responsibility for carrying out tasks on behalf of their fellow citizens. The division of civic labour, the delegation of particular roles to individual citizens, creates the demand for political as distinct from personal accountability”

A simplified federal public service structure of accountability is shown in Figure 6.9.

Given that the UAE Federal Law created the relevant public service organizations, then accountability follows a hierarchical structure with the President as the ultimate *Accountee* as indicated by the thick arrows in Figure 6.9.

The structure shows the Civil Servants, represented by the Under Secretary, as *Accountor* and directly responsible to the Minister (first level *Accountee*), who in turn is responsible directly to the President (the ultimate *Accountee*). Unlike the structure of the UK where the ultimate *Accountee* is the Electorate (the Public), the President in the UAE structure represents the interests and aspirations of the entire UAE *people* and hence is the ultimate *Accountee*. In this responsibility, the Supreme Council of

Figure 6.9
Accountability Structure in UAE Federal Public Sector



Rulers, composed of the Rulers of the individual Emirates who, at Emirate level, represent the interests and aspirations of their people, assists the President. In other words, the President has a dotted line responsibility to the Supreme Council as representatives of their respective Emirates.

To follow up the issue of identifying the Accountee in the UAE public services, we asked the following question: *In your view, who should an Under-Secretary in a Ministry be directly accountable to for his/her duties and responsibilities?* Table 6.12 shows the mean response and the derived ranking.

Table 6.12

Whom Should an Under-Secretary be Accountable in the Public Service?

| ACCOUNTTEE | MEAN RESPONSE | RANKING |
|-------------------------|---------------|---------|
| The Prime Minister | 2 | 4 |
| The Supreme Council | 1 | 5 |
| The UAE general public | 2 | 4 |
| The Minister | 4.5 | 1 |
| The National Council | 3 | 3 |
| The Chairman | 4 | 2 |
| The Director | 2 | 4 |
| Others (please specify) | - | - |

The findings show that the Minister, with a mean score of 4.5 and ranking of 1, tops the list while the Chairman, with a mean score of 4 and ranking of 2, comes second as the direct Accountee of the Under-secretary. The National Council comes third in ranking

while the Supreme Council is considered very distant from being direct Accountees of Under-secretaries.

This result has some good degree of independence in it because each of our 200 general public respondents scored according to the particular public service sector (federal or Emirate) he/she was associated with. From this result, we may state that the direct accountees in the public services sectors in the UAE are the Ministers at the federal level and the Chairmen at the Emirate level. Interestingly, unlike the UK where the ultimate Accountee is the electorate, in the UAE this is not the case as the results in the Table indicate – the ‘UAE general public’ has a very low ranking of 4. This is because the public entrusts the President and the Rulers with their welfare and aspirations and thus sees them as the ultimate Accountees for the nation.

Our findings in Table 6.12 are supported by answers to a supplementary question, which required our 50 Accountor respondents to indicate their direct line of accountability. Overwhelmingly, the Minister (18 out of 50 respondents) and the Chairman (24 out of 50 respondents) are indicated as the direct line of Accountability.

However, the Civil servants also report to the Federal Audit Bureau who is directly responsible to the Minister in reporting its assessment of performance and use of resources in the Ministries and other public sector organizations. As indicated earlier, it is questionable whether the official responsibilities of the Audit Bureau have significant effect upon the level of performance in the public services sector. The Minister, though not responsible directly, reports to the Consultative Council, which also has a dotted line responsibility to the President

In the UAE federal system, the civil servant is accountable through the hierarchy of the system to the minister who is then accountable to the cabinet and the President. Every act of every public servant is therefore the act of the Minister and the President, who actually chose the Minister. A Minister is in charge of a ministry and, within that ministry, the hierarchical structure determines normal bureaucratic and management accountability procedures through the various levels. By this process any act of administration is an act of collective will of Ministers and the President.

6.9.3 Dimension of Accountability

As it is apparent from Figure 6.9, the system of accountability forms the main link between the administration of the government and the political system. Within this constitutional structure, the Supreme Council of the Federation represents the highest authority in the land due to its composition and constitutional power. The Supreme Council's power is reflected in the following constitutional acts and responsibilities:

- The Council's approval is required when calling on the Union troops to move in case of need;
- Amalgamation of two or more states within the union or outside it;
- Entering into agreement with any neighbouring countries;
- Ratifying international treaties;
- Declaration of war;
- Appointment of the Prime Minister;
- Imposing Martial Law;

- Introducing Draft Law, which affects the internal and external affairs of the Emirates.

In the case of executive duties, the President and Vice President are authorized by the Supreme Council of the Federation to sign and issue all Federal Laws and Decrees; and to appoint the President and judges of the Supreme Court. In addition to these duties, the President is empowered to supervise the execution of all federal laws through the Council of Ministers as a group or on individual basis. The President, on the advice of the cabinet, appoints all senior civil servants including senior military personnel.

As far as the Council of Ministers is concerned, the President had delegated to them the duties and responsibilities to supervise the execution of all federal laws, performance of various federal ministries, agencies and departments; and empowered them to reward and discipline federal employees. Because of these duties and responsibilities, the council of ministers is collectively and individually accountable to the President and through him to the Supreme Council for the discharge of their duties. The individual minister submits his report periodically to the Cabinet on the activities of his ministry/agency especially in the area of staffing, financing requirements, imposition of levies and charges and performance of the organization/agency annually. Interestingly, such accountability may be rendered verbally and informally to the Cabinet and would be accepted - no formal records would thus be available. This constitutes a concrete case of improper accountability procedure that may lead to a poor level of management accountability in the system.

The lack of formal records of accounts of services rendered in trust for the public, particularly records of the use of public funds and other resources, is a major breach of basic management accountability principles. Our research findings so far suggest strongly that there is a serious problem of management accountability in the UAE public services sector.

6.9.4 The Accountor and Accountability

To assess the awareness of the role that the Accountors are expected to play in the accountability expectations of the UAE public, we asked the question: *What are the topics you would expect to find in the annual report of Under-Secretaries in the Ministries?* We present our findings in Table 6.13.

From the mean scores and the related ranking in the Table, we see that our respondents feel that the content of the annual report of an Under-secretary to his Accountee should reflect the order (ranking) in the Table. That is to say that emphasis should be placed on;

- The objectives of the Ministry
- Performance measurement and control mechanisms;
- The utilization of funds and other resources;
- Evaluating performance of the Ministry.

This finding is very instructive in the sense that it indicates not only the expected contents of the Report of the Under-secretary but also the relative importance

(ranking) of each issue. It also shows the awareness of the public regarding management accountability matters in the system.

Table 6.13

Topics Expected in Annual Report of an Under-Secretary in Ministry

| EXPECTED ISSUES | MEAN RESPONSE | RANKING |
|---|---------------|---------|
| Policy & Objectives of the Ministry | 5 | 1 |
| Funds and other resources allocated to Ministry | 4 | 2 |
| Utilization of funds and other resources | 4 | 2 |
| Evaluation of performance of the Ministry | 5 | 1 |
| Strategy of operation of the Ministry | 3 | 3 |
| Limitations of the Ministry | 3 | 3 |
| Performance measurement & control mechanisms | 5 | 1 |
| Projections for the future | 5 | 1 |
| Other matters (please specify) | | |
| Employment statistics (National/Foreign) | 3 | 3 |

Following the question on content of Report was a question on the level of responsibility of the Accountors in their various organizations. The answers are reported in Table 6.14. It can be seen in the Table that the Accountors see their main responsibilities in the areas of planning, budgeting and resource allocation, as well as evaluation of performance and resource utilization. Their responsibilities, therefore, put them in a position to render detail and accurate account of their functions - that is management accountability.

This finding supports not only the need for proper accountability in the public services but also the desirability of having a meaningful and accurate management accountability

Table 6.14

Accountor Involvement in Accountable Functions

| RESPONSIBILITY | Mean Response | Ranking |
|--|---------------|---------|
| Policy Making | 2.5 | 4 |
| Strategic Planning | 4 | 2 |
| Annual Planning | 5 | 1 |
| Budgeting and allocation of Resources | 5 | 1 |
| Executive Implementation of Plans | 3 | 3 |
| Evaluation of Performance & resource use | 5 | 1 |
| Others (Please specify) | - | - |

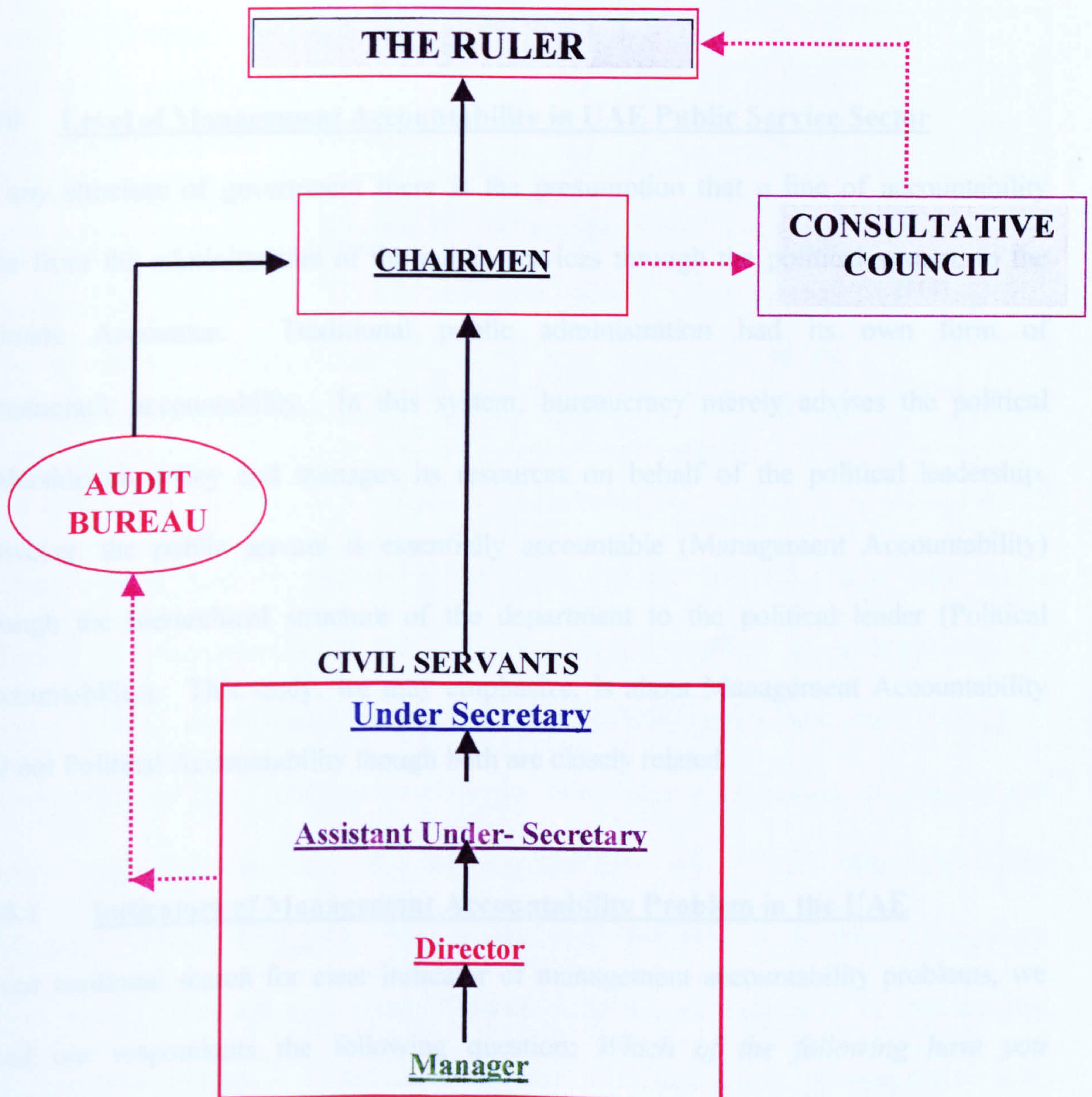
Senior civil servants have been entrusted with the responsibility of planning, budgeting and employment of public funds and resources, they also owe the public the responsibility of rendering a reliable management account of the performance and use of the resources.

6.9.5 Accountability Structure at Emirate Level

Similarly, if reference is made to the public sectors of the individual Emirates, the accountability structure will reflect the Emirate's 'constitutional set up' – internal procedures – as shown in Figure 6.10. However, comparing Figures 6.9 and 6.10 we can see that the public sector accountability structure at the Emirate level is a mirror image of that of the federal structure. The main difference is not in the basic concept of accountability underlying the structure but in the designation of the main

Accountees – that is the *Ruler* instead of the *President*; and the *Chairman* instead of the *Minister*. The *Accountors* are Emirate civil servants and the institutions of Audit Bureau and Consultative Council do exist and perform similar functions at the Emirate level as they do at the federal level.

Figure 6.10
Accountability Structure in Emirate Public Sector



The significant difference between the two levels of public sector accountability in the UAE is that while the federal structure has the *Supreme Council* nominally at the top of the accountability hierarchy, the Emirate structure has no comparable institution above the *Ruler*. In terms of Accountee-Accountor relationship our findings are relevant here because, while the federal services have the Minister as the direct Accountee for the federal Under-secretary, the Chairman assumes the Accountee position for the Under-secretary at the Emirate level.

6.10 Level of Management Accountability in UAE Public Service Sector

In any structure of government there is the presumption that a line of accountability runs from the administrators of the public services through the political system, to the ultimate Accountee. Traditional public administration had its own form of bureaucratic accountability. In this system, bureaucracy merely advises the political leadership on policy and manages its resources on behalf of the political leadership. However, the public servant is essentially accountable (Management Accountability) through the hierarchical structure of the department to the political leader (Political Accountability). This study, we may emphasize, is about Management Accountability and not Political Accountability though both are closely related.

6.10.1 Indicators of Management Accountability Problem in the UAE

In our continual search for clear indicator of management accountability problems, we asked our respondents the following question: *Which of the following have you*

encountered in your dealings with Ministries or organizations in the UAE Public Service? In Table 6.15 we report the findings.

Table 6.15

Problems of Accountability Encountered in the Public Service Sector

| NATURE OF PROBLEM | Public Response (Out of 200) | % Response out of 200 | Response Ranking |
|-----------------------------------|---------------------------------|--------------------------|---------------------|
| Poor knowledge of responsibility | 120 | 60.0% | 5 |
| Limited Information disclosure | 101 | 50.0% | 6 |
| Poor Management annual report | 75 | 37.0% | 9 |
| Lack of accountability Ombudsman | 185 | 92.0% | 3 |
| Poor annual accounts report | 130 | 65.0% | 4 |
| Lack of accountability guidelines | 187 | 93.0% | 2 |
| Exaggeration of success | 95 | 47.0% | 8 |
| Lack of report-writing guidelines | 98 | 49.0% | 7 |
| Poor definition of accountability | 195 | 97.0% | 1 |
| Others (Specify) | - | - | - |

It can be seen from the ranking in the Table that the lack of a clear and precise definition of accountability is the most encountered problem in dealings with the public services organisations. Lack of accountability guidelines came second in ranking; lack of accountability ombudsman was third; poor annual accounts report came fourth; lack of knowledge of responsibility was ranked fifth while poor management annual report was seen as the least problem. That poor management annual report came last is not out of place; it is a clear indication of management accountability problem. If all other aspects of management accountability were carried out efficiently in content and procedure, then there would not be any case of

poor managerial annual report. This finding thus confirms further that there is management accountability problem in the public services of the UAE.

6.10.2 Level of Satisfaction with Management Accountability

Considering all the answers our respondents have volunteered, we put to them the definitive question: *To what extent are you satisfied with the level of management accountability in the Public Services Sector of the UAE?* In Table 6.16 we report the findings which are also presented graphically in Figure 6.11.

Table 6.16

Level of Satisfaction with Accountability in UAE Public Service Sector

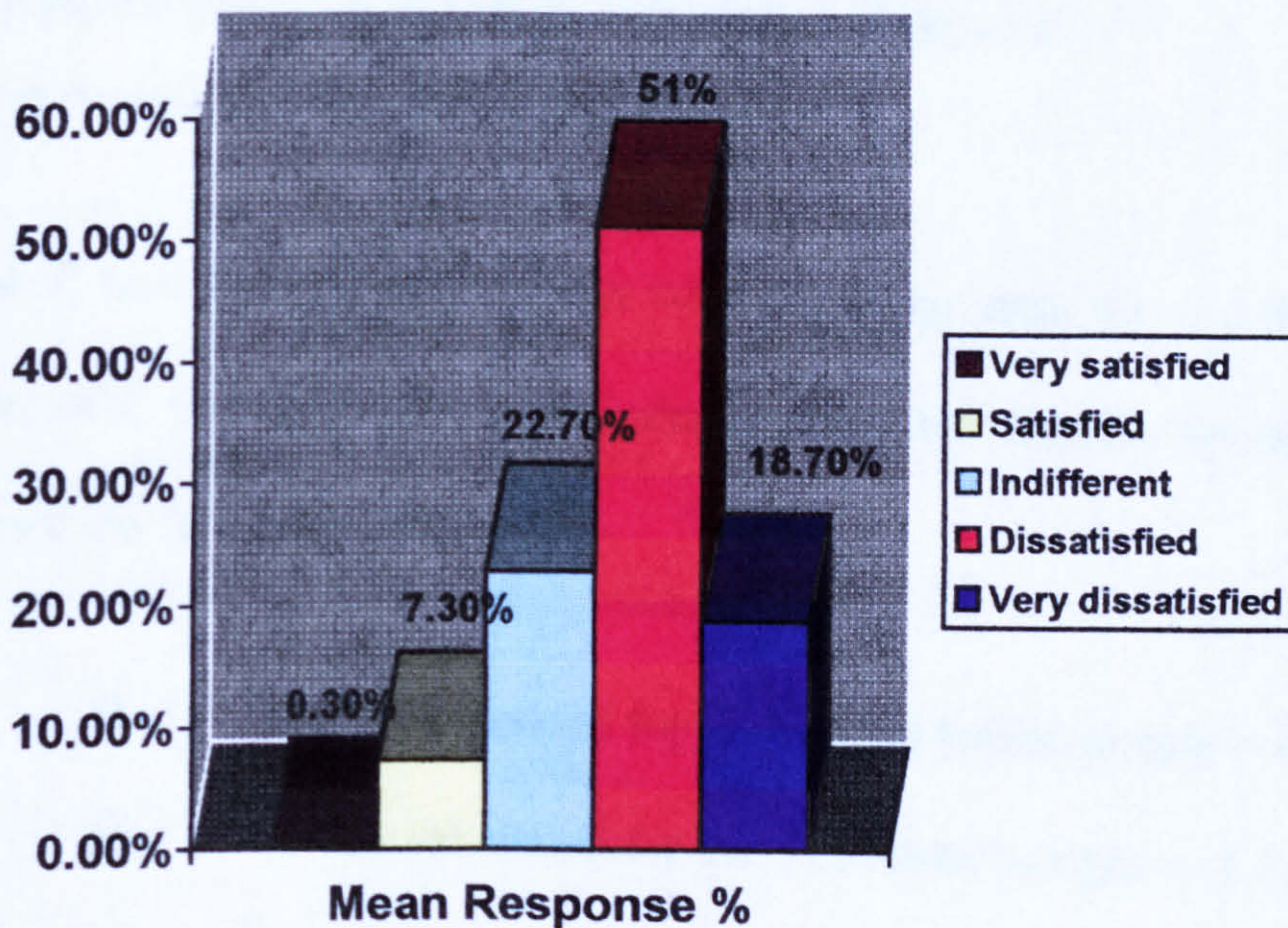
| | The Public | | Accountors | | Accountees | | Mean % Response |
|-------------------|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| | <i>Response</i> | <i>% Of Response</i> | <i>Response</i> | <i>% Of Response</i> | <i>Response</i> | <i>% Of Response</i> | |
| Very satisfied | 2 | 1.0% | - | - | - | - | 0.3% |
| Satisfied | 20 | 10.0% | 3 | 6.0% | 2 | 6.0% | 7.3% |
| Indifferent | 53 | 27.0% | 9 | 18.0% | 7 | 23.0% | 22.7% |
| Dissatisfied | 95 | 47.0% | 28 | 56.0% | 15 | 50.0% | 51% |
| Very dissatisfied | 30 | 15.0% | 10 | 20.0% | 6 | 21.0% | 18.7% |
| TOTAL | 200 | 100% | 50 | 100% | 30 | 100% | 100.0% |

Descriptive Statistic of the Three Sample Groups

| | General Public | Accountors | Accountees |
|---------------|----------------|------------|------------|
| Mean | 2.345 | 2.100 | 2.167 |
| Std Error | 0.081 | 0.173 | 0.176 |
| Std Deviation | 1.147 | 1.213 | 0.963 |
| Sum | 469 | 105 | 65 |
| Count (N) | 200 | 50 | 30 |

The profile of response in the Table shows an overwhelming majority in each sample group that indicate “dissatisfied or very dissatisfied” with the level of management accountability in the public services of the UAE. A total of 62% in the general public sample group; 76% in the accountant group and 71% in the Accountee category are dissatisfied or very dissatisfied with the level of management accountability in the public services sector. It is interesting to note that about 70% of both Accountors and Accountees sample groups – insiders of the system – are dissatisfied with the level of management accountability in the system. On the other hand, only 11% of the Public; 6% of the Accountors and another 6% of the Accountees indicated satisfaction with accountability in the system.

Figure 6.11
Level of Satisfaction with Accountability in UAE
Public Service Sector



Looking at the mean percentage response of all the categories, a more reliable result emerges in terms of numbers. It can be seen that a mean response of about 70% of all the categories indicate "dissatisfied/very dissatisfied"; 22.7% indicate "indifference" while only 7.6% are satisfied. Figure 6.11 shows a graphic representation of the mean percentage response for each category.

Given the descriptive statistics of the three sample groups, we decided to test the hypothesis that the level of management accountability in the public services sector of the UAE is less than the average level expected. We formulated the null hypothesis:

$$H_0: M \leq 3$$

and the alternative hypothesis:

$$H_1: M \geq 3$$

where:

- 3 is the average score on the Likert grading scale; and
- M is the mean of the sample survey results.

Using the Z test about a single mean with sampling error ($\alpha = 0.05$) which gives a table value of Z (critical) = 1.64, we calculated the test statistic for each sample group and obtained the following results:

- i) Z-value calculated for the general public sample = -8.086.
- ii) Z-value calculated for the Accountor sample = -5.217.
- iii) Z-value calculated for the Accountee sample = -4.730.

The test results indicate that the null hypothesis in each case should be accepted and the corresponding alternative hypothesis be rejected because the calculated Z-values of the samples are individually less than the critical Z-value (1.64). Thus, with 95% confidence, we can infer that the level of management accountability, as rated by the three sample groups, is significantly lower than the average level expected.

This test result and the host of other research findings reported in this chapter lead us to conclude that there is sufficient evidence indicating that there is a serious management accountability problem in the sector. We may conclude, therefore, that the findings and results so far suggest that the level of management accountability in the public sector of the UAE is less than the average expected and, definitely, less than the average level in the public sector of a country such as the UK. This conclusion provides the basis to proceed with finding out why the system has such a serious management accountability problem but first we must investigate the problem and test our findings with a focussed research of the two case studies. This is done in the next two chapters.

6.11 SUMMARY

This chapter has explored the development of the public services sector in the UAE before and after the federation of the once independent and autonomous Emirates in December 1971. The three levels of public administrative systems: Federal – Emirate – Municipality – were discussed within the context of a general pattern of development of public services sector in a young country.

The contention underlying the study is that there are management accountability problems in the UAE public services sector. The basic hypothesis therefore is that the level of management accountability in the public sector is lower than the average expected particularly when compared with other countries, for example the UK. While subsequent chapters will investigate the causal factors and their relative impact, this chapter has focussed on confirming or refuting the basic hypothesis.

Various findings in our research have been produced in this chapter to assess the validity of the hypothesis. The chapter has presented the following:

- An assessment of the performance of the public services sector in terms of the level of achievement made with respect to the expected objectives of the sector;
- An analysis of what accountability means to the public and the actors in the sector;
- An analysis of the objectives of management accountability and the lines of accountability in the UAE public services sector;
- The structure of accountability both at federal and Emirate level and their accountor-accountee relationships;
- accountability problems encountered by the public in dealings with the public services organizations;
- the level of satisfaction with level of management accountability in the sector.

All the research findings so far confirm the basic hypothesis that the level of management accountability in the UAE public services sector is low. In the next two chapters, we investigate this hypothesis further using specific case-studies from the sector.

7.1 INTRODUCTION

This chapter focuses on the Emirates Telecommunication Corporation – ETISALAT – which is reported one of the two cases from the public sector organizations studied in this work. The main objective of the case-study is to provide more specific results (in addition to the general findings of the research – see chapter 6) to determine the level of management accountability in the UAE public sector organizations is not as high as the public expects. The case-study will also provide clearer evidence of the factors that have close relationship with the level of management accountability identified by the case findings.

The chapter is divided into six main sections as follows:

a) the historical development of the case organization – ETISALAT;

CASE I: THE EMIRATES TELECOMMUNICATION CORPORATION (ETISALAT)

b) assessment of the level of management accountability in the company;

c) identification of factors with close relationship with the level of accountability obtained from the findings of the research; and,

d) a comparison of management accountability in the British Telecom Corporation (BT) and the case company – ETISALAT.

However, emphasis will be placed on the later sections, which are directly focused on the main objective of the study. The data/information provided and used in this chapter are obtained from secondary and primary research carried out in the case

7.1 INTRODUCTION

This chapter focuses on the Emirates Telecommunication Corporation – ETISALAT – which constitutes one of the two cases from the public sector organizations studied in this work. The main objective of the case-study is to provide more specific results (in addition to the findings in the survey of the general public as reported in chapter 6) to further confirm or refute the main hypothesis of the study that the level of management accountability in the UAE public sector organizations is not as high as the public expects. The case-study will also provide clearer evidence of the factors that have close relationship with the level of management accountability identified by the case findings.

The chapter is divided into six main sections as follows:

- a) the historical development of the case organization – ETISALAT;
- b) the general performance of the company;
- c) the structure and operation of management accountability in the company;
- d) assessment of the level of management accountability in the company;
- e) identification of factors with close relationship with the level of accountability obtained from the findings of the research; and,
- f) a comparison of management accountability in the British Telecom Corporation (BT) and the case company – ETISALAT.

However, emphasis will be placed on the later sections, which are directly focused on the overall objective of the study. The data/information provided and used in this chapter are obtained from secondary and primary research carried out in the case

study organisation. Intensive primary research involving questionnaire survey and personal interviews was conducted in the organisation from which most of the findings reported in the chapter originate. Appropriate statistical analyses have been carried out to make a meaning of the findings.

7.2 DEVELOPMENT OF ETISALAT

The historical development of the Telecommunication System in the seven Emirates (then referred to as 'Telephone and Wireless' in each of Emirates) dates back to 1959 when some British firms and local investors formed a partnership to establish and operate the System as a private joint venture. The management of the System was entrusted to the British companies, International Air-radio Limited and Cable & Wireless for both internal and external communication links.

After the federation of the seven Emirates into the current United Arab Emirates (UAE) in 1971, the legal and operational status of the private joint venture was reconsidered. The result of this was the formation of the Emirates Telecommunication Corporation - ETISALAT – in 1976 as a Public Enterprise, which was jointly owned, by the Federal Government and Cable & Wireless Company. In 1983, the ownership of ETISALAT was transferred to the UAE Government and National Investors in a form of share capital divided between the government and UAE citizens. The shareholding structure was 60% government and 40% UAE nationals with the latter shares allowed to be traded over the counter by nationals only. ETISALAT thus became a quasi-government public enterprise. The Company was granted the

responsibility and authority by the government to take over all communication facilities of the seven Emirates including five operating companies with an installed capacity of 400,000 telephone lines.

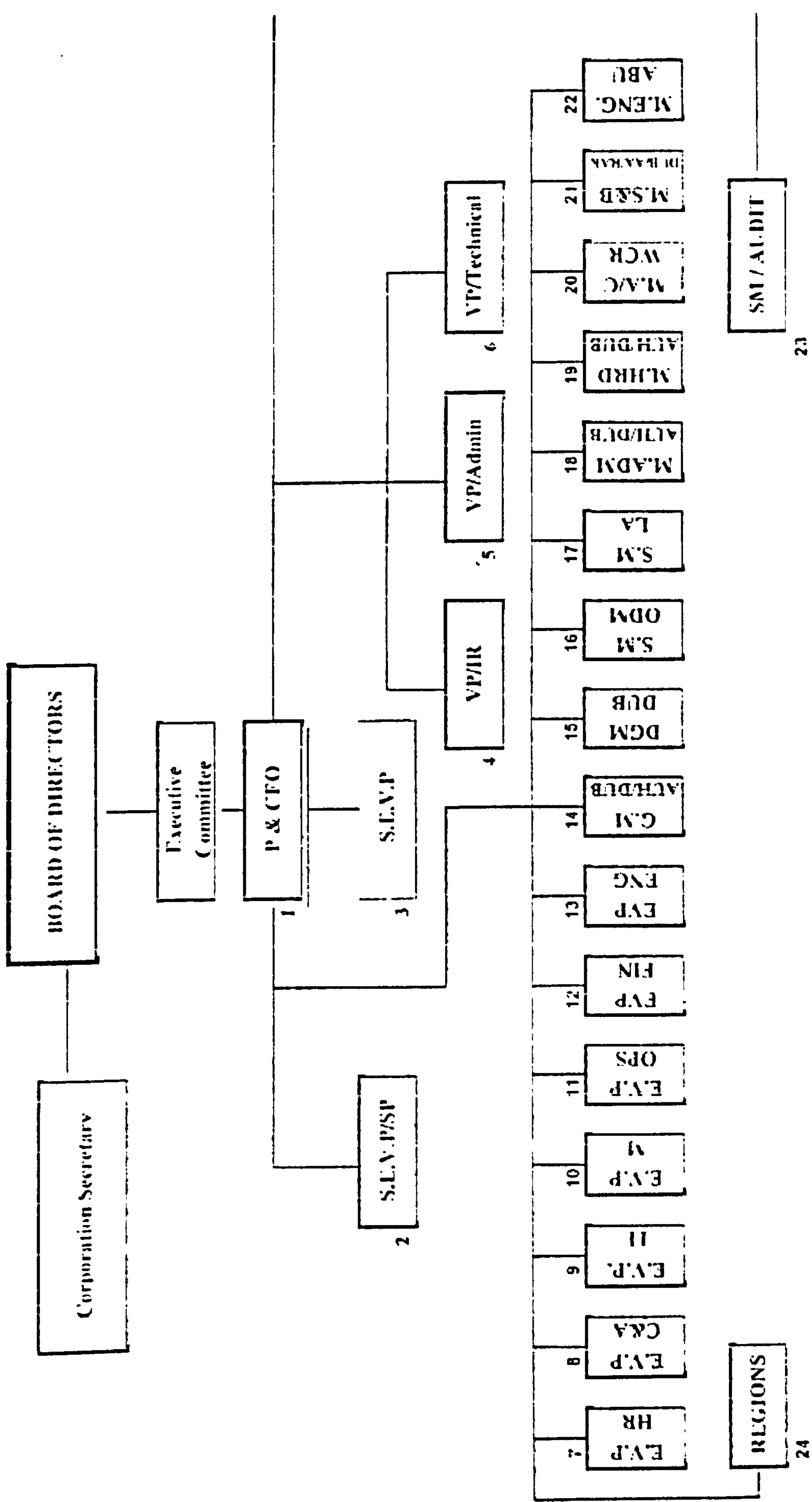
7.3 ORGANIZATIONAL STRUCTURE OF ETISALAT

From a simple entrepreneurial organizational structure, ETISALAT developed a much broader corporate organization structure. Figure 7.1 presents the general organizational structure of the relevant higher management cadre who constitutes the Accountee and Accountor categories in the organization.

As can be seen in the Figure, the highest cadre in the organization comprises the Board of Directors and the Executive Committee who constitute the direct Accountees in ETISALAT. In accordance with Clause 15 of the Memorandum and Article of Association of Etisalat, the Board of Directors is composed of nine members in addition to the Chairman, the Minister of Transport and Telecommunication, who is appointed by the Federal Government (Etisalat, 1976). In addition to the Chairman, the government also appoints five Board members on advice of the concerned minister after consultation with the Finance Minister. The shareholders at the general annual meeting elect the remaining four members. With the exception of the Chairman, the board is elected for a period of three years. During the election of the four members, the government refrains from supporting or voting for any candidate. The Board of Directors is authorized to appoint a Chief Executive of the Corporation as well as to set up an Executive Committee whose members are chosen from the board. The board defines duties and functions of the committee.

**Emirates Telecommunications Corporation (ETISALAT)
CORPORATE ORGANIZATION CHART (GENERAL)**

Figure 7.1



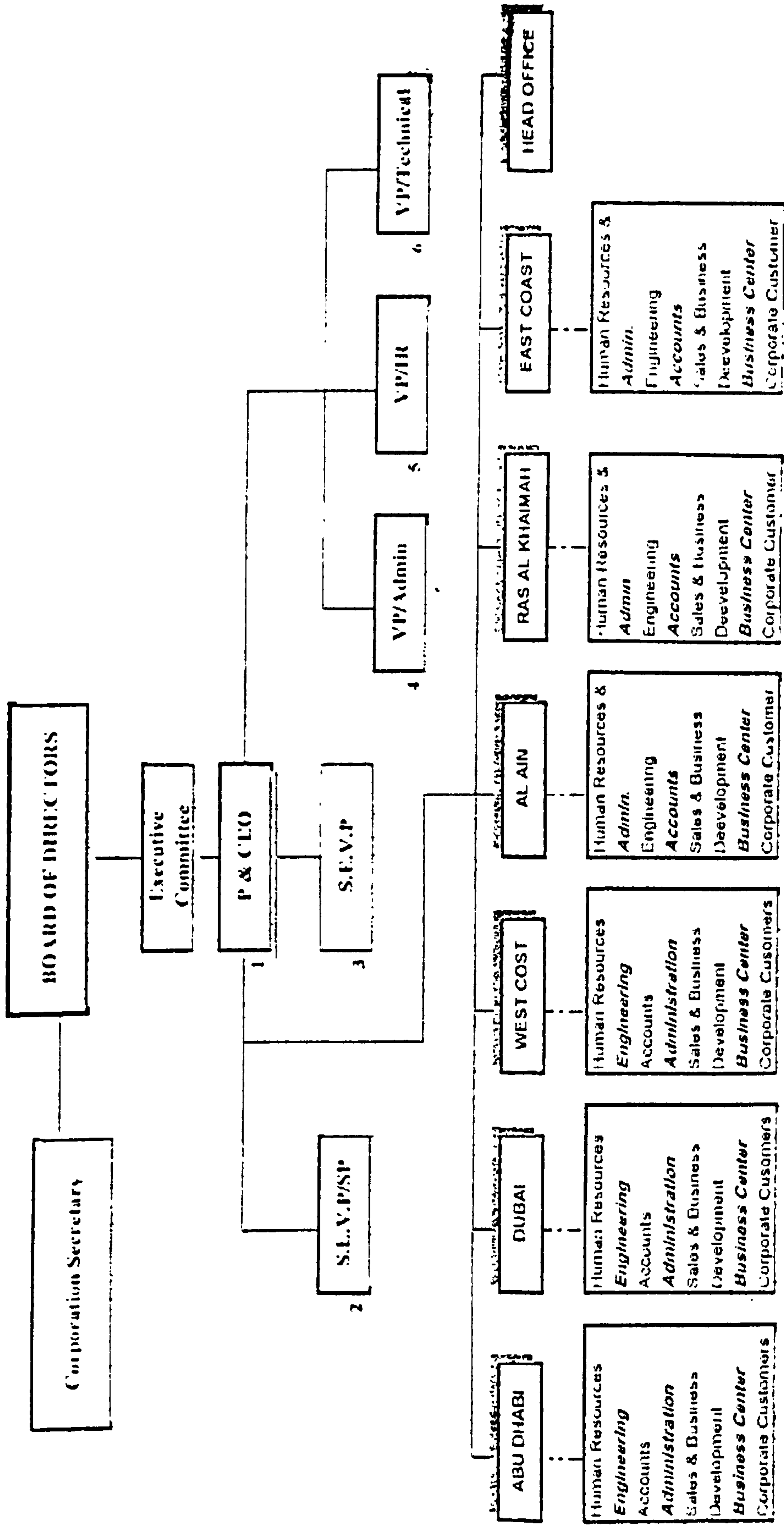
Clause 16 of the Memorandum and Article of Association gives the board the power and responsibilities to run the corporation with the aim of achieving its goals as stipulated in the Memorandum and Article of Association. In addition to the power to run the corporation, the board is authorized to borrow and to issue a debt instrument and to give mortgage and other securities on behalf of the corporation with the exception of mortgaging the entire assets of the corporation or borrowing in excess of the capital of the company. To raise capital in excess of the capitalisation of the corporation, the Board requires a two-third majority vote at the Annual General Assembly (AGM) upon the approval of the Chairman.

Figure 7.1 also shows the Accountor category in the company comprising the President and Chief Executive Officer, Senior Executive Vice Presidents, Vice Presidents, Executive Vice Presidents and Managers supervising 13 departments and divisions. To facilitate the functioning of the daily business of the corporate organization, the top management decentralized some of the corporate activities in accordance with the regional divisions of the corporation.

Figure 7.2 shows the Regional organizational structure of the corporation. The regional divisions report directly to President and Chief Executive Officer who is aided by relevant senior management officers from the head office. Any matters referred by the regional divisions are discussed with the concerned director/manager before decisions are taken.

**Emirates Telecommunications Corporation (ETISALAT)
CORPORATE ORGANIZATION CHART (BY REGION)**

Figure 7.2



The duties and functions of these Departments and Divisions include, among others, manpower planning and appraisal; salary and benefits review; setting maintenance standards for efficient functioning of Telecommunication system; Developing and installing a financial and Management accounting system; planning and organizing purchases and administrative matters; providing information technology services such as billing and management information system; formulating marketing policies with regard to new products, providing switching and data services for both Fixed and Mobile telephone lines and carrying out Research and Development (R&D) in the field of telecommunications. Furthermore, the departments and divisions implement the corporate policies and guidelines with regards to Public relation, legal and business matters (see, Etisalat, 1999; pp. 1-48).

7.4 OBJECTIVES OF ETISALAT

Etisalat is a quasi-governmental organization with a central objective that spans both public and private enterprise sectors. Subject to the Laws and Regulations of the UAE, the Memorandum and Article of Association of the corporation states the following objectives of the corporation:

1. To acquire the entire public telecommunications undertaking in the United Arab Emirates of the following companies:
 - Cable and Wireless Limited,
 - The Abu Dhabi Telegraph and Telephone Company Limited,
 - The Dubai State Telephone Company Limited, including its undertakings in Ajman and Umm al Quwain;

- The Sharjah State Telecommunications Administration including business, goodwill and connection, submarine telegraph cables, wireless installations, land telegraph lines, lands, buildings, cable laying and repairing and other vessels, plant, machinery, equipment, appliances, rights, concessions, landing and other licences, patents, contracts, agreements, properties, privileges and other traffic assets, and all or any of the obligations and liabilities pertaining to the said undertakings.

2. To acquire by purchase or otherwise hold, and turn to account all or any part of the undertaking, assets and liabilities of, or any shares, stocks, debentures, debenture stocks, or other interests in or securities of any present or future company or body, wheresoever or howsoever incorporated or carrying on business, having amongst its objects the owning, or operating of telegraph or telephone cables or lines, or wireless or other installations, or means of or appliances for transmitting, receiving, reproducing, or distributing by land, sea, air, or otherwise messages, speech, music, sounds, signals, or written, printed or visual or pictorial matter of any kind.
3. To carry on the business of telegraphers, telephonists, proprietors and managers of telegraph and telephone systems, stations and exchanges, receivers, transmitters, carriers and distributors of telegrams speech, music, sounds, signals, printed or visual or pictorial matter of all kinds, and news intelligence of all businesses and services connected therewith respectively and

with telegraphic, telephonic, wireless and other communications howsoever produced, transmitted or received.

4. To construct, maintain, lay down, carry out, work, sell, let on hire and deal in telephones and all kinds of works, machinery, apparatus, conveniences, and things capable of being used in connection with any of these objects, and in particular any cables, wires, lines, stations and exchanges.
5. To send and receive signals, messages and communications to and from aircraft, dirigibles and all other vehicles propelled in the air and to send and receive signals, weather reports, messages and communications of all kinds of descriptions and to create, install and operate systems of telecommunications in all parts of the world.
6. To obtain, acquire, exercise, use and turn to account, concessions, inventions, patents, monopolies, rights, licences, privileges processes, secret or other information, trade marks and copy rights which may seem to the Company to be capable of being used for or in connection with any of the objects of the Company (Etisalat, 1976).

These corporate objectives are underlined by the corporate mission statement, which declares that Etisalat is "to work together as one team to satisfy customer requirements in telecommunication services and technologies in a friendly and efficient manner".

This is complemented by the Human Resources Policy and objectives, which indicate that Etisalat focuses on the following:

- ◆ Developing today's potential for tomorrow's needs
- ◆ Employees motivation and satisfaction is Etisalat's success
- ◆ To strive for the well-being of employees
- ◆ To recruit the best to achieve the Corporation's objectives
- ◆ To endeavour for employment and professional development of UAE Nationals.
- ◆ To reward performance.
- ◆ To train staff and develop their competencies for tomorrow's challenges.
- ◆ Attract, Recruit and Retain qualified staff, with great emphasis on UAE Nationals.
- ◆ Maintain internal equity among all staff
- ◆ Upgrade, Train and Develop employees to cope with international standards.
- ◆ Provide efficient employees services for all staff.
- ◆ Create healthy working environment, by establishing the sense of belonging teamwork, and respectful treatment.

7.5 OPERATIONAL STRATEGY

To achieve its objectives, Etisalat adopts a basket of business/marketing strategies which include corporate growth and market leadership business strategy supported by a combination of product-development, market-development and market-penetration marketing strategies (Ansoff, 1966; Kotler, 1999). In pursuant of these strategies, Etisalat has diversified its business into various segments and service activities. These service activities include, among others, infrastructure development, introduction of new services, aggressive promotion of the GSM system and provision of Internet services. Besides these business activities, the management recently reviewed and

reassessed the operational requirements of the corporation by addressing the key issues such as restructuring and streamlining the company's operation in order to enhance the competitive position of the corporation within the telecommunications industry. Through appropriate strategic positioning in the market, the corporation is meeting the turbulent environmental changes such as globalization of businesses, liberalization of previously heavily regulated telecommunication services and increased competition from new technologies.

As part of its operational strategy, the corporation prepared for the so-called 'Millennium Bug' by ensuring that all its computers, exchanges and equipment were Y2K compliant. Also, in order to minimize the disruption to computers and exchanges that the 'Millennium Bug' was likely to cause, the corporation made a comprehensive arrangement by setting up a command center, 'Early Warning Center' to meet any Y2K related problem and to help customers to solve any problem arising from the 'Millennium Bug'. In the field of customer services the corporation has moved very closely to its clients by identifying their business and personal needs through an extensive market survey and research. This has led to the introduction of more services such as online billing enquiry for GSM and internet account, short messaging service on GSM, e-mail on GSM and Al Mersal - the message recording service as well as automated public cash payment machines.

To improve the quality of service Etisalat has established a 'call center' whereby the customers can call on a single number to get a variety of telecom services online.

Etisalat is planning actively to promote its Internet exchange E-mix in order to make UAE an Internet hub for the region.

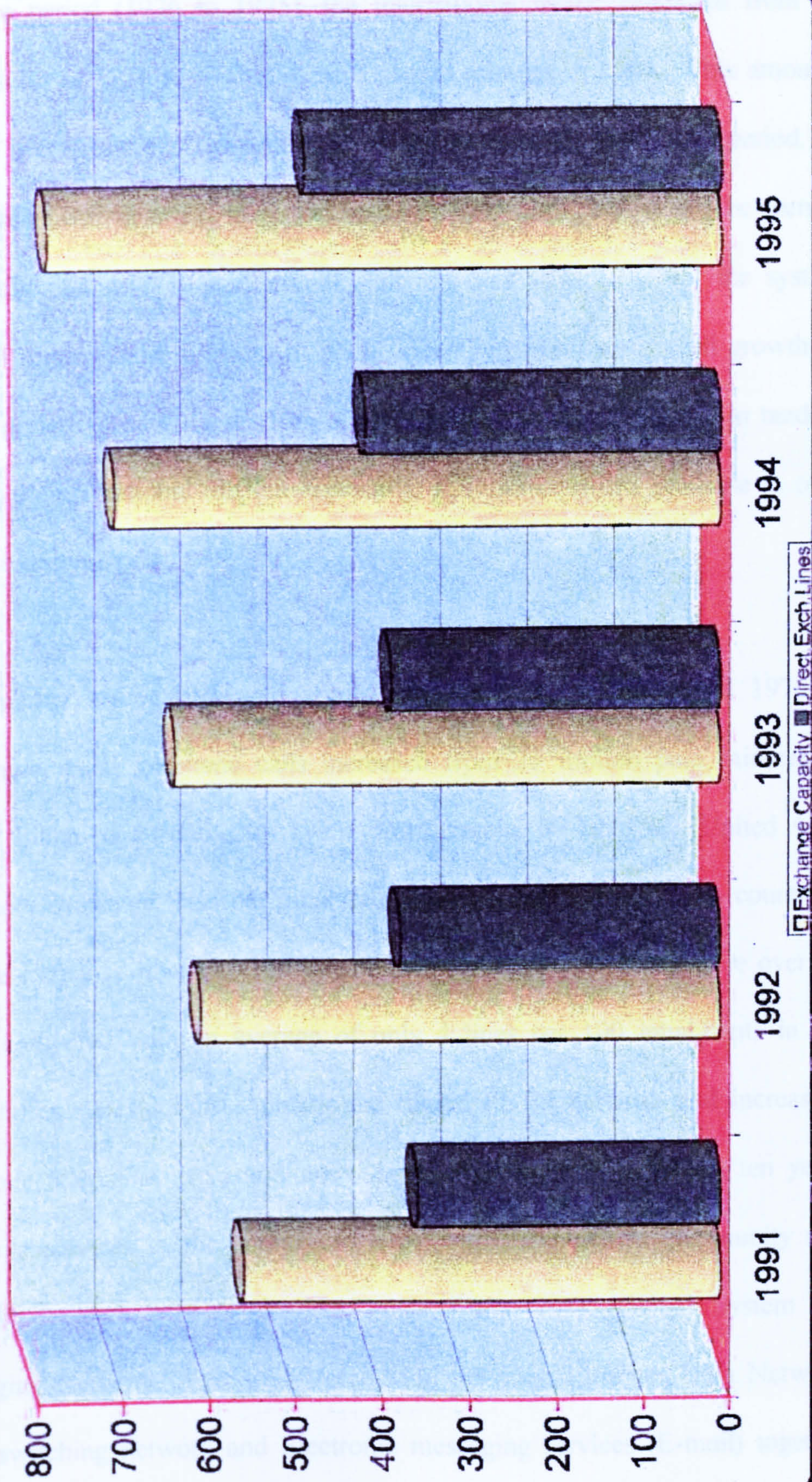
7.6 BUSINESS EXPANSION IN ETISALAT

The growth of Etisalat over the years has been phenomenal due largely to the rapid economic development and income growth in the UAE. The national income of the country, for example, increased from \$42.5 billion in 1995 to \$43.7 billion in 1999 resulting in an increase in per capita income from \$15,791 in 1995 to \$17,500.00 in 1999 (Central Bank of UAE, 2000). This trend provided great opportunity for the corporation as business and household demands for exchange lines increased enormously. The corporation achieved, for example, an average annual growth rate of 90% over the 19 years from 1976 to 1995 in the number of exchange lines installed and operative. With a further 130,000 lines expansion program undertaken in 1995 which increased the total number of exchange lines to 814,000 by the end of 1995 compared with 40,000 in 1976, the average annual growth rate over the period increased to 101.84%. A more subdued average annual growth rate of 12.5% was recorded for the period 1991 to 1995, (see, Figure 7.3), which explains that the phenomenal expansion was achieved between the period 1976 and 1990; a period that coincided with the rapid growth in the Oil revenue and economic growth in the country.

Figure 7.3

TELEPHONE SERVICES

(Thousands)

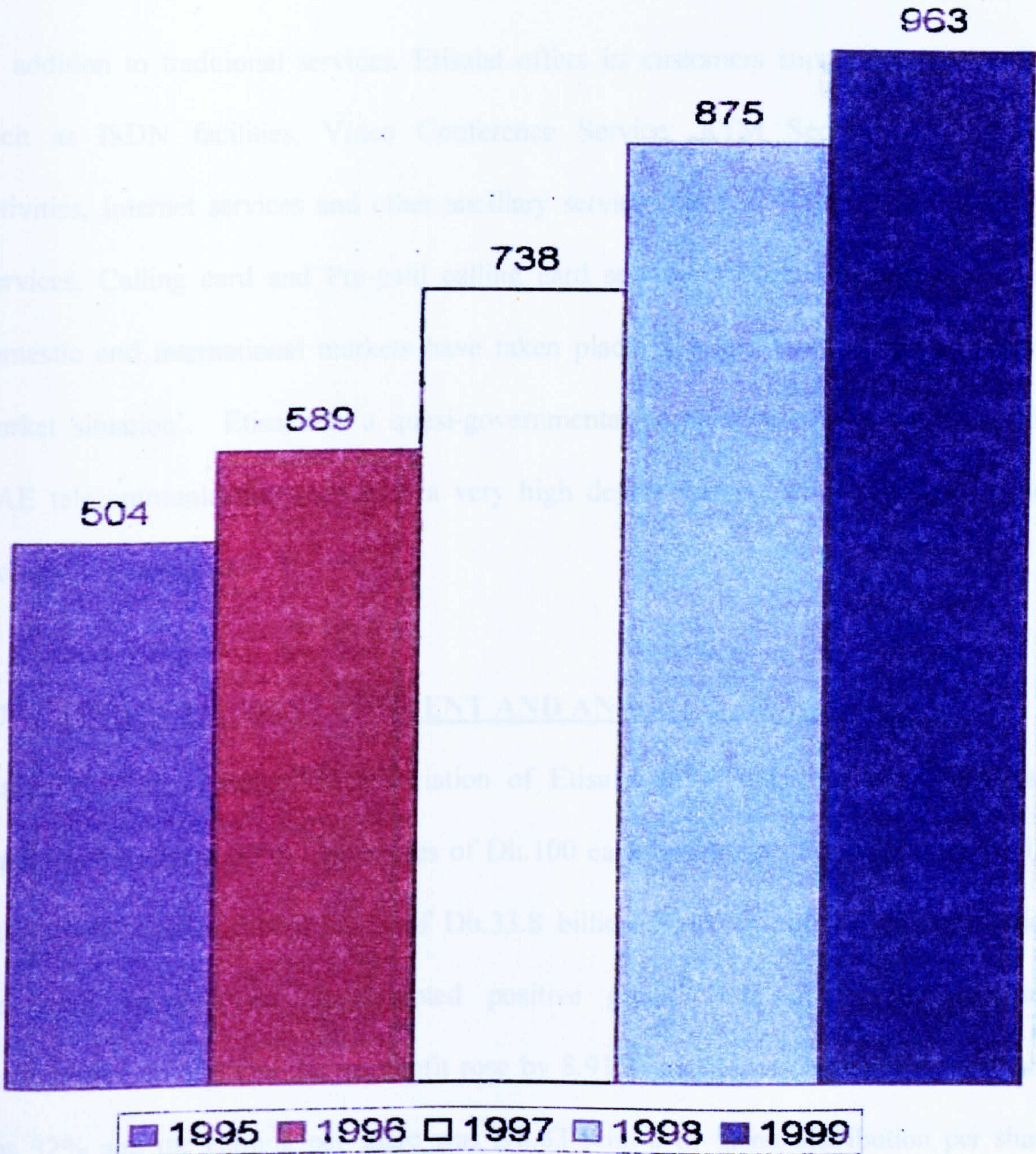


During the same period (1976 to 1995), the international traffic expanded from 10 million paid minutes in 1976 to over 504 million paid minutes in 1995. This amounts to a staggering average annual growth rate of 260% over the 19 years period. A similar growth trend was recorded in period between 1995 and 1999 as can be seen in Figure 7.4. From 504 million paid minutes international calls in 1995, the system expanded to 963 million paid minutes in 1999, which represents an overall growth of 91.1% over the period. The IDD services of the corporation also expanded in tandem with the growth of international traffic. Currently, IDD services are available to over 239 countries and destinations.

The domestic market also experienced similar growth trend in the period 1976 to 1995. For example, local telephone calls increased from 25 million paid minutes in 1976 to about 2 billion paid minutes in 1995. Furthermore, by 1995, the United Arab Emirates had more exchange lines per inhabitant than any of the other Arab countries. For instance, the exchange lines per 100 inhabitants in the UAE in 1995 were over 28 exchange lines compared with an average of only 4 lines per 100 inhabitants in the other Arab countries. Besides its sophisticated digital PSTN network and increasing number of mobile telephone users and telex lines, Etisalat had in the last ten years introduced mobile services in the country to cope with the business community and individual users' demand. These services range from GSM (Global System for Mobiles) to Paging Network, Advanced Voice Mail Services, Emirates Data Network for the packet switching network and Electronic messaging services (E-mail) together with leased circuits facilities.

Figure 7.4

INTERNATIONAL CALLS (Million Minutes)



The aggregate effect of the expansion in the domestic market is reflected in the national telephone call figures for the more current period of 1995 to 1999 as can be seen in Figure 7.5. It can be seen in the Figure that national calls increased from about 2 billion paid minutes in 1995 to over 4.2 billion paid minutes in 1999: a two-fold or 200% increase over the four-year period.

In addition to traditional services, Etisalat offers its customers supplementary services such as ISDN facilities, Video Conference Service, ATM Services for banking activities, Internet services and other ancillary services such as Value Added Network Services, Calling card and Pre-paid calling card services. These expansions in both domestic and international markets have taken place in a less than 'open competitive market situation'. Etisalat is a quasi-governmental corporation and it dominates the UAE telecommunication market to a very high degree through government supported monopoly concession.

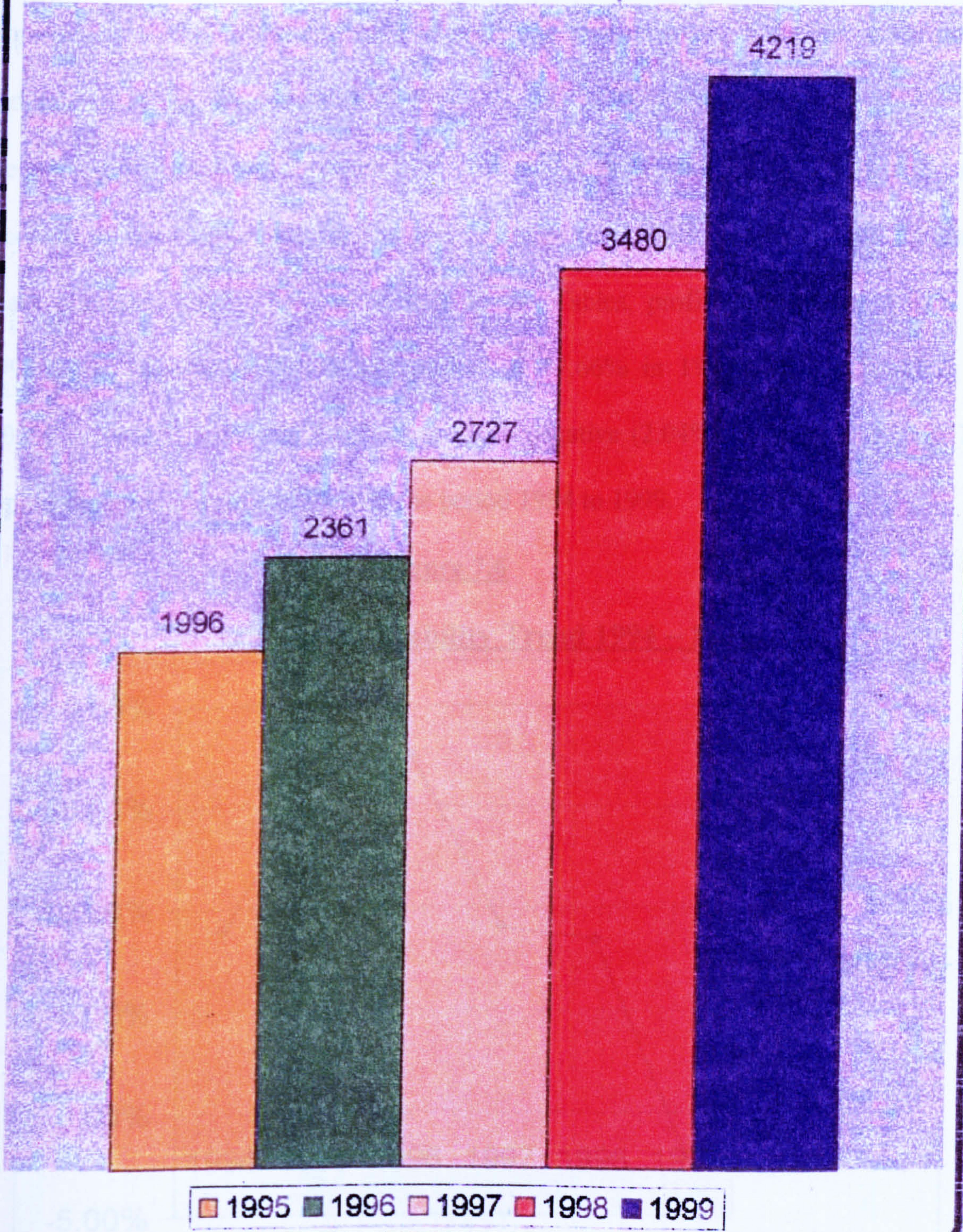
7.7 FINANCIAL DEVELOPMENT AND ANALYSIS OF ETISALAT

Clause 2 of the Articles of Association of Etisalat states that the authorized share capital of Etisalat is 30 million shares of Dh.100 each and the paid up capital is Dh.1.5 billion with market capitalization of Dh.33.8 billion. Since inception, the corporation has been enjoying an uninterrupted positive growth rate in its turnover and profitability. In 1993/94 the net profit rose by 8.91%; the return on shareholders' fund was 32% and the earning per share was Dh.83 with a dividend distribution per share of Dh.50. In 1994/95 and 1995/96 profit rose to 16.39% and 17.66 respectively

Figure 7.5

NATIONAL CALLS

(Million Minutes)



whereas the returns on capital employed was 33% in each year and earning per share of Dh.91 for the same period. In 1997, 1998 and 1999 the profitability growth rate had been 9.03%, 8.46% and (2.04%) respectively whereas the rate of return on capital employed was 32%, 30%, and 26% respectively; thus recording a decline in the profit and rate of return on shareholders' fund despite the corporate monopolist position in the domestic market (see Appendix I). Tables 7.1 to 7.6 present the Profit and Loss Account of the Corporation for the years, 1993/4, to 1998/9, which include the three years discussed above. As can be seen in the Tables, profit increased by 8.91% in 1993/4; by 16.39% in 1994/5 and peaked at 17.66% in 1995/6 before tumbling to 9.03% in 1996/7; 8.46% in 1997/98 and to a negative (2.04%) in 1998/9. Figure 7.6 depicts the trend of profitability over the period 1994 to 1999.

Figure 7.6

Etisalat Profitability Trend 1994 – 1999

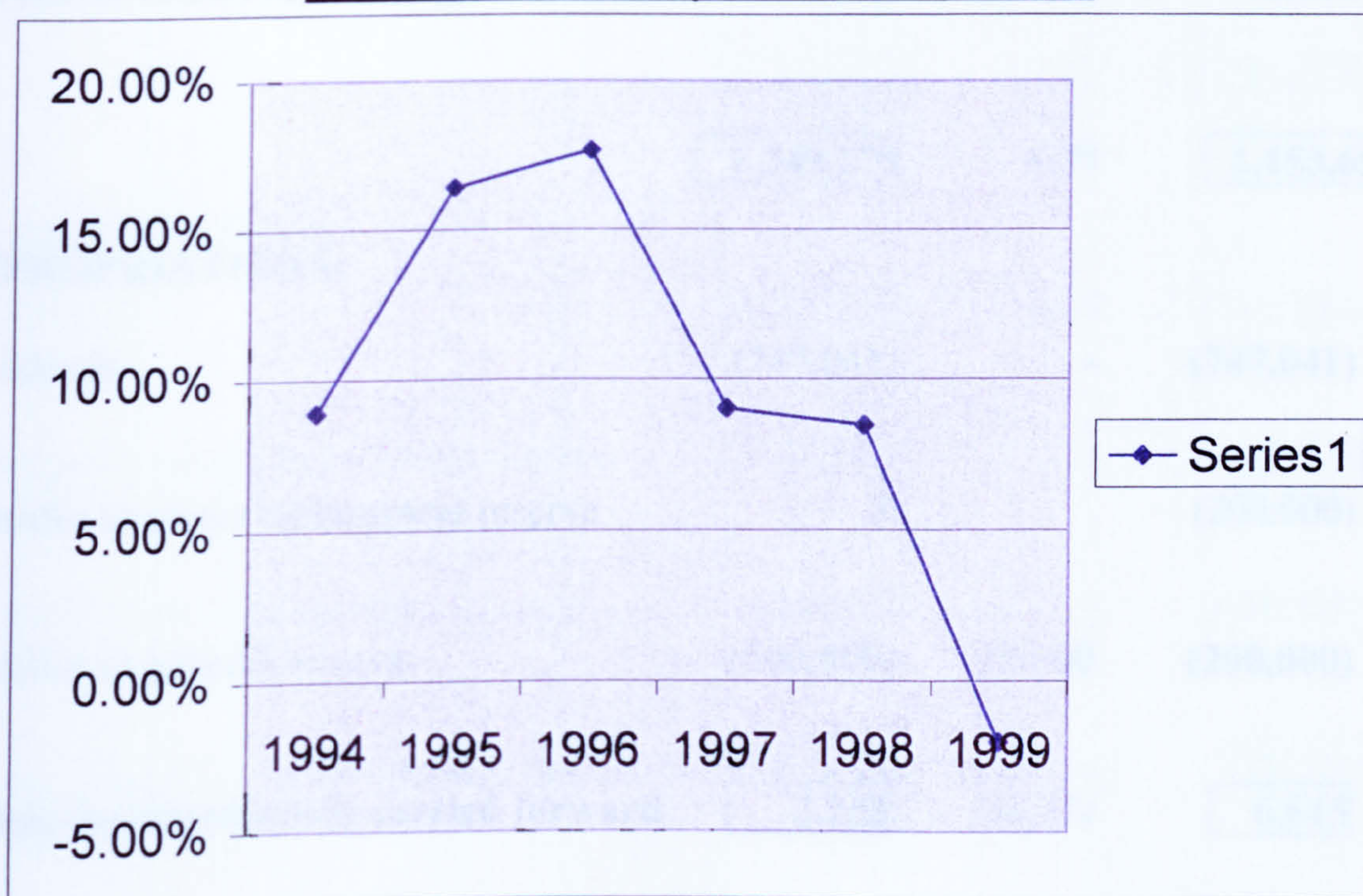


TABLE: 7.1

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

| | <u>1994</u> | <u>INCREASE/ DECREASE</u> | <u>1993</u> |
|--|------------------|-------------------------------|------------------|
| | <u>Dh'000</u> | <u>%</u> | <u>Dh'000</u> |
| Revenue | <u>2,894,588</u> | 7.97 | <u>2,680,893</u> |
| Opening Profit | 1,140,557 | 5.24 | 1,083,709 |
| Other Income | <u>102,107</u> | 78.52 | <u>57,197</u> |
| PROFIT FOR THE YEAR | 1,242,664 | 8.91 | 1,140,996 |
| <i>Unappropriated Profit Brought Forward</i> | 6,615 | (47.75) | 12,660 |
| | 1,249,279 | 8.29 | 1,153,656 |
| APPROPRIATIONS: | | | |
| Dividends | (747,041) | - | (747,041) |
| Transfer to assets replacement reserve | X | | (200,000) |
| Transfer to general reserve | (500,000) | 150.00 | (200,000) |
| Unappropriated profit carried forward | 2,238 | (66.17) | 6,615 |

TABLE: 7.2
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

| | INCREASE/ DECREASE | | 1994 |
|--|-----------------------|----------------|------------------|
| | 1995 | % | |
| | <u>Dh'000</u> | <u>%</u> | <u>Dh'000</u> |
| Revenue | <u>3,213,313</u> | 11.01 | <u>2,894,588</u> |
| Opening Profit | 1,269,143 | 11.27 | 1,140,557 |
| Other Income | <u>177,162</u> | 73.51 | <u>102,107</u> |
| PROFIT FOR THE YEAR | 1,446,305 | 16.39 | 1,242,664 |
| <i>Unappropriated Profit Brought Forward</i> | 2,238 | (66.170) | 6,615 |
| | 1,448,543 | 15.95 | 1,249,279 |
| APPROPRIATIONS: | | | |
| Dividends | (933,819) | 25.00 | (747,041) |
| Transfer to assets replacement reserve | (150,000) | | X |
| Transfer to general reserve | (363,528) | (27,29) | (500,000) |
| Unappropriated profit carried forward | 1,196 | <i>(46,56)</i> | 2,238 |

TABLE: 7.3
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

| | <u>1996</u> <u>Dh'000</u> | <u>INCREASE/ DECREASE</u> <u>%</u> | <u>1995</u> <u>Dh'000</u> |
|--|------------------------------|---|------------------------------|
| Revenue | <u>3,785,734</u> | 17.31 | <u>3,213,313</u> |
| Opening Profit | 1,502,665 | 18.40 | 1,269,143 |
| Other Income | <u>199,114</u> | 12.39 | <u>177,162</u> |
| PROFIT FOR THE YEAR | 1,701,779 | 17,66 | 1,446,305 |
| <i>Unappropriated Profit Brought Forward</i> | 1,196 | (46.56) | 2,238 |
| | 1,702,975 | 17.56 | 1,448,543 |
| APPROPRIATIONS: | | | |
| Dividends | (933,819) | - | (933,819) |
| Transfer to development reserve | (500,000) | 233.33 | (150,000) |
| Transfer to assets replacement reserve | (260,000) | | x |
| Transfer to general reserve | | x | (363,528) |
| Unappropriated profit carried forward | 9,156 | 665.55 | 1,196 |

TABLE: 7.4
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

| | <u>1997</u> <u>Dh'000</u> | <u>INCREASE/ DECREASE</u> <u>%</u> | <u>1996</u> <u>Dh'000</u> |
|--|------------------------------|---|------------------------------|
| Revenue | <u>4,129,719</u> | 12.35 | <u>3,675,630</u> |
| Opening Profit | 1,617,974 | 7.67 | 1,502,665 |
| Other Income | <u>237,506</u> | 19.28 | <u>199,114</u> |
| PROFIT FOR THE YEAR | 1,855,480 | 9.03 | 1,701,779 |
| <i>Unappropriated Profit Brought Forward</i> | 9,156 | 665.55 | 1,196 |
| | 1,864,646 | 9.49 | 1,702,975 |
| APPROPRIATIONS: | | | |
| Dividends | (1,167,274) | 25.00 | (933,819) |
| Transfer to development reserve | x | 233.33 | (500,000) |
| Transfer to assets replacement reserve | (190,000) | (26.92) | (260,000) |
| Transfer to general reserve | (400,910) | | x |
| Unappropriated profit carried forward | 7,452 | <i>(18.61)</i> | 9,156 |

TABLE: 7.5

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

| | <u>1998</u> | <u>INCREASE/ DECREASE</u> | <u>1997</u> |
|--|------------------|-------------------------------|------------------|
| | <u>Dh'000</u> | <u>%</u> | <u>Dh'000</u> |
| Revenue | <u>5,070,406</u> | 22.78 | <u>4,129,719</u> |
| Opening Profit | 1,773,254 | 9.60 | 1,617,974 |
| Other Income | <u>239,212</u> | 0.72 | <u>237,506</u> |
| PROFIT FOR THE YEAR | 2,012,466 | 8.46 | 1,855,480 |
| <i>Unappropriated Profit Brought Forward</i> | 7,452 | (18.61) | 9,156 |
| | 2,019,918 | 8.33 | 1,864,636 |
| APPROPRIATIONS: | | | |
| Dividends | (1,171,875) | 0.39 | (1,167,274) |
| Transfer to development reserve | (400,000) | 233.33 | (500,000) |
| Transfer to assets replacement reserve | (437,000) | (12.58) | (499,910) |
| Unappropriated profit carried forward | 11,043 | 48.19 | 7,452 |
| EARNINGS PER SHARE | AED 85.9 | | AED 79.5 |

TABLE: 7.6
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

| | <u>1999</u> <u>Dh'000</u> | <u>INCREASE/ DECREASE</u> <u>%</u> | <u>1998</u> <u>Dh'000</u> |
|--|------------------------------|---|------------------------------|
| Revenue | <u>6,190,462</u> | 21 | <u>5,108,258</u> |
| Opening Profit | 1,759,601 | (0.77) | 1,773,254 |
| Other Income | <u>211,865</u> | (11.43) | <u>239,212</u> |
| PROFIT FOR THE YEAR | 1,971,466 | (2.04) | 2,012,466 |
| <i>Unappropriated Profit Brought Forward</i> | 11,043 | 48.19 | 7,452 |
| | 1,982,509 | (1.85) | 2,019,918 |
| APPROPRIATIONS: | | | |
| Dividends | (1,406,250) | 20.00 | (1,171,875) |
| Transfer to general reserve | ((568,750) | 30.15 | (437,000) |
| Transfer to assets replacement reserve | X | | (400,000) |
| Unappropriated profit carried forward | 7,509 | (32.00) | 11,043 |
| EARNINGS PER SHARE | AED 70.01 | | AED 71.6 |

However the negative profitability rate in 1999 was due to the provision for the value of investment in ICO Global Communications (Holdings) Ltd. (Etisalat, 1999)

In a similar manner, Etisalat revenue was growing at a fast rate since 1996 even though the net profit to revenue for this period had been declining sharply. In 1996, for example, revenue increased by 17.8% and in 1998 and 1999 the increase was 22% and 21% respectively whereas the net profit to revenue fell from 41% in 1996 to 25.8% in 1999. This decline, however, was attributed to reduction in rate charges because of international competition and the corporate domestic policy to boost revenue/sales in order to achieve profit target at the end of each fiscal year.

In 1998 the corporation tightened its credit policy and debt collection period was reduced from 65 days in 1998 to 54 days in 1999. Despite the improvement in credit terms, the liquidity of the company deteriorated. In 1998 the liquidity ratio was 1.06:1 and in 1999 it was 0.93:1. The main reason for such deterioration in liquid position was the enormous increase in fixed assets within the period. In 1998 the fixed assets of the corporation increased by 37.75% and in 1999 by 31.26% (Etisalat, 1999). In 1998 the approved amount for capital projects and investments totaled Dh.6 billion approximately and in 1999 that commitment decreased to Dh.4.5 billion. These capital projects and investments are meant to enhance the corporation's various network and services especially in the high technology field.

As far as the contribution of each segment of services is concerned, telephone lines contributed the highest with 65% of the total revenue in 1997 followed by mobile telephone at 21.8% and data services at 4.8%. In 1998, the contribution of mobile telephone jumped to 28.15% and data service to 5.63% while telephone revenue went down to 59.31%; this compares with a contribution of 31.8% for mobile telephone: 4.3% for data service: 2.2% for Internet and 55.4% for telephones in 1999 (Etisalat, 1999). These distributions of service revenues show that telephones growth rate is negative over this period whereas mobile telephones and other newly introduced service such as Internet attracted customers/users' preference because of its technological appeal and convenience as well as lower operation cost.

In terms of staff numbers. Etisalat had a total of 2842 workers with 839 senior staff members; the corresponding productivity ratio in terms of staff/telephone lines was 5 staff/1000 lines in 1999. Of the total senior staff members, UAE nationals accounted for 87%, which represented a national staff/telephone line ratio of 6 staff/1000 lines. At the middle management, supervisory, technical and general labour categories, foreign workers dominate overwhelmingly.

7.8 ASSESSMENT OF PERFORMANCE OF ETISALAT

The financial success of Etisalat is not surprising considering the monopolist privileges of the corporation in the industry as well as the country. This does not, however, mean that the corporation would not have survived in a competitive situation. Far from it because the corporation is up-to-date in technology, services and

marketing oriented. However, there are other non-quantifiable areas of operation that require as much assessment and good performance as in the areas of finance and technology. Such areas include, among others, human resource management, public relations, worker empowerment, quality of services, customer orientation, investment and training of staff. Since quantifiable data are not available to assess the general performance of the corporation, we decided to test the hypothesis (H_0):

H_0 : The general performance of Etisalat is not better than average:

against an alternative hypothesis (H_1) that:

H_1 : The general performance of Etisalat is better than average.

Using Likert's interval scale (five point scale), we asked our 30 accountee and accountant respondents to assess the general performance of Etisalat compared to other quasi-government enterprises in the country on a response scale of:

| <u>Response</u> | <u>Code</u> |
|-------------------------|-------------|
| Much better performance | 5 |
| Better performance | 4 |
| Average performance | 3 |
| Worse performance | 2 |
| Much worse performance | 1 |

The survey results are reported in Table 7.7.

Table 7.7

Assessment of General Performance of Etisalat

| Response Type | Score scale | No. of Response in sample | Response as % of sample | |
|-------------------|-------------|---------------------------|-------------------------|----------|
| Very satisfied | 5 | 6 | 20% | } 60% |
| Satisfied | 4 | 12 | 40% | |
| Average | 3 | 8 | 26.67 | |
| Dissatisfied | 2 | 4 | 13.33 | } 13.33% |
| Very Dissatisfied | - | - | - | |
| TOTAL | | 30 | 100% | |

| Descriptive Statistic | Value |
|-----------------------|-------|
| Sample Total (N) | 30 |
| Sum of response | 89.00 |
| Mean of response | 3.67 |
| Std. Error of Mean | 0.175 |
| Std. Deviation | 0.958 |
| Minimum Response | 1 |
| Maximum Response | 5 |
| Variance | 0.920 |

Specifying the null and alternative hypotheses, we have:

$$\text{Null hypothesis } H_0: M \leq 3$$

$$\text{Alternative hypothesis } H_1: M \geq 3$$

where: 3 is the average score on the Likert scale; and

M is the mean of the sample survey results.

The Z test about one mean with sampling error ($\alpha = 0.05$) is used and this gives a table value of Z (critical) = 1.64.

We then calculated the test statistic as:

$$\begin{aligned} Z &= \frac{3.67 - 3}{0.175} \\ &= 3.83 \end{aligned}$$

The null hypothesis is thus rejected because the calculated Z-value (3.83) is higher than the critical Z-value (1.64). Thus, with 95% confidence, we infer that the performance rating given to Etisalat by our sample respondents is significantly higher than the average performance rate of 3. This means that Etisalat's general performance including financial achievements is higher than the average performance of similar enterprises in the industry. The financial records and performance of the corporation give much credence to this finding and the interpretation of the results.

7.9 FUTURE DEVELOPMENT

Further to its strategic infrastructure development, Etisalat is allocating a substantial amount of money for Cable Transmission network and Cable TV infrastructure, information technology, e-commerce and ADSL technology. In addition to such a future development, Etisalat is focusing on improving and expanding switching core network, broadband network will be developed for multi media service, high speed Internet will be introduced on ADSL. Internet dial up connections will be improved to cater for 500,000 customers and E-mix as well as expanding the capacity of GSM to support 1.4 million customers. Moreover, value added services using the wireless application protocol and General Packet Radio Services technology will be enhanced. Etisalat, as part of its strategy of human resource development focuses on the training

and development programs for UAE nationals so that technically qualified workforce can be prepared for the challenge of advanced telecommunication networks. However, the corporation was, as a result of such management policy, able to increase the number of national staff from 2087 in 1998 to 2842 in 1999 together with 400 well structured training programs and courses for those staff during the year of 1999.

Moving away from the traditional telecommunications services such as fixed voice telephony, Etisalat was able to introduce very advanced and cost effective services to the market in 1999. The charge rate for roaming service for subscribers traveling overseas had been reduced from Dh.6 per hour coupled with an introduction of an off-peak rate of Dh.1.8 per hour. The monthly rental fee was reduced to flat rate of Dh.20. The Corporation's management had adopted a strategy of providing the best quality service with the most competitive price as well as focusing on its customers needs and business requirement through the development and introduction of newly released services.

7.10 MANAGEMENT ACCOUNTABILITY IN ETISALAT

The term 'accountability' in organizations conjures up the traditional perception that the term relates to providing an account of the financial transactions of the organization – this is Financial Accountability. Other concepts of Accountability such as 'Management Accountability', which has a broader meaning than the other strands of accountability including Financial Accountability, often sounds unclear to many people. Because of this, we started our survey of both the Accountees and Accountors

in Etisalat with a question intended to have a common understanding of the term. It is important to state at this point that the information/data used in this and subsequent sections of this chapter have been obtained through primary questionnaire survey and personal interviews conducted in December 2000 among a purposively selected sample of 30 Accountees and Accountors in Etisalat. Appropriate statistical techniques from the 'Statistical Package for the Social Sciences' (SPSS) have been employed to analyze the data collected and appropriate conclusions have been drawn from the analysis.

As stated above, we needed to establish a common understanding of the term 'Accountability' particularly, 'management accountability', so we asked our sample respondents to select from a list of definitions of 'accountability' a single definition that represents their view of the term. Table 7.8 presents the views of our respondents on the definition of 'Management Accountability'.

It can be seen in the Table that though 56.67% (i.e. 17 out of 30 respondents) of the respondents indicate that Management Accountability involves both accounting for use of resources and assessment of the performance of the use into which the resource was put (this is the operational definition of the term), a considerable proportion of the respondents (30%) view the concept in terms of Financial Accountability. That is, the provision of detail annual budget of income and expenditure of the Corporation. This view of 'Accountability' is the generic impression of many people when they talk

about accountability and we encountered it during the personal interviews that followed the questionnaire survey.

Table 7.8
Definition of Management Accountability in Etisalat

| <u>S/n</u> | <u>Definition</u> | <u>Number of Response</u> | <u>% Of Response in Sample</u> | <u>Ranking</u> |
|------------|---|---------------------------|--------------------------------|----------------|
| 1 | Provision of general annual account of the performance of the Corporation | 1 | 3.33% | 4th |
| 2 | Provision of detail account of the performance and use of resources made available to the Corporation by shareholders | 17 | 56.67% | 1st |
| 3 | Provision of detail annual budget of income and expenditure of the Corporation | 9 | 30.00% | 2nd |
| 4 | Provision of detail annual account of the use of resources made available to the Corporation by shareholders | 3 | 10.00% | 3rd |
| | TOTAL | 30 | 100% | |

To many of interviewees, accountability should relate only to financial transactions because the basis of evaluation of the performance of a company is simply the 'profit and loss account'. The impression was, however, corrected during the interview. This boosted the proportion of our respondents with the desired understanding of the central term underlining this study (i.e. 'Management Accountability') to a staggering 90% with only 10% undecided. The operational definition of the term with respect to the case studies may thus be put as 'the provision of detail account of the performance and use of resources made available to the Corporation/Ministry by the shareholders/government'.

7.10.1 Structure of Management Accountability

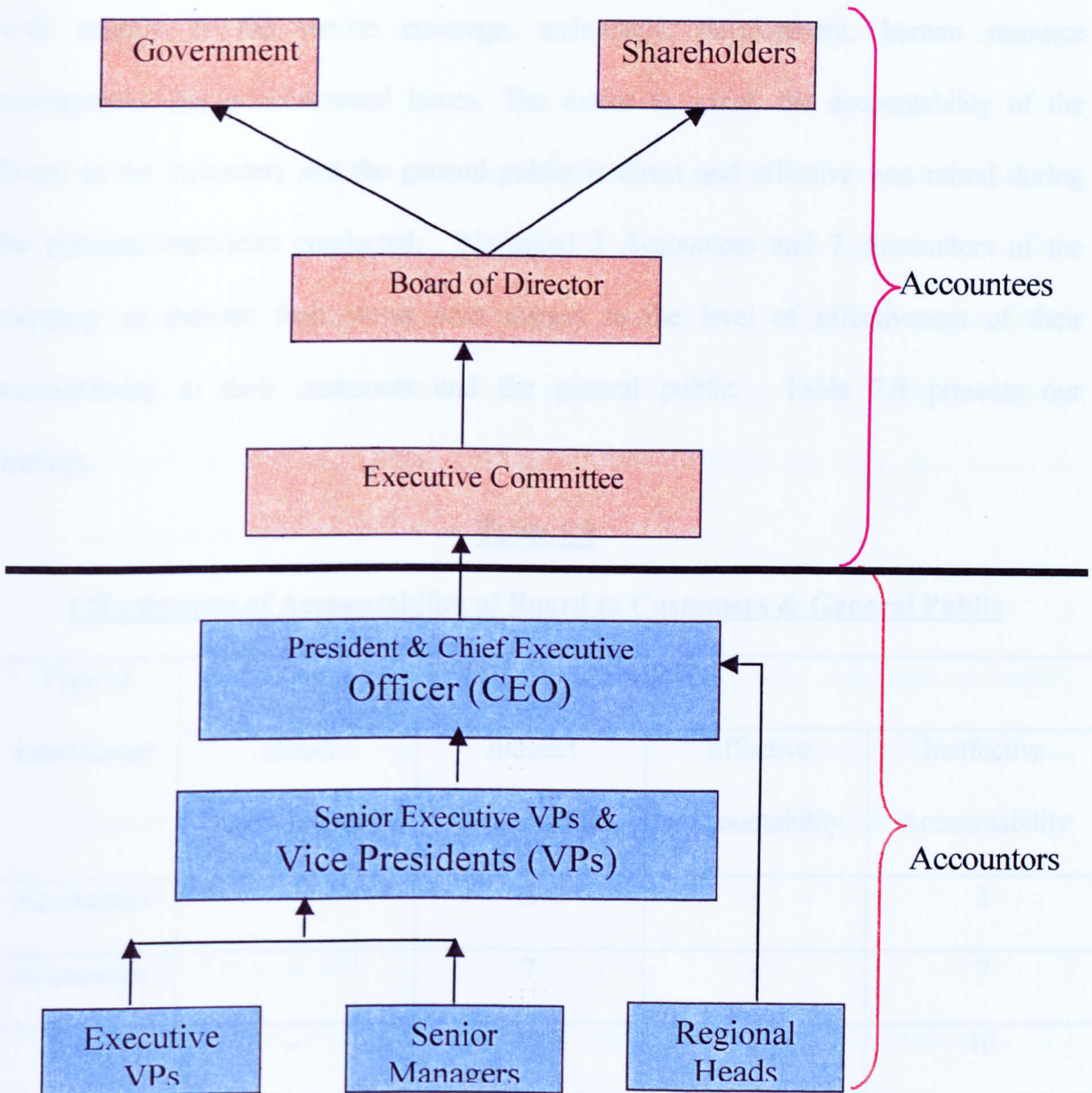
Like any partly state owned enterprise, Etisalat has many facets of accountabilities which link political, social, managerial and legal duties and responsibilities within the corporation. The linkages between action and explanation of individuals/group within the organization depend on the duties and the responsibilities given by the Memorandum and Article of Association and the management of Etisalat.

Figure 7.7 demonstrates the basic structure of Management Accountability in the Corporation. This structure compares with the organizational structure of the Corporation as presented earlier in Figures 7.1 and 7.2. While in the organizational structure (Figures 7.1 & 7.2), the Board of Directors comprising ten members, including the chairman, constitute the apex of the decision-making hierarchy, in the management accountability structure, the ultimate decision makers (Accountees) are the Government and the Shareholders (see Figure 7.7). In the Board of Directors, the government appoints six members and the remaining four members are elected by the shareholders at the Annual General Assembly. This role and authority of the ultimate Accountees (the Government and the Shareholders), underscores the difference in both structures. Traditionally, within the hierarchical structure of the organization, the government appointee will report to the Cabinet of Ministers through the Chairman, the Minister of Transport and Telecommunications, on matters such as rates increases/reduction, acquisitions and disposal of substantial part of Etisalat's assets as well as on matters relating to public policy. Being a commercially oriented enterprise, the Board is also collectively accountable to the shareholders for financial affairs and stewardship of the

corporations' assets and liabilities. As Accountees, the shareholders are entitled to know through their representatives matters relating to

Figure 7.7

Structure of Management Accountability in ETISALAT



management and financial performance, customer satisfaction and types and quality of services provided, cost of running such services and future development plans and strategies of the corporation.

Besides the shareholders, the customers and the public in general have vested interest in the corporation's activities and services so the Board has, at least in theory, some accountability duties and responsibilities towards the customers and the community with regards to the service coverage, technology, development, human resource management and environmental issues. The extent to which the accountability of the Board to the customers and the general public is direct and effective was raised during the personal interviews conducted. We asked 3 Accountees and 7 Accountors of the company to indicate their views with respect to the level of effectiveness of their accountability to their customers and the general public. Table 7.9 presents our findings.

Table 7.9

Effectiveness of Accountability of Board to Customers & General Public

| Type of Interviewee | RESPONSE | | | |
|---------------------|-----------------------|-------------------------|--------------------------|----------------------------|
| | Direct Accountability | Indirect Accountability | Effective Accountability | Ineffective Accountability |
| Accountees | - | 3 | - | 3 |
| Accountors | - | 7 | - | 7 |
| Total | - | 10 | - | 10 |

There is a total agreement between both groups, Accountees and Accountors, that the accountability of the Board of Directors to the customers of Etisalat and the general public is neither direct nor effective in the sense that the public or customers cannot initiate any action that would affect the company adversely. For one thing, the company is a government granted and supported monopolist in the industry and for another, there is no public or consumer watchdog over the activity of the company as it is the case in the United Kingdom. As one of the respondents puts it during the personal interviews:

“our political-economic system is a paternalistic system where the President and his government know what is good for the people and adjusts the system, whether in the private or public sector, to achieve the goal of improving the welfare of the citizens. There is no need for a British style, formal ‘Consumer Charter’ because our system operates in an informal way and this suits our culture and religion”.

Another respondent puts it more bluntly that:

“The company knows what the customers and the public want and we satisfy them; so what is the problem? Why should we have a ‘Customers Charter’ as in Britain? Our people are satisfied and happy with our services so they do not need any public watchdog”.

And, yet, a third respondent adds:

“People are happy with the services and prices of Etisalat – *al-hamduralla* – so why would they care about what goes on with or in the company? We are the people’s company so they don’t need elaborate accounts or extra watchdogs”.

Despite these sentiments, the fact is that the paternalistic system that operates in the country does not encourage open public censorship of government organizations or departments. This situation, however, is changing, albeit, slowly and without fanfare. For example, the Chairman and managing director of the Corporation, His Excellency, Ali Bin Salim Al Owais, has urged subscribers to Etisalat services to express “their views through the media and pre-paid announcements to enable the company to promptly reveal any defects and arrange necessary remedy” in an interview with the *Al Bayan* news Agency in 1999. Some government ministries and departments are now being openly criticized for their ineffectiveness and inefficiency while some top management personnel in government departments have actually been arrested for inappropriate activities that border on corruption and irresponsibility (Gulf News, 14 Feb. 2001).

It is also the case that neither the Minister nor the members of the Board have any electoral constituency to face in a general election, as there are no political parties or political elections in the country. However, the public interest is expected to be protected by the Auditor General’s Office, which raises accountability issues in the operations of various government and quasi-government organizations but has no powers, as is the case in the British system, to implement its recommendations and solutions. More of the role and powers of the Audit Office will be discussed in the next case-study – the Ministry of Health. Thus, the Board of Directors and the Operational Management are only indirectly and ineffectively accountable to the customers and the

wider public. Moreover, there are no effective public watch-dogs or ‘whistle-blowers’ to protect formally and legally the legitimate interest of the public and customers of Etisalat services.

7.10.2 The Accountor-Accountee Relationship

The management structure of Etisalat (see, Figures 7.1, 7.2 and Figure 7.7) provides two main groups of functionaries who report directly to the President and Chief Executive Officer (CEO). One group comprises top and middle management level at head office and the second group is made up of management personnel in the decentralized regional operations with direct reporting line to the President and Chief Executive Officer of Etisalat. Within the hierarchical structure, the accountability chain flows from bottom to top (bottom up). Each manager in the organization is accountable to his immediate line manager within the department concerned and managers of these departments/divisions are answerable to their immediate superiors. Senior Executive Vice President Special Project (SEVP/SP) and the Vice Presidents for administration/international relation/technical and the Senior Management (Audit) report directly to the President and Chief Executive Officer who in turn reports to the Executive Committee and the Board of Directors.

All the managerial lines to the Chief Executive Officer are treated as accountors to the President and Chief Executive Officer who, in turn, is an accountor to the Executive Committee and the Board. Similarly the Board is collectively an accountor to the Government and the Shareholders. The actions of each category of accountors are

subject to scrutiny, sanctions or reward by the stakeholders or their representatives at any time. This remains, however, the theoretical and statutory expectation as put down in the instruments that established the Corporation and its organizational and management accountability structures. It is one of the central objectives of this piece of work to establish whether these statutory requirements and expectations are implemented and satisfied in practice. If they are not, the study intends to identify the possible causal factors and analyze their effects and recommend solutions.

In line with our objective in this study, we asked our ten respondents during the personal interviews, to discuss and indicate their impression about the effectiveness of the management accountability structure and the accountant – accountee relationship in the corporation. On the structure of accountability, all the respondents agree unreservedly the current structure, as established by the instruments of operation, are satisfactory and operationally feasible. However, three of the respondents would want to see more decentralization of operations and delegation of responsibility and authority. They stated that they are given “responsibilities without the necessary authority and power to implement anything”. This situation is commonplace in the system and leads to what is often identify as a “layback” attitude among the management cadre in the UAE. Delegation of responsibility without a commensurate delegation of powers to execute the obligations of the responsibility may lead to poor management accountability through indifference and self-demotivation.

With respect to accountant-accountee relationship, our personal interview question and the responses are reported here below:

Question: Sir, would you consider the accountant-accountee relationship in your organization formal, indifferent or informal?

| <u>Answer:</u> | <u>Response</u> | <u>No. of Respondent out of 10</u> | <u>Percentage</u> |
|----------------|-----------------|------------------------------------|-------------------|
| | Formal | 2 | 20% |
| | Indifferent | 3 | 30% |
| | Informal | 5 | 50% |
| <hr/> | | | |
| | Total | 10 | 100% |
| <hr/> | | | |

Clearly, 50% of the respondents hold the view that the relationship is more informal than formal; 30% are indifferent while only 20%, mainly foreign management staff, view it as more formal. The dominance of informal accountant-accountee relationship in government organizations in the UAE seems common as the next case-study will confirm. This is contrary to the situation in the British system where formal relationship dominates informal relationship. According to one of the respondents; "our political system is very different from the British system; we are brothers here but that is not the case in the UK where you have cut-throat competition among the senior management personnel".

Question: How would you assess the effectiveness of the accountant- accountee relationship in the organization on a scale of; very effective, effective, average, ineffective or very ineffective?

| <u>Answer:</u> | <u>Response</u> | <u>No. of Respondents out of 10</u> | <u>Percentage</u> |
|----------------|------------------|-------------------------------------|-------------------|
| | Very effective | - | - |
| | Effective | 2 | 20% |
| | Average | 2 | 20% |
| | Ineffective | 3 | 30% |
| | Very Ineffective | 3 | 30% |
| | Total | 10 | 100% |

An overwhelming proportion of the respondents (60%) hold the view that the effectiveness of the accountant-accountee relationship in the organization is less than average – that is it is ineffective to achieve the level of management accountability required by the instruments that set up the corporation. According to two of our accountant respondents and supported by two other accountee respondents, “one of the major problems of accountability, whether management, financial or otherwise, in our country is the complex web of informal and family relationships. It will be nice to solve this problem in our society”.

The incidence of complex informal relationship and its effect in government organizations in the UAE is underscored in a paper presented at a *Forum* organized by the Emirates Media Corporation. Among the various issues raised in the paper, the

author argued that “disrespect of Law” which emanates from “personal relations are able to prevent any” disciplinary measures being taken against the violations (Jakka, 2000). The paper states that:

“ It is clear to any observer that the administrative procedures and regulations in the Government organizations are disregarded by the officials who introduced them. Exemptions became the general rule, while respect of law is the exception. This negative attitude caused disorder and loss of respect of administrative leadership. Lack of will and determination to implement laws and regulations resulted in indifference among the employees since those who disregard laws are beyond punishment and that personal relations are able to prevent any penalty” (Jakka, 2000).

7.10.3 When are Management Accounts and Reports Rendered?

The frequency and the contents of management accounts and reports vary from one organization/enterprise to another depending on the requirements of the management, the control needed, the nature of the business, the reporting and monitoring system in operation as well as the culture and size of the organization.

In Etisalat, with its diversified activities and decentralized regional units, the reporting system in operation caters for the legal and international accounting and reporting standard as well as day-to-day management need for information. For performance management report, the personnel appraisal is written annually or whenever the relevant management contemplates a promotion whereas the work assessment is

carried out on a daily basis for each individual staff. In Appendix F the 'Performance Management Form' is attached, and it can be seen that Etisalat has a well-developed personnel appraisal. However, this formal procedure seems to apply to certain grade of personnel not necessarily to all employees of the corporation. The current business management ethos is based on 'Systems Approach', which requires that staff appraisal systems do not discriminate between employee groups.

As far as information on financial operation is concerned, the corporation prepares its results annually but information on business segment traffic turnover/volume and manpower report are carried out on a monthly and quarterly basis respectively to enable management to monitor results very closely.

7.10.4 Contents of Management Accounts and Report

The contents of management accounts and report of any organization depend on the management information requirements for running the corporate business and the reporting system in existence. Some reporting systems require detailed accounts of the activities of the corporation while others need brief and concise details. The latter situation applies especially in small to medium enterprises where direct supervision of the owner is part of the daily routine of the business while the former belongs to the larger organizations with complex formal structures and management systems have been institutionalized.

In the case of Etisalat, the business operation necessitates a detailed and comprehensive reporting system due to the mixed ownership of the corporation and the International Accounting Standards requirements as well as the regulatory authority code of conducts (Stock Exchange Rules and Regulations). Besides the regulatory compliance, Etisalat's reports and accounts contain consolidated statement of income, assets and liabilities and source and application of fund (cash flow) together with statement of debtors, stocks and workforce broken down into regions and country of origin of the workers. Over and above these statements, the corporation has to report on segmental turnover distinguishing between various business units sales achieved and the planned target. The 'Reporting System' with its forms and objectives is presented in Appendix G.

The Reports in Etisalat, as indeed in many other organizations in the UAE, focus overwhelmingly on financial reporting (Financial accountability) rather than the wider management reporting (Management accountability). Financial reporting relates to the provision of information to management for the purpose of planning, controlling and decision-making. The main purposes of financial reporting in Etisalat are:

- a) Internal reporting to management for use in planning and controlling routine operations;
- b) Internal reporting to management for use in making non-routine decisions and in formulating major plans and policies; and
- c) External reporting to shareholders and Government on the financial performance of the Corporation.

The financial information available to management may be presented in alternative formats from those required for external reporting or for the purpose of decision making and planning.

Management reporting is not constrained in any way by legislative requirements or by the International Accounting Standards. Management will decide what assumptions, concepts and presentation techniques are appropriate for a particular purpose. For management appraisal, for example, the report may cover items such as performance scores and work assessment, i.e. quality of work, reliability, initiative, supervision and safety factors. Management reporting system provides information to management for the following purposes:

- a) Formulation of policies and strategies;
- b) Planning and controlling the activities of Etisalat;
- c) Decision taking on alternative course of action;
- d) Safeguarding assets of the corporation.

To find out the views of our respondents on the content of an annual management report of the main accountor (the President & Chief Executive Officer) of the corporation, we asked our respondents in the questionnaire survey to indicate, through a ranking score process using 5 as most important and 1 as least important, the topics they would expect to find in the report. Our finds are presented in Table 7.10.

It can be seen in the Table that our respondents consider 'evaluation of the performance of Etisalat' (Ranked 1) over the period of the report as the most important topic to be included in the main accountant's report to the accountees

Table 7.10

Rating of Significance of Topics in Annual Management Report

| Expected Topic | Sample Size | Mean Score | Std. Dev. Of Mean | Ranking |
|--|--------------------|-------------------|--------------------------|----------------|
| Policy and Objectives of the Organization | 30 | 4.00 | 0.165 | 3 |
| Funds and other resources allocated to the Organization | 30 | 3.60 | 0.725 | 5 |
| Evaluation of performance of the organization | 30 | 4.75 | 0.042 | 1 |
| Strategy of operation of the Organization | 30 | 3.25 | 0.985 | 6 |
| Limitations of the Organization in its operations | 30 | 3.60 | 0.882 | 5 |
| Performance measurement and control mechanisms | 30 | 3.75 | 0.785 | 4 |
| Projection for future operations of the Organization | 30 | 4.00 | 0.286 | 3 |
| Utilization of funds and other resources in the organization | 30 | 4.50 | 0.065 | 2 |

. The 'utilization of funds and other resources in the organization' is ranked second while 'policy and objectives of the organization' and the future direction of the

corporation are ranked equal third. The scores and the ranking derived indicate the concern of our respondents for the wider 'management accountability' rather than the narrower 'financial accountability' that is often the main interest of many enterprises in both public and private sectors.

It is also interesting to note the consistently low standard deviations of the individual means of the scores, particularly those of the top ranking (i.e. Ranks 1, 2 and 3). As can be seen in the Table, the standard deviations of the mean scores of the three top-ranking topics range from 0.042 to 0.286, which are not only low but also significant. The low standard deviations indicate that the individual views of the respondents as represented by their individual scores cluster around the means of the scores. This indicates a close consensus of opinion among our respondents on the importance of the relevant topics in the annual report of the main accountant. Moreover, the ratings of our respondents are significantly higher than the average rating of 3 at the 95% confidence level.

Though Etisalat has a well-developed Management and Financial Reporting forms and procedures, it is regrettable that the focus of reporting in the recent past has been on financial accountability to meet the International Accounting Standards. Not much has been achieved in the practical development of management reporting that would reflect a concern over management accountability. This is changing, however, as indicated in the interview given to *Al Bayan* news media by the Managing Director of Etisalat, His Excellency Ali Bin Salim Al Owais, who said that:

“... Etisalat will provide to the subscribers the best services and most sophisticated telecommunication system at beat competitive prices. He hailed the role and contributon of UAE nationals in the progress and development of Etisalat and said that the company succeeded in two decades to develop and upgrade the telecommunications sector to the level of the most advanced countries by providing highly efficient services and adopting latest technology in the field of telecommunication services in accordance with the highest international standards. ... He *encouraged* subscribers to express their views through the media ... to enable the company to promptly reveal any defect and arrange necessary remedy” (*Al Bayan*, 2000).

Clearly, the Managing Director was more concerned with providing management accountability than financial accountability to the accountees including the customers and the general public.

7.11 ASSESSMENT OF ACCOUNTABILITY IN ETISALAT

There is hardly a generally accepted set of criteria for assessing the level of accountability effectiveness and efficiency in all societies. This derives mainly from differences in the economic, political, social and system of government in the relevant country. These situations are different, for example, in the more advanced countries such as the UK, France and the USA compared to the less advanced ones such as the UAE, India, Nigeria and Argentina. However, we cannot escape the fact that there are

some basic standards that must exist in an organization to enable investigators to assess the level of accountability effectiveness and efficiency.

Accountability assessment includes a retrospective component, which demands evidence and supporting documentation on prior performance in serving the public trust. Whether in retrospective auditing or otherwise, the main issue is to establish how well the organization has historically performed in meeting accountability standards rather than how the organization might mobilize these resources to address emerging trends. In some cases, the organization's performance can be measured directly, while in others, the assessor will need to look for indirect evidence. In general, some basic standards exist against which an organization may be assessed. In this section, we will itemize these standards and against them show what obtains in Etisalat. This is done in Table 7.11. The management accountability evidence in Etisalat, as shown in the Table, do not suggest how well the corporation has performed in meeting the general accountability criteria listed.

Table 7.11

Comparative Assessment of Accountability in Etisalat

| General Standards | Practice at Etisalat |
|---|--|
| <p><u>Financial Resources Audit:</u> There is evidence that the organization is regularly audited by an independent professional in accordance with generally accepted accounting principles, and that problems or shortcomings raised in</p> | <p>Financial information and results as well as statistical data since 1994 to 1999 had been used as a guide to the accountability practice. The financial performance achieved since 1994, the added services and the technological development since</p> |

| | |
|---|--|
| <p>management letters from the auditor are promptly addressed by the administrators and trustees.</p> | <p>that period as well as the growth rate in sales and revenues set by Etisalat management were the base for the 'accountors' commitment to the 'accountees' during the period selected.</p> |
| <p>There is evidence that individual services and program categories also are audited as required by statutory or contractual agreement.</p> | <p>Auditor General, a government Audit Inspector, reports frequently on departmental and public enterprises' activities and financial results as well as the review of the control and procedures in operation to ensure that the fiduciary relationship of those managers/civil servants is not abused.</p> |
| <p>There is evidence that the organization uses its budgeting and accounting procedures to assess the relative cost-effectiveness of its programs, not just a line-item listing of expenditures and revenues.</p> | |
| <p>There is evidence that the organization manages its finances in accordance with generally accepted accounting principles and legal requirements.</p> | |
| <p>There is evidence that the organization follows internal procedures, with appropriate checks and balances, to minimize the risk of fraud, waste, and abuse in managing its financial resources.</p> | |
| <p>The organization plans its resource development activities with a view to ensuring its long-term solvency.</p> | |
| <p>There is evidence that the majority of the</p> | |

| | |
|--|--|
| <p>organization's income is spent on programs and activities directly related to the mandate and mission.</p> | |
| <p><u>Human Resources Audit</u></p> <p>There is evidence that the organization employs personnel who are competent, ethical, and qualified to contribute to the mission.</p> <p>There is evidence that the organization follows personnel policies and procedures that promote effective and accountable performance.</p> <p>There is evidence that employees are trained to follow internal and external chains of accountability.</p> <p>There is evidence that the organization applies appropriate standards of accountability to its volunteers and has volunteer recruitment and management policies to promote effective and accountable performance.</p> | <p>Examination of the system of sanctions and reward and the method of management appraisal within the corporation.</p> <p>Study empowerment and encouragement system for personal judgment and decision-making as well as participation in budget and operational activities setting.</p> <p>Inspection of a statement of personal promise by manager/staff towards service delivery/result or any contract in this regard.</p> |
| <p><u>Information Resources Audit</u></p> <p>There is evidence that the organization's information system is designed to provide readily accessible proof of compliance with accountability standards.</p> <p>There is evidence that the organization's</p> | <p>Assessing the provision of information by the 'accountor' to the 'accountee' in order to secure an effective accountability process.</p> |

| | |
|---|--|
| <p>information system is designed to provide documented program outputs, outcomes, and impacts.</p> <p>There is evidence that information on program outputs, outcomes, and impact is used by decision makers to improve the level of efficiency, effectiveness, and accountability.</p> <p>There is evidence that information is regularly shared with relevant stakeholders in annual reports, audited financial statements, and program evaluation reports.</p> <p>Where appropriate, the organization has taken steps to ensure confidentiality and security of its information system.</p> | |
|---|--|

| | |
|---|--|
| <p><u>Legal Mandate Audit</u></p> <p>There is evidence that appropriate documentation establishing the organization's legal authority is in place and up to date.</p> <p>There is evidence that appropriate documentation regarding policies and procedures is in place and followed by the organization.</p> <p>There is evidence that the organization is in compliance with relevant legal and</p> | <p>Examination of the organisational structure of Etisalat and the department/divisional functions and duties, which had been assigned to all level of management, was considered as an important factor influencing the accountability hierarchical structure and chain of command.</p> <p>Study of the assignment system of authority and responsibility to ensure clear and non-overlapping functions, which could blur the accountability chain.</p> |
|---|--|

| | |
|---|---|
| <p>regulatory requirements.</p> <p>There is evidence that the organization is in compliance with all contractual arrangements with internal and external stakeholders.</p> | |
| <p><u>Networks Audit</u></p> <p>There is evidence that the organization maintains contact with relevant professional associations to keep abreast of standards of professional practice.</p> <p>There is evidence that the organization regularly utilizes formal methods and procedures to monitor the needs of current and prospective clients.</p> <p>Where appropriate, the organization seeks ways to work in collaboration with other organizations to achieve its mission.</p> | <p>Etisalat has telephone complaint line in order to help customers with service problems.</p> <p>In certain public organizations/public enterprises there are complaint officers to receive customers with grievances and complaints as well as suggestion boxes for those willing to see an improvement in the services and the accountability mechanism.</p> <p>Executive and legislative bodies started to seek explanation of civil servants and corporate manager's actions and try to expose and enhance the performance of these organizations through local media comments and criticisms. Press reporters visit offices of these organizations where public services are delivered and attempt to interview the recipients of these services in order to solicit their views of the quality and cost of these services.</p> |

| | |
|---|---|
| | |
| <p><u>Image Audit</u></p> <p>The organization regularly communicates its mission, its goals, its strategies, and its actual performance to relevant constituencies.</p> <p>There is evidence of ongoing two-way communication between the organization and relevant constituencies.</p> | <p>The mission statement and the outcome of that mission during 1994 to 1999 in Etisalat operation.</p> <p>Consumer Council activity in recent years had highlighted certain public consumers concern regarding some public sector services and costs. The activity of the consumer council had prompted the government to set up an enquiry for the problem raised thus resulting in a corrective action (the case of price rise in LPG)</p> |
| <p><u>Procedures Audit</u></p> <p>The organization's mission and operating philosophies demonstrate a commitment to quality and accountability. There is evidence that the pursuit of accountability permeates all levels of the organization.</p> <p>The organization and its governing body are structured to achieve the mission, and these structures are consistent with the expressed operating philosophies.</p> <p>Program goals are clearly defined, with observable outputs, outcomes, and impacts. There is evidence that resources are allocated and managed so as to</p> | <p>Study of the assignment system of authority and responsibility to ensure clear and non-overlapping functions, which could blur the accountability chain.</p> |

achieve goals and desired outputs, outcomes, and impacts.

There is evidence that responsiveness to explicit and implicit standards of accountability is a focus of the organization and is reflected in all of its management and governance procedures.

In theory, the corporation seems to have assembled some of the documentations (see, Figures 7.1, 7.2 and 7.6; Appendices F and G), but in practice, the use of these documents have not been effective in developing practical management accountability in the corporation. It is arguable, however, that since the provision of information to the 'accountee' by the accountant is an important aspect in developing practical management accountability, the availability of documentations, albeit in theory, indicates the intention to encourage the practical development of management accountability in the corporation. In the financial accounting and reporting system in the corporation, as demonstrated by Tables 1 – 6, there is a strong case to suggest that a partial fulfillment of the general standards with respect to 'financial resources audit' has been achieved. Other aspects of the general standards are available largely on paper but not in practice. The level of management accountability in the corporation, therefore, may be questionable as the response to our survey question on the assessment of the level of accountability in the next section suggests.

7.12 LEVEL OF MANAGEMENT ACCOUNTABILITY

The previous section ended with an ambivalent conclusion about the level of management accountability in the corporation. In this section we present a stronger finding about the level of accountability obtained through two sources:

- a) Empirical findings through survey questionnaire and personal interviews; and
- b) Comparison against 'benchmarks' from British case studies.

7.12.1 Empirical Findings

In our questionnaire survey we asked our respondents (30 in number) of accountors and accountees to assess the level of management accountability attained in the corporation by scoring on a Likert-scale of 'very satisfied (5)', 'satisfied (4)', 'average (3)', 'dissatisfied (2)' and 'very dissatisfied (1)'. The result is presented in Table 7.12.

It can be seen in the Table that 23% of our respondents rate the level of management accountability in the corporation above average while 26% rate it below average. A total of 50% consider it about average. Mathematically, it may be inferred that the level of management accountability in the corporation is below average since 26% is higher than 23%.

Table 7.12

Level of Satisfaction with Management Accountability in Etisalat

| <u>Response Type</u> | Score Scale | <u>RESPONSE</u> | | |
|-------------------------------|----------------|------------------|----------------|-------|
| | | No. in sample | % of Sample | |
| Very Satisfied | 5 | 1 | 3% | } 23% |
| Satisfied | 4 | 6 | 30% | |
| Average | 3 | 15 | 50% | 50% |
| Dissatisfied | 2 | 7 | 23% | } 26% |
| Very Dissatisfied | 1 | 1 | 3% | |
| Total | | 30 | 100% | |
| Descriptive Statistics | | | | |
| N | 30 | | | |
| Sum | 89 | | | |
| Mean | 2.97 | | | |
| Std. Error of Mean | 0.16 | | | |
| Std. Deviation | 0.85 | | | |
| Variance | 0.72 | | | |
| Minimum | 1.00 | | | |
| Maximum | 5.00 | | | |

But the question is whether this difference is statistically significant enough for us to conclude that the level of management accountability in the corporation is really low. To conclude appropriately and statistically, we formulated an appropriate hypothesis about the level of management accountability in the corporation and tested it using 'descriptive statistics' as presented in the Table.

We formulated the test hypothesis (H_0) as follows:

H_0 : The level of Management Accountability in Etisalat is lower than average;

The alternative hypothesis (H_1) is:

H_1 : The level of Management Accountability in Etisalat is higher than average;

Specifying the null and alternative hypotheses, we have:

Null hypothesis H_0 : $M \leq 3$

Alternative hypothesis H_1 : $M \geq 3$

where: 3 is the average score on the Likert scale; and

M is the mean of the sample survey results.

The Z test about one mean with sampling error ($\alpha = 0.05$) is used and this gives a table value of Z (critical) = 1.64. We then calculated the Z test statistic as:

$$\begin{aligned} Z &= \frac{2.97 - 3}{0.16} \\ &= -0.188 \end{aligned}$$

The null hypothesis is thus accepted because the calculated Z-value (-0.188) is lower than the critical Z-value (1.64). Thus, with 95% confidence, we infer that the level of management accountability in Etisalat, as rated by our sample respondents, is significantly lower than the average rate level of 3. This means that, unlike the general performance of Etisalat, which is higher than the average performance of

similar enterprises in the industry, the level of management accountability in the corporation is significantly lower than the average level.

7.13 BENCHMARK COMPARISON

We attempted a benchmark comparison by using some indicators of high management accountability extracted from British and Australian cases (Day and Klein, 1987; Kearns, 1996; Epstein and Birchard, 2000). We asked our accountant and accountee respondents to rate the indicators according to how they perceive their effectiveness in encouraging the development of practical and effective management accountability in the corporation. The score rating of the respondents are presented in Table 7.13.

Using the mean calculated for each response-type, it can be seen in the Table that our respondents have rated high the theoretical factors which have no real effective even in practice. Against this, the respondents have rated low the factors that practically encourage the development and effectiveness of management accountability such as Judicial Review, Democratic Administration, Transparency in Administration, use of external Ombudsman and Mandatory Reporting. These are the hallmarks of effective management accountability in public and quasi-public enterprises in the more advanced countries such as in British public sector enterprises such as Ministry of Education, British Telecommunication, British Rail and other quasi-government corporations (Day & Klein, 1987).

Table 7.13**ACCOUNTABILITY FACTORS AND THEIR EFFECTIVENESS IN ETISALAT**

| FACTORS | MEANS OF SAMPLE (30) | STD. DEVIATION | EFFECTIVENESS RANKING |
|---|-----------------------------|-----------------------|------------------------------|
| Legal Regulations | 3.425 | 0.9306 | 1 |
| Organizational. Objective | 3.325 | 0.9167 | 2 |
| Neutrality of civil Servants | 3.325 | 1.5914 | 2 |
| Formal Communication Channel | 3.225 | 1.0497 | 3 |
| Standard. Operating Procedure | 3.200 | 1.1140 | 4 |
| Legal (Law) Standards. | 2.725 | 1.3202 | 5 |
| Internal Auditing System | 2.625 | 1.5138 | 6 |
| Informal Communication Channel | 2.525 | 1.4674 | 7 |
| Company Policy | 2.425 | 1.4302 | 8 |
| Decentralization | 2.325 | 1.3085 | 9 |
| Delegation of Authority | 2.175 | 1.3754 | 10 |
| Poor Performance Sanction System | 2.000 | 1.3587 | 11 |
| Transparency/Openness of Administration | 1.875 | 1.5882 | 12 |
| External Ombudsman System | 1.800 | 1.4358 | 13 |
| Job Description | 1.625 | 1.4266 | 14 |
| Democratic Administration | 1.425 | 1.4830 | 15 |
| Mandatory Reporting | 1.400 | 1.4465 | 16 |
| Judicial Review | 1.175 | 1.3566 | 17 |
| Job Appraisal | 1.150 | 1.1886 | 18 |
| Reward for good Performance | 1.150 | 1.1094 | 18 |

The effectiveness of these hallmarks of management accountability are rated very low in Etisalat by our respondents. This lends support to our earlier conclusion that the level of management accountability in Etisalat is lower than the average.

7.14 SUMMARY

This case-study has attempted to assess the level of management accountability in the UAE Telecommunication Corporation – ETISALAT. In doing so, we have examined the general as well as specific performance of the corporation over the years. There is no doubt that the corporation has experienced very rapid growth over the years in its operations, service provision, technology acquisition and revenue increases. These achievements may not be attributed only to the business astute of the management of the corporation but also to the monopolist privileges that the corporation enjoys in the UAE market. It would be interesting to see what would happen if the industry was opened up to both domestic and foreign competition. It is only then that a proper evaluation of the achievements of the corporation can be made.

However, on the crucial issue of the level of management accountability, our findings show that the level is lower than average. This has not only been indicated by our empirical results but also by statistical analysis and interpretation of the results obtained through primary research. A comparison with the British situation also confirmed the low level of management accountability in the corporation. There are efforts being made to improve the situation as evidenced by the increasing awareness that the customer needs to be satisfied and the compilation of documents essential for developing effective management accountability.

CHAPTER 8

CASE 2: THE UAE MINISTRY OF HEALTH

8.1 INTRODUCTION

This chapter presents findings from our research of the second case-study organization – The UAE Ministry of Health (MOH). The chapter aims at achieving the following objectives:

- i) a presentation of the development and growth of the Ministry over the years;
- ii) an assessment of the performance of the Ministry from secondary data, survey questionnaire and personal interview results;
- iii) a presentation of the Management Accountability structure and operational procedure in the Ministry;
- iv) an assessment of the level of Management Accountability in the Ministry based on survey questionnaire and personal interview results;
- v) a comparison of the performance of the UAE Ministry of Health with the British National Health Services (NHS). This will be undertaken at relevant points in our discussion in the chapter with a summary at the end of the chapter.

Both secondary and primary data/information were used in the discussion, analysis and assessment undertaken in the chapter. Emphasis was laid on the use of primary data/information collected through survey questionnaires and personal interviews of a sample of 30 Accountors and Accountees chosen from the Ministry through “purposive sampling method”. The objective of this study and the exclusive nature of

the relevant population of study justify the use of the “purposive sampling method” (See Chapter 4 for more discussion on the topic of sampling).

8.2 THE ESTABLISHMENT OF THE MINISTRY

In its 1948 classical definition of health, the United Nations World Health Organization, commonly referred to as WHO, states that: *“Health is not merely the absence of diseases and infirmity; it is a state of complete mental, physical and social well-being”*. Without any doubt, this definition of health is difficult to quantify for an objective assessment of health in any one or multiple environments. It is even more difficult to use as a basis for measuring changes in health over a period of time or differences in health of people in different countries because of variations in value, belief and cultural systems. These difficulties notwithstanding, the WHO seems to use “**infant mortality rate**” as a generic indicator for measuring health differences and attainment in different countries. For example, Table 8.1 shows the impression of the WHO on the progress of the health of peoples around the world from 1960 to 1997 using the generic indicator of “**infant mortality rate**”.

As the Table presents, a significant improvement was made in world health as suggested by the index of “**infant mortality rate**”. From a high infant mortality rate of 192 deaths per 1000 live births, the rate dropped to 87 per 1000 live births within a period of about 37 years – an average annual decrease of about 1.48%. Encouraging as this level of health improvement may indicate, it is difficult to assert that “**infant**

mortality rate” is a comprehensive and sufficient indicator of the state of health of any country.

Table 8.1
Infant Mortality Rate 1960-97: Industrialized vs. Developing Countries

| | Infant (under five) Mortality Rate | | Population in 1997 (Million) |
|---|-------------------------------------|-----------|------------------------------|
| | 1960 | 1997 | |
| Established Market Economies | 37 | 7 | 843 |
| Former Communist countries In Europe and Soviet Union | 101 | 35 | 476 |
| Latin America | 154 | 41 | 487 |
| East Asia | 201 | 52 | 1818 |
| Middle East and North Africa | 241 | 62 | 326 |
| South Asia | 239 | 116 | 1291 |
| Sub-Saharan Africa | 257 | 170 | 592 |
| WORLD | 192 | 87 | 5833 |

Source: Bellamy (1999).

However, it was against such imprecise definition and indicator of health as given by the WHO that the UAE government set out to establish its Health Services sub-sector.

8.2.1 Establishment of Health Services

The Health Services sub-sector in the Emirates had a very modest and humble start. In the early 1960s health services were provided through either clinics established and run by British government through the “Trucial Oman Scouts” or small medical centres/hospitals founded by the Kuwaiti government of the period. In the mid 1960s more small clinics were established and run by expatriates mainly from the neighbouring countries with the exception of the Oasis Hospital in Al Ain, which was owned and managed by Canadian Charitable Organisations. One doctor and one

nurse in most cases staffed these medical centres. However these hospitals/clinics were merely engaged in primary health care with modest medical facilities and infrastructure and a capacity not exceeding 80 beds.

The creation of the United Arab Emirates (UAE) as a Federation in December 1971 gave birth to the UAE Ministry of Health, as it is known today. The establishment of the Ministry and the policies that guide and direct its activities are found in the Federal Law no. (1) of 1972, and the subsequent organisational changes of the Ministry are specified under the Federal laws No. (8) of 1973; No. (7) of 1975; No. (4) of 1983; No. (1) of 1986; No. (11) of 1989 and Council of Ministers resolution No. (3) of 1973. The Constitution established the Public Health Authority and specified that it is a public organisation responsible for the provision of health services including preventive services, curative services and control of diseases and epidemics. In 1986 some major changes were introduced and this was followed a Cabinet Decree No. 11 of 1989, which provided for a complete restructuring and reshaping of the organisational structure of the Ministry of Health as well as other changes in the Health Services. The factors that led to the rapid changes in the Health Services and the subsequent reforms of 1986 and 1989 include among others:

- a) High growth rate in population:
- b) Illiteracy rate:
- c) The Economy and its rapid growth rate:
- d) Nutrition levels:
- e) Existing Health system;

- f) Manpower requirement;
- g) Imported disease; and
- h) Problems associated with environmental pollution.

The need to eliminate the factors that inhibited the development of vibrant health services and to take advantage of those that encouraged the process led to the formulation of a National Health Plan in 1986 with the objective of providing "Health for all by the year 2000". This plan called for the provision of equality of entitlement to health services; provision of a broad range of services to a high standard; provision of service free at the time of use (later amended to charge service fees to avoid abuse of health facilities); satisfying the reasonable expectation of users and responsiveness of the service to local needs.

The plan was approved by a Cabinet Decree No. 139, which also re-stated the commitment of the government to achieving the following health objectives:

- i) Provision of comprehensive health care to all residents of the UAE;
- ii) Adoption of regulation for prevention and control of communicable diseases mainly among infants and school children;
- iii) Early detection and treatment of chronic diseases especially cancer, diabetes and cardiovascular problems;
- iv) Ensure the provision of occupational health safety;
- v) Support and improve health care for the elderly and the disabled; and
- vi) Prevention and treatment of victims of accidents and injuries.

We asked the respondents in our survey to assess the level of achievement of the stated health objectives of the Ministry through a five-point rating system. Their responses are reported in Table 8.2. which shows that 14 or 46.67% of our respondents rate the level of achievement of the health objectives of the Ministry

above average while only 6 or 20% of them rate it below average. If we add the 10 or 33.33% of the respondents who rated “average” to the rating of those above “average”, we have a staggering 24 or 80% of the respondents who hold the view that the level of achievement of the health objectives of the Ministry is at least average or above.

Table 8.2
Assessment of Level of Achievement of Health Objectives

| Response Type | Grading Code | No. of Response in Sample | % of Response in Sample |
|-----------------|--------------|---------------------------|-------------------------|
| Very High Level | 5 | 2 | 6.67% |
| High Level | 4 | 12 | 40.00% |
| Average Level | 3 | 10 | 33.33% |
| Low Level | 2 | 6 | 20.00% |
| Very Low Level | 1 | - | - |
| TOTAL | | 30 | 100.00% |

Sample Statistic

Sum = 100

N = 30

Mean = 3.33

Std. Error of Mean = 0.1614

Std. Dev. = 0.884

Sample Var. = 0.782

This represents a significant rating as confirmed by our test of the null hypothesis:

$$H_0: M \leq 3$$

and the alternative hypothesis:

$$H_1: M \geq 3$$

where:

- 3 is the average score on the grading scale; and
- M is the mean of the sample survey results.

The one-tail Z-test at 95% Confidence level indicates that the null hypothesis cannot be accepted (i.e. it is rejected) because the calculated Z-value of 2.05 is greater than the critical Z-value of 1.64. Thus, with 95% confidence, we may infer that the rating of the level of achievement of the technical health objectives of the Ministry, as given by our sample respondents, is significantly higher than the average rate of 3. This result seems to be collaborated by the huge decrease in “infant mortality rate” (the WHO index of progress in health services) in the UAE over the years. Between 1960 and 1997, for example, infant mortality rate dropped from a high 223 deaths per 1000 live births in 1960 to a mere 10 deaths in 1000 live births in 1997 – a 22-fold decrease over a period of 37 years. This compares favourably with any other country or regional group as can be seen in Table 8.1 above. The message emerging from these findings is that the rating of our respondents may be considered reliable.

However, when we interviewed face-to-face a few of our respondents, one stated that;

“... a high level of the health objectives of the Ministry has been achieved at a disproportionately high financial and other resource costs. It is not effective nor efficient to assess performance without reference to the relative cost of such an achievement.”

Another respondent echoed the same view when he replied to a question on the decrease in infant mortality rate that:

“ We are a very rich country so we do not bother very much about the efficiency of an activity that led to an a desired result; if we were poor, our assessment would have been different and our sins lain bare.”

Yet another respondent argues that:

“the end justifies the means, so whatever we spend to achieve the set health objectives matters less as long as we achieve our goals”.

This is the mix package of views about the high level of achievement of the health objectives of the Ministry as obtained from our research and confirmed by our test results. A more comprehensive assessment of the performance of the Ministry is presented and discussed in a later section.

8.2.2 Development in Health Services

Health services in the UAE have developed remarkably since the establishment of the Federation in 1971. The infrastructure of the Health services has grown tremendously since 1972/73 when there were only six hospitals with a capacity of 818 beds employing 218 doctors. In the same year (1973), the Ministry of Health recurrent budget amounted to Dh.38 million and the development expenditure was Dh. 18 million (Ministry of Planning, 1972-1976). The progress in the provision of health services facilities can be seen in Table 8.3 where the number of government hospitals and beds in the UAE is compared with other countries in the GCC.

As can be seen in the Table, by 1996 the number of hospitals in the UAE had increased to 35 (including 6 hospitals not affiliated to Ministry of Health with 1,514 beds) and the number of beds went up to 5,963. These hospitals employed in 1996, a total of 13,973 medical staff of whom 2,227 were doctors with recurrent budget of Dh.1.2 billion and development expenditure of Dh.294 million.

Table 8.3**Government Hospitals and Beds in the GCC 1994-1996**

| Country | 1994 | | 1995 | | 1996 | |
|--------------|-----------|--------|-----------|--------|-----------|--------|
| | Hospitals | Beds | Hospitals | Beds | Hospitals | Beds |
| UAE | 35 | 5,750 | 35 | 5,845 | 35 | 5,963 |
| Bahrain | 9 | 1,101 | 9 | 1,098 | 9 | 1,201 |
| Saudi Arabia | 207 | 35,235 | 211 | 35,300 | 215 | 35,749 |
| Oman | 51 | 4,744 | 53 | 4,411 | 54 | 4,782 |
| Qatar | 4 | 1,118 | 4 | 1,122 | 4 | 1,141 |
| Kuwait | 16 | 4,271 | 16 | 4,409 | 16 | 4,425 |

Source: GCC, 1998: vol. 8.

These hospital and bed figures compare with the numbers of Bahrain and Kuwait, which had only 9 and 16 hospitals with 1202 and 4425 beds respectively in 1996. The number of doctors employed by these two countries in the same year was 528 and 3375 respectively, which compares with the numbers in the UAE (see. Table 8.4). In addition to these hospitals there were 98 primary health centres, 77 dental clinics, 546 school health clinics and 102 MCH. Centres (Ministry of Planning, 1995-97).

Furthermore, the number of medical practitioners in the Primary health care centres increased as well to reach professional/patient ratios of one doctor per 6,762 persons, one dentist per 4,755 persons, one nurse per 3,864 persons and one pharmacist per 8,236 persons. The high quality and accessibility of health services is reflected by the low infant mortality rates of 10 deaths per 1000 live births in 1997; 8.7 per 1000 in

1998 and a high life expectancy of 74 years for females and 72 years for males by 1998. (Ministry of Health, 2000).

Table 8.4

Doctors in Government Hospitals by Sex and Nationality in the GCC

| Year | Particulars of Doctor | | Country of Employment in GCC | | | | | |
|------|-----------------------|--------------|------------------------------|---------|------|--------|-------|------|
| | Gender | Nationality | Saudi Arabia | Bahrain | UAE | Kuwait | Qatar | Oman |
| 1994 | Male | National | 21,301 | 161 | 2066 | 490 | 100 | 2655 |
| | | Non-National | | 132 | | 1727 | 463 | |
| | Female | National | | 117 | | 450 | 94 | |
| | | Non-National | | 78 | | 418 | 133 | |
| 1995 | Male | National | 22,015 | 153 | 2159 | 542 | 111 | 2622 |
| | | Non-National | | 128 | | 1747 | 440 | |
| | Female | National | | 132 | | 472 | 120 | |
| | | Non-National | | 71 | | 436 | 133 | |
| 1996 | Male | National | 13,965 | 3291 | 2227 | 593 | 122 | 2946 |
| | | Non-National | | 124 | | 1823 | 446 | |
| | Female | National | | 1802 | | 500 | 139 | |
| | | Non-National | | 3003 | | 459 | 143 | |

Source: GCC, 1998; vol. 8.

During the year the number of hospitals had also (excluding non-affiliated hospitals) risen to 30 with 4,681 beds. These hospitals employed 2,223 doctors, 5,859 nurses, 2,534 technicians, 216 dentists and 6,230 other staff. Among the 17,062 employees in the thirty hospitals, only 3,500 were nationals of UAE; the remaining were expatriates. However this total number of staff represented 1.3% of the total labour force of the country and 30% of the total federal government employees. To be able to deliver the required level of health services, the Ministry of Health actual expenditure increased, as can be seen in Table 8.5, from about Dh.902.59 millions in 1989 to Dh.1.19 billion in 1995 and Dh.1.42 billion in 1999.

Table 8.5
Ministry of Health: Actual Expenditure for the year 1989-1999

| Year | Chapter 1 | Chapter 2 | Chapter 3 | Total |
|------|-------------|-------------|------------|---------------|
| 1989 | 694,024,189 | 195,508,160 | 13,057,616 | 902,589,965 |
| 1990 | 720,308,330 | 220,036,000 | 14,129,000 | 954,473,330 |
| 1991 | 743,953,002 | 241,290,652 | 27,522,933 | 1,012,766,587 |
| 1992 | 757,595,912 | 258,271,235 | 22,800,020 | 1,038,667,167 |
| 1993 | 804,153,573 | 301,717,627 | 32,769,738 | 1,138,640,938 |
| 1994 | 811,737,739 | 309,998,087 | 31,876,117 | 1,153,611,943 |
| 1995 | 819,537,307 | 331,998,087 | 35,714,760 | 1,187,250,949 |
| 1996 | 871,364,089 | 331,998,882 | 27,454,057 | 1,241,495,480 |
| 1997 | 905,665,116 | 342,677,334 | 60,968,562 | 1,351,219,600 |
| 1998 | 924,168,234 | 384,585,922 | 45,789,298 | 1,375,588,917 |
| 1999 | 966,848,473 | 405,631,385 | 59,569,536 | 1,415,404,343 |

Source: Ministry of Health, 2000.

On the other hand, as can be seen in Table 8.6, the Ministry collected revenue of only about Dh.92.1 million in 1989; Dh.278.23 million in 1995 and Dh.446.10 in 1998. The relatively low revenue collected compared with corresponding expenditure was in spite of the fact that the UAE was the first state in the Gulf to introduce health fees (previously all public health services were free).

All UAE residents must now pay for individual cards and for medical treatment with exception of emergency and preventive services. It was reckoned that the new fees would reduce hospital visits by roughly 30% and put health resources in a better use as well as increase revenue by 10%.

Table 8.6

Ministry of Health: Revenue Collected from 1989-1998

| Year | Abu Dhabi/Al Ain | Northern Emirates | Total |
|------|------------------|-------------------|-------------|
| 1989 | 48,970,735 | 43,180,086 | 92,150.821 |
| 1990 | 77,331,025 | 43,354,509 | 120.685.534 |
| 1991 | 51,198,524 | 43,187,443 | 94,385.967 |
| 1992 | 55,749,977 | 49,228,078 | 104,978.055 |
| 1993 | 60,242.508 | 53,846.367 | 114.088.875 |
| 1994 | 68,560,292 | 61,060,715 | 129,621.007 |
| 1995 | 182,897.941 | 95,329,736 | 278,227,677 |
| 1996 | 181,336.154 | 182,897,941 | 364,234.095 |
| 1997 | 209.595.566 | 209,977,042 | 419,572,608 |
| 1998 | 214,682.127 | 231,415,212 | 446,097,339 |

Source: Ministry of Health (2000)

Because of the spending and increase in revenue, the Ministry annual expenditure for 1998 represented 7% of the Gross Domestic Product (GDP) of the country while the revenue was 3.4% of the total revenue of the treasury for the same period.

Due to the rapid progress made in the last three decades in the health service, the UAE is considered among the countries where child survival has continued to improve steadily since 1960s as represented in Table 8.7.

It is interesting to note that in 1960, the UAE belonged to the group of countries with the highest child mortality rates in the world. Today the health of its population, as measured by the child mortality rate is comparable to that of the healthiest one billion of the world population. According to Rosling (1999), "...available statistics indicated

that the health of the UAE population measured in terms of child survival had improved faster than ever before documented elsewhere in human history".

Table 8.7
Comparative Infant Mortality Rate in different Countries
(per 1000 live births)

| Country | 1960 | 1997 | Difference |
|---------------------------|------|------|------------|
| United Arab Emirates | 223 | 10 | 213 |
| Republic of Korea (South) | 127 | 6 | 121 |
| Portugal | 112 | 8 | 104 |
| Croatia | 98 | 9 | 89 |
| Brunei Darussalam | 87 | 10 | 77 |
| Greece | 64 | 8 | 56 |
| Spain | 57 | 5 | 52 |
| Cuba | 54 | 8 | 46 |
| Italy | 50 | 6 | 44 |
| Slovenia | 45 | 6 | 39 |

Source: Bellamy, C. (1999).

In 1990s the GDP Per Capita in the U.A.E. fluctuated between US.\$ 15,000-20,000 due to the changes in oil price during this period. The improvement in child survival has taken place at a steady rate over the last 30 years and has brought the UAE into the group of high-income countries with very high survival rates.

The reasons for the successful reduction of child mortality rate in the UAE are given as:

- a) a rapid rise in the education level of girls and women. UAE has one of the highest proportions of women in higher education in the world with more than 70% of students at UAE universities being female:
- b) Equitable provision of housing and safe water and food supplies:
- c) General access to preventive and curative health care with full access to an advanced referral services for all.

Furthermore, the UAE is characterized by a relatively high fertility rate of 3.5 children per women. However, this has not increased disproportionately the demand for health services largely because of the very high survival rate of children. As Table 8.8 shows, the performance of the UAE in various areas of demographics with respect to health services provision is comparable with general world standard as well as some highly developed countries such as Sweden.

Table 8.8

The UAE, Sweden & the World: Comparative demographics

| | Birth rate per 1000 | Death rate per 1000 | Growth rate per 1000 | Population more than 65 years |
|----------------------|------------------------|------------------------|-------------------------|-------------------------------------|
| United Arab Emirates | 19 | 3 | 16 | 1% |
| Sweden | 12 | 11 | 1 | 18% |
| World | 23 | 9 | 14 | 7% |

The low infant mortality rate coupled with improvements in the old, sick and dying segments of the population, which usually requires the most expensive health services, the per capita health services demand in the country is relatively low.

8.3 ORGANISATIONAL STRUCTURE OF MINISTRY OF HEALTH

In response to the Ministry of Health's proposal to restructure and streamline the activities and operation of the health services in the UAE, the Cabinet of Ministers passed Resolution No.11 of 1989 approving the Health Authority organisational structure as well as the duties and responsibilities of the associated departments. The emergent organisational structure of the Ministry is presented in Figure 8.1.

As can be seen in the Figure, the 1989 Reforms established a structure with the Minister at the top of the hierarchy followed by an Under-Secretary who is directly responsible to the Minister. The structure has five Divisions/Departments as follows:

- Preventive Medicine Affairs Department;
- Financial and Budget Department;
- Computer Department;
- Pharmacist and supply Department; and
- Medical Treatment Department.

Each of the Departments is supervised and controlled by an Assistant Undersecretary and sub-divided into Divisions and sections, which are managed by Directors or Managers as the case may be. The Medical Treatment Department, for example, is sub-divided into five divisions – Private Medical Professions Division, Nursing

Division, Dentist Division, First Medical Aid Division and Hospital Division – and managed by Directors. These Divisions are subsequently divided into Sections, which are managed by Section Managers. The Assistant Under Secretaries and their subordinates report to the Minister through the Undersecretary. A Follow-Up & Finance Inspection Division, which reports directly to the Minister, was also established under the 1989 Reforms.

The organizational structure also includes eight regional Health Zones as follows:

- Abu Dhabi Health Zone;
- Al Sharjah Health Zone;
- Ajman Health Zone;
- Umm Al Quwian Health Zone;
- Raa's Al Khaima Health Zone;
- Al Fujairah Health Zone;
- Al Ain Health Zone;
- Western Region Health Zone;

These Health Zones are managed by Zonal Directors who report directly to the Under-Secretary. The establishment of the Regional Health Zones introduced the concept of decentralization of health provisions and operations. While the central Departments and Divisions formulate and provide the strategic directions, the regional Health Zones manage the details including field operations to ensure that health services are available to all in all parts of the country. This operational structure has been the back-bone of the high level of achievement of the health objectives of the Ministry as

discussed above. The UAE organisational structure with respect to the Regional Health Zones compares with the British National Health Services (NHS) Regional Health authority structure, which was introduced in 1974 and reformed in 1982 under the Conservative Government of Mrs. Margaret Thatcher. However, the question of how much decision and operational powers the UAE Health Zones possess compared to the Health Authorities in the British NHS, particularly after Mrs. Margaret Thatcher's deregulation policy of the early 1980s, is a dicey one and will be raised later in the work.

8.4 OPERATIONAL STRATEGY OF THE MINISTRY

The Resolution of the Council of Ministers also specified the duties and responsibilities of the Minister, the Under-Secretary, the Departments, Divisions and the Regional Health Zones. These duties and responsibilities provide the operational strategy and tactics of the Ministry of Health as follows:

8.4.1. Preventive Service Department

The development of Preventive health services during the past 25 years was a clear indication of tremendous improvement in the health field. The Dept of Preventive Medicine of the Ministry of health adopted several approaches to quality of life and prevention and control diseases. The Ministry carried out the prevention and control of diseases through a series of health programmes designed to protect the community from potential and unforeseeable incidences of diseases.

The programmes are identified as follows:

i) The National Immunization Programme.

Since 1975 the UAE Ministry of Health had been implementing the World Health Organization and UNICEF resolutions and directives in respect of immunization of children against the six childhood diseases. In 1985 the health authority had reviewed its strategies towards the programmes by widening the coverage of diseases targeted in the programme with an aim of preventing morbidity and disability of children resulting from such diseases. Currently the Ministry of Health programme targets ten main diseases and the result is a substantial decrease in the incidence rates per 100,000 population over the last seventeen years (Ministry of Health, 2000: p.24). Furthermore, the programme has achieved immunization coverage of over 90% of children below the age of 2 years compared with the targeted coverage rate of 95% for the year of 1998. In the attempt to achieve the 95% immunization coverage target, a total of 120 centres for vaccination were established throughout the country and these were shared between government, private and voluntary organisations.

ii) Prevention and control of imported diseases:

The Federal Law No. 27 of 1981 established a national programme for the prevention and Control of Communicable diseases such as HIV/AIDS and viral hepatitis. The programme was directed towards investigation and reporting of cases or outbreaks of these types of diseases to enable the Ministry of Health to treat and isolate all persons affected by the diseases. The programme was successful as demonstrated by the decrease in the incidence rate of meningitis from 11.3 per 100,000 in 1986 to 6.5 per

100,000 in 1998 while the typhoid rate reduced from 11.3 per 100,000 to 7.4 per 100,000 within the same period. Moreover, a total of 900,000 persons are seen and 2 million tests carried out annually in the country since 1998.

iii) Malaria Control Programme

The programme of malaria control had been in existence since 1972. In 1976 the total number of reported malaria cases reached 28,791 at a rate of 57 cases per 1000 persons but, by 1998, this rate had dropped to 29 per 1000 persons – a clear indication that the programme was effective in preventing the spread of the diseases. Currently, most of the cases reported are mainly imported. The effectiveness of control of the spread of malaria was due mainly to the availability of information covering all medical districts of the UAE and the exchange of information with neighbouring countries and the rest of the world at large.

iv) National HIV/AIDS Control Programme

National Programme to control AIDS had been set up in September of 1984. The Health Service strategy called for a comprehensive nationwide campaign to combat the AIDS virus spread through transfusion of blood or its derivatives and donation of body organs and tissues. The control tests cover the following categories:

- a) Blood donors
- b) Applicant for work in the UAE
- c) Inpatients in all hospitals
- d) Pregnant women
- e) Prisoners, drug users

f) Patients attending clinics for sexually transmitted diseases.

Besides these tests a national wide programme of health education was carried out to inform and warn the population of the dangers of the diseases and the methods to avoid its spreads.

v) Non-Communicable diseases.

Due to the social and economic development, which led to changes in the pattern and habit of eating, the traditional disease mix and environment have changed in the country. The emergence of new type of diseases such as cancer, diabetes and cardalological problems had prompted the Ministry of Health to change its priority and strategies towards certain diseases and devote more resources and effort to these categories of non-communicable diseases. The central department for diseases control has thus taken an effective action to find appropriate treatment for the various newcomer diseases to the UAE.

vi) Occupational Safety

To reduce the safety hazard at work-place and create a suitable work environment for employees, the Ministry of Health had set up an occupational health programme. The main purpose of the programme is to detect early occupational problems and compile a databank on occupational diseases according to each work activity in the UAE. This is being done with the co-operation of various governmental agencies and organizations. It is estimated that more than 7 employees in each industry suffered from some form of occupational hazard or disease, a total of more than 39,000 workers in all sectors in the UAE, in 1988.

vii) Maternal and Child Health Service Programme:

The Ministry of health had set up the maternal and child health care programme to provide specialized services to women of child-bearing age (15-44) and children below the age of 5 years. These services include routine laboratory tests, check up of fetal safety, monitoring children development and growth, providing vaccines to children, support and encouragement of breast-feeding and providing nutrition care to mother and children.

viii) School Health Services

In 1976, the Government entrusted through Cabinet Decree No. 52 the responsibility of supervising and administering School Health services to the Ministry of Health.

The responsibilities include the following activities.

- a) Medical checkup of students
- b) Treatment of emergency cases
- c) Supervisors medical record and school environment
- d) Treatment of dental problems.

As Table 8.9 shows, the School Health programme and its related services has expanded very rapidly since 1972 in both manpower and resources in line with increases in student numbers. From a mere 4 doctors, 2 dentists, 30 Nurses, 129 Schools and 40,193 Students in 1972/73, the programme has expanded to 87 Doctors 18 Dentists, 396 Nurses, 542 Schools and 279,965 Students in 1995/96. These are significant increases and indicate the success of the programme.

Table 8.9

School Health Services: Growth of Student Numbers & Professional (1972-1998)

| School Year | Doctors | Dentists | Nurses | Schools | Students |
|-------------|---------|----------|--------|---------|----------|
| 72/73 | 4 | 2 | 30 | 129 | 40,193 |
| 76/77 | 33 | 12 | 95 | 201 | 71,314 |
| 81/82 | 67 | 16 | 274 | 313 | 126,266 |
| 87/88 | 76 | 16 | 317 | 420 | 215,156 |
| 91/92 | 83 | 17 | 336 | 445 | 228,850 |
| 95/96 | 87 | 18 | 396 | 542 | 279,965 |

Source: Ministry of Health, 2000; p.33.

8.4.2 The Curative Services Department

This section of the health services had received special attention by the Ministry of Health due to its importance to the health of the UAE population. The Ministry has formulated strategies to strengthen the infrastructure of these departments by focusing on:

- (a) Continuous development and modernization of existing institutions and facilities together with an establishment of specialized referral centers to deal with different cases;
- (b) Expansion of curative services to be accessible to all residents of the UAE;
- (c) Recruitment of qualified and competent man power; and
- (d) Provision of advanced diagnostic and therapeutic services as per international standards.

As per its strategies the government through Ministry of Health has built a high standard of hospitals and specialized centres equipped with technologically advanced

medical supplies and facilities to accommodate the fast and continuous scientific development in the fields.

As can be seen in Table 8.10, the number of hospitals in the country increased from 6 in 1973 to 30 in 1998 including six hospitals affiliated to Ministries of Interior and Defence, Dubai Health and Medical Services and Petroleum companies. These hospitals are equipped with modern medical facilities and technology, which are crucial to the provision of a high quality health services in the country.

Table 8.10

Hospitals and Beds of the MOH for the Years 1973-1998

| Year | Number of Hospitals | Number of Beds |
|------|---------------------|----------------|
| 1973 | 6 | 818 |
| 1980 | 20 | 2745 |
| 1985 | 26 | 3909 |
| 1994 | 29 | 4344 |
| 1998 | 30 | 4681 |

Source: Ministry of Health. 2000.

The number of patient beds also increased from 818 in 1973 to 4681 in 1998 as can be seen in the Table. The increases in hospitals and beds represent 400% or 4-fold increase and 472% or 4.7-fold increase respectively over a 25-year period from 1973 to 1998.

This is a significant progress (about 16% annual increase in both cases) in the provision of medical facilities for the citizens of UAE. Consequent upon these

increases, the number of in-patients and surgeries also increased as can be seen in Table 8.11.

Table 8.11

No. of In-patients and Surgeries in MOH Hospitals for the Years 1979-1998

| Year | No. of In-patients | No. of Surgeries |
|------|--------------------|------------------|
| 1979 | 82,536 | 42,255 |
| 1985 | 148,432 | 47,749 |
| 1987 | 184,483 | 53,334 |
| 1994 | 155,565 | 67,316 |
| 1998 | 178,041 | 66,070 |

Source: Ministry of Health. 2000.

While the number of in-patients increased from 82,536 in 1979 to 178,041 in 1998, the number of surgeries performed within the same period increased from 42,255 to 66,070. Such increases required not only the existence of adequate and appropriate physical facilities such as hospitals and beds but also the manpower to support the increased level of demand.

To cope with the increased demand for appropriately qualified manpower (Professionals), the Ministry of Health increased the employment of the appropriate professionals substantially as can be seen in Table 8.12.

In 1976, for example, there only 774 doctors and 1427 Nurses but these numbers increased to 2223 doctors and 5859 Nurses in 1998 representing 187.2% and 318.6%

Table 8.12

Doctors, Nurses, Technicians and Dentists in MOH Employment (1973-1998)

| Year | Number of Doctors | Number of Nurses | Number of Technicians | Number of Dentists |
|------|-------------------|------------------|-----------------------|--------------------|
| 1973 | 218 | - | - | - |
| 1976 | 774 | 1427 | - | - |
| 1985 | 1412 | 3778 | 1640 | 103 |
| 1987 | 1451 | 3967 | 1164 | 105 |
| 1992 | 1666 | 4811 | 1836 | 132 |
| 1994 | 2021 | 4943 | 1962 | 173 |
| 1998 | 2223 | 5859 | 2534 | 216 |

Source: Ministry of Health, 2000.

increases respectively over a 22-year period. Similar large increases in employment of the other professionals can be seen in the Table. The employment of Dentists, for example, increased from none at all in 1976 to 216 in 1998 – a clear 216% increase over the period.

Similar expansion of health services and facilities occurred in the Primary Health Care sector as evidenced by the increases in the recruitment of relevant professional staff in the sector. Table 8.13 presents this evidence. An analysis of the figures in the Table

Table 8.13

Primary Health Care Technical Staff for the Years 1985,1990,1995

| Year | General Practitioner | Dentist | Nurse | Pharmacist or Asst Pharmacist |
|------|----------------------|---------|-------|-------------------------------|
| 1985 | 224 | 16 | 225 | 120 |
| 1990 | 232 | 22 | 347 | 143 |
| 1995 | 378 | 50 | 558 | 269 |
| 1998 | 408 | 50 | 714 | 335 |

Source: Ministry of Health, 2000.

Shows a distribution of the primary health care personnel per population in 1995 and 1998 as follows:

- 1 General Practitioner per 6289 persons in 1995 and 6762 persons in 1998;
- 1 Dentist per 47550 persons in 1995 and 55180 persons in 1998;
- 1 Nurse per 4260 persons in 1995 and 3864 persons in 1998;
- 1 Pharmacist per 8838 persons in 1995 and 8235 persons in 1998.

Though there were marginal increases in the doctor and dentist groups in terms of the ratio of professional to number of persons in the population, the other groups of professionals recorded significant decrease in their ratios. On the other hand, apart from the dentist group, the absolute figures of each of the other professional groups recorded significant increases over the three-year period.

The number of patients benefiting from the various health centres and facilities provided by the MOH registered similar increases in absolute numbers followed by corresponding decreases in average visit per person as shown in Table 8.14.

Table 8.14

Patient Numbers and Average Visit to Health Centres:1992-1998

| Year | Population | Number of Patients | Average No. of visits per Person |
|------|------------|--------------------|----------------------------------|
| 1992 | 2,011,400 | 3,765,171 | 1.6 |
| 1993 | 2,030,700 | 3,427,580 | 1.7 |
| 1994 | 2,230,000 | 3,966,116 | 1.8 |
| 1995 | 2,377,453 | 3,891,641 | 1.6 |
| 1998 | 2,759,000 | 4,079,295 | 1.5 |

Source: Ministry of Health, 2000.

The Table shows that the number of patients has increased from 3,765,171 in 1992 to 4,079,295 patients in 1998 – an increase of 8.34% over the period. Although the absolute number of patients visiting Health Centres has increased over the period, the average number of visits per person decreased from a high of 1.8 visits in 1994 to 1.5 visits in 1998 – a 16.67% decrease over the period. This decrease in the average visit per person reflects the improvements made in the provision of health services in the country. To accommodate the increase in the number of health centers in different medical districts and the growth in the number of patients, the Ministry of Health established four nursing schools to supplement the supply of nursing personnel.

Table 8. 15

Number of Students and Staff Nursing Schools of MOH

| Medical District | Local Students | Foreign Students | Total | Number of Staff |
|------------------|----------------|------------------|-------|-----------------|
| Abu Dhabi | 4 | 122 | 126 | 28 |
| Al Ain | 4 | 78 | 82 | 7 |
| Fujairah | 46 | 12 | 58 | 10 |
| Sharjah | 23 | 65 | 88 | 8 |
| Total | 77 | 277 | 354 | 53 |

Source: Ministry of Health, 2000.

Table 8.15 shows the progress made in the supply of nurses through the Nursing Schools located in each of the Medical Districts. Both nationals and foreign students are accepted and trained in the schools as can be seen in the Table.

Another indicator of the progress being made in the provision of good quality health services is the increase in laboratory services provided in hospitals and health centers all over the country as can be seen in Table 8.16. The laboratories are well equipped with modern facilities, specialists and technicians. The success of these laboratories in providing services may be inferred from the increase in the number of tests carried out from 1979 to 1998 as shown in the Table.

Table 8.16

Number of Laboratory Tests Conducted in MOH Laboratories: (1979-1998)

| Year | Number of Tests |
|------|-----------------|
| 1979 | 2,760,414 |
| 1985 | 3,620,398 |
| 1987 | 4,574,656 |
| 1992 | 7,574,999 |
| 1994 | 9,282,222 |
| 1998 | 11,787,937 |

Source: Ministry of Health, 2000.

The number of tests increased from 2,760,414 in 1979 to a staggering total of 11,787,937 in 1998 – about 4.3-fold increase over the 19-year period.

8.4.3. Pharmacy and Supply Department

This department played very important role in providing all hospitals, clinics and health centers with medical supplies. Within this departments there are drug control sectors; and supply and store section.

a) Drug control

This section deals with:

- i) Identification of all medicines allowed for use in the UAE to ensure their quality and validity;
- ii) Registration of reputable companies to market their products in the country;
- iii) Pricing of all pharmaceutical products used by the private sectors;

- iv) Control and supervision of local pharmaceutical industries and medical supplies
- v) Inspection of private pharmacies and warehouses:
- vi) Control of pricing of medicines;
- vii) Issuing of import license for private companies;
- viii) Analysis of samples of registered medicines;
- ix) Checking imported medicines to ensure their compliance with the required technical specifications.

b) Supply and store section

This section is responsible for: i) Follow up of local and international tenders; ii) Prepare inventory for all pharmaceutical products and supplies in all warehouses to ensure their availability on regular basis; iii) store all medicines received by the Ministry of Health; iv) Dispense medical supplies to hospitals, primary care centers; v) Control medical prescriptions by comparing them with patients' records; vi) Supervise annual stock taking.

8.4.4 Computer Department

This department is responsible for: i) Follow up of the latest developments in computers science; ii) Develop programs for inventory; iii) Maintain and operate computers of all users within the departments.

8.4.5 Department of Finance

This department is responsible for the following tasks:

- a) Handles all administrative and personnel matters such as payroll, housing, purchasing and payments to suppliers;
- b) Preparation of revenue and expenditures;
- c) Formulation of annual budget;
- d) Controlling the budget expenditures and advising on financial affairs;
- e) Carrying out an audit and check on expenses and revenues and bank reconciliation as well as supervising the public relation section.

8.5 FURTHER DEVELOPMENTS

In addition to the general strategies adopted, the Ministry of Health has undertaken moves to incorporate the involvement of certain government organisation/ministries, such as the Ministry of Information and Culture, the Ministry of Labour and Social Affairs, the Police and the various Municipalities, in its effort to control the spread of malaria and AIDs as well as to promote health education that focus on problems of drugs addiction and accidents. In developing this thrust to improve the health of the nation, the MOH re-emphasized its commitment to the public health needs in the following areas:

- a) The recognition of the importance of primary health care as the basis of health care system;
- b) The importance of establishing preventive programme to eliminate childhood communicable diseases and improve maternal and child health care;

- c) Re-emphasis on the needs of school health and early detection of diseases: and
- d) Encouragement of the participation of individuals and communities in health service under the slogan of "**beneficiaries participation**" in order to create a sense of awareness about the national use of health services especially traditional herbal medicines.

With the guidance of His Highness, the President, Sheikh Zayed Bin Sultan Al Nahyan, the MOH has set up a Centre for the Study of Arabic and Islamic Heritage in the health field with the purpose of establishing herbal medicines industry in the UAE as strategic diversification/option. Moreover, the MOH has undertaken to provide the services at reasonable costs to the government and the users as well as to be efficient and effective in the use of its human resources.

To reduce the dependence on treatment abroad, the Ministry (within its strategies) has started to modernize existing hospitals, expand primary health care centres and to construct a series of specialized curative centres equipped with highly advanced medical hardwares. Other recent developments, which were meant to meet specific National Health Service needs include tackling the problems of malnutrition, obesity, smoking and pollution.

8.6 FUTURE CHALLENGES AND DIRECTION

In addition to the normal improvement in health services, the MOH is reviewing its operational strategies and embarking on various programmes to improve areas of inefficiencies and shortages. One of such programmes plans to strengthen human resource shortage and management through intensive training courses in the field of medical, technical and financial management. The Ministry intends to implement this programme through the conduct of in-house courses and external programmes. Medical experts and technicians will be invited to organize such programmes as well as arrange for the staff of the Ministry to visit manufacturers of medical equipment and products around the world to see and learn from 'world class' production processes. The Ministry is also contemplating to set up the program of tele-medicine to enhance the capability and practice of the professional staff including doctors and nurses. Through visiting doctors and professionals, the Ministry plans to encourage summer training programmes and workshops in the country for those staff who cannot travel abroad to update their medical knowledge and skills.

The Ministry recognizes some challenges it has to deal with in the rapidly changing environment of the country, region and the world at large. Some of the challenges include the following:

- a) the rapidly changing composition of the population:
- b) the effect of the rapid improvement of life expectancy and living conditions on the occurrence of chronic diseases in middle aged people. "the Barker hypothesis";

- c) the cultural impact on health behaviour;
- d) neighbourhood of several non affluent societies with a history of armed conflict.

To accommodate the effects of the steady growth in the proportion of elderly people in the society while maintaining current high quality of health service, the per capita cost of providing health services need to be increased. While this is a simple rationality, it raises, however, the crucial question of efficiency in the use of the resources currently available to the Ministry. It will be recalled that in our face-to-face personal interview in the MOH, one of the Accountors commented on the achievement of the health objectives of the Ministry by saying that:

“... a high level of the health objectives of the Ministry has been achieved at a disproportionately high financial and other resource costs. It is not effective nor efficient to assess performance without reference to the relative cost of such an achievement.”

There is the suspicion, therefore, that the high level of health objectives achieved by the Ministry so far is at the cost of high financial and other resources inputs. Some indication of this is the introduction of charges for some health services provided by the Ministry in order to reduce unnecessary visits to hospitals and health centers as well as request for treatment and prescription. It is worth stating that the UAE, though much richer than some of its neighbours, was the first in the GCC to introduce charges for medical services provided by government hospitals and health centers to deter abuse of free medical provisions. According to one of the Accountors in the Financial and Budget Department interviewed in the Ministry:

“ our cost of operation is very high and most inefficient; we pay about three times the cost of most of the medical equipment, drugs and other items because of our mode of operation and the fact that we are a rich nation”.

Evidence of disproportionately high cost of medical services in the country may be inferred from the fact that the country imports the bulk of its needs from abroad. Almost 90% of the doctors working in the country are expatriates and a number of key hospitals throughout the country are managed, staffed and serviced by private foreign companies. The cost of such services is very high and has been estimated to be over 1/3 of the annual budget of the Health Authority. Furthermore, evidence of disproportionately high cost of medical services in the country may be found in the cases of over-pricing, over-invoicing and ‘loading’ of receipts for purchases of medical items especially drugs and other medicines. Evidences are also available of over-payment of medical staff who claim false qualifications and length of experience upon which their individual salary and other remunerations are based. Consultancy services as well as design and construction of medical facilities including buildings and laboratories are frequently over-priced or over-invoiced. As put by one of the respondents during one of our personal interview sessions:

“the UAE is a ‘milk cow’ for many foreign companies and pseudo expatriate-professionals, particularly in the field of medical care and services where it is very difficult to check under-hand practices if you are not a manufacturing nation yourself. The services we provide and hence our overall performance cannot be said to be cost effective and

efficient – far from it. But we are yet unable to quantify this because of both economic and political circumstances beyond our control.”

Furthermore, the UAE Health service provision concentrates heavily on secondary and tertiary care and this has created some problems. The health system is top heavy with hospitals at the expense of adequate referral network, and the results are misuse and inefficiency. The public has come to associate health care with hospital care and with no gatekeepers built into the system, out patient departments are often clogged with self-referrals seeking treatment inappropriately. Inadequate patient records have led to multiple patient visits and high maintenance cost but this situation might have changed now as the new health cards are linked to computerised record system which will give an easy access to patient files thus ensuring a continuity of treatment and a check in patient visit.

In the past preventive and primary care units had been under funded and overshadowed by the attention given to curative sector thus creating unbalanced distribution of health service. However, the health authorities have started to restructure their health services away from curative care thus resulting in reversed trend. (Kassim and Habib, 1989).

8.7 ASSESSMENT OF PERFORMANCE OF THE MINISTRY

An exercise in the assessment of the performance of a public service organization is fraught with many problems including the standard of measurement to use, method of

assessment to adopt and the test of the validity of the measurement standard or approach adopted. As one of our respondents quoted earlier puts it appropriately:

“.... The services we provide and hence our overall performance cannot be said to be cost effective and efficient – far from it. But we are yet unable to quantify this because of both economic and political circumstances beyond our control.”

The situation in the MOH is worsened by the fact that the budgeting system of the public sector does not disaggregate the major budget headings sufficiently enough to enable any reasonable performance assessment to take place. For example, at the Federal level, apart from Salaries, which is budgeted on departmental basis, all other budget headings/items are lumped together as a single ‘all-inclusive budget’. Because budgeting is not based upon ‘cost-centres’, it is difficult if not impossible to allocate costs and thus measure or compare the cost effectiveness of any expenditure item. As aptly put by one of our personal interview respondents in the Ministry:

“ Our budgeting system makes it absolutely impossible to measure performance, cost of services provided and the output of services in any useful way”.

Another respondent, who has over 10 years experience in the Auditor-General’s office before being transferred to the Ministry of Health, answered our question on the measurement of performance as follows:

“Our Financial and Audit departments don’t evaluate performance but how the Law is being adhered to in allocation of expenditure or

budgeting. They don't evaluate the use of funds or other resources but how the allocation of funds has complied with the Regulations".

An Accountor respondent, whose frustration over the issue of performance measurement was very evident, burst out and summarized the situation;

“Performance measurement expects target setting in the first instance; how do you measure without targets? Targets are not set or known in our departments, so what do we measure?”

These comments indicate the magnitude of the problem of measuring the performance of the MOH despite our earlier assertion that some of the health objectives of the MOH have been achieved. In order to have a view of the general performance of the Ministry, despite the various hindering factors, we carried out a survey of the accountees, accountors, staff and general consumers of the services of the MOH to solicit their impression on the overall performance of the organisation. In Table 8.17, we report the findings of the survey.

As can be seen in the Table, 53.33% of our survey respondents rate the general performance of the Ministry below average as against only 25% who rate it above average. This is a clear and significant result vindicating the views of our personal interview respondents as quoted above that the general performance of the MOH is not satisfactory.

Table 8.17**Assessment of the General Performance of the Ministry of Health**

| Response Type | Grading Code | Number of Response in Sample | Percentage of Response (%) | |
|-------------------|--------------|------------------------------|----------------------------|----------|
| Very Satisfied | 5 | 3 | 5.00% | } 25.00% |
| Satisfied | 4 | 9 | 15.00% | |
| Average | 3 | 16 | 26.67% | |
| Dissatisfied | 2 | 24 | 40.00% | } 53.33% |
| Very Dissatisfied | 1 | 8 | 13.33% | |
| TOTAL | | 60 | 100.00% | |

Sample Statistics

| | |
|--------------------|----------|
| Mean | 2.583333 |
| Standard Error | 0.137145 |
| Standard Deviation | 1.062323 |
| Sample Variance | 1.128531 |
| Range | 4 |
| Minimum | 1 |
| Maximum | 5 |
| Sum | 155 |
| N | 60 |

A statistical test was carried out to confirm or refute the contention of our survey results and the personal interview findings. We formulated the null hypothesis:

$$H_0: M \leq 3$$

and the alternative hypothesis:

$$H_1: M \geq 3$$

where:

- 3 is the average score on the grading code; and
- M is the mean of the sample survey results.

The one-tail Z-test at 95% Confidence level indicates that the null hypothesis cannot be accepted (i.e. it is rejected) because the calculated Z-value is -3.044 , which is far less than the critical Z-value of 1.64. Thus, at 95% confidence level, we may confirm that the level of performance of the MOH is significantly less than average as rated by our survey respondents.

As stated earlier, we do recognize the criticisms of the one-tail test of the Mean (Rowntree, 1987). However, because we have used an unbiased grading code and response from survey rather than secondary sources, we are reasonably confident of our statistical results and tests.

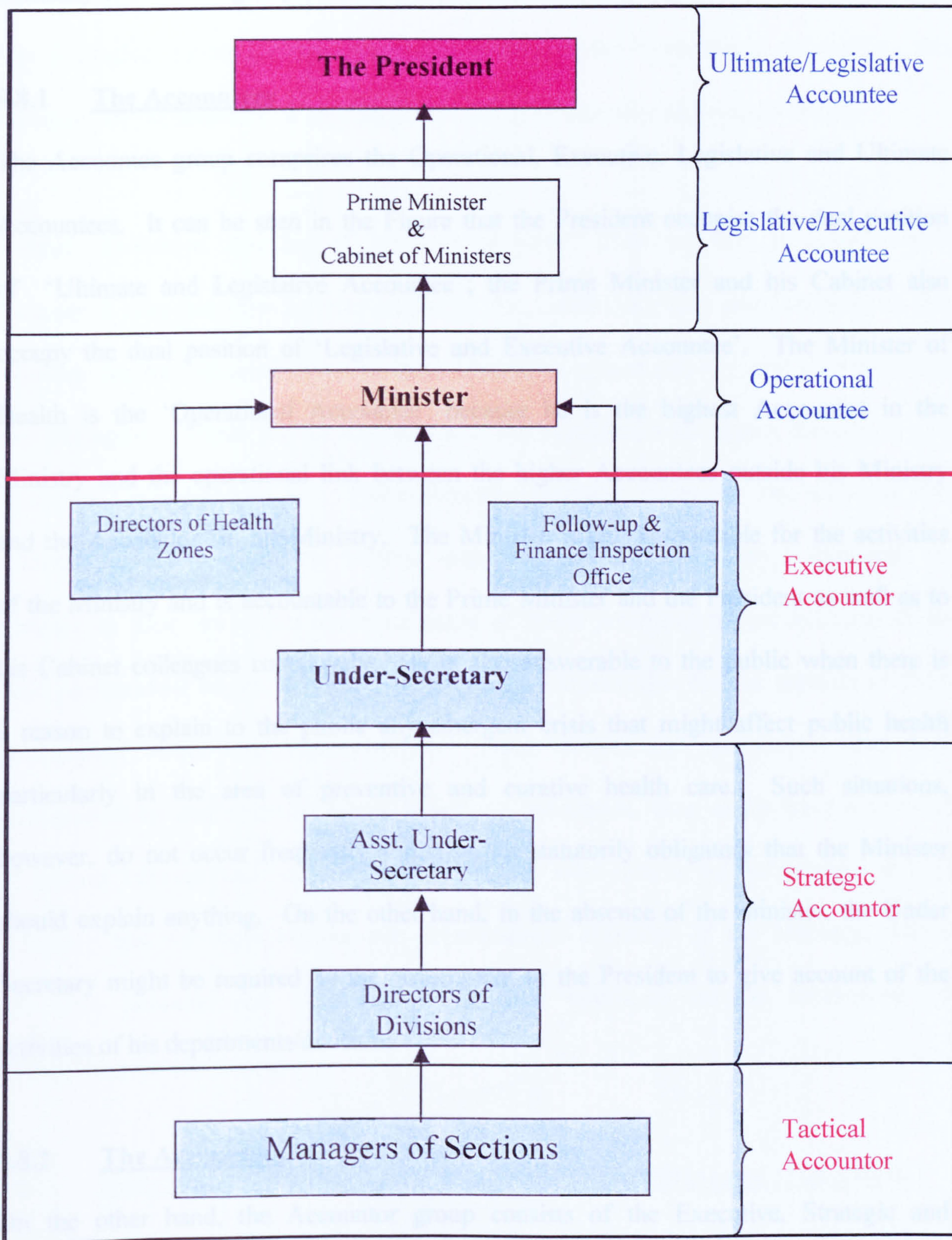
8.8 MANAGEMENT ACCOUNTABILITY STRUCTURE IN MOH

Unlike the organizational structure (see, Figure 8.1), which has a 'top-down' authority and command relationship, the management accountability structure has a 'bottom-up' chain of responsibility. That is, subordinates are responsible to their superiors in accounting for their activities and performance.

Figure 8.2 presents the derived Management Accountability structure in the MOH. As can be seen in the Figure, there are two broad groups of Accountors and Accountees. Although the divide between these two groups is largely arbitrary, it reflects the structure on the ground. It must be noted, however, that apart from the President who is in reality the 'Ultimate Accountee' and is not accountable to any higher authority, the other Accountee groups are technically also accountors to higher authorities.

Figure 8.2

Derived Management accountability Structure in Ministry of Health



For ease of explanation and identification, we have decided to set up this arbitrary boundary between the groups.

8.8.1 The Accountees

The Accountee group comprises the Operational, Executive, Legislative and Ultimate Accountees. It can be seen in the Figure that the President occupies the dual position of ‘Ultimate and Legislative Accountee’; the Prime Minister and his Cabinet also occupy the dual position of ‘Legislative and Executive Accountee’. The Minister of Health is the ‘Operational Accountee’ because he is the highest Accountee in the Ministry and the operational link between the higher Accountees outside his Ministry and the Accountors in his Ministry. The Minister is thus responsible for the activities of the Ministry and is accountable to the Prime Minister and the President as well as to his Cabinet colleagues collectively. He is also answerable to the public when there is a reason to explain to the public any emergent crisis that might affect public health particularly in the area of preventive and curative health care. Such situations, however, do not occur frequently and it is not statutorily obligatory that the Minister should explain anything. On the other hand, in the absence of the minister, the Under Secretary might be required by the government or the President to give account of the activities of his departments/divisions.

8.8.2 The Accountors

On the other hand, the Accountor group consists of the Executive, Strategic and Tactical Accountors. The Executive Accountors comprise the Under-Secretary, the Regional Health Zones and the Follow-Up & Finance Inspection Office; the Strategic

Accountors comprise the Assistant Under-Secretaries and the Directors of the Divisions while the Tactical Accountor sub-group consists of the Managers of Sections. The Executive Accountors are responsible directly to the 'Operational Accountee', the Minister, for the activities of their respective areas of authority and responsibility.

Within hierarchical structure of Ministry of Health there are four assistant Under-Secretaries who are directly accountable to the Under-Secretary and indirectly to the Minister for the responsibilities of their immediate subordinates – the Directors and the Managers. There are 16 directors and 46 managers who report directly to the Assistant Under-Secretaries. These directors/managers supervise the work of the ministry and are accountable to their superiors within the ministry. However, in addition to their immediate superiors some of those professionals are accountable to their professional bodies such as British Medical Association for the conduct of their professional duties and responsibilities. Those doctors and technicians have dual accountabilities and responsibilities, hence, as accountors, they might have a conflict of interest between their tasks as doctors/experts who seek to be independent of any influence and the rigid bureaucratic organisational structure of the Ministry, which advocates financial and legal compliance as a condition for the functioning of Principal/agent relationship.

8.8.3 Management Accountability Structures in UK (NHS) and UAE (MOH)

In Table 8.18, we have attempted a comparison of the derived Management Accountability structures of the British NHS and the UAE Ministry of Health (MOH)

and identified some crucial differences that influence some variation in the level and effectiveness of Management Accountability in the MOH. The Table is derived from the basic structure as presented in Figure 8.2 above.

Table 8.18

Comparison of Management Accountability Structures in UK (NHS) & UAE (MOH)

| Type of Accountee/Accountor | The UK (NHS) Structure | The UAE (MOH) Structure |
|-----------------------------|---|--|
| Ultimate Accountee | The UK Public | The President |
| Legislative Accountee | The Parliament | The President and the Government |
| Executive Accountee | The Prime Minister & the Cabinet | The Prime Minister & the Cabinet |
| Operational Accountee | The Secretary of State for Health (Minister) | The Minister of Health |
| Executive Accountor | <ul style="list-style-type: none"> - Permanent Secretary - District Health Authority - Regional Hospital Board | <ul style="list-style-type: none"> - Under-Secretary - Regional Health Zones |
| Strategic Accountor | <ul style="list-style-type: none"> - Asst. Permanent Secretary - Directors - Chairmen of Committees | <ul style="list-style-type: none"> - Asst. Under-Secretary - Directors |
| Tactical Accountor | <ul style="list-style-type: none"> - Secretaries - Heads of Departments | <ul style="list-style-type: none"> - Managers of Sections |

As can be seen in the Table, the two structures are generally similar except in the shaded areas where significant differences emerge. While in the UK (NHS), and indeed other public service organizations, the Public is the ‘Ultimate Accountee’ with

very effective power, for example, voting power at general elections, the UAE (MOH) has the President as the 'Ultimate Accountee' who represents his people. The public in the UAE has no effective power or influence as in the UK: there are, of course, no general or regional or local elections in the country. The effective of the passiveness of the public in the UAE is quite significant since there is no recourse open to the public to demand accountability from their civil servants. Though recently, the Press has criticized some public organizations for poor performance or inefficiency, the impact of this unstatutory voice of the public is yet to be felt. A recent criticism of the performance and organizational structure of Ministries and other public organizations by the Acting Head of the Audit Office, His Excellency Majid Al Khazraji, recommended a reform of the accountability system of the organizations and a restructuring of the organizations to infuse a better system of operation and efficiency (*Al-Atihad*, 2001).

Another obvious area of difference between the two structures is the occupants and role of the 'Legislative Accountee'. In the UK, the parliament performs this role and very effectively too through its various Ombudsmen and Parliamentary 'watch-dogs' such as the Commission for Health Improvement which started its operation in 1999 (Corby, 1999). In the UAE, the President, the Prime Minister and his Ministers (Cabinet) perform the role of 'Legislative Accountor'. There is no parliament in the same sense as in the UK though purely advisory Consultative Council does exist. The other Accountee and Accountor positions are very similar in structure and role.

8.9 ACCOUNTABILITY PROCEDURE IN THE MOH

Accountability relationship in any government organisation such as the Ministry of Health in the UAE depends on many factors that influence the relationship of the accountee with the accountor and the accountor with his subordinates within the organization. These factors include the accountability system in operation (i.e. political or management or both); performance management system which covers organisational objectives, performance indicators, performance appraisal of individual employees and the use of performance incentives to reward personal effort towards organisational goals. Others include, the linkage of human and financial resources to an annual budget and the regular review at the end of each year of the performance and achievement and the explanation for under or over performance. Since management accountability model is selected for this case study the focus would be on 3 dimensions: financial/regularity accountability; process/efficiency accountability and program/effectiveness accountability. Even though health service does not fit perfectly into a hierarchical model of accountability due to the horizontal relationship of the professionals to their respective associations (e.g. British Medical Association), an examination of the quality of the information flowing down the various official channels and the associated ability to translate theoretical control into real and effective control are very important to test whether the arguments about the machinery of accountability are valid or not.

To be effective, the accountee must have power and authority to enforce strategies and policy guidelines. This can only be achieved when there is a clear understanding of

the tasks to be performed, the procedures for performing the tasks and availability of a performance management system within the organisation. We asked our randomly selected ten Accountees and Accountors who were interviewed whether there are clearly defined job description, task performance procedures, clear authority structure and performance appraisal system in the MOH and how effectively these are applied. Their responses are presented in Table 8.19.

Table 8.19
Aspects of Accountability Procedure in the MOH

| Type of Procedure | Clearly Defined | Not Clearly Defined | Effectively Applied | Not Effectively Applied | Sample Total |
|-------------------------------|-----------------|---------------------|---------------------|-------------------------|--------------|
| Job Description | - | 10 | - | 10 | 10 |
| Procedure for performing Task | - | 10 | - | 10 | 10 |
| Performance appraisal System | 3 | 7 | 3 | 7 | 10 |
| Authority Structure | 3 | 7 | 2 | 8 | 10 |
| Accountability Guidelines | 3 | 7 | 2 | 8 | 10 |

The Table shows an unequivocal consensus of opinion on all the four areas of concern. There is a total agreement among the ten interviewees that Job Description is not clearly defined not effectively applied in the MOH; similarly they all stated that ‘procedure for performing task’ is not clearly defined nor effectively applied in the Ministry. There is also an overwhelming agreement among our respondents that ‘Performance Appraisal System’ (70%), ‘Authority Structure’ (80%), and ‘Accountability Guidelines’ (80%) are not clearly defined nor effectively applied in

the MOH. This contrasts sharply with the situation in the UK National Health Services (NHS) where clear definition and effective application of these elements of management accountability are not only mandatory but also to be seen to apply visibly (Corby, 1999). To this extent it may be argued that the effectiveness of management accountability in the Ministry of Health is suspect.

8.9.1 When are Management Accounts Rendered?

Public organisation like Ministry of health follows a bureaucratic organisational structure and its rules and procedures as well as its documents framework are governed by the resolution establishing the Ministry such as the Federal Law no. (1) of 1972 and its subsequent reforms under the Federal laws No. (8) of 1973; No. (7) of 1975; No. (4) of 1983; No. (1) of 1986; No. (11) of 1989 and Council of Ministers Resolution No. (3) of 1973. These laws and regulations had specified the duties and responsibilities of the Ministry of Health as well as the fiscal and financial reporting systems to ensure that the assets and liabilities of the Ministry are properly recorded and documented and a periodical statement of the revenue and expenditure is submitted to the Ministry of Finance and Industry. Unlike public enterprises and joint stock companies such as Etisalat, the Ministry of Health is not obligated to file annual accounts nor hold an annual general meeting for its shareholders/stakeholders to discuss its year-end financial results. Ministry of Health is only obligated to submit its fiscal budget by September or October of each year to the budget directorate in the Ministry of Finance and Industry and to up date its vote book from time to time to keep track of its expenses and revenue collection. Internally the Ministry of Health

compiles an annual report on staff activities covering personnel details and sanctions taken against employees. Besides these personnel appraisals, which are not efficiently conducted, the Ministry reports verbally, whenever needed, to the Cabinet of Ministers of any imported diseases and other potential or existing health hazards. The Ministry, as part of its strategy and plan, makes available from time to time an up date of statistical data showing mortality and survival rates, out patients and progress made in the field of medicine to the public and World Health Organisation (WHO). These requirements are not compulsory on the Ministry but the report is done for public relation purpose.

To assess the type of statistical information made available in the Ministry, we asked our survey sample of thirty respondents to score, using a grading scale of 5 to 1, their assessment of the type of statistical information they provide the public. We present the results in Table 8.20.

The first interesting thing in the Table is that the low standard errors (SE) of the means shows that the sample scores are very close to the sample mean which suggests that the views of the respondents are not very divergent. Given this, the ranking obtained using the mean scores reflects approximately the correct position with respect to the provision of information that would enhance management accountability in the Ministry.

Table 8.20

Provision of Statistical Information in the Ministry of Health

| Type of Statistical Information | Mean score of Sample of 30 (x) | Std. Error of the Mean (SE) | Std. Deviation | Ranking based on Mean score |
|-------------------------------------|--------------------------------|-----------------------------|----------------|-----------------------------|
| Annual Plan & Budget Details | 3.75 | 0.196 | 1.075 | 3rd |
| Financial Statistics | 2.50 | 0.194 | 1.064 | 6th |
| Employment Statistics | 4.35 | 0.173 | 0.947 | 1st |
| Audit Reports | 2.25 | 0.162 | 0.885 | 7th |
| Decision Making structure | 3.00 | 0.168 | 0.925 | 4th |
| Resource allocation and Utilization | 2.75 | 0.169 | 0.927 | 5th |
| General Statistics | 4.00 | 0.193 | 1.055 | 2nd |
| Objectives of the Ministry | 4.00 | 0.149 | 0.815 | 2nd |

As can be seen in the ranking column and the numbers in red, the statistical information made available in the Ministry are largely not useful in terms of effective management accountability. Employment statistics, objectives of the Ministry, General Statistics, annual Plan and budget information and Decision making statistics which are ranked 1st to 4th in that order are easily supplied in the Ministry but these are not the critical statistical information required to assess the performance of the MOH in the use of public resources made available to it. The relevant statistical information are ranked low which means that they are not easily made available, if at all. This undermines management accountability and suggests that the level of management accountability in the Ministry may be low.

8.9.2 Contents of Management Accounts

There are no statutory requirements of disclosure of information neither for Ministry of Health activities nor for the contents of the accounts and report made to the accountees and other government agencies. Government rules and regulations do not specify a particular form for the disclosure or the contents of the report. However the contents of accounts of the Ministry of Health have been drawn on the basis of best practice. For fiscal and financial items the accounts disclosed the budget estimates for both recurrent and development expenditures against actual expenses such as staff salaries and wages, maintenance costs and medicine and other medical supplies as well as expenses incurred for projects payment.

As far as staff appraisal report is concerned the Ministry of Health applies an evaluation system which includes the following attributes: a) personal details, b) training courses taken and the results, c) sanction and reward during the year, d) job description including duties and responsibilities, e) aunctuality and mistakes avoidance during work, f) follow up of work to the end, g) ability to organise and co-ordinate tasks, h) self education and development, i) ability to propose new ideas for job improvement, j) support changes and job development, k) establish a good working relation with other fellow and his/her subordinates, l) take the initiative and bear the responsibility, m) ability to solve problems, n) trustworthy and good custodian of the Ministry's assets.

The personal assessment report contains an incentive scheme covering promotion, training for higher level of management, rotation of job, granting financial reward. However the scheme does not seem to be applied effectively as indicated by our respondent in Table 8.19. It is nice to have job appraisal procedures on paper but it is better to apply them and effectively too to achieve the expectations of the public. This does not seem to be the practical situation in the Ministry.

8.9.3 Criteria of Evaluation of Management Accountability in MOH

Due to the nature of the Health service set up within the UAE public administration, the criteria for evaluating accountability process and the relationship of the accountant to the accountee are tilted toward bureaucratic system of government where the civil servant's main obsessions are discipline, enforcement of rules and regulations and strict adherence to superior's instructions. The evaluative factors relevant to the Ministry of Health accountability mechanism are as follows:

- i) Examination of the goals and the mission of the UAE Health Service to see whether these objectives had been achieved at a reasonable cost.
- ii) Duties and responsibilities of individuals within the organisation are clearly defined and the employees are given the freedom and the authority to carry out duties entrusted to them.
- iii) The accountant's relationship to the accountee is still functioning; and the accountant knows to whom he is accountable.
- iv) The accountability relationship within the Ministry of Health has an upward and down structure. Instead of being accountable to his sub

ordinate for the actions taken, the accountee is under an obligation to issue the right instructions and guidelines to achieve the Ministry's public goals.

- v) To ensure that the system of sanctions and reward is operative and updated frequently to accommodate the environmental changes
- vi) To ensure that sufficient authority is given to an employee to perform his duties as defined in the Health service organisational chart and the council of Ministers resolution No. (11) of 1989.
- vii) Clear standard of performance is set up and followed by the Ministry for measuring the staff achievement and progress and sufficient reward is granted for such results.
- viii) Interviewing staff to ensure compliance with strategies and plans as formulated and disseminated.

8.9.4 Control Mechanism of Management accountability in MOH

In government Ministry/department like Ministry of Health the control mechanism for safeguarding the public interest against civil servant's abuse of power when he/she is carrying out his/her duties is difficult to establish due to the size and diversity of services within the ministry of health. Any control mechanism for accountability purpose may only be general and less effective despite repeated requests by the public for openness and transparency of information in health service.

In the last ten years, the Ministry of Health had started to publish statistical data on services available, type of diseases, outpatients, mortality rates and number of beds

and medical staff divided between nationals and expatriates. Such data could be used as indicators for performance and control but the vital statistical information for management accountability assessment are yet to be published as indicated in Table 8.20. National Press report on certain medical care issues in recent months had brought about many criticisms of the Health Service in the UAE. However these comments and criticisms had been considered as ways and means of exposing the Ministry to more control and further service improvement because the Minister and the government were made aware of the issues and the needs. On the other hand the government through the Minister of Health's **verbal and written** report on health care matters and annual budget impose certain control on the Ministry's activities and operation.

To improve the service of the ministries the Cabinet of Ministers had set up a complaint office under direct supervision of the Deputy Prime Minister to receive complaints from the Federal ministries/departments' employees regarding their employment and related matters so that civil servants can air their views directly to an independent body thus achieving certain transparency of the works done within the ministries/departments.

8.10 LEVEL OF MANAGEMENT ACCOUNTABILITY IN THE MINISTRY OF HEALTH

Given all the issues raised above, we thought it will be helpful to assess the level of management accountability in the Ministry by first comparing certain accountability parameters between the UK National Health Services (NHS) and the Ministry of Health. Table 8.21 presents the comparison.

Table 8.21

Management Accountability: Comparison of Control Parameters in UK & UAE

| Control System | UK (NHS) | UAE (MOH) |
|--|-----------------------|---|
| Ombudsman | Available & Effective | Not available (Audit Office not effective) |
| Performance Appraisal System | Available & Effective | Available but not effective |
| League table of performance | Available & Effective | Not available |
| Setting targets to be achieved | Available & Effective | Not available; Not set |
| Competitive Market System (Purchaser/Buyer System) | Available & Effective | Not Available |
| Private Management Style & approach | Available & Effective | Not available |
| Decentralization of Authority | Available & Effective | Available but Not Effective |
| 'Consumer Charter' – Customer satisfaction measure | Available & Effective | Not available |
| Parliamentary 'Watch dog' | Available & Effective | Not available as there is no elected Parliament |
| Auditor-General's Office | Available & Effective | Available but not effective |

The content of the Table is too clear to merit further analysis or comment. It is evident that the systems that encourage effective and a high level of management accountability in the UK National Health Services (NHS) are definitely not yet available in the Ministry of Health of the UAE. To this extent, it is reasonable to argue that the level of management accountability in the Ministry is below average.

We decided to test the hypothesis that the level of management accountability in the Ministry is less than average. We asked our survey sample respondent of 30 accountees and accountors to rate their level of satisfaction with management accountability in the Ministry using the following neutral grading code:

| | |
|-------------------|---|
| Very Satisfied | 5 |
| Satisfied | 4 |
| Average | 3 |
| Dissatisfied | 2 |
| Very Dissatisfied | 1 |

The responses of our sample respondents from the Ministry of Health are presented in Table 8.22.

Table 8.22
Level of Management accountability in the Ministry of Health

| Response Type | Grading Scale | Number of Response in sample | % of Response |
|-------------------|---------------|------------------------------|---------------|
| Very Satisfied | 5 | - | - |
| Satisfied | 4 | 5 | 16.67% |
| Average | 3 | 7 | 23.33% |
| Dissatisfied | 2 | 14 | 45.67% |
| Very Dissatisfied | 1 | 4 | 13.33 |
| Total | | 30 | 100.00% |

Sample Statistic

| | |
|--------------------|----------|
| Mean | 2.433333 |
| Standard Error | 0.170754 |
| Standard Deviation | 0.935261 |
| Sample Variance | 0.874713 |
| Sum | 73 |
| Count (N) | 30 |

We formulated the null hypothesis:

$$H_0: M \leq 3$$

and the alternative hypothesis:

$$H_1: M \geq 3$$

where:

- 3 is the average score on the grading code; and
- M is the mean of the sample survey results.

The one-tail Z-test at 95% Confidence level indicates that the null hypothesis cannot be rejected (i.e. it is accepted) because the calculated Z-value of -3.34 is less than the critical Z-value of 1.64. At 95% confidence level, therefore, we may state that the view of our respondents is that the level of management accountability in the Ministry of Health is less than average. This rating seems to be collaborated by all the findings in this case-study.

8.11 SUMMARY

This case study on the Ministry of Health set off to test the hypothesis that the level of management accountability in the public sector of the UAE is below average. The chapter has explored the performance of the Ministry and discovered that the MOH has achieved a high level of its health service objectives but this seems to be at a high cost raising the issue of inefficiency in the use of public resources. But, the infant mortality rate has been reduced substantially even though at a higher than necessary cost.

The general performance of the Ministry was investigated and the result was not encouraging. The research findings suggest that the general performance of the Ministry, unlike the performance of Etisalat, is below the average performance of comparable organizations such as the UK national Health Services (NHS). Our survey sample respondents support this finding very strongly.

On the crucial area of management accountability, our research findings and the statistical analysis show that the level of management accountability in the Ministry is significantly below average. This finding is similar to the conclusion arrived at in the study of Etisalat which is a joint venture between the government and private enterprise. We conclude, therefore, that our case studies lead us to assert that the level of management accountability in the public sector of the UAE is below average and does not compare with the standard attained in the British National Health Services.

CHAPTER 9

FACTORS CONSTRAINING MANAGEMENT ACCOUNTABILITY

9.1 INTRODUCTION

In the last three chapters (i.e. chapters 6, 7 and 8) we presented and discussed the case-studies including the general public sector survey findings (chapter 6). This chapter synthesizes the three empirical cases to enable us present an overall picture and analysis of Management Accountability in the public sector of the UAE.

Our objective in this chapter is two-fold. First, we synthesize the findings of the case-studies and assess the validity and reliability of their conclusions. This has been done through a test of the means of the three samples using the ANOVA statistical tool. We consider the ANOVA as an appropriate statistical technique because it allows us to test the differences among the means of our three independent samples. Though the technique can be used to test differences between two means, ANOVA is more commonly used for hypothesis tests regarding the differences among the means of several (C) independent groups (where $C \geq 3$). It is a statistical technique that permits the researcher to determine whether the variability among or across the C sample means is greater than would be expected due to sampling error (McDaniel and Gates, 1991). The use of the technique to test whether the variability among our three sample-means (i.e. the means of Etisalat, Ministry of Health and the general Public Sector) is thus valid and justified.

The second objective of this chapter is to identify and discuss the factors that are responsible for the low level of Management Accountability in the public sector of the UAE. This is done by first examining the correlation between the low level of Management Accountability and the factors identified in our empirical research as the

constraining factors. Correlation analysis has been employed to achieve this aspect of the objective. This is followed by a regression analysis with a view to establishing a cause-effect relationship between the low level of Management Accountability and the identified factors. We do recognize that cause-effect relationship is better established through experimental research (Cooper and Schindler, 1998; Sekaran, 2000) but it is also valid to use survey research results where the survey questions are designed appropriately to solicit responses that indicate cause-effect relationship (Hair, Bush and Ortinau, 2000). The responses obtained from our questionnaires and personal interviews fall into the latter category hence our use of regression analysis to establish cause-effect relationship is valid and justified.

9.2 THE THEORETICAL BASIS

The theoretical framework underlining this study, as stated earlier, is the “Principal – Agent Model” (see Figure 3.1). which defines two main responsibilities for the actors in the system. The responsibilities are:

- responsibility to undertake certain actions; and
- responsibility to provide an account of those actions (Gray, Owen and Adams, 1996).

The emergent relationship involves two main actors – *an Accountee (Principal) and an Accountor (Agent)* – whose specific relationship is defined by *society* while their *rights and obligations* are defined by an internal ‘*Contract*’. While the *Accountee (Principal)* has a right to information, the *Accountor (Agent)* has the obligation to provide the information based upon a specified set of criteria. Both parties interact

through these provisions of the wider societal environment and the internal contractual environment of the organisation.

The model hypothesizes a simple two-way relationship between an Accountee (the Principal) and Accountor (the Agent). The terms of the flows between the parties and the actions and the level of accountability required are largely a function of the 'contractual relationship' between the parties. Thus, the essence of the model is the relationship between the parties, which ascribes rights and obligations as well as responsibility, and thereby determines the nature and level of accountability expected. So the crucial issue is not only how the relationship – that is, **the contract** – is determined but also what factors shape its outcome (accountability) in terms of level of effectiveness and efficiency. It follows, therefore, that the level of effectiveness and efficiency of management accountability in the UAE public services sector is a direct function of the level of effect/influence of some mitigating factors in the system/society. These factors include, among others, Socio-cultural, Organisational and Personal factors. This chapter investigates this relationship.

9.2.1 Focal Hypothesis

Given the contention about the relationship between the level of management accountability and the mitigating factors, the hypothesis underlining the focus of this chapter is formulated as follows:

There is a direct and significant relationship between the level of Management Accountability in the public sector of the UAE and the Socio-cultural, Organisational and Personal factors in the system

The alternative postulate is that there is no significant relationship between the two categories of variables. These contrasting hypotheses will be tested to enable us identify the factors that account for the less than average level of Management Accountability in the UAE public services sector.

9.3 SYNTHESIS OF THE CASE-STUDY RESULTS

The central issues, which our sample case-studies and the general public sector survey were to identify and confirm are:

- i) that the level of general performance of the public sector in the UAE, as estimated by our sample mean, is less than the population mean (μ);
- ii) that the level of Management Accountability, as estimated by our sample mean (\bar{x}), is less than the population mean (μ);
- iii) identification of the mitigating factors, on the confirmation of (ii) above.

The synthesis in this section will concentrate on the first two tasks (i & ii) while the third task is handled in the following section.

9.3.1 Is the General Performance of the Public Services Sector Satisfactory?

The general impression we draw from the results of the case-studies with respect to the question of whether the general performance of the UAE public services sector in terms of achieving its objectives is above average rating is that the sector has not

achieved the high expectations of its customers. A summary of our findings in the three sample case-studies is presented in Table 9.1.

Table 9.1

General Performance of UAE Public Sector: Comparison of three Sample Results

| Comparison Unit | Sample Case-studies | | | |
|-----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| | The General Public | Etisalat (Telecom. Co.) | Ministry of Health | Remark |
| Sample Mean (x) | 2.28 (SE=0.063) | 3.67 (SE=0.175) | 2.93 (SE=0.197) | |
| Number of Sample (N) | 200 | 30 | 30 | |
| Standard Deviation | 0.887 | 0.959 | 1.081 | |
| Significance Level | 95% | 95% | 95% | |
| Is Mean Rating Significant at 95% | Not Significant | Yes, very Significant | Not Significant | Etisalat mean rating significant at 99% level |
| Hypothesis | $H_0: M \leq 3$ $H_1: M \geq 3$ | $H_0: M \leq 3$ $H_1: M \geq 3$ | $H_0: M \leq 3$ $H_1: M \geq 3$ | M=Sample Mean. $3 = \mu$ |
| Test of Hypothesis | H_0 : Accepted H_1 : Rejected | H_0 : Rejected H_1 : Accepted | H_0 : Accepted H_1 : Rejected | |

The interpretation of the results in the Table is simple and clear. The rating of the general performance of the public services sector by the sample of respondents representing the general public is significantly below the expected average level of performance at the 95% significance level as suggested by our test of the relevant hypothesis. A similar result and interpretation is obtained in the case of the Ministry of Health as reflected in the rating of our sample respondents. The Ministry's general performance in terms of achieving its social and economic objectives is rated by the sample respondents as below the expected average performance. This is an interesting outcome of this aspect of the survey research because a similar question directed specifically to the performance of the Ministry in terms of some specific health objectives, as reported in chapter 8, shows a rating that is significantly higher than the average level of performance expected. This may be interpreted as above average performance in the technical fields as against below average performance in other areas which overshadow the technical achievements.

On the other hand, the rating of Etisalat, as suggested by our test result, indicates a higher than average performance level. The Z-test of the sample mean actually shows that the performance of the company being significant even at the 99% significance level. As mentioned in chapter 7, the above average performance of Etisalat relates more to the company's financial transactions (technical) rather than its management accountability. This finding confirms the trail of evidence from this study that the performance of the public services sector particularly in respect of provision of

performance evaluation information is not satisfactory. Many organizations in the sector have no clearly defined objectives, performance evaluation standards, control mechanisms and hardly use external performance evaluation professional bodies. All these have raised question mark over the issue of management accountability in the sector. The question is raised whether the relevant accountors in the UAE public services sector provide effective and reliable management account to the accountees? In other words, do the accountors and accountees understand fully the concept of management accountability and, if they do, what is the level of management accountability is attained in the sector? The next section provides the synthesis of the answers to these questions as indicated by our sample respondents.

9.4 LEVEL OF MANAGEMENT ACCOUNTABILITY IN THE PUBLIC SECTOR

As in the case of assessment of the general performance of the public services sector, our sample respondents in the case-studies were asked to assess the level of Management Accountability attained in the public services sector. The respondents were asked to use a five-point grading scale system to indicate their assessment as follows:

| | |
|--------------------------|---|
| Much higher than average | 5 |
| Higher than average | 4 |
| Average | 3 |
| Lower than average | 2 |
| Much lower than average | 1 |

A comparative summary of the results from the three case-samples and the test of the significance of the estimates is presented in Table 9.2.

Table 9.2

Level of Management Accountability in Public Sector: Synthesis of Three Case-Studies

| Comparison Unit | Sample Case-studies | | | |
|-----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------|
| | The General Public | Etisalat (Telecom. Co.) | Ministry of Health | Remark |
| Sample Mean (x) | 2.23 (SE = 0.071) | 2.97 (SE = 0.155) | 2.43 (SE = 0.171) | |
| Number of Sample (N) | 200 | 30 | 30 | |
| Standard Deviation | 1.004 | 0.850 | 0.935 | |
| Significance Level | 95% | 95% | 95% | |
| Is Mean Rating Significant at 95% | Not Significant | Not Significant | Not Significant | |
| Hypothesis | $H_0: M \leq 3$ $H_1: M \geq 3$ | $H_0: M \leq 3$ $H_1: M \geq 3$ | $H_0: M \leq 3$ $H_1: M \geq 3$ | M=Sample-mean $3 = \mu$ |
| Test of Hypothesis | H_0 : Accepted H_1 : Rejected | H_0 : Accepted H_1 : Rejected | H_0 : Accepted H_1 : Rejected | |

In contrast to the results on the assessment of the general performance of the public services sector as reported in Table 9.1, the results into the investigation of the level of Management Accountability in the public services sector show the following summaries:

- a) the individual means of the samples are less than the estimate of the population mean (μ) being 3 in our grading scale;
- b) all the three mean ratings are not significant even at the 95% percent level of significance;
- c) unlike in the case of the test of hypothesis regarding the general performance of the public services sector as represented by our case-study samples (Table 9.1), all the relevant hypotheses (i.e. the alternative hypotheses – H_1) are rejected and the null hypotheses accepted.

These results indicate that the respondents of the three separate samples rate the level of Management Accountability in the public services sector less than the average level in similar sectors. This conclusion raises the issue of validity and reliability of the results since the conclusion is based upon evidence from three sample means.

As discussed earlier in this chapter, when there is a need to test the differences among the means of two or more independent samples, **analysis of variance (ANOVA)**, is an appropriate statistical tool. Though it can be used to test differences between two means, ANOVA is more commonly used for hypothesis tests regarding the differences among the means of three or more independent groups or samples. It is a statistical

method that allows the researcher to determine if the variability among or across the several sample means is greater than would be expected due to sampling error. We have thus used ANOVA to test the variability among our three case-study sample means. The results of the test are presented in Table 9.3.

Table 9.3

Level of Management Accountability: Analysis of Variance (ANOVA) of Means

| Source of Variation | Sum of Squares | Degree of Freedom | Mean Square | F. Statistic |
|---------------------|----------------|-------------------|-------------|--------------------|
| Response | 12.686 (SSA) | 2 (c-1) | 6.343 (MSA) | 6.917 (calculated) |
| Error | 235.713 (SSE) | 257 (n-c) | 0.917 (MSE) | |
| Total | 248.399 (SST) | 259 (n-1) | | |

The results in the Table show that with a numerator (MSA) of 6.343 and the associated degree of freedom of 2; and a denominator (MSE) of 0.917 and the associated degree of freedom of 257, the calculated F-ratio is 6.917.

From a Table of F-distribution¹ which gives the critical ratios for all sample sizes and numbers of samples, we can see that at .05 (5%) level of significance the Table value of F-ratio with 2 (numerator) and 257 (denominator) degrees of freedom is 3.00; and at 0.1 (1%) level of significance, the corresponding Table value is 4.61. Since our two

¹ See Table 5 in the statistical appendix in McDaniel & Gates (1991).

estimates of population variance [i.e. the within sample variance (MSA) and the between sample variance (MSE)] give an F-ratio (calculated) of about 6.92, which clearly exceeds the tabulated F-ratio (critical) of 4.61 at the 0.1 (1%) level of significance, we conclude that the two estimates are significantly different at the 1% level – this automatically includes the 5% level as well.

This result allows us to make certain conclusions and not others. For example, the result may not allow us to say that:

- a) our three case-study sample-means are significantly different (i.e. all the three samples are from different populations); or
- b) two of our three sample means are the same (i.e. the two samples are from the same population); or
- c) Our three samples are from the same population.

What the conclusion enables us to say with a high degree of certainty is that the samples are not all from the same population. Since the calculated F-ratio of 6.92 is greater than the tabulated F-ratio of 4.61 at the 1% level of significance, we reject the null hypothesis and accept the alternative one. This leads us to the conclusion that the variability observed in the three means is greater than would be expected by chance.

This result gives greater validity and reliability to our conclusion, drawn from the results presented in Table 9.1, that the level of Management Accountability in the UAE public service sector is less than average (i.e. below the population mean).

Our confidence in this conclusion is confirmed by the result of the ANOVA test, which shows clearly that our three samples are largely independent and, therefore, the results obtained from them are reliable estimates of the population parameters. The result constitutes, by implication, a representative assessment of the level of Management Accountability in the public services sector by the people of the UAE.

9.5 FACTORS CONSTRAINING ACCOUNTABILITY

Having concluded from the rating of our sample respondents that the level of Management Accountability in the public services sector is less than average level in similar organisations, we investigated the probable constraining factors. To do this, we first identified the factors that have significant correlation with the level of Management accountability in the public sector. From our exploratory research we identified the following groups of factors as the main mitigating factors:

9.5.1 Social-cultural factors

These include, among others, the following:

- Culture of trust in the society
- Low level of public awareness
- Attitude of indifference in the society
- Tradition of excessive respect for the views of elders
- Lack of interest of the public in public accountability
- Poor knowledge of responsibility
- Low level of political awareness in the society.

9.5.2 Organisational factors

These include, among others, the following:

- Lack of clear definition of management accountability
- Lack of accountability culture in the sector
- Lack of guidelines for presenting management accountability
- Lack of effective reward/sanction system
- Layback attitude of the boss
- Ineffective external auditing body
- Inappropriate structure of the organisations
- Lack of precise referral criteria
- Corrupt ethical environment
- Lack of equal opportunity for all
- Lack of effective accountability control mechanisms.

9.5.3 Personal factors

These include, among others, the following:

- ◆ Fear of loss of job
- ◆ Inferiority complex
- ◆ Inadequate education
- ◆ Lack of confidence
- ◆ Culture of secrecy
- ◆ Corrupt behaviour
- ◆ Fear of exposure of inadequacies

- ◆ Fear of blame official arrogance
- ◆ Lack of clear definition of job responsibilities
- ◆ Lack of delegation of authority.

We asked a randomly selected sample of 30 respondents from the combined sample of 60 respondents from both Etisalat and the Ministry of Health to rate the level of mitigating effect of each of the three groups of factors upon the level of Management Accountability using a five-point rating scale as follows:

| | |
|---------------------------|---|
| Very high negative effect | 5 |
| High negative effect | 4 |
| Average negative effect | 3 |
| Low negative effect | 2 |
| Very low negative effect | 1 |

In a supplementary question, we requested the respondents to indicate the corresponding “effect-level” on management accountability in the sector of their rating of the mitigating factors using the following rating scale:

| | |
|--------------------------------|---|
| Much higher than average level | 5 |
| Higher than average level | 4 |
| Average level | 3 |
| Lower than average level | 2 |
| Much lower than average level | 1 |

The results of our finding are reported in Table 9.4. The objective here is to establish any correlation and the strength of such correlation between the level of Management Accountability and each group of mitigating factors

Table 9.4

Level of Management Accountability and Effects of Constraining Factors

| Rating of Level of Management Accountability | Rating of level of effect of Constraining Factors | | |
|--|---|-----------------------|-----------------|
| | Social-Cultural Factor | Organisational Factor | Personal Factor |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 2.00 | 4.00 | 4.00 | 5.00 |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 3.00 | 3.00 | 3.00 | 3.00 |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 2.00 | 4.00 | 4.00 | 4.00 |
| 1.00 | 5.00 | 4.00 | 5.00 |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 2.00 | 4.00 | 4.00 | 4.00 |
| 2.00 | 3.00 | 4.00 | 4.00 |
| 2.00 | 4.00 | 4.00 | 5.00 |
| 2.00 | 4.00 | 4.00 | 4.00 |
| 3.00 | 3.00 | 4.00 | 3.00 |
| 3.00 | 4.00 | 3.00 | 3.00 |
| 2.00 | 4.00 | 4.00 | 4.00 |
| 2.00 | 4.00 | 4.00 | 4.00 |
| 2.00 | 4.00 | 4.00 | 4.00 |
| 1.00 | 4.00 | 4.00 | 5.00 |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 1.00 | 5.00 | 4.00 | 5.00 |
| 2.00 | 4.00 | 4.00 | 4.00 |
| 3.00 | 3.00 | 4.00 | 3.00 |
| 2.00 | 4.00 | 5.00 | 4.00 |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 1.00 | 5.00 | 5.00 | 5.00 |
| 2.00 | 5.00 | 4.00 | 5.00 |
| 2.00 | 5.00 | 4.00 | 4.00 |
| 3.00 | 3.00 | 3.00 | 4.00 |

(i.e. **Social-cultural, Organisational and Personal factors**). Using the software “statistical package for the social sciences” (SPSS), we derived the descriptive statistics as well as Pearson correlation coefficient as presented in Tables 9.4A and 9.4B respectively. We chose the Pearson correlation because the data involve interval scale, which, of course, include ordinal scale as well (McDaniel and Gates, 1991; Hair and et al., 2000).

Table 9.4A
Descriptive Statistics of Table 9.4

| Variable | Mean | Std. Deviation | Sample size |
|------------------------------------|---------------------|----------------|-------------|
| Level of Management Accountability | 1.767 (SE=0.134) | 0.728 | 30 |
| Social-Cultural Factors | 4.267 (SE=0.135) | 0.734 | 30 |
| Organisational Factors | 4.233 (SE=0.115) | 0.626 | 30 |
| Personal factors | 4.367 (SE=0.132) | 0.718 | 30 |

It can be seen in the Table that the standard deviations are low which suggest that the observations are very close to the sample mean. The interpretation of this is that the views of the respondents in each group are very close to each other in terms of assessment of the relevant variables. In Table 9.4B we present the derived Pearson correlation coefficient for the data in Table 9.4.

Table 9.4B
Pearson Correlation Coefficients of Data in Table 9.4

| | Level of Management Accountability | Social-Cultural Factors | Organisational Factors | Personal Factors |
|------------------------------------|------------------------------------|-------------------------|------------------------|------------------|
| Level of Management Accountability | 1.000 | -0.841** | -0.784** | -0.886** |
| Social-Cultural Factors | -0.841** | 1.000 | 0.680** | 0.783** |
| Organisational Factors | -0.784** | 0.680** | 1.000 | 0.647** |
| Personal Factors | -0.886** | 0.783** | 0.647** | 1.000 |

** Correlation is significant at the 0.01 level (1-tailed)
Sample size (N) in each group is 30.

From Table 9.4B we can discern two important results. The first important result relates to the Pearson correlation coefficient (r) itself, which is estimated for each combination of 'level of management accountability' and each of the other factors as follows:

- a) $r = -0.841$ between level of management accountability and Social-Cultural factors;
- b) $r = -0.784$ between level of management accountability and Organisational factors;
- c) $r = -0.886$ between level of management accountability and Personal factors.

Clearly, all the correlation coefficients are negative indicating a negative correlation between the level of management accountability and the mitigating effects of the Social-Cultural, Organisational and Personal factors. This means that the greater the hindering or constraining effects of the social-cultural, organisational and personal factors in the organisations and enterprises in the public services sector of the UAE, the lower will be the level of management accountability.

More significantly, the values of the correlation coefficients (r) are high. This, coupled with the negative relationship, indicates a strong negative correlation between the level of management accountability in the public services sector of the UAE and the mitigating effects of each group of factors (social-cultural, organisational and personal factors).

The second important aspect of the results in Table 9.4B is that each of the correlation coefficients is significant at the 0.01 level (1-tailed test). This means a rejection of the null hypothesis that $r = 0$ and accepting the alternative hypothesis that $r > 0$. This confirms our result and conclusion that there is a strong negative correlation between the level of management accountability and the hindering effects of each group of social-cultural, organisational and personal factors. This means simply that the greater the intensity of the adverse effects of social-cultural, organisational and personal factors in organisations in the UAE public services sector, the lower the level of management accountability in the sector.

It is worth noting, however, that our research finding of a strong negative correlation between the level of management accountability and the constraining effects of each of the groups of factors does **not** simultaneously mean a cause-effect relationship between the variables. Correlation does **not** imply causation (Rowntree, 1987; McDaniel and Gates, 1991). For example, if variables X and Y are correlated, this may be because X causes Y, or because Y causes X, or because some other variable is affecting both X and Y, or for a mixture of these reasons; or the whole relationship may be coincidence (Rowntree, 1987, p.171). To establish causation, therefore, we carried out regression analysis using the data in Table 9.4.

The premise of the regression analysis is our contention that the combined constraining effect of the three groups of factors (social-cultural, organisational and personal factors) is responsible for the observed low level of management accountability in organisations in the public services sector of the UAE. To test this hypothesis, the following model was estimated, using regression analysis:

$$\hat{Y} = a + b_1 X_1 + b_2 X_2 + b_3 X_3 \text{ ----- } 9.1$$

where:

\hat{Y} = dependent variable – level of management accountability

a = constant term.

b_{1-n} = regression coefficients to be estimated.

X_1 = social-cultural factors.

X_2 = organisational factors.

X_3 = personal factors.

The estimated regression equation is as follows:

$$\hat{Y} = 6.466 - .248X_1 - .336 X_2 - .509 X_3 \text{ ----- } 92$$

(0.352) (0.114) (0.110) (0.113)

$$R = 0.940 \quad R^2 = 0.883 \quad SE = 0.263 \quad D-W = 1.775.$$

These results show that:

- a) All of the regression coefficients (b_1 , b_2 , and b_3) have negative signs. This indicates that higher rating of the constraining effects of the three independent variables are associated with a lower rating on the level of management accountability in the public services sector.
- b) The regression coefficients show the estimated effect of one-unit increase in the associated independent variable on the dependent variable. For example, b_3 is equal to 0.509. This means that, according to the model, a one-unit increase in the rating of the constraining effects of the personal factors will result in a 0.509 decrease in the rating of the level of management accountability in the public sector.
- c) According to the estimates, the constraining effect of the personal factors has a larger effect on the level of management accountability in the public sector than the effects of the other two independent variables. This is based on a comparison of the magnitudes of the three regression coefficients.

- d) The R^2 value or coefficient of determination of 0.883, indicates the percentage of the variation in the rating of the level of management accountability in the public sector (Y) explained by the variation in the mitigating effects of the three independent variables. In this case, the three independent variables explain 88.3% of the variation in the level of management accountability in the public sector.
- e) The standard error of the estimate ($SE = 0.263$) is low which indicates that the 'fit' is good and that the observations are close to the mean of the sample.
- f) Also, the Durbin-Watson (D-W) statistic obtained (1.775) falls between D_u and $(4 - D_u)$, that is, between 1.6 and 2.4 as given in the D-W statistic Table. This indicates the absence of serial correlation among the independent variables.

All these evidence lead to the establishment of a cause-effect relationship between the level of management accountability in the public sector and the constraining effects of the social-cultural, organisational and personal factors. We conclude, therefore, that there is a reasonable basis to believe that the hindering effects of the three groups of factors account for the observed low level of management accountability in the public services sector of the UAE. Our conclusion has been made with a caution because it is difficult to establish peremptorily causation between or among variables even when the regression analysis results indicate so (McDaniel and Gates, 1991, p.590).

9.6 SUMMARY

This chapter addressed three main issues. First, it undertook the synthesis of the findings and results of the case-studies with a view to confirming the conclusions of the cases. This was done through the application of various test methods including ANOVA test. We arrived at the conclusion, in support of the findings in the case-studies, that the level of management accountability in the sample organisations is less than the average expected. Similarly, our public respondents see the general performance of organisations in the public sector in terms of achieving objectives, as inadequate. This is also the picture with the Ministry of Health while the respondents from Etisalat thought the company has performed above average.

The issue addressed is the establishment of correlation between the rating of the level of management accountability and the constraining effects of social-cultural, organisational and personal factors. This was established through the use of Pearson correlation coefficients, which were not only high in value but also significant at the 0.01 level (1-tailed test). The coefficients are negative as well leading us to conclude that there is a strong negative correlation between the rating of the level of management accountability and the rating of the mitigating influences of social-cultural, organisational and personal factors.

The third issue addressed was to attempt to establish a causal relationship between the independent variable (level of management accountability) and the independent variables (social-cultural, organisational and personal factors). Using regression

analysis we arrived at a tentative conclusion that there is some level of causal relationship between the dependent and independent variables. The coefficient of determination (R^2) of 0.883 indicates that about 88% of the variations in the dependent variable are explained by variations in the rating of the constraining effects of the independent variables. Because the relationship between the dependent and independent variables is negative, the implication is that higher constraining effects of the independent variables lead to lower rating of the level of management accountability in the UAE public sector organisations. However, this conclusion is couched in caution, as the establishment of causation is difficult even if regression analysis indicates a causal relationship.

In the next chapter, we will engage in analyzing how the independent variables influence the level of the dependent variable.

CHAPTER 10

ANALYSIS OF EFFECTS OF CONSTRAINING FACTORS

10.1 INTRODUCTION

The previous chapter concentrated on reviewing and analyzing the case study results with three main objectives in mind. The first of these was to collate and synthesize the empirical case-study results into a composite conclusion. This was done and the overall conclusion drawn was that the general level of Management Accountability in the public services organizations in the United Arab Emirates was less than the average level in similar organizations.

The second objective was to isolate from the empirical results relevant factors that have significant association (correlation) with the less than average level of Management Accountability established, through the rating of our case study sample respondents, in the public services sector of the UAE. Through the use of Pearson coefficient of correlation (r), we were able to identify the relevant groups of factors that have significant correlation with the low level of Management Accountability in the public sector. The group of factors includes:

Social Cultural factors

Organizational factors

Personal factors

The third objective was to attempt to establish a causal relationship between the low level of Management Accountability in the sector (dependent variable) and the groups of factors (independent variables) identified as having significant correlation with the dependant variable.

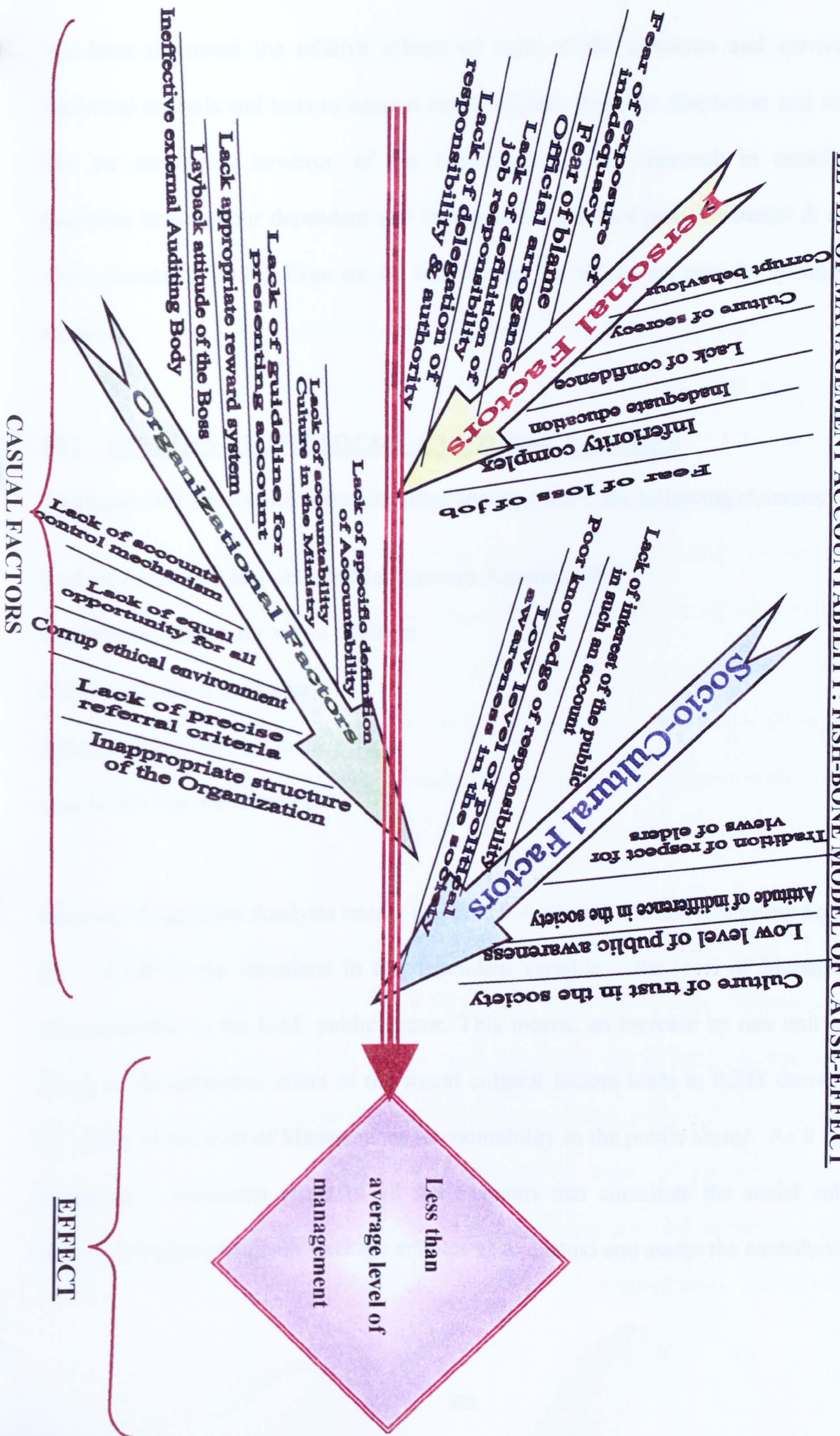
Using regression analysis, we were able to establish a high level of causal relationship. The regression results (Table 9.4) enabled us to assert that about 88% of the variation in the level of Management Accountability in the UAE public services sector was caused by variations in the independent variables.

Given these conclusions from the previous chapter, the main objective of this chapter is to discuss and analyze how the groups of causal factors have mitigated against a higher than average level of Management Accountability in the public services sector of the UAE. The chapter will also present comparative discussion of factors that have been identified as enhancers of a high level of Management Accountability in the UK public sector with a view to establishing the effectiveness of the “enhancers” in the case of the UAE.

A combination of discussive and analytical presentation approach is adopted in this chapter. We have disaggregated the constituent elements of the mitigating groups of factors as shown in the Fish bone diagram in Figure 10.1. This presents a pictorial view of the cause-effect relationship between the independent variables, including their various sub-factors and the dependent variable (level of accountability).

LEVEL OF MANAGEMENT ACCOUNTABILITY: FISH-BONE MODEL OF CAUSE-EFFECT

Figure 10.1



CASUAL FACTORS

We have discussed the relative effects of each of the elements and carried out statistical analysis and tests to support our inferences from the discussion and results. We are conscious, however, of the limitations of our approach in establishing causation between our dependent and independent variables (see, McDaniel & Gates, 1991; Rowntree, 1987). Even so, we believe that our results are reasonably valid and reliable.

10.2 EFFECTS OF THE SOCIAL-CULTURAL FACTORS

As Figure 10.1 shows, this group includes, among others, the following elements:

Lack of interest of the public in Management Accountability

Tradition of respect for views of elders

Culture of trust in the society

Attitude of indifference in the society

Low level of public awareness

From our Regression Analysis results in Table 9.4, we can see that this group accounts for -0.248 of the variations in the dependent variable – the level of Management Accountability in the UAE public sector. This means, an increase by one unit in the rating of the collective effect of the social cultural factors leads to 0.248 decrease in the rating of the level of Management Accountability in the public sector. As it is, this represents a composite effect of all the elements that constitute the social cultural factors. Disaggregating this package enables us to discuss and assess the contribution

of each individual element in the group. This gives a better picture of their relative effects on the level of Management Accountability.

In Table 10.1 we present an analysis of our survey results on the relative mitigating effects of the individual elements in the social cultural group of factors. Looking at the profile of responses across the elements of the group in relation to the Response types, we notice a bunching of responses in the top two classes of Response Types. Apart from the elements of “attitude of indifference in the society”, “poor knowledge of responsibility” and “low level of political awareness in the society”, none of the other elements had ratings in the “Average” or “lower than Average” response types. In general, therefore, the profile of responses in our sample of 30 respondents indicates that all the elements in this group made robust individual negative contribution to the group’s collective mitigating effect on the level of Management Accountability as suggested by the results of our regression analysis in the previous chapter.

This is confirmed by the profile of mean rating in the “Analytical Statistics”. It can be seen that the lowest mean rating is 4.30 for the “poor knowledge of responsibility” element and the highest is 4.63 for the “lack of interest of the public in management accountability”. Given that the range of the response rating scale is from 1 (minimum) to 5 (maximum), mean ratings of 4.30 and above shows a top heavy bunching reflecting a robust contribution by each of the elements to the collective negative effect of this group of factors on the level of Management Accountability.

TABLE 10.1

Level of Constraint of Social-Cultural Factors on Management Accountability

| Response Type | Grading Code | FACTORS (No. of Response in Sample of 30) | | | | | | | |
|--------------------------|--------------|--|-------------------------------|---|--|---|----------------------------------|---|--|
| | | Culture of trust in the society | Low level of public awareness | Attitude of indifference in the Society | Tradition of respect for views of elders | Lack of interest of the public in such an account | Poor knowledge of responsibility | Low level of political awareness in the | |
| Much higher than average | 5 | 18 | 15 | 18 | 18 | 19 | 12 | 13 | |
| Higher than average | 4 | 12 | 15 | 10 | 12 | 11 | 15 | 14 | |
| Average | 3 | - | - | 2 | - | - | 3 | 3 | |
| Lower than average | 2 | - | - | - | - | - | - | - | |
| Much lower than average | 1 | - | - | - | - | - | - | - | |
| Number of Sample (N) | | 30 | 30 | 30 | 30 | 30 | 30 | 30 | |
| Sum | | 138 | 135 | 136 | 138 | 139 | 129 | 130 | |
| Mean rating | | 4.60 | 4.50 | 4.53 | 4.60 | 4.63 | 4.30 | 4.33 | |
| (Ranking based on Mean) | | (2) | (4) | (3) | (2) | (1) | (6) | (5) | |
| Standard Error (SE) | | 0.091 | 0.093 | 0.115 | 0.091 | 0.089 | 0.119 | 0.121 | |
| Standard Deviation | | 0.498 | 0.509 | 0.629 | 0.498 | 0.490 | 0.651 | 0.661 | |
| Significant at 99% | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |

Looking at the ranking of the rating, which is based upon the mean rating, it can be seen that the range is from 4.30 as the lowest (6th) to 4.63 as the highest (1st.). Though differences between the mean ratings are not very high, nonetheless, the ranking shows the differential negative effects of the individual elements of this group of constraining factors. As it is, the “lack of interest of the public in such as account” is ranked as the element with the most negative effect on management accountability in this group of limiting factors; this is followed by the “tradition of respect for the views of elders” and “culture of trust in the society” as joint second most limiting elements in the group. These are followed by “attitude of indifference in the society” as third; “low level of public awareness” as fourth; “low level of political awareness in the society” as fifth; and “poor knowledge of responsibility” as the least constraining individual element. The implication of this result and the ranking relates to the need for prioritizing areas of action to eliminate the constraining elements in view of resource limitations. To eliminate the social-cultural factors that encourage poor management accountability in the public sector, the government will need to use the ranking derived from the results to prioritize its target elements to be eliminated in order to maximize results from the use of scarce and limited resources. Furthermore, the ranking of the elements in the group enables the government to understand the view of the public and the weighting they place on the elements that limit the provision of a high level of management accountability. Indeed, these results may also provide a clue to understanding the general state of the other types of accountability, such as financial or political accountability, in the public services sector of the United Arab Emirates (UAE).

Supporting the top heavy bunching of the responses (ratings) around the respective mean ratings, are the standard errors of the means and the associated standard deviations. As can be seen in Table 10.1, the standard errors of the individual mean ratings range from 0.089 to 0.121 while the associated standard deviations range from 0.490 to 0.661. In both cases, the values are low and this confirms the top heavy bunching of the individual response ratings of the sample respondents around the corresponding individual mean-ratings. This analysis suggests that virtually all our sample respondents hold the view that all the individual elements of the social cultural factors have strong negative effects on the level of Management Accountability in the public sector.

A test of hypothesis formulated around the average of the rating scale confirms the validity and reliability of our analysis. We formulated the null hypothesis as:

$$H_0 : M \leq 3$$

and the alternative as:

$$H_1 : M \geq 3$$

where:

M = the sample mean rating

3 = the average on the rating scale.

As can be seen in the Table, the test result shows that the difference between each sample mean-rating and the average on the rating scale is significant in all cases at the 99% level. The null hypothesis was thus rejected and the alternative hypothesis accepted. We can thus infer that with 99% confidence that the mean rating of the negative effects of each individual element of the group of social-cultural factor was significantly higher than the average (3) on the rating scale. This supports our conclusion that the negative effect of the individual elements in the level of Management Accountability in the UAE public services sector is significant leading, similarly, to a significant negative group effect.

We have also ranked the relative strength of the negative effects of the elements as can be seen from the Table (red numbers). At the top of the rank is the negative effect of the “lack of interest of the public in Management Accountability” and at the bottom is the moderate influence of the “poor knowledge of responsibility” among staff in the public services organization. The influence of other elements is ranked accordingly between these two poles. A brief discussion of how these elements affect the level of Management Accountability in the public services sector will be useful in elucidating the conclusion drawn from the research findings.

The following explanation indicate how the effects are generated:

10.2.1 Lack of Interest of the Public in Accountability

Our respondents feel that this element has the most negative effect on the level of Management Accountability within the group. The general public in the UAE take

little interest in the amount of resources allocated to organizations (Ministries and others) in the public sector and how efficiently such resources are used in the interest of the people. They are thus not interested in the accountability of accoutors for the use of such public resources as would be expected in Western countries such as the UK, USA and other European countries. The public interest and awareness of how public resources are used is, arguably, the most potent source of control over the activities of public utilities (Day & Klein, 1987).

The lack of interest of the UAE public derives largely from:

- The enormous oil revenue wealth of the country which eases financial problems experienced by other countries and thus induces a “layback” attitude among the public;
- The lack of political education and awareness which leads to poor knowledge about the activities of the public services sector and the need for “watch-dogs” over their work;
- The paternalistic system of government in which the public has great confidence and thus entrusts its interests in the system;
- The nature of the composition of the potentially active population which is predominantly migrant labour, and it inability to question openly the effectiveness and efficiency of public sector organizations.

Given these, it is not surprising that the UAE public is not strongly interested in the activities of public sector institutions particularly in their Management Accountability

– a concept that has yet to be fully developed for the lay public to comprehend. It must be stated, however, that the situation is changing towards a burgeoning public interest in the activities and efficiency of public sector Accountees and Accountors. The recent criticisms of the work of certain Ministries in local daily newspapers are pointers to awakening interest of the public in public sector efficiency (Gulf News, 18 February 2000).

10.2.2 Culture of Trust & Tradition of Respect for views of Elders.

The citizens of the UAE hold dearly to their culture and traditions including trust and respect for the views of their elders particularly those in the Ruling Families as well as those in strategic policy-making and implementation (Accountee and Accountor) class. This tradition is impressed in the migrant labour population who are introduced into observing the same culture and tradition. It is a situation of “when in Rome; do as the Romans do”. The effect of this is that Accountees and Accountors in the public sector are trusted and their views respected as the “custodians” of the interests and welfare of the people. To this extent, it is hardly expected that Accountors will feel obliged to give a full account of their use of public resources let alone being called to present such an account for public scrutiny. Clearly, this impacts negatively on the expected level of Management Accountability in the public sector.

10.2.3 Poor Knowledge of Responsibility

In most of the organizations in the public sector, particularly the Ministries, there are neither hardly formal job description nor clear lines of responsibility between officers

or staff. Confusion is rife in such a situation in respect of what precise jobs individual staff does and their lines of responsibility and authority.

Such fused state of responsibility lead to inadequate lines of reporting while encouraging informal communication and reporting channels. The effect shows in the development of more informal rather than formal methods of accountability within the organization. This does not encourage a high level of management accountability.

The other elements of the group exert negative effect on the level of accountability in similar manner. The “attitude of indifference in the society”, for example, stems partly from the subservient nature of the dominant migrant labour and partly from the paternalistic system of government, which provides almost all the requirements of the citizens with little financial strain. In such an environment, accountors are hardly required to render any elaborate account of their stewardship resulting in.

10.3 EFFECTS OF ORGANIZATIONAL FACTOR

The aggregate effect of the organizational factors, as estimated by our regression equation in Chapter 9, is -0.336 . This suggests that a one-unit increase in the rating of the constraining effects of the organizational factors will lead to a 0.336 decrease in the rating of the level of Management Accountability. We disaggregated the package to enable us analyze the individual effects of the constituent elements. Table 10.2 presents our research results with respect to the relative effects of the elements of the Organizational factor.

TABLE 10.2

Level of Constraint of Organizational Factors on Management Accountability

| Response Type | Grading Code | FACTORS (No. of Response in Sample of 30) | | | | | | | | | | |
|--|--------------|---|---------------------------|----------------------------------|--------------------------------|------------------------------|-------------------------------|----------------------------|-----------------------------------|-----------------------------|-----------------------------------|-------------------------------------|
| | | Lack of specific definition of Accountability | Lack of accountability of | Lack of guideline for presenting | Lack appropriate reward system | Layback attitude of the Boss | Ineffective external Auditing | Inappropriate structure of | Lack of precise referral criteria | Corrupt ethical environment | Lack of equal opportunity for all | Lack of accounts control mechanism. |
| Much higher than average | 5 | 14 | 17 | 24 | 26 | - | 3 | - | 22 | - | 17 | - |
| Higher than average | 4 | 16 | 13 | 6 | 4 | 4 | 9 | - | 8 | - | 10 | - |
| Average | 3 | - | - | - | - | 14 | 14 | 22 | - | 24 | 3 | 18 |
| Lower than average | 2 | - | - | - | - | 12 | 4 | 8 | - | 6 | - | 12 |
| Much lower than average | 1 | - | - | - | - | - | - | - | - | - | - | - |
| Number of Sample (N) | | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Sum | | 134 | 137 | 144 | 146 | 82 | 101 | 82 | 142 | 84 | 134 | 78 |
| Mean rating (Ranking based on Mean) | | 4.67 (4) | 4.57 (5) | 4.80 (2) | 4.87 (1) | 2.73 | 3.37 (7) | 2.73 (9) | 4.73 (3) | 2.80 (8) | 4.47 (6) | 2.60 (10) |
| Standard Error | | 0.093 | 0.092 | 0.074 | 0.063 | 0.083 | 0.155 | .082 | 0.082 | 0.074 | 0.124 | 0.091 |
| Standard Deviation | | 0.507 | 0.504 | 0.407 | 0.346 | 0.454 | 0.850 | .449 | 0.450 | 0.407 | 0.681 | 0.498 |
| Significant at 99% | | Yes | Yes | Yes | Yes | No | Yes | | Yes | | Yes | |

Compared with the profile of response in Table 10.1, the profile in Table 10.2 is more spread. It can be seen that the four top ranking elements of the organizational factor, as presented in the Table, show a top-heavy bunching of response as against the remaining seven which have a fair spread around the average of the rating scale (i.e.3). This indicates a diverse view about the effects of the individual elements.

The mean-ratings provide a further evidence of the diverse view of the respondents. For example, the mean-ratings of seven of the eleven elements are above the average of the rating scale (that is 3) while the remaining four are below the average. The standard errors of the means-ratings and their associated standard deviations are low suggesting a fair clustering of the responses of our sample respondents around the relevant mean- rating. This may be interpreted as a low variation in opinion within the sample members on the effect of each element of the group on the level of Management Accountability in the Public Sector.

A test of significance of the difference between the mean rating of the individual elements and the average of the rating scale at the 99% level shows, as presented in Table 10.2, that all the elements except four are significant at that level. This underscores the impression of our sample respondents that most of the elements in this group are rated as having significant negative effect on the level of Management Accountability in the public sector.

From the ranking based on the mean-ratings of the samples, the view of our respondents on the relative effects of the elements can be discerned. Our respondents view the lack of an appropriate and fair reward system in public services organizations as the most significant element in this group that mitigate against a higher level of Management Accountability. This is quite understandable in the sense that without an appropriate and fair reward/sanction system in an organization, staff morale may be affected adversely leading to lower performance as the staff reacts to the situation. This contrasts with reward/sanction systems in the British public services sector where staff career path and reward/sanction systems are not only seen to be fair but also seen to be based upon appropriate staff appraisal systems (Ibid.). In the UAE public services sector, there is hardly an appropriate staff appraisal system upon which staff promotion, remunerations and sanctions are based. This has the effect of discouraging public services personnel from performing optimally to render a reasonably efficient and high level of account of their work and responsibilities.

The second and third elements in the ranking relate to the lack of any guideline or standard to direct the various levels of accountors on how to present or deliver accounts of their responsibilities and the employment of public resources entrusted in their care. Without specific guidelines on what, how, why and when to account for their responsibilities, accountors will not be able to prepare and present a reasonable account of their work and responsibilities. Clearly, this impacts negatively upon the level of accountability as accountors wonder on what exactly to present. In a similar way the lack of referral standards leads to a lack of direction on what and how to

account for the use of public resources. This is hardly the case in the UK public services where precise guidelines and referral standards are provided not only internally but also externally by parliament and, recently, by the various "Citizen Charters". The level of Management Accountability in the UK public services sector is consequently higher than in the UAE public sector where such guidelines and referral standards such as the "Citizen Charter", do not exist as yet.

The fourth element in the ranking, "the lack of specific definition of Management Accountability", has a direct negative effect on the level of Management Accountability in the sector. Of course, without a clear idea of what the concept is all about, it is difficult to see how it can be applied effectively let alone efficiently. Neither the Accountors nor the Accountees have an agreed definition, formally or informally, of the concept hence their application of the concept has been sub-standard leading to a low level of accountability. The fifth element in the ranking may be seen as a natural extension of the effect of the lack of a general definition of management accountability. However, there is also an element of a wider lack of accountability culture in the society, which derives from various other factors including the culture, tradition and religion. The commonly used term "*ensha-Allah*" – translated as "God Willing" – has embedded in it an implication of a surrender to the "Divine power and will of Allah" and thus the absolution of the individual from accounting for his/her actions and responsibility. To this extent, the lack of a formal accountability culture in the society affects adversely the level of Management Accountability in the public services sector in the UAE. Compared with the UK, the

opposite is the case. Effective and efficient management accountability is demanded from all in position of decision making not only in their official duties but also in their private lives. The numerous cases of Ministers and civil servants in the UK who have been forced to resign their positions because of improper behaviour or poor accountability in public or private lives are examples of the wide spread culture of accountability in the British society.

The policy of setting up incident investigation committees as soon as an unacceptable incident, for example. the current “Foot and Mouth Disease”, occurs reflects a society with formal and institutionalized accountability culture which is not the case in the UAE. However, it is worth recognizing that there is a strong informal tradition of accountability, which applies more of informal (including verbal) methods of accountability rather than the formal methods of the Western Countries. This approach derives from the nature of the Arab Culture, which is a “high context culture” in contrast to the “high content culture” of the Western Countries. Arguably, this tradition has served the society reasonably satisfactorily. But the increasing import of modern technology, western education and the increasing complexity of the responsibilities of the public services organizations require a review of the informal accountability system in order to achieve a higher level of Management Accountability (in the modern sense) in the UAE public sector.

The sixth and seventh elements in the ranking constitute major issues in the UK public services sector but, apparently, this is not the case in the UAE. The role of external

auditing bodies, such as Ombudsmen, the Auditor-General's Office and Parliamentary Committees, in ensuring a high level of accountability in the UK public sector is not only significant but also mandatory. In the UAE public sector, the situation is different. There are figments of internal auditing system in the Ministries and an Auditor-General's Office that is expected to ensure proper and a high level of accountability in the public sector.

However, these institutions are not as effective as was expected as confirmed by our sample respondents in Table 10.2. Furthermore, there are no Ombudsmen or Parliamentary "watch dogs" similar in effectiveness and function as those in the UK System. The National Consultative Council which was expected to perform some sort of "watch-dog" role is not effective partly because of cultural nationalism and partly because of the patronage system through which members are nominated into the council. The summary effect of the lack of effective external auditing bodies is poor account of the responsibilities and resources entrusted into the care of public services managers in the UAE. The "lack of equal opportunity for all" is a derivative of the socio-political and economic constitution and complexity of the population. About 85% of the general work force is made up of foreign migrant labour but about 60% of the top-level policy and decision-making personnel in the public sector are citizens of the UAE. The current Emiratization Policy of the government intends to increase the percentage of citizens in the general workforce to about 40% in the next five years and to push the percentage of policy and decision makers much higher to about 90% in the same period. By the nature of the divide between foreign and indigenous workers,

there is an institutionalized lack of equal opportunity between the two groups, which favours the indigenous personnel. Associated with this are the rewards, remuneration, promotion etc. systems that also favour the indigenous staff even though the support of the foreign personnel in various level of work is unavoidably crucial. Such inequality of opportunity, sometimes even among the indigenous personnel based on internal standards such as Emirate of origin, impact adversely on the public services.

According to a respondent in the Ministry of Health during our personal interviews:

“... there is no chance of rising above my current position through promotion because of the grade/link I am in. I have the relevant qualifications, attitude, good work record, short-course attendance and over 20 years of experience in relevant positions but that’s it.”

In the UK, such inequality of opportunity is formally outlawed and the “watch-dog” – “Equal Opportunity Commission” – ensures that equality of opportunity is seen to be practiced every where in the public sector. Clearly, the availability of equal opportunity for all will encourage higher levels of performance while the lack of it, as in the UAE, leads to frustration and hence poor individual and collective performance.

The eighth, ninth and tenth elements in the ranking are not seen to generate much negative effects on the level of Management Accountability. This is largely because the structure of the organizations in the public sector is fairly well designed and established along the British system. With respect to ‘corrupt ethical environment’, it may be argued that the fundamental imperatives of Islam do not encourage corrupt

ethics and this may have influenced the rating of our sample respondents. However, in his recent report, the Acting Head of the Government Audit Office His Excellency, Majid Al Khazraji, urged the government to strengthen the legal measures and procedures of investigation in corruption cases including prevention from leaving the country, attachment, suspension from work and preventive detention and the courts should seek the help of the Audit Office staff to present evidence of corruption. He referred to the many corruption cases in the government sector revealed by the Audit Office, which were not disclosed because of the confidentiality regulations of the system. He added that the absence of rules and regulations and budgets in some government institutions encourage corruption and he stressed the need for new laws under which ministers would be accountable and appear before the National Council for questioning. He suggested that members of the Executive Council should be subjected to close control of the legislative power in view of the corruption reports submitted by the Audit Office, and that a new law should be introduced for accountability of ministers, in addition to formation of a permanent disciplinary board for corrupt officials (*Ittihad Newspaper*, 14 Feb. 2000). These views from the Audit Office suggest that our respondents' view that corrupt ethical environment is not a major issue in the low level of management accountability in the UAE is not only questionable but also very subjective. In fact, the Acting Head of the Audit Office revealed that since 1976 his Office has exposed "many corruption cases among which were the cases of *the Currency Board General Trading Company; the Emirates Development Bank* and some ministries and embassies as well as investments made without feasibility studies and funds retained by some institutions by exaggerating

their reserves and not transferring same to the Treasury” (Ibid.). He called for more effective ways of combating and exposing corruption in government circles and suggested allowing the Press to criticize public sector organizations as one of the credible ways of achieving a higher level of performance and accountability in the public sector (Ibid.) The current situation in the UAE, however, does not seem to encourage a high level of Management Accountability in the public sector.

10.4 EFFECTS OF PERSONAL FACTORS

Table 10.3 presents the findings and analysis of the relative effects of the elements of the group of Personal factors. The spread of response among the ‘response types’ is higher in this group than in the other groups of factors. Apart from the five top ranking elements in the Table, which have top-heavy bunching of responses, the other elements show a wide spread of response.

The individual sample mean ratings of the five top ranking elements are high while the associated standard deviations are correspondingly low. This suggests a strong view among our respondents about the mitigating effects of these elements. Furthermore, the mean ratings of the five top ranking elements and a few others, as can be seen in the Table, are significant at the 99% confidence level. This result enables us to infer with 99% confidence that the mean rating of the negative effect of these elements on the level of management accountability is significantly higher than

TABLE 10.3

Level of Constraint of Personal Factors on Management Accountability

| Response Type | Grading Code | Elements of the Group of Factors (No. of Response in Sample of 30) | | | | | | | | | | |
|--|--------------|---|---------------------|----------------------|--------------------|--------------------|-------------------|--------------------------------|---------------|--------------------|--|--|
| | | Fear of loss of job | Inferiority complex | Inadequate education | Lack of confidence | Culture of secrecy | Corrupt behaviour | Fear of exposure of inadequacy | Fear of blame | Official arrogance | Lack of definition of job responsibility | Lack of delegation of responsibility & authority |
| Much higher than average | 5 | 20 | - | 14 | 9 | 23 | - | 9 | 19 | - | 5 | 18 |
| Higher than average | 4 | 10 | - | 12 | 11 | 7 | 5 | 10 | 11 | 4 | 19 | 12 |
| Average | 3 | - | 20 | 4 | 10 | - | 20 | 11 | - | 7 | 6 | - |
| Lower than average | 2 | - | 10 | - | - | - | 5 | - | - | 19 | - | - |
| Much lower than average | 1 | - | - | - | - | - | - | - | - | - | - | - |
| Sample size (N) | | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Sum | | 140 | 80 | 130 | 119 | 143 | 90 | 118 | 139 | 75 | 119 | 138 |
| Mean rating (Ranking based on Mean) | | 4.67 (2) | 2.67 (9) | 4.33 (5) | 3.97 (6) | 4.77 (1) | 3.00 (8) | 3.93 (7) | 4.63 (3) | 2.50 (10) | 3.97 (6) | 4.60 (4) |
| Standard Error | | 0.088 | 0.087 | 0.129 | 0.147 | 0.078 | 0.107 | 0.151 | 0.089 | 0.133 | 0.112 | 0.091 |
| Standard Deviation | | 0.479 | 0.479 | 0.711 | 0.809 | 0.430 | 0.587 | 0.828 | 0.490 | 0.731 | 0.615 | 0.498 |
| Significant at 99% | | Yes | No | Yes | Yes | Yes | No | Yes | Yes | No | Yes | Yes |

the average on the rating scale. The mean rating of the effects of the elements that ranked ninth and tenth respectively are not significant at the 99% level, thus suggesting that their negative effect on the level of management accountability is not significantly high.

The ways that the elements of this group affect the level of information disclosure and accountability is not institutional but personal. The elements affect largely the emotional psychology of the individual, which, in turn, influence the rationality of the person and, from there, the attitude and performance of the person. The individual's desire and ability to produce good work, including accounting for his/her responsibilities, are thus impaired leading to a low level of job performance and accountability.

To explain the relative effects of the individual elements, we have grouped the three top ranking elements – 'culture of secrecy', 'fear of loss of job' and 'fear of blame' – because of the similarity of the effects they generate. Unlike in the UK public sector where there is great 'openness' and a democratic approach to duty; less fear of arbitrary loss of job and unsubstantiated castigation for work done, the UAE public services sector is burdened with the negative effects of the lack of 'openness and democratic approach to work'. The culture of secrecy restricts the desire and ability of accountors to reveal relevant information in the accounts they render to the accountees. Recalling the statement of the Acting Head of the Audit Office on the revelation of his Office of many corruption cases in the government sector which could not be disclosed due to 'confidentiality nature of the information', it is easy to

discern the role of the culture of secrecy in the society, it is easy to discern the role of the culture of secrecy in the society. This culture seems to give birth to 'fear of loss of job' and 'fear of blame' among civil servants particularly the foreign personnel who must 'cooperate' to keep their jobs. The effect of this on performance and management accountability is obvious. The civil servants are guided by these informal but evidently strong constraints to disclose more generic rather than specific and sensitive information that might cost him his/her job. Some of these specific information relate to the requirements for good accountability such as financial dealings and other resource deployment but are often not disclosed to the public. This attitude and practice may have induced the Acting Head of the Audit Office to suggest the introduction of a new Law for accountability of ministers to prevent any utilization of their authorities by their subordinates to restrict disclosure of information especially financial information and to prevent ministers and their associates from blocking measures taken by the Audit Office (*Al-Atihad* , 14 Feb. 2000). Compared with the UK system, such a practice would itself constitute a criminal offence let alone tolerated within the ranks. Disclosure of information and accounting for all transactions including financial dealings in all public services organizations are mandatory requirements in the British system that has a legal status (Day and Klein, 1987).

The fourth element in the ranking – lack of delegation of responsibility and authority – relate to the structure and distribution of authority and power within the system. According to one of the senior civil servants we interviewed in the Ministry of Education:

“... authority and power in our system are concentrated at the top and even there, only a few are allowed to exercise them effectively. In the end only a few privileged individuals drive the system and these individuals get the privilege through patronage and family lineage. As you see us here, we cannot make any decision without referring to a higher authority, so how do you want us to give an account – of what? We don’t make the decisions so we are not responsible for what happens and therefore cannot account for what happens.”

Indeed, there is a high level of centralization of decision-making within the UAE public services sector and, along with this, the authority and power to implement the decisions. This does not augur well for a high level of accountability, as civil servants without decision-making authority and power are unable to render an account over what they are legally not responsible or accountable. Most of them see themselves as ‘elevated clerks’ meant to take instructions and act accordingly rather than decision makers who are accountable for the decisions take make and implement. Furthermore, the lack of delegation of authority derives also from the ‘culture of secrecy’ in the sense that top civil servants with decision-making powers hardly wish to share their authority and power lest information that are meant to be kept secret is let out under the premise of accounting for responsibilities and authority. The end product of these practices is the restriction of the very information required to provide a good and satisfactory management accountability leading to a low level of accountability.

The fifth, sixth and seventh ranking elements relate to personal qualities and their effect on the performance of civil servants in the discharge of their duties and responsibilities. Inadequate education for a particular job position generates self-sympathy and lack of confidence, which combine to build up fear of exposure of inadequacies in the individual which originate, in the first instance, from the inadequate level of education. The lack of appropriately qualified and experience indigenous manpower is a major problem in the UAE economy in general and the public services sector in particular. The reverse is the case in the UK system where across-the-board shortage of qualified and experienced manpower is uncommon though some specialized technical manpower such as in the field of Computer sciences are still in relative shortage.

Though much effort is being made in the UAE to increase the pool of adequately qualified indigenous staff, through, for example, the establishment of Universities, Higher Colleges of Technology and sponsorship of citizens in courses Overseas, the shortage is still significant – a constraint that will certainly challenge the government Emiratization Policy that is currently on track. The effect of inadequate education and the concomitant lack of confidence and fear of exposure of inadequacies on the level of information disclosure and presentation of account of responsibilities ranges from poor logical format, shallow content and analysis to incomprehensive and unactionable management account. The end result is a low level of management accountability.

The eighth, ninth and tenth elements in the ranking relate to the ethical quality and behaviour of the individual civil servant. Corrupt behaviour of civil servants, inferiority complex *vis-à-vis* others deemed to be superior and arrogance deriving from official position and authority affect the content of management account and the ability to present the account. There are evident cases of such constraints in the UAE public services sector as demonstrated by the recent and unusual revelations in Dubai Customs and Transport Department as well as the Ministry of Immigration. Some corrupt top officers of the Dubai Customs, including the Director-General of Customs and six other senior officials were found guilty of corruption by the Dubai Criminal Court (*Gulf News*, 19 April, 2001). They were sentenced to a varying number of years of prison terms as follows: the Director-General was sentenced to 27 years and ordered to return Dh.2.1 million bribe money; Mr. Ali Hassan Foulath, 31 years and ordered to return Dh.1.5 million of ill-gotten money; Mr. Khalifa Ali bin Ghilaita and Mr. Abdul Nabi Bankash Haji, 7 years each; Mr. Mohammed Igbal and Mr. Shaid Qadeer Khan had 5 years each while Mr. Ali Badr Kamali was given 3 years. Of course, the Court ordered Haji, Khan and Igbal, who are foreigners, to be deported after serving their jail terms (*Ibid.*). Clearly, we would not expect these corrupt officials to present credible and reliable management account of their responsibilities and decisions. But the unusual decision taken by the Dubai Ruler to arrest, investigate and put on trial such top civil servants and 'power brokers' is not only encouraging in the sense of being a warning as well as a deterrent to other civil servants but it is also a right step in the right direction towards developing better management accountability culture in the public services sector of the UAE.

10.5 ACCOUNTABILITY BENCHMARK & THEIR EFFECTIVENESS IN UAE

To underscore our findings and analysis, we designed and administered among our sample of thirty accountors and accountees a ‘Tick (⊕) Questionnaire’ (Appendix E).

In the questionnaire we requested the respondents to indicate whether the benchmarks listed are available in public services organizations and to assess their effectiveness by rating each of the benchmarks on a scale of:

| | |
|------------------|---|
| Very Effective | 5 |
| Effective | 4 |
| Average | 3 |
| Ineffective | 2 |
| Very Ineffective | 1 |

The result of the survey and an analysis of the results are presented in Table 10.4. As can be seen in the Table, our respondents indicated that 10 out of the 16 listed benchmarks are available in one form or another in the public services organizations of the UAE; the others are not formally identifiable hence they are not available. This finding is very interesting in the sense that the benchmarks that are not available in the organizations seem to be the main enhancers of high level of Management Accountability in other countries such as the UK and USA (Day and Klein, 1987). Decentralization and delegation of authority, democratic principles, transparency of administration, mandatory reporting, job appraisal system and judicial review of cases are the uncompromising stalwalks of the British and, indeed, the American public services systems of Management Accountability.

Table 10.4**Accountability Benchmarks & Their Effectiveness In UAE Public Sector**

| Benchmark | AVAILABLE IN UAE SYSTEM | EFFECTIVENESS RATING (SAMPLE MEANS) | EFFECTIVENESS RANKING |
|--|--|--|----------------------------------|
| Informal Communication | Yes | 3.425** (0.171) | 1 |
| Organizational Objective | Yes | 3.325** (0.168) | 2 |
| Neutrality of civil Servant | Yes | 3.325** (0.292) | 2 |
| Legal Regulation | Yes | 3.225** (0.193) | 3 |
| Operating Procedure | Yes | 3.200** (0.204) | 4 |
| Formal Communication Channel | Yes | 2.625 (0.278) | 5 |
| Internal Auditing | Yes | 2.525 (0.269) | 6 |
| Poor Performance Sanction | Yes | 2.325 (0.240) | 7 |
| Job Description | Yes | 2.000 (0.249) | 8 |
| Good Performance Reward | Yes | 1.875 (0.291) | 9 |
| External Ombudsman System (Audit Office) | Yes | 1.800 (0.263) | 10 |
| Decentralization and Delegation of authority | No | - | - |
| Democracy at Work | No | - | - |
| Mandatory Reporting | No | - | - |
| Judicial Review | No | - | - |
| Job Appraisal System | No | - | - |
| Transparency of Administration | No | - | - |

** Significant at 95% level.

In fact, the reforms in the British public administration system in the Margaret Thatcher years of the 1970s and 1980s were meant largely to institutionalize these benchmarks that enhance a high level of accountability. John Major, for example, extended the democratic principle, during his period as prime minister with the introduction of “Consumer’s Charter” in various aspects of public services provisions. Compared with the British system, therefore, our result goes to confirm the earlier findings that the level of management accountability in the public services sector in the UAE is less than average in similar organizations in the UK or USA.

Our correspondents’ assessment of the effectiveness of the available benchmarks indicate that only four out of the available ten have ratings that are significant at the 95% level. The ratings of the effectiveness of the other benchmarks are below average, which underscores our conclusion from the research. In fact, the sample means that are significant at the 95% level are relatively low which suggest some wide variations in the individual ratings of the respondents and hence their individual opinion on the effectiveness of the relevant benchmarks.

10.6 SUMMARY

In this chapter we have attempted mainly to analyze the effects of the variables identified through regression analysis and respondents actual answers on the level of Management accountability in the public services sector in the UAE. The research findings and the subsequent analysis of the results indicate strongly that the level of Management accountability in the public services sector is lower than average in

similar organizations in countries such as the UK. The identified groups of causal factors include:

- Social-cultural factors
- Organisational factors
- Personal factors.

We examined the individual elements of each group of factors and discussed their individual effects on the level of management accountability in the system. It is indisputable that their collective and individual effects have been negative leading to the observed low level of accountability in the public sector.

We also identified a list of benchmarks that may enhance a high level of management accountability and carried out a survey on their availability in the UAE system and their effectiveness in enhancing accountability. Compared with the UK system, our finding indicates that the benchmarks that are available in the UAE system are really not the stalwarts of good accountability and even their effectiveness in encouraging a high level of accountability is questionable. The essential benchmarks, drawing from the British example, are not established in the UAE system. This confirms not only our finding that the level of management accountability in the public services organizations in the UAE is below the average in similar organizations, for example in the UK, but also that the identified groups of factors and the benchmarks that are yet to be established in the UAE public services sector account for the low level of management accountability in the sector.

11.1 INTRODUCTION

The main objective of this chapter is to sift through the findings, results and conclusions reached in the previous chapters and make appropriate recommendations. Our

CHAPTER 11

This will constitute the main contribution of this study.

The discussion in this chapter is based upon the following layout:

- i) A summary of results of the study;
- ii) A discussion on indicators of good management accountability;
- iii) A discussion of the theoretical model suggested for the UAE and its social-political system;
- iv) A discussion of how to implement the model through elimination of

RECOMMENDATION

in the public service sector in the UAE;

The challenges that our model and recommendations will come up against are identified and discussed with a view to highlighting their potential effects. However, these challenges are not likely to distort the course of our recommendations significantly.

11.1 INTRODUCTION

The main objective of this chapter is to sift through the findings, results and conclusions reached in the previous chapters and make appropriate recommendations. Our recommendation will be based upon a theoretical model deduced from a combination of the theoretical discussions in earlier chapters and the empirical findings of the study. This will constitute the main contribution of this study.

The discussion in this chapter is based upon the following layout:

- i) A summary of results of the study;
- ii) A discussion on indicators of good management accountability;
- iii) A discussion of the theoretical model suggested for the UAE and its social-political system;
- iv) A discussion of how to implement the model through elimination of the mitigating factors identified in the previous chapters.
- v) An analysis of the recommendations of our sample respondents on how to improve the level and standard of management accountability in the public services sector in the UAE;

The challenges that our model and recommendations will come up against are identified and discussed with a view to highlighting their potential effects. However, these challenges are not likely to distort the course of our recommendations significantly.

11.2 SUMMARY OF RESULTS OF THE STUDY

The main contention of the study is that the level and standard of Management Accountability as presented by Accountors to Accountees in the public services organisations of the UAE is less than the average in similar organisations, particularly in the UK. A survey of a sample of the general public who consume the services of the public sector organisations coupled with empirical case-study of two public services enterprises provides the results that enabled us to reach a conclusion, even if tentative in nature because of the sample size. The findings of the study lead us to accept the contention of the study that the level of Management Accountability in the sector is lower than the average in similar organisations. Tests of hypothesis about the sample means confirm the findings leading to the conclusion that the level is significantly lower than average.

Using Pearson's correlation co-efficient (r), we established strong association between the low level of Management Accountability in the public sector and three distinct groups of factors, which are:

- Social-cultural factors;
- Organisational factors; and,
- Personal factors.

With the help of regression analysis, we established a reasonable degree of cause-effect relationship with the low level of Management Accountability as dependent variable and the three groups of factors as independent variables. This result was collaborated by other survey and personal interview findings, which increased its validity and

reliability. Thus, we concluded that the low level of Management Accountability in the public services sector is largely a function of the three groups of factors listed above.

The study has therefore emerged with two tentative conclusions:

- a) the level of Management Accountability is less than average in similar organisations; and,
- b) three groups of factors are strongly correlated with the low level and may account for a significant part of it.

At this point, we may ask what are the indicators of good management accountability in the public services sector?

11.3 INDICATORS OF GOOD MANAGEMENT ACCOUNTABILITY

There is hardly any set of generic indicators of good management accountability that exists which can be applied to every case or situation when assessing accountability efficiency and effectiveness. Different societies have different typology of accountability with different measurement mechanisms depending on the social-political system and structure of the society. In developed democratic societies, for example, political accountability tends to be stronger than other types of accountability such as Financial, Legal, Management, Social, Moral, etc. largely because of the higher level of political awareness and election-orientation of those societies. In a developing country, such as the U.A.E., where the basic management of public resources for the benefit of the public is more important than politicking the

public interest, management accountability tends to be more emphasized than other types of accountability. It is, perhaps, for this reason and the lack of effective public interest in the management of public resources as our research results indicate that management accountability in those societies is less effective.

There are, however, some major indicators that give a reasonable ground to expect a high level of management accountability in public organisations. The indicators include, among others, the following:

- Clear organizational objectives and goals set up by a higher authority within the organization or the government.
- Well-defined hierarchical structure showing the managerial lines of responsibility and accountability.
- Well-defined duties and responsibilities of both the organization and the individual working in it.
- Establishment of performance measurement system that shows clearly the input, process and the outcome in addition to sanctions and rewards and the procedures for the employees and civil servants.
- Establishment of a system and procedures for information transparency within the organization including the reporting requirement for internal and external usage.
- Performance evaluation for individual staff and higher and middle management through personnel appraisal, value for money and performance audit.

- Establishment of formal and informal channels of communication within the organization that will aide/hinder accountability progress and growth.
- The promotion of administrative culture and ethos within the organization through intensive training programme and seminars.
- Establishment of civil servants neutrality rules by rewarding/protecting them adequately.
- Establishment of internal and external system of supervision on the organization activities.
- Promulgation of rules and procedures for control of accountability.
- Decentralization and delegation of authority within the organization.
- Encouragement of greater responsiveness of civil servants and officials when serving the public.
- Establishment of a system of effective scrutiny of the government activities through more openness in government.

The existence of these indicators in a public sector organisation may suggest that an appreciable level of management accountability is practised within the organisation.

The legal and contractual nature of these indicators determines their implementation and effectiveness. The more legal, contractual and mandatory the establishment, implementation and control of these indicators, the higher and more effective is the level of management accountability. To achieve this, we require a framework within which the rights and obligations of the participants (Accountees and Accountors) will be clearly defined and regulated.

11.4 ACCOUNTABILITY MODEL FOR THE UAE.

For the UAE and other societies with similar social-political structure and environment, we recommend our adapted version of the “**Principal–Agent Model of Accountability**”.¹ The UAE has a socio-political structure and environment that is significantly different from the environments, mainly Western Countries such as the UK and the USA, upon which the original “**Principal-Agent model**” was based. This is the main reason for the adaptation of the model to suit the circumstances of the UAE socio-political system. Using the UK for comparison, we have listed in Table 11.1 some of the major areas of difference between the UAE socio-political system and that of the western countries.

As can be seen in the Table, the differences range from democratic principles, to diverse and contradictory social-political interests in the societies. The main source of the differences, however, seems to emanate from the religious and cultural divide between the societies. The UAE is predominantly Islamic and Arabic in culture while plural christianism and a mix of culture prevail in the UK. But as the Table shows, there are also differences in secular areas. For example, while the UK has an elected parliamentary system with an elected Prime Minister and Cabinet, the UAE is not a parliamentary system and the Prime Minister and his Cabinet are not elected by a popular suffrage but nominated and appointed as provided by the Federation Constitution of 1971. The implication of this for accountability is that the UAE Prime Minister is directly accountable to the President of the country not the public while in

¹ See discussion of the Principal-Agent model in chapter 3. Our model was adapted from Gray, et al. (1996).

the UK the Prime Minister is directly accountable to the British public. Similarly, while the British public is very active in monitoring and seeking accountability from public servants for responsibilities entrusted on them, the UAE public is less active overtly though individuals or groups of individuals often pass comments on observed inappropriate behaviour of public servants through informal channels to the decision makers.

Furthermore, the UK political system is a formal and active democracy, which the UAE system is not, and, in *tandem*, the Media and Press in the UK are very active in monitoring and reporting the activities of both politicians and civil servants which encourages effective accountability. In the UAE, the Media and Press are less openly active in monitoring and reporting the activities of decision-makers, Ministries and civil servants though recent trends show some significant departure from this inactivity. For example, the Minister of Culture and Information called on the Press in 1999 to point out the short-comings of government departments for investigation and redress if necessary. This led to some press criticisms of Ministries and other government department in 1999 and, recently, the Press published cases of corrupt government officials in Dubai who were subsequently jailed for taking bribe and abusing their office and authorities (Gulf News, 19 April 2001). This is a measure of openness in the society but it is yet to be formalized as a legal practice.

Table 11.1

Comparison of Elements of the Socio-Political Systems of the UK and the UAE

| United Kingdom (UK) | United Arab Emirates (UAE) |
|---|--|
| Non Executive Head of State (The Monarch) | Executive Head of State (The President) |
| Formal and Active Democratic System | Informal and inactive Democratic System |
| Elected Parliamentary System with elected Prime Minister and Cabinet. | No Parliamentary System; Prime Minister & Cabinet nominated as provided by Constitution. |
| Active Public Opinion | Inactive Public Opinion |
| Clear definition of Accountability and legal imperatives to implement it. | No clear definition of Accountability and no effective legal imperatives. |
| Formal and effective procedures, regulations and standards for attaining accountability in public sector. | Lack of clearly defined and effective procedures, regulations and standards for attaining accountability in public sector. |
| Active Media and Press as "Watch-dogs". | Inactive Media and Press "Watch-dogs". |
| High level and effective decentralization and delegation of authority. | Low level and ineffective decentralization and delegation of authority. |
| Effective division of power between Legislative, Executive and Judicial branches of Government. | Concentrated legislative, executive and judicial powers. |
| Effective separation of religion, culture and politics in the system. | Effective combination of religion, culture and politics in the system. |
| Diverse and often contradictory social-political interests and groups in the system. | Effectively harnessed 'cocktail' of social-political interests and groups in the system. |
| Western Judicial System | Mainly, Sharia (Islamic) Judicial System. |

Given these differences, it may not be reasonable to expect very similar accountability environments in both societies. However, the basic principles and objectives of accountability are the same in all societies so the development of an accountability model for a particular situation involves, essentially, customisation of existing general models in the areas of regulations and practice. This is what our recommended model sets out to achieve.

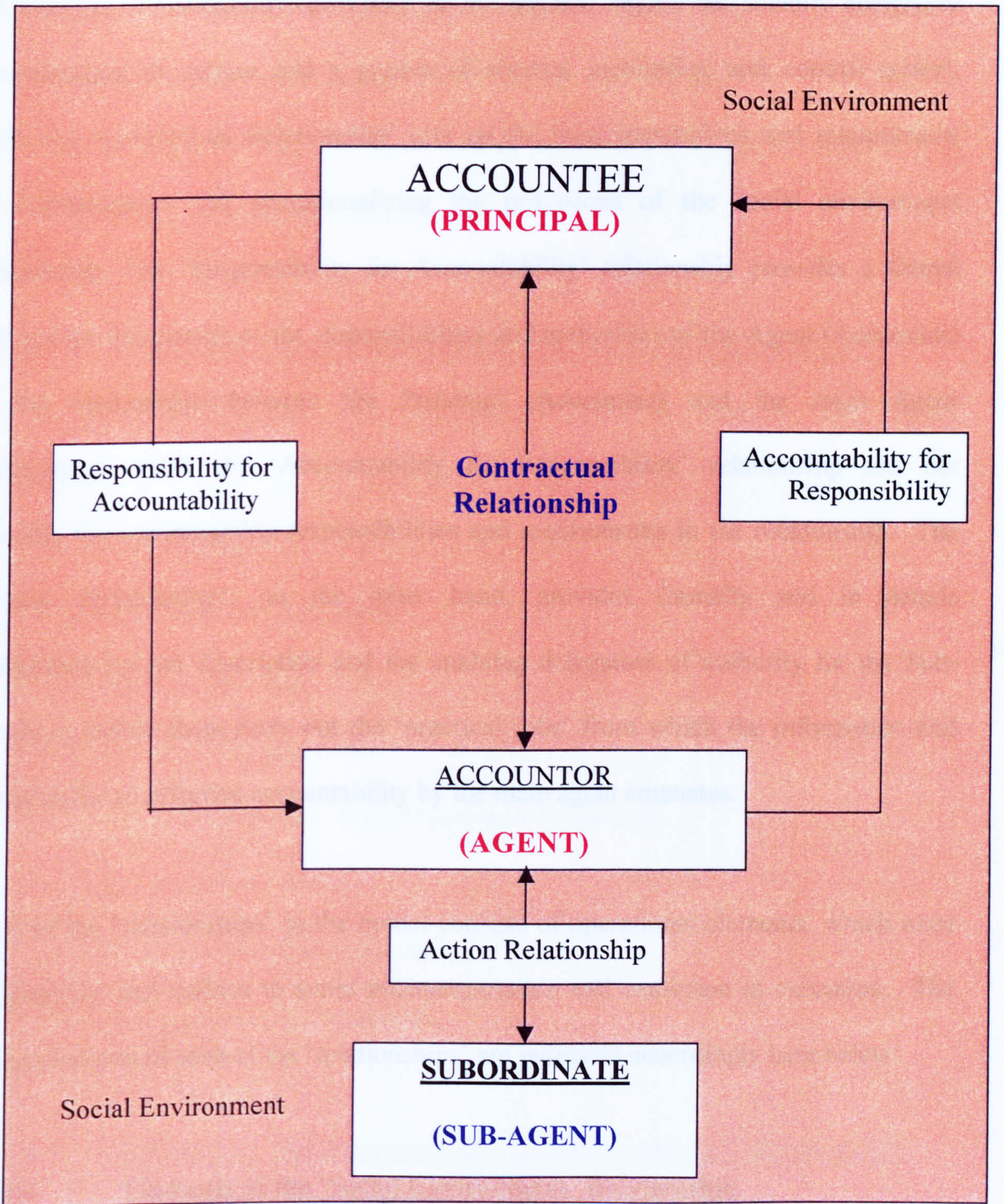
In Figure 11.1 we present our recommended model for developing an effective Management Accountability in the public services sector of the UAE. Adapted from Gray, et al. (1996), the model is customized to incorporate the peculiarities of the UAE public sector environment in order to encourage the practice of effective accountability. The model has three main actors, **the Principal (Accountee), the Main Agent (Accountor) and the Sub-Agent (Subordinate)** who operate in a social setting (**Social Environment**).

There are five distinct relationships in the model:

- Social environment relationship.
- Principal-Agent contractual relationship.
- Responsibility for Accountability relationship.
- Accountability for Responsibility relationship.
- Main Agent-Subagent relationship.

Figure 11.1

PRINCIPAL – AGENT MODEL OF ACCOUNTABILITY



Source: Gray et al, (1996)

The 'Social Environment Relationship' provides the general setting including a definition of accountability, provision of the societal objectives, socially acceptable customization of culture and a system of societal monitoring and control system; while the 'Contractual Relationship' sets up the legal imperatives and requirements for formalization and operationalizing the provisions of the social environment relationship. The 'Responsibility for Accountability' relationship provides a formal and precise description of the responsibilities and authorities of the Agent (Accountor) in the relationship between the Principal (Accountee) and the main Agent (Accountor); while the 'Accountability for Responsibility' relationship sets out formally the accountability responsibilities and requirements in the relationship. The 'Action Relationship', on the other hand, provides formally and in details comprehensive job description and the enabling delegation of authority for the Sub-agents to enable them carry out the 'practical jobs' from which the information and statistics for an effective accountability by the main agent emanates.

Each of the 'relationships' in the model consists of operational elements, which must be specified and defined to avoid misinterpretation and confusion in execution. The major elements of each of the 'relationships' are indicated accordingly here below:

11.4.1 Elements of the 'Social Environment' Relationship

The wider society (public) must participate in one form or the other in the following activities:

- Participate in setting objectives of Organization.

- Customization of social-cultural element to suit accountability
- Active participation in evaluating performance
- Open criticism/commendation of performance, e.g. in Press
- Social sanction of inappropriate behaviour e.g. call to resign or be replaced
- Membership of external Ombudsman.

11.4.2 Elements of the 'Principal-Agent Contractual' Relationship

The following relationships and requirements must be formally and legally established:

- Legal relationship
- Formal contractual relationship
- Regulatory relationship
- External Audit Requirement
- Mandatory Requirements (e.g. Reporting Requirements)
- Judicial review provision
- Neutrality of Accountor/Accountee
- Monitoring and control regulations.

11.4.3 Elements of the 'Responsibility for Accountability' Relationship

The Principal (Accountee) should define the following for the Agent (Accountor):

- Precise definition of Accountability
- Precise job description for the Accountor

- Authority Boundary
- Level of Openness of Report
- Level of delegation of authority to Sub-Agents
- Full information Disclosure
- Objectivity/neutrality in reporting
- Formal and Mandatory Reports
- State Reporting Regularity & Format

11.4.4 Elements of the 'Accountability Responsibility' Relationship

The Agent (Accountor) should be expected formally and legally to be accountable and present accounts in the following areas:

- Financial Account
- Legal Account
- Social Account
- Management Account
- Political Account
- Economic Account.

11.4.5 Elements of the 'Action Relationship' (Sub-Agent)

The main Agent should indicate in details the job specifications and the enabling instruments/incentives for the sub-agent such as:

- Precise definition of Accountability
- Conformity and compliance with rules, procedures, regulations and control
- Financial propriety and accounting
- Neutrality/objectivity in work
- Professional handling and disclosure of information
- Active and impartial participation in collecting information
- Decentralization and delegation of authority
- Appropriate Job Appraisal system
- Reward/Sanction System.

Effort should be made to specify and define these elements as clearly as possible to enable public servants to implement them effectively. The relevant procedures, evaluation and control mechanisms should be defined and put in place. The underlying objectives of each activity in the relationships should be stated and the legalisation and formalisation procedures set out unambiguously. These will lead to institutionalization of the relationships and the practice of effective accountability in organizations in the sector.

As may be inferred from the description of the relationships in the model, the major operational instruments underlining the model are formalization, legalization and control of accountability principles, procedures and practice in the relevant organizations in the UAE. This constitutes the central pillar of our model that will lead to a successful and effective Management accountability. Thus, with a clear definition of the type of accountability required and a formal and legally enforceable

set of accountability procedures, regulations, monitoring, reviewing and controlling mechanisms put in place, our recommended model will encourage the development of a very high level of Management accountability in the public services sector of the UAE and, indeed, other societies with similar societal attributes.

11.5 RECOMMENDATIONS BY OUR RESPONDENTS

We asked our sample respondents to recommend, by prioritizing their choices from a list of options provided using a grading scale of 1 to 5, where 1 represents ‘lowest’ priority and 5 as ‘highest’ priority, how the low level of Management Accountability could be improved. The result of the survey is presented in Table 11.2.

In general, our respondents see a great urgency in improving the level of Management Accountability as their response profile indicates. It can be seen in the Table that the mean score of any of the recommendation options is above 4.60, which indicates that our respondents see virtually all the options as priority areas. This supports earlier conclusions that there is a noticeable lack of formal regulatory institutions in public sector organisations in the UAE to provide precise accountability guidelines and control. Among the recommendation options, our respondents give the highest priority, as the mean scores suggest, to the following:

- Definition of accountability
- Provision of strict guidelines for presenting accounts

Table 11.2**Low Level Management Accountability: Recommended Solution by Respondents**

| Recommendation Options | Prioritization Scale | | | | | Sample Total | Mean score |
|---|-----------------------------|----------|----------|----------|----------|---------------------|-------------------|
| | 5 | 4 | 3 | 2 | 1 | | |
| Define accountability precisely. | 30 | - | - | - | - | 30 | 5.00 |
| Provide strict guidelines for presenting account. | 30 | - | - | - | - | 30 | 5.00 |
| State objectives of accountability precisely. | 30 | - | - | - | - | 30 | 5.00 |
| Educate civil servants on the need for accountability. | 20 | 10 | - | - | - | 30 | 4.67 |
| State and enforce deadlines for submission of Accountability Report | 19 | 10 | 1 | - | - | 30 | 4.60 |
| Establish reward/sanction system for good/poor accountability. | 30 | - | - | - | - | 30 | 5.00 |
| Employ appropriately qualified persons. | 20 | 9 | 1 | - | - | 30 | 4.63 |
| Establish effective Ombudsman system to monitor accountability | 30 | - | - | - | - | 30 | 5.00 |
| Decentralization & delegation of authority | 26 | 4 | - | - | - | 30 | 4.87 |

- Stating objectives of accountability precisely
- Establishment of reward/sanction system for good/poor accountability
- Establishment of effective Ombudsman system for monitoring and controlling accountability.

These recommendations hinge on the basic pillars of our recommended model which are; formalisation, legalisation and control of the requirements for an effective accountability. Our respondents' views on how to improve the level of management accountability in the public sector of the UAE are thus tangential to the provisions of our adapted Principal-Agent model.

A similar support for the tenets of our model comes from the Acting Head of the UAE Audit Office, His Excellency, Majid Al-Khazraji, who recommends with special reference to corruption in the public services that:

- i) "Members of the executive power should be subjected to elected legislative power before which all ministers, senior officials and government institutions should appear for accountability while the legislative power should consider highly reports raised by the Audit Office which would be the starting point for further investigations and hold sessions to discuss these reports;
- ii) introduction of a new Law for accountability of ministers to prevent any utilization of their authorities by their subordinates and to prevent

ministers from blocking measures taken by the Audit Office as well as establishing a permanent disciplinary board for financial and administrative offences;

iii) review of organisation structure of all ministries and institutions specifying authorities and responsibilities from the ministers down to the lowest level which would enhance accountability and responsibility;

iv) issue all administrative and financial systems at the time of establishment of new institutions” (*Al-Ittihad Newspaper*, Feb. 2000).

These recommendations re-emphasize the lack of formal and institutionalized regulatory system that could develop effective accountability in the sector. Our model covers all these areas and provides a scheme, which, if implemented conscientiously, will inevitably enhance the development of a much higher level of Management Accountability than exist now in the sector.

11.6 CONSTRAINTS ON THE RECOMMENDATIONS

The ultimate success of our model and the other recommendations depends on many factors including the accountability constraining groups of factors that were identified and analysed in chapters 9 and 10 respectively. These factors and others need to be tackled to eliminate or, at least, minimize their negative effects on the level of accountability in the sector. We present a brief discussion of factors and the ways to eliminating them in order to reduce their negative effects:

11.6.1 The lack of will-power to Change

Perhaps, one of the most constraining factors in a situation that calls for change is the lack of will-power and the weakness of the individual due to personal interests to accept let alone implement the change. It is common to hear people question the need for change by saying that; *“we have been doing things in this way for decades and there has not been any disaster, why then do we need to change the way we have been living happily for something else?”* Such comment and situation are common in many developing countries and the UAE is no exception. In fact, in 1985 when the government of Abu Dhabi engaged the Public Administrative Service to set up a proper structure for the Emirate’s Departments, including job descriptions for senior management, overlapping responsibility of departments and merger of certain departmental activities and decentralization of certain services/activities, there a massive resistance to the project by both Accountees and Accountors. This was due largely to the fear of some influential civil servants and superiors that they may lose their power and authority even though the project was discussed and amended many times, and, in fact, part of it had been implemented already.

There is need to recognize this attitude in the work place and research ways to eliminate it to encourage progress. One way of eliminating such negative attitude is to provide continuous education and training so as to expose staff to the changes in their field of work as well as other fields. Coupled with a good scheme of incentives that enhances not only the career opportunities of the individual but also his

compensations from doing efficient work including initiating and accepting change. The introduction of the principles of effective Management Accountability in the UAE public services sector, given its current less than average performance, will be a significant change and it needs to be tackled carefully but decisively.

11.6.2 The Social-Cultural Factors

The UAE society is basically a traditional society consisting of villagers and town men who are mutually dependant on each other for their living. Islam and Islamic law play dominant role in every aspect of life of the society and Islamic culture is influential in directing public administration work because any reform measure that might hamper the interest of Islamic religion will not succeed. In the UAE, Islam is a way of life and its rules and principles govern the relations of the citizens, employees and employers; and it acts as a focal point for the society and its culture; and its spirit permeates all aspects of life-private, political, social, and economic. However, the UAE society has its own distinct social system, which owes its origin to Arab traditions and cultures. Some of the elements of the social-cultural system such as ties of kinship, tribal solidarity, loyalty and obedience to leaders, respectfulness to superiors and social governance which is based mainly on 'Arab-ocracy' (a governing system which blends democratic principles with Shiekdom principles; i.e. nationals have direct access to the *Shiek's majlis*-a place where the rulers can listen to complaints and grievances), among others, tend to affect adversely modern management accountability in the UAE public sector as our research results suggest.

To this extent, there is need to review these social-cultural factors with a view to reducing their effects on the level of accountability in the public sector.

The following measures may be taken to redress the situation in order to enhance the development of effective management accountability:

- Civil servants and public managers must be taught to focus on the organisation's objectives and targets as well as being innovative and creative member of society rather than following their superiors blindly so that productivity can be gauged and compared with others in the locality and adverse variations in results are accounted for by those responsible.
- Intensive management training in modern business ethics and code of conduct for civil servants, which prohibit nepotism and corruption.
- Even though no citizen lives below the poverty line as defined by the United Nations, wealth distribution should be smoothed out – i.e. flattening out the curve.
- To bring social justice, Civil service rules and regulations must be reviewed in line with the scale of pay in the private sector especially for those grades, which attract special talents and skills. The current scale of salary for the nationals was reviewed in 1996 but the salaries of expatriates have not changed since 1977. Rules and regulations of

Civil service as well as the salary increase affect productivity and accountability because better caliber can be brought into these organizations and more social stability can be achieved for those employees' families.

- To be more productive and performance-oriented, the social environment in public organizations/enterprises must be improved. The social environment would include facilities such as recreational centres, staff clubs and co-operative societies as well as social funds to help those in need in the organisation.

These social benefits create a climate of confidence and loyalty within the organization thus enhancing efficiency, effectiveness and accountability as well as promoting a sense of loyalty to the organization and its objectives.

11.6.3 The Organizational factors

Like most Arab organizational model, the UAE governmental organisation model combines elements from both western model of bureaucracy with its emphasis on economy, efficiency and effectiveness and the traditional Arab culture with its emphasis on tribal solidarity, collective decision-making and communal welfare. The characteristics of the Arab model are as follows:

- A moderate degree of vertical and horizontal specialization.

- A low degree of co-ordination stemming from the exercise of personal authority and extensive use of committees.
- Allow degree of formalization and highly "bendable" rules.
- Personnel decisions (i.e. selection, placement, promotion, compensation) are based on flexible criteria that subject to wide personal preferences and judgments and leading to overstaffing and disincentives to work hard.
- A high degree of centralization of decision-making.

Despite the introduction of modern organization and methods within the public sector, the government system is still suffering from elements of Arabian bureaucracy represented by over centralization of authority, overstaffing, personalization, nepotism, secrecy, low performance and accountability. Consequent to these salient characteristics, senior and public managers in the UAE tend to display the following attitude in their jobs:

- resist innovation and change
- seek authority and like to display bossiness
- avoid responsibility and decision-making
- admire and respect their superiors
- hate to plan but like to control
- prefer security to high pay jobs
- motivate their subordinates by fear and blame.

These organisational factors and others encountered in our case studies have hampered organisational reforms towards performance-related measures and accountability within the public sector. The Arabian organisation model could operate adequately when the internal and external organizational environments are simple and stable. However, in today's complex and turbulent business and political environments, the model would be deficient to achieve modern organizational aspirations and targets.

To reduce the impact of these negative organizational factors the following actions are recommended:

- Decentralization of departmental operations and their decision-making process so that they become closer to the public and customers.
- Goods and services should be market-oriented and their costs, prices, quality and production/provision are measured in accordance with pre-determined set of standards/criteria so that managers/individuals become responsible and accountable to their actions to the public and the government. Currently budget allocation and spending are not tied to performance criteria or progress where the outcome would be assessed at the end the progress or event.
- Traditional bureaucratic administration should be brought in line with the new paradigm of management i.e. setting up the

organizational system on a market driven mechanism specially in strategy formulation, home resources management and customers needs and requirements.

- To move to private sector style of management, new organizational culture should be created by training civil servants/managers in service delivery marketing, products and services innovation, cost consciousness and forward planning and control.
- Organizational system and procedures which deals with staff matters such as promotion, recruitment responsibility and performance measurement criteria and clear reporting system should be established and updated frequently as events change or new environmental factors emerge.
- Setting up a management system whereby civil servants/managers are encouraged to make decisions and suggestions on matters concerning their work, so that confidence can be created between themselves and their supervisors. This move should entail giving up some authorities and power from the top.
- Reports of departmental heads to the cabinet of ministers/executive council should be transparent and documented so that ministerial responsibility and accountability cannot be avoided or pushed to some one else in the organisation.

- The Audit Office should be given more power and independence to enable its reports and recommendations to be more effective and credible. Currently the bureau reports and recommendations on departmental units and ministries are not taken up or received seriously by those who are supposed to take the action thus resulting in lack of attention and seriousness by those departments/ministries causing waste and uncontrollable expenditure.
- Ombudsmen and watchdog committees should be appointed/set up to receive complaints from the public for matters concerning the public services.
- A council or a committee of a higher authority should be established to modernise the work of ministries/departments so that public management in the UAE can be seen as capable of handling the changing and complex environment of today's business and organizational requirements. The council/committee could consist of members from the government, National Consultative Council, Consultants and experts who possess knowledge and experience in the relevant field.
- Professionals such as medical doctors should be allowed to participate in the management activity including administrative decision-making and financial matters.

- A regulatory agency should be set up to regulate and monitor monopolist firms that provide public services such as Telecommunications services, e.g. Etisalat. Currently the corporation enjoys monopolist status without having an independent regulatory body to check prices of services offered, quality of services supplied, cost incurred in providing such services and equipment and future services and technology of the company even though the corporation is profitable and has growth oriented strategy.
- Privatization of Health services should be considered as an option to the existing health care as many benefits could accrue to the treasury and the economy as a whole in the area of efficiency, effectiveness and public expenditure reduction. The privatization could take two forms: privatizing management only or privatizing the entire assets including hospitals. Alternatively the Ministry of Health can be split into two trusts: one as provider of services and the other as receiver, thus, creating internal market for the medical services as well as giving a choice of medical care to the citizens through comparing prices and costs of these services regionally as is the case in the UK.

11.6.4 The Personal factors

In the middle of the twentieth century many researchers and writers such as Hawthorne (1924-1932), Maslow (1943) McGregor (1960) Herzberg (1966) and Argyris (1957) tried to study the factors that influence productivity of workforce in

private sector firms. These writers used social sciences particularly sociology and psychology to advance their argument and theory. With the advent of New Public management paradigm, most of these theories that were developed in the twentieth century were drawn into the public organization thus linking directly or indirectly the theories to performance measurement, efficiency, effectiveness and public accountability in public sector organizations.

Hawthorne's experiments at the Western Electric Company in U.S. between 1924 and 1932 demonstrated that personal and social factors can have significant impact on performance productivity, responsibility towards the organization's goals and the acceptance of the positive and negative consequences of the individual or group behaviour relating to such responsibility. Besides formal relationship of the workforce within public organizations, Hawthorne found that informal group relationship within the company had some influence on the efficiency and effectiveness of the services program especially when the workers are allowed to control their own work environment and choose their supervisor. However Hawthorne's findings had some bearing on public organization/enterprise performance, quality standard and accountability because it reduced alienation to stay in the work place and committed civil servants and employees to the organization's main objectives and policy.

In developing countries like the UAE, which depends to a large extent, on foreign manpower to run the public organizations, high personal commitment to the goals of

the establishment is low due to differential in wages and salaries between foreign and national workforce. Employees of UAE nationality receive higher wages and salaries in government/quasi government agencies compared with their counterparts who are not UAE nationals except where the job requires special skills and experience, which are not available among nationals. In addition to pay differential, national employees enjoy many fringe benefits such as government pension benefit, social security and employment benefits as well as promotion and skill development training. These privileges are granted to encourage nationals to join the public sector so that dependence on foreign labour may be reduced. Not only are jobs and pay treated differently between nationals and expatriates who are not employed with special terms and conditions of contracts, but the nationals also receive special treatment of employment particularly where their relatives are in charge of that organization or enterprise. Civil service rules and regulations prohibit such practice within public sector establishment. Other obstacles to accountability include low level of awareness of civil servants of their entitlements under the Civil Service Commission rules and regulations. Hence it is difficult to design an effective system of accountability for civil servants by requiring them to be performance oriented and accountable for their actions when they are not fully aware of their rights under the Civil Service Code.

The elimination of personal/social factors that constrain accountability regime in public sector organizations is not easy because the issues are sensitive and deeply rooted in the civil service code. However, the following measures may be taken with a view to reducing the negative effects of the personal factors:

- New regulation is required to rectify the inequality between nationals and expatriates who have the same qualifications and experience by upgrading and promoting those who fall within the appropriate new civil service code of employment.
- Creating special grades for those nationals who do not meet the recruitment requirements; i.e. the necessary qualifications and experience in order to join government employment.
- Establish overtime and performance related compensation scheme for those who exceed the target standards. Thus, without creating differential in pay, the hard working and dedicated employees would be rewarded in accordance with their achievements and the employees whose results fall below the required standard would be punished by the management.
- Encourage informal relations within the organizations so that group/individual relationship can compliment the formal relationship, which binds the organization and its work force and the employee to his superior/manager. By creating such work environment accountability machinery would function smoothly and productivity/performance-oriented activities would be enhanced.
- Setting up a system whereby staff and workers in the organization can obtain all information relating to their entitlement and rules and regulations of Civil Service Commission so that awareness of job opportunities and benefits are properly communicated and disseminated.

Certainly, the elimination of the accountability constraining factors will enhance the implementation of our recommended model. It will clear the way for the various relationships in the model to be operated transparently and committed. Otherwise, the current problem of low level of Management accountability may continue with all the negative consequences on performance and efficiency in the public services sector.

11.6 SUMMARY

This chapter set out to make appropriate recommendations after a summary of the research findings, analyses and conclusions. The overall conclusion from the results of the study is that the level of management accountability in the UAE public services sector as represented by our case-study organizations is less than the average in similar organizations, particularly in the UK. This situation derives from certain mitigating factors, which, if remedied may lead to significant positive results with respect to improving accountability in the sector.

An adapted version of the Principal-Agent model was recommended for the UAE, and, indeed, other societies in similar situation and similar social-political characteristics. The model has five main relationships including:

- Social Environment relationship
- Principal-Agent relationship
- Responsibility for Accountability relationship

- Accountability for Responsibility relationship, and,
- Agent-subagent action relationship.

Each of these relationships has a number of elements, which must be specified and defined unambiguously for all parties in the relationships to enable proper accountability to be rendered. Thus, the key pillars underlying the relationships of the model are formalisation, legalisation and control of the elements that are expected to enhance good accountability.

Recommendations by our sample respondents and the Acting Head of the UAE Audit Office were presented as well. These recommendations provide additional support to our model that the essential variables for a higher level of management accountability in the public sector are the relationships and their constituent elements that are identified in our model. However, the successful implementation of the recommendations depends largely upon the ability and commitment to reduce the adverse effects of the constraining factors identified in the research. A brief discussion of the individual groups of factors led to recommendations on how to eliminate or reduce the factors in the sector. We concluded that a conscientious effort to the implementation of the recommendations made would inevitably lead to the development of a culture of providing good and effective Management accountability in the public services sector of the UAE.

CHAPTER 12

piece of work. It is therefore an integral part of the research project.

As a concept, accountability is not easy to define. In a standard sense, it refers to a state of being answerable for one's actions. The available conceptualizations of accountability in what usually is meant by each situation (Day and Klein, 1987). In broad terms,

however, accountability may be viewed as a process where a person or groups of people are required to render an account of their activities to the next higher level in the organizational hierarchy by showing the way in which they have discharged their duties and responsibilities. The concept has many dimensions.

CONCLUSION

- Financial accountability.
- Political accountability.
- Social accountability.
- Legal accountability, and.
- Management accountability.

We have concentrated on the Management accountability concept in our study for the simple reason that it is more distinctive than any of the others. Furthermore, it constitutes

12.1 INTRODUCTION

This chapter concludes our study on the level of Management Accountability in the UAE public services sector. It threads together the main issues discussed and analyzed in the previous chapters with a view to giving a bird's eye view of the entire piece of work. It is therefore an overall summary of our research project.

As a concept, accountability is not easy to define in a standard format and this has often led to a loose use of the concept with the inevitable consequence of confusion as to what exactly is meant in each situation (Day and Klein, 1987). In broad terms, however, accountability may be viewed as a process where a person or groups of people are required to render an account of their activities to the next higher level in the organisational hierarchy by showing the way in which they have discharged or failed charge their duties and responsibilities. The concept has many dimensions, including:

- Financial accountability,
- Political accountability,
- Social accountability,
- Legal accountability, and,
- Management accountability.

We have concentrated on the Management accountability concept in our study for the basic reason that it is more inclusive than any of the others. Furthermore, it constitutes

the main problematic area in the operations of the public services organizations in the United Arab Emirates (UAE).

Essentially, Management accountability deals with issues such as the cost effectiveness of resource allocation and use, budgetary control, efficiency of operations, policy effectiveness and performance measurement. With these functional parameters, management accountability is, therefore, a process whereby the executive management of an organization (whether in public or private sector), referred to as 'Accountor' or 'Agent', gives an account of his/her stewardship to the shareholders/stakeholders, referred to as 'Accountee' or 'Principal', for scrutiny and action with the aim of controlling the activities and performance of the organization. Thus, the level of accountability achieved in an organization is a barometer of the state of discipline and efficiency in the organization.

12.2 RESEARCH PROBLEM

In the UAE public services sector, the barometer indicates a state of indiscipline and inefficiency as a result of the low level of accountability in the sector. The situation led to some public concern and criticism, even though largely privately. In fact, this led, in the later part of 1998, to the Minister of Culture and Information encouraging the national media to raise issues with public sector organisations and, where necessary, criticize their services including accountability. Strong reservations were expressed about the effectiveness and performance of most of the public sector organisation in the country. The most repeated and emphasized issue was the level of

information disclosure and the accountability for the organisation's duties and responsibilities to the UAE public.

Despite these criticisms, some of which are evident, the critics failed to provide concrete evidence of the issues, particularly those of poor management accountability.

Arguably, the accountability problem is the most serious one considering the enormous amount of resources consumed and the public trust put in the public sector organisations. Some of the most searching and important questions raised include: why is management accountability in organizations/enterprises in the public services sector so much a concern of the general as well as specific publics such as the Media? Are the organizations/enterprises really inefficient and their level of management accountability very low? What are the factors that may be responsible for such problems particularly those of management accountability? What can be done to make public sector organisations in the UAE more accountable and efficient? The concerns of the UAE public and the questions raised triggered this study to find solution.

12.3 OBJECTIVE OF THE STUDY

The main objectives of this study are to confirm or refute the observed performance and management accountability problems in the UAE Public Sector and identify and assess the factors that contribute to the situation with the aim of recommending appropriate solution. More specifically, the study focused on:

- a) examining the performance of public sector organisations in the UAE in order to confirm or refute the public concerns about management accountability in the sector;
- b) identifying and evaluating the factors that are responsible for the problems of management accountability in the public sector organizations:
- c) developing and recommending an appropriate accountability model to solve the problem identified and suggest implementation strategy.

Given the objectives, the usefulness of our study to the government of the UAE, the general public of the country and academics is obvious. The research results, analysis and recommendations will provide the government a basis to review the organization and performance of the public sector organizations in order to improve the level of accountability while the general public will have a better understanding of the reasons for the observed low level of accountability in the sector. For the academia, the findings provide additional empirical evidence of the phenomenon investigated while the model developed and recommended in the study suggests the approach for further research in this subject-area.

12.4 RESEARCH METHODOLOGY

Both secondary and primary data were used extensively and intensively in this research. The study started with exploratory research aimed at identifying the research problem and focusing the issues for investigation. This was very helpful not

only in focusing the study but also in raising appropriate questions for investigation. Subsequent to this was the secondary and primary data research.

12.4.1 Secondary Data Collection

Secondary data research – the collection of data assembled, analyzed and documented by someone else – was used throughout the entire study. However, there was a concentrated use of secondary research and data in the first five chapters of the study.

Most of the secondary data collected are from published materials including official sources such as:

- UAE Central Bank reports and publications;
- Reports and publications of relevant Ministries such as Finance, Economics & Planning, Health and Education;
- IMF and World Bank documents and publications;
- Etisalat Annual Report and Accounts; and
- Other publications including documents and publications of private sector enterprises and relevant books and journals.

Information collected from one source was compared with other relevant sources for accuracy and reliability. This has given us greater confidence in the secondary data used in the study and, thus, the analysis and results obtained from the use of the data

12.4.2 Primary Data Collection.

Qualitative and quantitative primary data were researched and collected at four different stages as follows:

Stage 1: A general survey of a sample of 500 respondents drawn purposively from a sampling frame of 3000 persons in the public sector using an omni-bus or general questionnaire (see, Appendix A);

Stage 2: A customized survey of 60 respondents (30 from each of the two case-study organizations – Etisalat and the Ministry of Health – using a customized questionnaire (see, Appendix B & C);

Stage 3: A focused survey of 30 respondents drawn through purposive sampling approach from the 60 respondents in stage 2 using specialized questionnaire (see Appendix E);

Stage 4: Personal interviews with 10 respondents (5 from each of the case-study organizations) selected purposively using semi-structure questionnaire (see, Appendix D).

Each stage used a fairly different but re-enforcing questionnaire, which was pilot tested and corrected before administration. The sampling method used is *purposive sampling*. This is an appropriate sampling method for our study because of the nature and objective of the study, which required the inevitable inclusion of the Accountors and Accountees in the case-study organizations as well as other organizations in the public sector in our focused and general samples respectively. A response rate of 52% was obtained in the general survey and a 100% response and co-operation from

respondents of the focused samples and among the personal interview participants. The surveys and the personal interviews were conducted in 1999 and 2000.

12.4.3 Analysis of Data

We used mainly the 'Statistical Package for the Social Sciences' (SPSS) in our analysis of the research data. Various hypothesis test techniques were employed with very satisfactory results, which were assessed either on a 95% or 99% confidence level as the case may be. In most of the cases, our test results were significant at the 99% confidence level, which covers automatically the 95% level as well. The test methods used are as follows:

i) For hypothesis about a single mean

The relevant hypothesis in this case is: $M \geq 3$; where M =sample mean and $3 = \mu$ (i.e. average on the grading scale) and the test is one-tail with a significance level of either 95% or 99%. The Z-test was used in this case because our sample size was 30.

ii) For hypothesis about the independence of samples (test of multiple means)

The relevant hypothesis here is to test whether all our three samples (the general public sample and the two case-study samples) are from the same population. ANOVA was used as the appropriate technique with F-test measure and 99% significance level.

iii) For test of Correlation or Association

We used the Pearson Correlation Co-efficient (r) to estimate the correlation between the level of Accountability and the other group of variables (social-cultural, organizational and personal factors).

iv) For Causation Analysis

Regression analysis was used to assess the impact of the independent variables (social-cultural, organizational and personal factors) upon the dependent variable, the level of Accountability. The co-efficient of determination (R^2) was used to evaluate the impact of the independent variables on the dependent variable.

In using the various methods of the survey research approach and the different methods of analysis and test, we do appreciate the problems that are generally associated with these methods and techniques. For example, we do recognize that the purposive sampling method falls short of the requirements of random sampling, which is recognized as the most unbiased sampling method. Similarly, other problems, such as colinearity of variables in regression analysis, interviewer and interviewee biases as well as the effect of the limited size of our samples relative to the size of the public sector in the UAE, are recognized. These have not had significant adverse effect upon the results of our research because of the care taken in the conduct of the research to avoid such impact. However, it is generally accepted that the nature and objective of a research topic determines not only the sampling approach but also the content of the questionnaire, the interview method and the test instruments used (Cooper and

Schindler, 1998). This applies to our study in all aspects. To this extent, we have great confidence in our research findings, results and conclusions.

12.5 SUMMARY OF FINDINGS - FACTORS

The main findings of this study are as interesting as they are ^{involving} disturbing. Interesting in the sense that many people had thought that the public services sector in the UAE was coping with the requirements of the public in a regime of Oil wealth and excellent leadership of the President, His Highness Sheikh Zayed bin Sultan Al Nahyan. Disturbing in the sense that our research reveals that the situation is far from rosy and that, in fact, the public services organizations have failed to satisfy the public, at least, in providing above average level of account of the allocation and use of the resources entrusted in their care on behalf of the people. The responses of our three groups of samples – the general public, the focused samples from Etisalat and the Ministry of Health – indicate very similar views and opinion in respect of the level of satisfaction with the general performance of the sector and, more importantly, the level of management accountability in the sector.

12.5.1 Findings from the General Public Sample

Chapter 6 presents the detail results of the responses of the general public sample with respect to the different questions asked in the general questionnaire, which was administered by post and hand delivery. With 52% response rate, we are satisfied with the response and hence the outcome of the survey.

In summary, the general public as represented by our sample indicates that:

- The public services sector is too large in relation to the population of the country as of 1998 figures. This means a relative inefficiency in the use of resources particularly scarce manpower in the sector. However, it must be recognized that the country is also too rich in relation to its population and that one of the traditional roles of the public sector is to provide employment irrespective of efficiency considerations. To this extent, the views of our respondents has a question mark hanging over its head for failing to recognize the 'social objective' of public sector organizations.
- The general performance of the public services sector with respect to financial, economic and, even some social objectives such as provision of high quality health and educational services, is less than average in similar organizations in the UK or other Western countries. On the basis of the principles of averages, this view is respectable otherwise there are some pockets of above average performance in the sector such as will be seen in one of our case studies.
- There are mountains of constraints on the provision of account for stewardship, a low level of information disclosure, much secrecy in organizations, a lack of definition of accountability, poor performance standards and appraisal system, lack of effective external performance monitors and evaluators such as Ombudsmen, an abject lack of a fair

reward/sanction system and a lack effective delegation of authority, job description and sense of responsibility in public services organization. These impact very adversely on the level of management accountability in the sector.

- The level of management accountability in the sector is much less than average in similar sectors in Western countries.

The views of our general public sample are firm and solid. Their mean rating of the level of management accountability in the public sector is significantly less than the average rating in the grading scale leading us to reject the relevant hypothesis that $M \geq 3$ and accept the null hypothesis that $M \leq 3$.

12.5.2 Findings from of Case-Study 1 - ETISALT

There are no great differences in the views of the Etisalat sample and those of the general public sample except in the area of financial performance of the enterprise.

While presenting views very similar to those of the general public sample, the Etisalat sample differed in the following aspects:

- Our respondents see the financial performance of the corporation as satisfactory. This is collaborated by the financial statistics obtained from the records of the corporation. However, it must be recognized that Etisalat is a legislative monopolist in the Communications Industry in the UAE and

therefore operates in a relatively protected rather than competitive market. If this is taken into proper account in assessing the financial performance of the corporation, especially under competitive conditions, the results might be radically different.

- Our respondents also stated that Etisalat is technologically progressive and attempts to keep up-to-date with management developments. For example, Etisalat has on paper 'Job Appraisal System', 'Performance Evaluation Mechanisms', 'Internal Control System' and written work procedures. However, the respondents also noted that these provisions are not effectively used and therefore fall short of expectations particularly in enhancing management accountability in the corporation.
- The respondents indicated therefore that the level of management accountability in the corporation is less than the average level in similar organizations. for example. BT in the UK.

Statistical tests of the view that the level of management accountability in the corporation is less than the average in our grading scale provided a similar result as in the case of the general public sample. At 95% confidence level, their mean rating of the level of management accountability in the corporation is significantly less than the average in similar organizations.

12.5.3 Findings of Case-Study 2 Sample – Ministry of Health

Our sample of respondents from the Ministry of Health holds a very similar view to those of the general public sample. They have indicated that:

- The general performance of the Ministry in terms achieving the expectations of the public is below the average in similar organizations such as the British National Health Services.
- All the obstacles to a good and high level of accountability are present in the Ministry ranging from a high level of centralization, lack of external monitoring and evaluation mechanism, lack of job description to secrecy and low level of information disclosure.
- Consequently, the level of management accountability is very low in the organization.

Statistical tests of the mean rating of the sample at 99% confidence level confirm the finding that the level of management accountability in the Ministry is far less than the average in similar organizations such as the NHS in Britain.

12.5.4 The Mitigating Factors

The research findings indicate the following factors have negative and strongly correlated with the observed low level of management accountability in the public sector organizations:

- Social-Cultural factors

- Organisational factors, and,
- Personal factors.

The correlation co-efficient (r) of each of these groups of factors is not only negative and high but also significant at the 99% confidence level as discussed in detail in chapter 10. These confirm that the association between the low level of management accountability and each of the factors is very strong suggesting the possibility of causal relationship.

We tested this contention that there is a causal relationship between the low level of management accountability and the factors using regression analysis. The result indicates, through the co-efficient of determination (R^2) that a causal relationship seems to exist between the low level of management accountability as the dependent variable and the three groups of factors as independent variables. The $R^2 = 0.88$ which means that about 88% of the variation in the rating of the level of management accountability is caused by variations in the independent variables. The results show that the Personal factors caused the most variation, about 0.50. in the dependent variable followed by the Organisational factors and then the Social-Cultural factors. It therefore follows that a significant reduction in the adverse effects of the Personal factors will increase the level of management accountability in the public sector organizations. This is also true for the other factors and so a combined attack to reduce the adverse effects of the three groups of factors will lead to a very significant increase (about 88%) in the rating of the level of management accountability among our sample respondents. However, this result showing a causal relationship should be

interpreted cautiously because it is often difficult to establish effective causation through regression analysis (Rowntree, 1987; Sekaran, 2000). Furthermore, some bias may be introduced by colinearity among the variable though we do not seem to have a serious problem from this direction.

12.5.5 Analysis of Effects of Mitigating Factors

Each of the three groups of mitigating factors comprises different elements with differential mitigating effect on the level of management accountability in the public sector. The sub-factors are shown in the Fish bone diagram in chapter 10 (see, Figure 10.1). The sub-factors have differential effect on the level of accountability in the sector. The social-cultural factors (see, Table 9.4), for example, account for 0.248 of the variation in the dependent variable, which means that an increase by a unit in the rating of the collective effect of these groups of factors would lead to a decrease of 0.248 in the rating of the level of management accountability. However, in examining the individual element in the group we note that four out of seven of the elements had ratings above the average (3) in the response grading scale. This shows the differential contribution of each of the sub-factors to the group's collective mitigating effect on the level of management accountability.

A similar disaggregation of the elements of the organizational factors shows a diverse view about the effects of the individual elements (see, Table 10.2) compared with the elements of the social cultural factors. For example, while the mean ratings of seven of the eleven elements in this group are above the average of the rating scale (3), the

remaining four are below the average. The difference between the mean ratings of the individual elements and the average of the rating scale of this group of factors is significant at 99% confidence level. This indicates that all but four elements in this group are significant at this level thus underscoring the impression of the sample respondents that most of elements in this group are rated as having negative effect on the level of management accountability. The group of personal factors (see, Table 10.3), also have such sub-factor differential effects. The implication of this analysis is that the mitigating factors should not be seen only in their collective effect but also the disaggregated differential effects of the individual sub-factors should be recognized in any scheme to reduce the negative effects of the constraining factors.

12.6 SUMMARY OF RECOMMENDATION

Pulling together all the findings in this study and reviewing the theoretical background of the research, we developed a framework based on the ‘Principal – Agent’ model of Gray, et al (1996) for improving the level of management accountability in the public sector of the UAE. The model has been customized to incorporate the peculiarities of the UAE public sector environment in order to encourage the practice of effective accountability. The model has three main actors, the Principal (Accountee), the Main Agent (Accountor) and the Sub-Agent (Subordinate) who operate in a social setting (Social Environment). There are five distinct relationships in the model:

- Social environment relationship
- Principal-Agent contractual relationship

- Responsibility for Accountability relationship
- Accountability for Responsibility relationship
- Main Agent-Subagent Action relationship.

The ‘Social Environment Relationship’ provides the general setting including a definition of accountability, provision of the societal objectives, socially acceptable customization of culture and a system of societal monitoring and control system; while the ‘Contractual Relationship’ sets up the legal imperatives and requirements for formalization and operationalizing the provisions of the social environment relationship. The ‘Responsibility for Accountability’ relationship provides a formal and precise description of the responsibilities and authorities of the Agent (Accountor) in the relationship between the Principal (Accountee) and the main Agent (Accountor); while the ‘Accountability for Responsibility’ relationship sets out formally the accountability responsibilities and requirements in the relationship. The ‘Action Relationship’, on the other hand, provides formally and in details comprehensive job description and the enabling delegation of authority for the Sub-agents to enable them carry out the ‘practical jobs’ from which the information and statistics for an effective accountability by the main agent emanates.

Each of the ‘relationships’ in the model consists of operational elements, which must be specified and defined to avoid misinterpretation and confusion in execution. Effort should be made to specify and define these elements as clearly as possible to enable public servants to implement them effectively.

The major operational instruments underlining the model are formalization, legalization and control of accountability principles, procedures and practice in the relevant organizations in the UAE. This constitutes the central pillar of our model that will lead to a successful and effective Management accountability. Thus, with a clear definition of the type of accountability required and a formal and legally enforceable set of accountability procedures, regulations, monitoring, reviewing and controlling mechanisms put in place, our recommended model will encourage the development of a very high level of Management accountability in the public services sector of the UAE and, indeed, other societies with similar societal attributes.

A survey of our focused sample of respondents on what is to be done to improve management accountability in the public sector indicates that our respondents give priority to the resolution of the following problem areas:

- Definition of accountability
- Provision of strict guidelines for presenting accounts
- Stating objectives of accountability precisely
- Establishment of reward/sanction system for good/poor accountability
- Establishment of effective Ombudsman system for monitoring and controlling accountability.

These recommendations hinge on the basic pillars of our recommended model which are; formalisation, legalisation and control of the requirements for an effective accountability. Our respondents' views on how to improve the level of management

accountability in the public sector of the UAE are thus in line with the provisions of our Principal-Agent model.

These recommendations re-emphasize the lack of formal and institutionalized regulatory system that could develop effective accountability in the sector. Our model covers all these areas and provides a scheme, which, if implemented conscientiously, will inevitably enhance the development of a much higher level of Management Accountability than exist now in the sector. However, the success of our model and the other recommendations depends on many factors including the accountability constraining groups of factors that were identified and analyzed in chapters 9 and 10 respectively. These factors and others need to be tackled to eliminate or, at least, minimize their negative effects on the level of accountability in the sector.

12.7 CONCLUDING REMARKS

Whatever system of management accountability in force, the expected result may not be achieved if there is no managerial and organizational commitment within the public sector, which must be followed up and evaluated by an independent body designated for that purpose. There must be the will-power, discipline and commitment from all persons concerned to carry out conscientious and efficiently the responsibilities for accountability and present to the principals accountability for the responsibilities. Without these, the expectation of the public with respect to the provision of a high level of accountability by those in whom they have reposed trust and confidence to deploy public resources efficiently will be frustrated. Moreover, management

accountability system would be worthwhile only when the cost of its introduction and implementation is less than the benefit derived otherwise the effort would be wasted.

12.8 FURTHER AREAS OF RESEARCH

The current research highlights many intellectually interesting issues that could be potential areas for further research. The research undertaken is restricted to one dimension of accountability (management accountability) within the public sector, the other dimensions of accountability such as financial, political and legal need to be researched to have a complete picture of accountability in the public sector of the UAE.

In connection with management accountability corporate governance had been a focus and debate of academics and writers on organisation theory in recent years. Corporate governance plays an important role in facilitating the accountability mechanism and understanding. Our study has not dealt with the corporate governance issues. In the future an investigation of the relationship of management accountability and corporate governance in public sector organisations could highlight an important association that might enhance the accountability concept. Further more, the accountability criterion stated in this research can be extended to include quantifiable and measurable criteria in the future investigation so that a standard of accountability measure can be established for gauging good and poor accountability procedures as well as giving an insight into the problem of public sector accountability.

APPENDIX A

GENERAL PUBLIC QUESTIONNAIRE ON MANAGEMENT
ACCOUNTABILITY

RESEARCH ON ACCOUNTABILITY IN THE PUBLIC SERVICES OF UAE

GENERAL PUBLIC QUESTIONNAIRE

Dear Respondent,

We are conducting a research on “Accountability in the Public Services of the United Arab Emirates (U.A.E.)” to write up a Ph.D thesis for the University of Hull, U.K.

The study will be beneficial to the UAE public in general and the public services in particular by identifying the factors responsible for public services accountability problems and offering appropriate solutions.

We need your co-operation in filling the attached questionnaire as sincerely and objectively as possible and to return it in the enclosed - addressed - stamped envelop.

Any information supplied will be handled in strict confidence and used exclusively for writing up the Ph.D. thesis.

Thank you in advance for your co-operation.

Yours faithfully,

Juan Salem

Questionnaire

Dear Respondent,

Please answer the questions below as objectively and sincerely as possible.

Thank you.

GENERAL INFORMATION SECTION

1. Which of the following professional categories best describes your current official position?

(Please tick only one).

- | | |
|--|--------------------------|
| Minister..... | <input type="checkbox"/> |
| Member of National Council | <input type="checkbox"/> |
| Ex-Minister..... | <input type="checkbox"/> |
| Chairman | <input type="checkbox"/> |
| Director..... | <input type="checkbox"/> |
| Under-Secretary of Ministry..... | <input type="checkbox"/> |
| Assistant Under-Secretary of Ministry..... | <input type="checkbox"/> |
| Senior Management in Private Sector..... | <input type="checkbox"/> |
| Consultant..... | <input type="checkbox"/> |
| Senior Military/Police Officer..... | <input type="checkbox"/> |
| Others (please specify) | <input type="checkbox"/> |
| | |

2. How long have you occupied your current official position?

- | | |
|--------------------------|--------------------------|
| Less than 1 year | <input type="checkbox"/> |
| 1 - 3 years..... | <input type="checkbox"/> |
| 3 - 5 years..... | <input type="checkbox"/> |
| 5 - 10 years..... | <input type="checkbox"/> |
| More than 10 years | <input type="checkbox"/> |

3. What is your Emirate of origin?

- Abu Dhabi
- Dubai
- Sharjah.....
- Ajman
- Ras Al Khaima
- Fujeirah.....
- Umm Al Quwain

4. In which of the following sectors are you currently or were you employed? (Tick only one)

- Federal Public Service.....
- State (Emirate) Public Service
- Private Sector.....
- Quasi-Government Organization
- Non-Profit Organization.....
- Others (please specify).....
-

Back Ground Information

5. How would you consider the current size of the U.A.E. public service in relation to the population of the country, which is only 2.6 million people (1997 figures)?

- Too large.....
- Large
- Correct size.....
- Small.....
- Too small

6. In your view, what should constitute the main objectives of the Ministries and other organizations in the Public Service of the UAE? (Please prioritize your choice using 5 as most important and 1 as least important).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| To provide good Social Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide comprehensive annual evaluation of Performance the sector | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide Employment for all nationals | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide good Health and Housing Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide a full and accurate account of the use of funds & resources allocated to it by the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide Security to all in the country | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide good Education Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide accurate information/data to the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To encourage socio-economic development of UAE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7. Please assess the performance of the UAE Public Service in the provision of each of the following the services? (Score as follows: 5=Much above average; 4=Above average; 3=Average; 2=Less than average; 1=Much less than average.)

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Provision of Social Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual evaluation of Performance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Employment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Health Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual account of the use of funds & resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Housing Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Education Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Security | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Information/Data to the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual account of income and expenditure. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

8 How would you define **Accountability** in the Public Services of the UAE? (please tick only one option)

- Provision of general annual account of the performance of the Ministry
- Provision of detail account of the performance and use of resources allocated to the Ministry
- Provision of detail annual budget of income and expenditure of the Ministry
- Provision of detail annual account of the use of resources allocated to the Ministry

9. Please assess the performance of the UAE Public Service in the provision of statistical information in each of the following areas: (Score as follows: 5=Much above average; 4=Above average;3=Average; 2=Less than average; 1=Much less than average.)

| | 5 | 4 | 3 | 2 | 1 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Annual Plan & Budget Details | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Financial Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employment Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Objective of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Socio-economic Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Audit Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Decision making structure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resource allocation & utilization | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| General Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

10. To what extent are you satisfied with the level of Accountability in the Public Services of the UAE? (tick only one).

- Very satisfied
- Satisfied
- Indifferent
- Dissatisfied
- Very dissatisfied

11. In your view, who should an **Under-Secretary** in a Ministry be directly accountable to for his/her duties and responsibilities? (Please rank your answer in descending order using 5 as most important and 1 as least important).

| | 5 | 4 | 3 | 2 | 1 |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| The Prime Minister | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Supreme Council | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The UAE general public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Minister | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The National Council | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Chairman | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

.....

12. Which of the following have you encountered in your dealings with Ministries or organizations in the UAE Public Service? (Please rank your answer in descending order using 5 as most encountered and 1 as least encountered)

| | 5 | 4 | 3 | 2 | 1 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Poor knowledge of responsibility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limited information disclosure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor Management annual report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability Ombudsman | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor annual accounts report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Exaggeration of success | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of report-writing guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor definition of accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (Specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

SPECIFIC INFORMATION

13. What are the topics you would expect to find in the annual report of Under-Secretaries in the Ministries? (Please rank your answer in descending order using 5 as most important and 1 as least important).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Policy & Objectives of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Funds and other resources allocated to Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Utilization of funds and other resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Evaluation of performance of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategy of operation of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limitations of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Performance measurement & control mechanisms | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Projections for the future | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other matters (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | | |

14. In your view, what social cultural factors might hinder an Under-Secretary in a Ministry from giving a full and detail account of the performance and use of resources allocated to his/her Ministry? (Please rank your answer in descending order using 5 as most influential and 1 as least influential).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Culture of trust in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Low level of public awareness | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Attitude of indifference in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Tradition of respect for views of elders | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of interest of the public in such an account | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor knowledge of responsibility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Low level of political awareness in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | | |

15. In your view, what **organizational factors** might influence an Under-secretary in a Ministry to present a poor annual account of the performance and use of resources allocated to his/her Ministry. (Please rank your answer in descending order using 5 as most influential and 1 as least influential).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Lack of specific definition of Accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability Culture in the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of guideline for presenting account | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack appropriate reward system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Layback attitude of the Boss | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Ineffective external Auditing Body | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inappropriate structure of the Organization..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of precise referral criteria | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Corrupt ethical environment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of equal opportunity for all..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accounts control mechanism..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

16. In your view, which of the following indicators would reflect good **Accountability** in the Public Services of the UAE? (Please rank your answer in descending order using 5 as best indicator and 1 as least indicator).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Unrestricted public review of public service accounts..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Total disclosure of information..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Disclosure of all income and expenditure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reporting all government activities openly | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Press freedom to discuss public sector accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limited report of government activity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Comprehensive account of resource utilization..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Disclosure of personal interest of civil servants..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (specify please)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

17. In your view, what personal factors might hinder good Accountability in the public services? (Please rank your answer in descending order using 5 as most influential and 1 as least influential).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fear of loss of job | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inferiority complex | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inadequate education..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of confidence | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Culture of secrecy..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Corrupt behaviour | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Fear of exposure of inadequacy..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Fear of blame | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Official arrogance..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of definition of job responsibility..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of delegation of responsibility & authority..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

RECOMMENDATION

18. What can be done to improve the level of Accountability in the public services of the UAE? (Please rank your answer in descending order using 5 as most important and 1 as least important)

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Define accountability more precisely | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provide strict guidelines for presenting accounts..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Penalize non-compliance with guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| State objectives of accountability precisely..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Educate Civil Servants on need for accountability..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| State deadline for submission of accounts/report..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Relate good accountability to appropriate reward | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employ appropriately qualified persons | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Establish Ombudsman to monitor accountability.....

19. What other suggestions would you like to make to improve **Accountability** in the Public services of the UAE? (Please feel free to write as you may desire)

.....

.....

.....

.....

.....

.....

.....

THANK YOU FOR YOUR TIME

RESEARCH ON ACCOUNTABILITY IN THE PUBLIC
SERVICES OF UAE

APPENDIX B

ACCOMTEE QUESTIONNAIRE ON MANAGEMENT
ACCOUNTABILITY

Questionnaire for Accomtees

(Minister, etc.)

**RESEARCH ON ACCOUNTABILITY IN THE PUBLIC
SERVICES OF UAE**

Questionnaire for Accountees.

(Minister, etc.)

Dear Respondent,

We are conducting a research on "Accountability in the Public Services of the United Arab Emirates (U.A.E.)" to write up a Ph.D thesis for the University of Hull, U.K.

The study will be beneficial to the UAE public in general and the public services in particular by identifying the factors responsible for public services accountability problems and offering appropriate solutions.

We need your co-operation in filling the attached questionnaire as sincerely and objectively as possible and to return it in the enclosed - addressed - stamped envelop.

Any information supplied will be handled in strict confidence and used exclusively for writing up the Ph.D. thesis.

Thank you in advance for your co-operation.

Yours faithfully,

Juan Salem

QUESTIONNAIRE

Dear Respondent,

Please answer the questions below as objectively and sincerely as possible.

Thank you.

GENERAL INFORMATION SECTION

1. In which of the following categories is your organization formally registered in the UAE?

(Please tick as appropriate).

Public Service

Quasi – Public Service

Private Sector Company

Non-Profit Organization

Others (please specify)

.....

2. What is the official designation of your current position in your organization? (tick only one).

Minister

Chairman

Director-General

Chief Executive Officer

Others (please specify)

.....

3. How long have you occupied your current official position?

Less than 1 year

1 – 3 years

3 – 5 years

5 – 10 years

More than 10 years

4. Are you in Federal or Emirate Service employment?

- Federal Public Service Employment.....
- Emirate Public Service Employment.....
- Federal Private Sector Company.....
- Emirate Private Sector Company.....
- Federal/Emirate Service Employment.....
- None of above.....

BACK GROUND INFORMATION

5. How would you consider the current size of the U.A.E. Public Service in relation to the population of the country, which is only 2.6 million people (1997 figures)?

- Too large.....
- Large.....
- Average size.....
- Small.....
- Too small.....

6. In your view, what should constitute the main objectives of the Ministries and other organizations in the Public Service of the UAE? (Please prioritize your choice using 5 as most important and 1 as least important).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| To provide good Social Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide comprehensive annual evaluation of Performance the sector | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide Employment for all nationals | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide good Health and Housing Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide a full and accurate account of the use of funds & resources allocated to it by the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide Security to all in the country | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide good Education Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide accurate information/data to the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To encourage socio-economic development of UAE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7. Please assess the performance of the UAE Public Service in the provision of each of the following the services? (Score as follows: 5=Much above average; 4=Above average; 3=Average; 2=Less than average; 1=Much less than average.)

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Provision of Social Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual evaluation of Performance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Employment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Health Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual account of the use of funds & resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Housing Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Education Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Security | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Information/Data to the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual account of income and expenditure. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

8. Please indicate your level of involvement in the following functions in your Ministry/Organization. (Please rank your answers, using 5 as highest level of involvement and 1 as lowest level).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Policy Making..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategic Planning..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual Planning..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Budgeting and allocation of Resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Executive Implementation of Plans | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Evaluation of Performance & resource use | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (Please specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

9. Please assess the performance of the UAE Public Service in the provision of statistical information in each of the following areas: (Score as follows: 5=Much above average; 4=Above average; 3=Average; 2=Less than average; 1=Much less than average.)

| | 5 | 4 | 3 | 2 | 1 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Annual Plan & Budget Details | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Financial Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employment Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Objective of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Socio-economic Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Audit Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Decision making structure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resource allocation & utilization | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| General Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

10. In general, to what extent are you satisfied with the performance of the Public Sector departments or organizations in the UAE?

- Very, satisfied
- Satisfied
- Indifferent (average)
- Dissatisfied
- Very dissatisfied

11. a) Does your Ministry or Company set performance standards for the services or products it provides to ensure value-for-money?

- Yes – always
- Yes – sometimes
- No

b) If “Yes”, what types of performance standards are available in your organization or company to ensure value-for-money in the services/products you provide. (please rank your answer in descending order using 5 as most important and 1 as least important)

| | 5 | 4 | 3 | 2 | 1 |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| ISO 9000 performance standards | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Internal performance standards..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Quality assurance Procedures | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Consumer Requirement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | | |

12. a) Does your Organization (Ministry) engage external professional Bodies, such as Auditors, Accountants and Consultants, to evaluate performance and use of resources allocated to the organization?

- Yes – always
- Yes – sometimes.....
- No.....

b) If “Yes”, in which areas of the activity of your organization do the external Bodies provide advice? (Please state precisely)

.....

13. What type of professional Bodies does your organization or company engage to evaluate performance? (Please rank your answer in descending order, using 5 as most used and 1 as least used)

| | 5 | 4 | 3 | 2 | 1 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Auditors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Management Consultants..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Quality Assurance Consultants | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Accountants..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Political Consultants | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| None..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | | |

SPECIFIC INFORMATION

14. How would you define **Accountability** in the Public Services of the UAE? (please tick only one option)

- Provision of general annual account of the performance of the Ministry
- Provision of detail account of the performance and use of resources allocated to the Ministry
- Provision of detail annual budget of income and expenditure of the Ministry
- Provision of detail annual account of the use of resources allocated to the Ministry.....

15. To what extent are you satisfied with the level of accountability in the Public Services of the UAE? (tick only one).

- Very satisfied
- Satisfied
- Indifferent (average)
- Dissatisfied
- Very dissatisfied

16. In your view, who should an **Under-Secretary** in a Ministry be directly accountable to for his/her duties and responsibilities? (Please rank your answer in descending order using 5 as most important and 1 as least important).

| | 5 | 4 | 3 | 2 | 1 |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| The Prime Minister | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Supreme Council | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The UAE general public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Minister | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The National Council | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Chairman | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

.....

17. Which of the following have you encountered in your dealings with Ministries or organizations in the UAE Public Service? (Please rank your answer in descending order using 5 as most encountered and 1 as least encountered)

| | 5 | 4 | 3 | 2 | 1 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Poor knowledge of responsibility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limited information disclosure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor Management annual report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability Ombudsman | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor annual accounts report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Exaggeration of success | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of report-writing guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor definition of accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (Specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

18. What are the topics you would expect to find in the annual report of Under-Secretaries in the Ministries? (Please rank your answer using 5 as highest priority and 1 as lowest priority).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Policy & Objectives of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Funds and other resources allocated to Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Utilization of funds and other resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Evaluation of performance of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategy of operation of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limitations of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Performance measurement & control mechanisms | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Projections for the future | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other matters (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

.....

19. In your view, what **social cultural factors** might hinder a Senior Civil Servant in a Ministry from giving a full and detail account of the performance and use of resources allocated to his/her Ministry? (Tick 5=Highest negative effect; 4=Higher negative effect; 3=Average effect; 2=Lower negative effect; 1=Lowest negative effect).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Culture of trust in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Low level of public awareness | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Attitude of indifference in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Tradition of respect for views of elders | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of interest of the public in such an account | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor knowledge of responsibility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Low level of political awareness in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

20. In your view, what **organizational factors** might influence a Senior Civil Servant in a Ministry to present a poor annual account of the performance and use of resources allocated to his/her Ministry. (Tick 5=Highest negative effect; 4=Higher negative effect; 3=Average effect; 2=Lower negative effect; 1=Lowest negative effect).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Lack of specific definition of Accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability Culture in the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of guideline for presenting account | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack appropriate reward system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Layback attitude of the Boss | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Ineffective external Auditing Body..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inappropriate structure of the Organization..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of precise referral criteria | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Corrupt ethical environment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of equal opportunity for all..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accounts control mechanism..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

21. In your view, which of the following indicators would reflect good **accountability** in the Public Services of the UAE? (Please rank your answer in descending order using 5 as most important and 1 as least important).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Unrestricted public review of public service accounts..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Total disclosure of information..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Disclosure of all income and expenditure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reporting all government activities openly | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Press freedom to discuss public sector accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limited report of government activity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Comprehensive account of resource utilization..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Disclosure of personal interest of civil servants..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (specify please)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

22. In your view, what **personal factors** might hinder good **Accountability** in the public services? (Tick 5=Highest negative effect; 4=Higher negative effect; 3=Average effect; 2=Lower negative effect; 1=Lowest negative effect).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fear of loss of job | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inferiority complex..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inadequate education..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of confidence | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Culture of secrecy..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Corrupt behaviour | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Fear of exposure of inadequacy..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Fear of blame | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Official arrogance..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of definition of job responsibility..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of delegation of responsibility & authority | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

RECOMMENDATION

23. What can be done to improve the level of Accountability in the public services of the UAE?
(tick as appropriate)

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Define accountability more precisely | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provide strict guidelines for presenting accounts..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Penalize non-compliance with guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| State objectives of accountability precisely | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Educate Civil Servants on need for accountability..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| State deadline for submission of accounts/report..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Relate good accountability to appropriate reward | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employ appropriately qualified persons | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Establish Ombudsman to monitor accountability..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

24. What other suggestions would you like to make to improve Accountability in the Public services of the UAE? (Please feel free to write as you may desire)

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THANK YOU FOR YOUR TIME

RESEARCH ON ACCOUNTABILITY IN THE PUBLIC
SERVICES OF UAE

APPENDIX C

**ACCOUNTOR QUESTIONNAIRE ON MANAGEMENT
ACCOUNTABILITY**

Questionnaire for Accountors (Under Secretaries, Directors, etc.)

**RESEARCH ON ACCOUNTABILITY IN THE PUBLIC
SERVICES OF UAE**

Questionnaire for Accountors (Under-Secretaries, Directors, etc.)

Dear Respondent,

We are conducting a research on "Accountability in the Public Services of the United Arab Emirates (U.A.E.)" to write up a Ph.D thesis for the University of Hull, U.K.

The study will be beneficial to the UAE public in general and the public services in particular by identifying the factors responsible for public services accountability problems and offering appropriate solutions.

We need your co-operation in filling the attached questionnaire as sincerely and objectively as possible and to return it in the enclosed - addressed - stamped envelop.

Any information supplied will be handled in strict confidence and used exclusively for writing up the Ph.D. thesis.

Thank you in advance for your co-operation.

Yours faithfully,

Juan Salem

Questionnaire

Dear Respondent,

Please answer the questions below as objectively and sincerely as possible.

Thank you.

GENERAL INFORMATION SECTION

1. In which of the following categories is your organization formally registered in the UAE?

(Please tick as appropriate).

- | | |
|-------------------------------|--------------------------|
| Public Service | <input type="checkbox"/> |
| Quasi – Public Service | <input type="checkbox"/> |
| Private Sector Company | <input type="checkbox"/> |
| Non-Profit Organization | <input type="checkbox"/> |
| Others (please specify) | <input type="checkbox"/> |

2. What is the official designation of your current position in your organization? (tick only one).

- | | |
|-------------------------------|--------------------------|
| Under-Secretary | <input type="checkbox"/> |
| Director-General | <input type="checkbox"/> |
| Director | <input type="checkbox"/> |
| Manager | <input type="checkbox"/> |
| Others (please specify) | <input type="checkbox"/> |

3. How long have you occupied your current official position?

- | | |
|--------------------------|--------------------------|
| Less than 1 year | <input type="checkbox"/> |
| 1 – 3 years | <input type="checkbox"/> |
| 3 – 5 years | <input type="checkbox"/> |
| 5 – 10 years | <input type="checkbox"/> |
| More than 10 years | <input type="checkbox"/> |

4. Are you in Federal or Emirate Service employment?
- Federal Public Service Employment.....
- Emirate Public Service Employment.....
- Federal Private Sector Company.....
- Emirate Private Sector Company.....
- Federal/Emirate Service Employment
- None of above.....

BACK GROUND INFORMATION

5. How would you consider the current size of the U.A.E. Public Service in relation to the population of the country, which is only 2.6 million people (1997 figures)?
- Too large.....
- Large
- Average size
- Small.....
- Too small

6. In your view, what should constitute the main objectives of the Ministries and other organizations in the Public Service of the UAE? (Please prioritize your choice using 5 as most important and 1 as least important).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| To provide good Social Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide comprehensive annual evaluation of Performance the sector | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide Employment for all nationals | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide good Health and Housing Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide a full and accurate account of the use of funds & resources allocated to it by the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide Security to all in the country | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide good Education Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To provide accurate information/data to the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

To encourage socio-economic development of UAE

7. Please assess the performance of the UAE Public Service in the provision of each of the following the services? (Score as follows: 5=Much above average; 4=Above average; 3=Average; 2=Less than average; 1=Much less than average.)

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Provision of Social Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual evaluation of Performance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Employment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Health Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual account of the use of funds & resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Housing Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Education Services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Security | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provision of Information/Data to the public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual account of income and expenditure. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

8. Please indicate your level of involvement in the following functions in your Ministry/Organization. (Please rank your answers, using 5 as highest level of involvement and 1 as lowest level).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Policy Making..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategic Planning..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Annual Planning..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Budgeting and allocation of Resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Executive Implementation of Plans | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Evaluation of Performance & resource use | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (Please specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

9. Please assess the performance of the UAE Public Service in the provision of statistical information in each of the following areas: (Score as follows: 5=Much above average; 4=Above average;3=Average; 2=Less than average; 1=Much less than average.)

| | 5 | 4 | 3 | 2 | 1 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Annual Plan & Budget Details | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Financial Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employment Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Objective of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Socio-economic Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Audit Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Decision making structure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resource allocation & utilization | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| General Statistics | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

10. In general, to what extent are you satisfied with the general performance of the Public Sector departments or organizations in the UAE in terms of achieving expected objectives?

- Very, satisfied
- Satisfied
- Indifferent (average)
- Dissatisfied
- Very dissatisfied

11. a) Does your Ministry or Company set performance standards for the services or products it provides to ensure value-for-money?

- Yes – always
- Yes – sometimes
- No

c) If “Yes”, what types of performance standards are available in your organization or company to ensure value-for-money in the services/products you provide. (please rank your answer in descending order using 5 as most important and 1 as least important)

| | 5 | 4 | 3 | 2 | 1 |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| ISO 9000 performance standards | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Internal performance standards..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Quality assurance Procedures..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Consumer Requirement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

.....

12. a) Does your Organization (Ministry) engage external professional Bodies, such as Auditors, Accountants and Consultants, to evaluate performance and use of resources allocated to the organization?

- Yes – always
- Yes – sometimes.....
- No.....

c) If “Yes”, in which areas of the activity of your organization do the external Bodies provide advice? (Please state precisely)

.....

13. What type of professional Bodies does your organization or company engage to evaluate performance? (Please rank your answer in descending order, using 5 as most used and 1 as least used)

| | 5 | 4 | 3 | 2 | 1 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Auditors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Management Consultants..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Quality Assurance Consultants | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Accountants | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Political Consultants | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| None..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | | |

SPECIFIC INFORMATION

14. How would you define Accountability in the Public Services of the UAE? (please tick only one option)

- Provision of general annual account of the performance of the Ministry
- Provision of detail account of the performance and use of resources allocated to the Ministry
- Provision of detail annual budget of income and expenditure of the Ministry
- Provision of detail annual account of the use of resources allocated to the Ministry.....

15. To what extent are you satisfied with the level of accountability in the Public Services of the UAE? (tick only one).

- Very satisfied
- Satisfied
- Indifferent (average).....
- Dissatisfied
- Very dissatisfied

16. In your view, whom should an **Under-Secretary** in a Ministry be directly accountable to for his/her duties and responsibilities? (Please rank your answer in descending order using 5 as highest priority and 1 as lowest priority).

| | 5 | 4 | 3 | 2 | 1 |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| The Prime Minister | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Supreme Council | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The UAE general public | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Minister | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The National Council | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Chairman | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

17. Which of the following have you encountered in your dealings with Ministries or organizations in the UAE Public Service? (Please rank your answer in descending order using 5 as most encountered and 1 as least encountered)

| | 5 | 4 | 3 | 2 | 1 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Poor knowledge of responsibility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limited information disclosure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor Management annual report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability Ombudsman | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor annual accounts report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Exaggeration of success | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of report-writing guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor definition of accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (Specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

18. What are the topics you would expect to find in the annual report of Under-Secretaries in the Ministries? (Please rank your answer scoring 5 as highest priority and 1 as lowest priority).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Policy & Objectives of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Funds and other resources allocated to Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Utilization of funds and other resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Evaluation of performance of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategy of operation of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limitations of the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Performance measurement & control mechanisms | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Projections for the future | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other matters (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

.....

19. In your view, what social cultural factors might hinder a Senior Civil Servant in a Ministry from giving a full and detail account of the performance and use of resources allocated to his/her Ministry? (Tick 5=Highest negative effect; 4=Higher negative effect; 3=Average effect; 2=Lower negative effect; 1=Lowest negative effect).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Culture of trust in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Low level of public awareness | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Attitude of indifference in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Tradition of respect for views of elders | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of interest of the public in such an account | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Poor knowledge of responsibility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Low level of political awareness in the society | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

.....

20. In your view, what **organizational factors** might influence a Senior Civil Servant in a Ministry to present a poor annual account of the performance and use of resources allocated to his her Ministry. (Tick 5=Highest negative effect; 4=Higher negative effect; 3=Average effect; 2=Lower negative effect; 1=Lowest negative effect).

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Lack of specific definition of Accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accountability Culture in the Ministry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of guideline for presenting account | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack appropriate reward system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Layback attitude of the Boss | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Ineffective external Auditing Body..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inappropriate structure of the Organization..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of precise referral criteria | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Corrupt ethical environment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of equal opportunity for all..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of accounts control mechanism..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

21. In your view, which of the following indicators would reflect good **accountability** in the Public Services of the UAE? (Please rank your answer in descending order using 5 = most important indicator and 1= least important indicator).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Unrestricted public review of public service accounts..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Total disclosure of information..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Disclosure of all income and expenditure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reporting all government activities openly | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Press freedom to discuss public sector accountability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limited report of government activity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Comprehensive account of resource utilization..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Disclosure of personal interest of civil servants..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (specify please)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

22. In your view, what personal factors might hinder good Accountability in the public services? (Tick 5=Highest negative effect; 4=Higher negative effect; 3=Average effect; 2=Lower negative effect; 1=Lowest negative effect).

| | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fear of loss of job..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inferiority complex..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inadequate education..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of confidence | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Culture of secrecy..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Corrupt behaviour | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Fear of exposure of inadequacy..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Fear of blame | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Official arrogance..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of definition of job responsibility..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of delegation of responsibility & authority..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others (please specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

RECOMMENDATION

23. What can be done to improve the level of Accountability in the public services of the UAE?
(tick as appropriate)

| | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Define accountability more precisely | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provide strict guidelines for presenting accounts..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Penalize non-compliance with guidelines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| State objectives of accountability precisely | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Educate Civil Servants on need for accountability..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| State deadline for submission of accounts/report..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Relate good accountability to appropriate reward | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employ appropriately qualified persons | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Establish Ombudsman to monitor accountability..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

24. What other suggestions would you like to make to improve **Accountability** in the Public services of the UAE? (Please feel free to write as you may desire)

.....

.....

.....

.....

.....

.....

.....

THANK YOU FOR YOUR TIME

APPENDIX D

PERSONAL INTERVIEW QUESTIONNAIRE ON MANAGEMENT ACCOUNTABILITY

PERSONAL INTERVIEW QUESTIONNAIRE

GENERAL INFORMATION

1. (a) Sir, what is the exact title of your current position in this Ministry?
- (b) How long have you been in your current position?
- (c) Would it be right to consider you as a policy-maker or policy-executor?

OBJECTIVES OF MINISTRY

2. (a) What are the main objectives of your Ministry?
- (b) Would you, please, discuss how the objectives are set and who are involved in the process.
- (c) What is your exact role in achieving the objectives of your Ministry?
- (d) Who is accountable for achieving the objectives of the Ministry?

(e) Please explain how this is done in your Ministry.

(f) Are you satisfied with the method of accounting for the achievement of the objectives?

(g) Why are you satisfied / unsatisfied with the method?

CONCEPT & FACTORS

3. (a) Sir, I assume that you are conversant with the term "Accountability". How would you define the term?

(b) Please explain how the actual practice of accountability in your Ministry fits the definition you have given.

(c) Would you say that accountability in your Ministry is satisfactory? Why?

(d) If unsatisfactory, what are the possible factors that are responsible for this?

- Organizational Factor?
- Personal Factors?
- Social Factors?
- Cultural Factors?
- Political Factors?

- Other Factors?

ACCOUNTABILITY PROCEDURES & REGULATIONS

4. (a) Does your Ministry have accountability procedures and regulations to guide those Executives who are accountable for the use of resources to achieve the objectives of the Ministry? Please explain how the procedure and regulations work.

(b) How does your Ministry ensure that the procedures and regulations are followed effectively?

(c) Does your Ministry use advice provided by outside Bodies such as Auditors and Inspectorates? Please explain how this is used.

(d) Has your Ministry an Ombudsman or other types of “watch dogs” to monitor or check accountability. Explain how they operate.

ACCOUNTOR / ACCOUNTEE RELATIONSHIP

5. (a) To whom are Executives (like you) see themselves accountable for the resources entrusted into their care?

(b) How often do Executives in your Ministry give account of their services?

(c) To what extent are the accounts satisfactory? Please explain.

ACCOUNTABILITY TYPE & RECOMMENDATION

6. (a) In your view, which of the following "Accountability" types is of greatest concern in the Ministries of the UAE government?

- (a) Management Accountability
- (b) Political Accountability
- (c) Financial Accountability
- (d) Legal Accountability
- (e) Social Accountability

(b) What should be done to improve Accountability in general and the type Accountability you identified in 6(a) in particular, in your Ministry?

APPENDIX E

TICK (✓) QUESTIONNAIRE ON MANAGEMENT
ACCOUNTABILITY

TICK QUESTIONNAIRE

ON

**INDICATORS OF ACCOUNTABILITY
IN THE PUBLIC SECTOR**

Dear Respondent:

You are kindly requested to fill in this questionnaire by simply ticking the appropriate box. The information collected will be used solely to write up a PhD thesis and all information supplied will be handled with the utmost confidentiality.

Thank you for your co-operation.

Juan Salem

A.

| S/N | CRITERIA FOR ASSESSING LEVEL OF ACCOUNTABILITY | DOES CRITERIA EXIST IN YOUR ORGANIZATION? | HOW EFFECTIVE IS THE CRITERION IN ACHIEVING A HIGH LEVEL OF MANAGEMENT ACCOUNTABILITY IN YOUR ORGANIZATION? (Please Grade Answers from 1 to 5; 1= Very Ineffective; 2= Ineffective; 3=Average; 4=Effective; 5=Very Effective) | | | | |
|-----|--|--|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 | Legal Regulations | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | Standard Operating Procedure | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | Legal (Law) Standards | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 | Delegation of Authority | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 | Organizational Objectives | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 | Job Description | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 | Internet Auditing system | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 | External Ombudsman System | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 | Mandatory Reporting | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10 | Job Appraisal system | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 | 2 | 3 | 4 | 5 |
| | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | | | | | |
|----|---|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| 11 | Good Performance Reward System | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 12 | Poor Performance Sanction System | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 13 | Judicial Review System & Procedure | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 14 | Neutrality of Civil Servants | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 15 | Decentralization of Activities | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 16 | Company Policy | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 17 | Formal Channel of Communication | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 18 | Informal Channel of Communication | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 19 | Transparency/Openness of Administration | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 20 | Democratic Administration | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |
| 21 | Others (Please specify) | Yes <input type="checkbox"/> No. <input type="checkbox"/> | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> | 5 <input type="checkbox"/> |

B. Please rate the level of negative effect of the following factors on Management Accountability in the Public Sector (Use 5=Very high negative effect; 4=high negative effect; 3=average negative effect; 2 low negative effect; 1=very low negative effect.)

| | 5 | 4 | 3 | 2 | 1 |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Social-Cultural Factors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Organizational Factors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Personal Factors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

C. Using the rating scale provided, indicate whether the effects of the factors in (B) above encourage or limit the level of Management Accountability in the Public Sector.

- 5 = Much higher than average level of Accountability**
- 4 = Higher than average level of Accountability.**
- 3 = Average Level**
- 2 = Lower than average level of Accountability.**
- 1 = Much lower than average level of Accountability.**

APPENDIX F

PERFORMANCE MANAGEMENT FORM

Period:

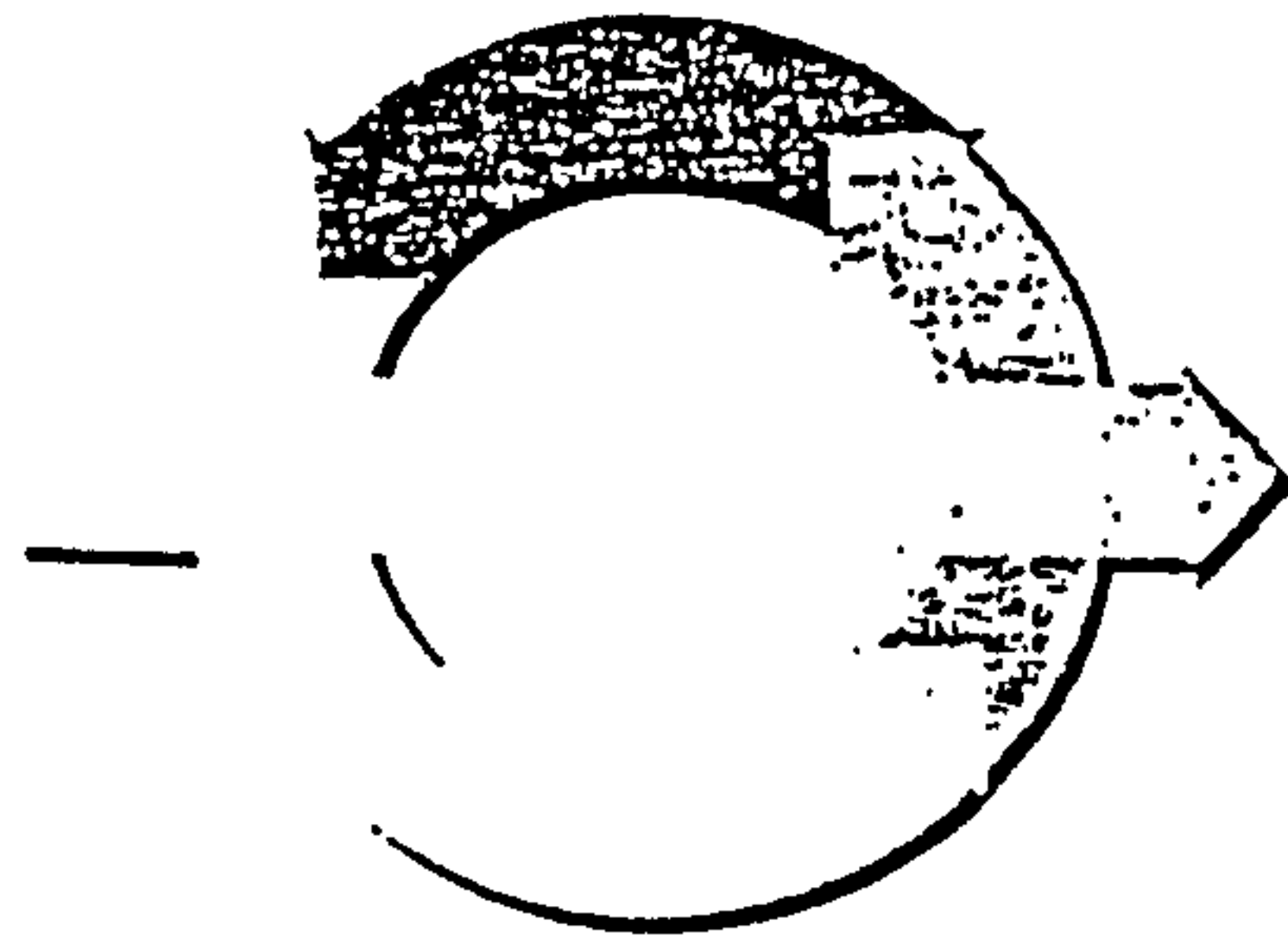
From / / to / /

Name:

PFNo.....

Job Title:.....

Branch / HC Dept. :



ETISALAT

**Performance
Management**

Performance Appraisal
(Grade 3 & above)

Period:

From / / to / /

Name:

PFNo.....

Grade:

Job Title:.....

Job No:

Branch / HO Dept. :

Date of joining:

...../...../.....

Nationality:

Current position held since:

...../...../.....

Cost Center :

Direct supervisor: Name:.....

Job Title:.....

Overall appraisal score

Appraisal of Performance, competence development and extent to which objectives were achieved. Enter the total score and tick the appropriate box.

Overall Score = a + b + c =

| | | | | |
|--|---|--|--|--|
| Unacceptable <input type="checkbox"/> 0 - 79 | Needs to Improve <input type="checkbox"/> 80 - 99 | Standard/Good <input type="checkbox"/> 100 - 139 | Very Good <input type="checkbox"/> 140 - 159 | Excellent <input type="checkbox"/> 160 - 200 |
|--|---|--|--|--|

Overall appraisal in words (incl. particular strengths and / or weaknesses)

Counselling Report

Recommendation:

On the basis of the performance review please give your recommendation:

Probationary Staff

Established Staff

- Appointment confirmed w.e.f.
 Probation extended until
- Increment recommended. %
 Increment deferred months
- Ready for promotion

Employee
Signature* & Date:

(*) In signing I confirm the meeting took place and I am aware of my appraisal and my future work objectives and development objectives

Supervisor/ Assessor
Signature & Date:

Next-highest supervisor
Signature & Date:

BM/HOD
Signature, Date &
comments as required:

AUTHORITY FOR PAYMENT:

C: Agreed objectives

- ◆ May also be based upon the main Job Description tasks.
- ◆ Number of objectives should be from 3 to 5 only.

To be completed at the start of the period.

To be completed at the end of the period.

| Specific Objective | Weight | Assessment and Justification | Score |
|--------------------|--------|------------------------------|-------|
| | | | |
| | = 80 | | /80 |

Overall self development score:

C =

Agreement of Objectives set.

Employee's initials

Supervisor/Assessor's initials

D. Assessment of current competence.

*This is not considered in assessing overall performance!
It is for development and potential assessment.*

| Competence (actual skill , knowledge or behaviour) | | Level Required | Achievement | | | | | Z | Comments |
|--|-------------------------|-------------------|-------------|---|---|---|---|---|----------|
| | | | 1 | 2 | 3 | 4 | 5 | | |
| Personnel Characteristics | Good work attitude | | | | | | | | |
| | Initiative | | | | | | | | |
| | Reliable | | | | | | | | |
| | Adaptable | | | | | | | | |
| | Creative | | | | | | | | |
| Occupational | Professional Competence | | | | | | | | |
| | P.C. skills | | | | | | | | |
| | Project Management | | | | | | | | |
| | Financial procedures | | | | | | | | |
| Business | Etisalat knowledge | | | | | | | | |
| | Customer Care skills | | | | | | | | |
| | Arabic language | | | | | | | | |
| | English language | | | | | | | | |
| | Commercial awareness | | | | | | | | |
| Managerial/ Supervisory | Leadership | | | | | | | | |
| | Planning/organizing | | | | | | | | |
| | Communication skills | | | | | | | | |
| | Staff care | | | | | | | | |

Rating

1 = Minimal competence 2 = Developing 3 = Competent 4 = Advanced 5 = Expert Z = Not assessed

E. Development Plan

| Competency requiring improvement | How you plan this to be achieved, . e.g. coaching, job rotation, training etc. | Expected Date of Completion |
|----------------------------------|--|-----------------------------|
| | | |

APPENDIX G

REPORTING SYSTEMS: FORMS & OBJECTIVES

مؤسسة الامارات للاتصالات

بيان الإيرادات الموحدة
للسنة المنتهية

EMIRATES TELECOMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED

| | | سنة كاملة الف درهم | سنة كاملة الف درهم |
|--|------------------------------------|-----------------------|-----------------------|
| | | 19 | 19 |
| | | Full Year Dh.'000 | Full Year Dh.'000 |
| Revenue | الإيرادات | | |
| Operating profit | أرباح التشغيل | | |
| Other income (interest only) | مداخيل أخرى (الفائدة فقط) | | |
| Profit for the year | أرباح السنة | | |
| Unappropriated profit brought forward | أرباح غير موزعة مرحلة من السابق | | |
| <u>Appropriations</u> | <u>التوزيع</u> | | |
| Dividends | أرباح | | |
| Transfer to development reserve | تحويل لاحتياطي التطوير | | |
| Transfer to asset replacement reserve | تحويل لاحتياطي تبديل الأصول | | |
| Transfer to general reserve | تحويل للاحتياطي العام | | |
| Unappropriated profit carried forward | أرباح غير موزعة مرحلة لما بعد | | |

EMIRATES TELECOMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEET AT

| | | سنة كاملة للف درهم | سنة كاملة للف درهم |
|--|--------------------------------------|-----------------------|-----------------------|
| | | 19__ | 19__ |
| | | Full Year Dh.'000 | Full Year Dh.'000 |
| ASSETS EMPLOYED | الأصول لموظفة | | |
| FIXED ASSETS | الاصول الثابتة | | |
| INVESTMENTS | الاستثمارات | | |
| CURRENT ASSETS | الاصول المتداولة | | |
| Stores | المخازن | | |
| Debtors and prepayments | المدينون والدفعات المسبقة | | |
| Loan to an associated company | قروض لشركات غير تابعة | | |
| Amounts due from other telecom- munications administrations | مبالغ مستحقة من إدارات اتصالات أخرى | | |
| Bank and cash balances | الرصيد بالبنك والصندوق | | |
| CURRENT LIABILITIES | الالتزامات المتداولة | | |
| Creditors and accruals | الدائنون والمستحقات | | |
| Amounts due to other telecom- munications administrations | مبالغ مستحقة لإدارات اتصالات أخرى | | |
| Proposed dividend | الأرباح المقترحة | | |
| NET CURRENT (LIABILITIES)/ ASSETS | صافي (المطلوبات) // الأصول المتداولة | | |
| LONG TERM LIABILITIES | لتزامات طويلة الأجل | | |
| Provision for staff terminal benefits | مخصص مكافأة نهاية خدمة الموظفين | | |
| FINANCED BY | ممولة من: | | |
| Share Capital | رأس المال | | |
| Development reserve | احتياطي التطوير | | |
| Assets replacement reserve | احتياطي تبديل الاصول | | |
| General reserve | الاحتياطي العام | | |
| Unappropriated profit | الأرباح غير الموزعة | | |
| SHAREHOLDERS' FUNDS | أصول المساهمين | | |

مؤسسة الامارات للاتصالات

بيان التدفقات النقدية

للسنة المنتهية

EMIRATES TELECOMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED

| | سنة كاملة ألف درهم | سنة كاملة ألف درهم |
|---|---|-----------------------|
| | 19 | 19 |
| | Full Year Dh.'000 | Full Year Dh.'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating profit | التدفقات النقدية من نشاطات التشغيل | |
| Adjustments for : | أرباح التشغيل | |
| Depreciation | تسويات بشأن: | |
| Net transfer to terminal benefits | الإستهلاك | |
| Provision for diminution in value of investments | الحركات الصافية لمكافآت نهاية الخدمة | |
| (Increase) / decrease in working capital : | مخصص التناقص في قيمة استثمارات | |
| Stores | للزيادة/ للنقص في رأس المال العامل | |
| Debtors and Prepayments | المخازن | |
| Amount due from subsidiary companies | المدينون والدفعات المسبقة | |
| Due to/from other telecommunication administrations | مبالغ مستحقة من شركات تابعة | |
| Creditors and Accruals | مستحقة إلى/من إدارات الاتصالات الأخرى | |
| | الدائنين والمستحقات | |
| Net cash provided from operating activities | صافي النقدية المقدمة من النشاطات التشغيلية | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investments | التدفقات النقدية من النشاطات الاستثمارية | |
| Disposal / transfer of interest in associated company | استثمارات | |
| Loan provided to an associated company | بيع/ تحويل الفائدة في شركات تابعة | |
| Purchase of fixed assets, net | قرض مقدم لشركات غير تابعة | |
| Interest Income | صافي مشتريات الأصول الثابتة | |
| | مدخليل الفائدة | |
| Net cash used in investing activities | النقدية الصافية المستخدمة في النشاطات الاستثمارية | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | التدفقات النقدية من النشاطات التمويلية | |
| Dividends Paid | إيرادات إصدار الأسهم | |
| | الأرباح المدفوعة | |
| NET CASH USED IN FINANCING ACTIVITIES | صافي النقد المستخدم في نشاطات الاستثمار | |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | صافي (التخفيض)/الزيادة بالنقدية ومعادلات النقد | |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | النقد ومعادلات النقد في بداية السنة | |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | النقد ومعادلات النقد في نهاية السنة | |

EMIRATES TELECOMMUNICATIONS CORPORATION
STATEMENT OF TRADE DEBTORS AS AT

| | الحكومة الاتحادية FEDERAL GOVERNMENT | | | الحكومات المحلية LOCAL GOVERNMENT | | | الحكام والأسر الحاكمة RULERS & ROYAL FAMILY | | | الأعيان NOTABLES | | | التجارية COMMERCIAL | | | الإجمالي TOTAL | |
|----------------|---|----------------------------|---|--------------------------------------|----------------------------|---|--|----------------------------|---|---------------------|----------------------------|---|------------------------|----------------------------|---|--------------------|----------------------------|
| | مليون درهم DH/M | الأيام المستتة DAYS O/S | % | مليون درهم DH/M | الأيام المستتة DAYS O/S | % | مليون درهم DH/M | الأيام المستتة DAYS O/S | % | مليون درهم DH/M | الأيام المستتة DAYS O/S | % | مليون درهم DH/M | الأيام المستتة DAYS O/S | % | مليون درهم DH/M | الأيام المستتة DAYS O/S |
| ABU DHABI | | | | | | | | | | | | | | | | | |
| AL AIN | | | | | | | | | | | | | | | | | |
| DUBAI | | | | | | | | | | | | | | | | | |
| WEST COAST | | | | | | | | | | | | | | | | | |
| EAST COAST | | | | | | | | | | | | | | | | | |
| RAS AL KHAIMAH | | | | | | | | | | | | | | | | | |
| TOTAL AT | | | | | | | | | | | | | | | | | |

| FOR COMPARISON | | المقارنة مع | |
|----------------|--|-----------------|--|
| TOTAL AT | | الإجمالي بتاريخ | |
| TOTAL AT | | الإجمالي بتاريخ | |
| TOTAL AT | | الإجمالي بتاريخ | |

Notes : Federal Government

ملاحظات : للحكومة الاتحادية

STATEMENT OF STOCKS AT

| | أبو ظبي ABU DHABI الأسبوع DH'000 WEEKS | العين AL AIN الأسبوع DH'000 WEEKS | دبي DUBAI الأسبوع DH'000 WEEKS | البحرين WEST COAST الأسبوع DH'000 WEEKS | البحرين EAST COAST الأسبوع DH'000 WEEKS | راس الخيمة RAS AL KHAIMAH الأسبوع DH'000 WEEKS | الإجمالي TOTAL الأسبوع DH'000 WEEKS | نسبة نسبة % |
|----------------------------|---|--|---|--|--|---|--|-------------------|
| A. CAPITAL STORES | | | | | | | | |
| A 1 Line Plant | | | | | | | | |
| Cable and Wire | | | | | | | | |
| Underground Line Plant | | | | | | | | |
| Overhead Line Stores | | | | | | | | |
| Total Line Plant | | | | | | | | |
| A 2 Other - Capital Stores | | | | | | | | |
| TOTAL CAPITAL STORES | | | | | | | | |
| B. SUNDRY STORES | | | | | | | | |
| B 1 Line Plant Sundry | | | | | | | | |
| B 2 Subscriber Equipment | | | | | | | | |
| Telephone | | | | | | | | |
| PABX / PMBX | | | | | | | | |
| Telex / Fax | | | | | | | | |
| PMATs | | | | | | | | |
| Videotex - Paging | | | | | | | | |
| Data Equipment | | | | | | | | |
| GSM | | | | | | | | |
| Misc Subs Apparatus | | | | | | | | |
| Total Subscriber Eqpt | | | | | | | | |
| B 3 Subscriber Spares | | | | | | | | |
| B 4 Others | | | | | | | | |
| Sundry Stores | | | | | | | | |
| HO Building Material | | | | | | | | |
| Total Others | | | | | | | | |
| TOTAL SUNDRY STORES | | | | | | | | |
| C. COMMERCIAL STORES | | | | | | | | |
| D. TOTAL STOCK | | | | | | | | |
| FOR COMPARISON | | | | | | | | |
| TOTAL STORES AT | | | | | | | | |
| TOTAL STORES AT | | | | | | | | |
| TOTAL STORES AT | | | | | | | | |
| TOTAL STORES AT | | | | | | | | |

أ - مخزون خطوط ورسومية
 1 - منشأة الخطوط
 كابل ورسومية
 منشأة خطوط تحت الأرض
 مخزون خطوط فوقية
 إجمالي منشأة الخطوط
 2 - مخزون رسومية لخطوط
 إجمالي المخزون الرسومية

ب - مخزون متفرقة
 1 - مخزون مواد متفرقة
 2 - معدات المشتركين
 هواتف
 منقسم خاصة
 تليكس / فاكس
 أجهزة هاتف متفرقة
 فيديو تيكس - فناء
 معدات بيانات
 جي إس إم
 أجهزة مشتركة متفرقة
 إجمالي معدات المشتركين
 3 - قطع غير معدات المشتركين
 4 - أخرى
 مخزون مواد متفرقة
 مواد بناء المركز الرئيسي
 إجمالي غيرها
 إجمالي مخزون المتفرقات

ج - مخزون تجارية
 إجمالي المخزون التجاري

د - إجمالي المخزون
 إجمالي المخزون كما في
 إجمالي المخزون كما في
 إجمالي المخزون كما في
 إجمالي المخزون كما في

TARGET AND ACHIEVEMENTS

| SERVICE | QTR 1 | | QTR 2 | | QTR 3 | | QTR 4 | | YEAR 1999 | |
|-----------------------|--------|-------|--------|-------|--------|-------|--------|-------|-----------|-------|
| | Target | Achvd | Target | Achvd | Target | Achvd | Target | Achvd | Target | Achvd |
| Telephone | | | | | | | | | | |
| Payphone | | | | | | | | | | |
| ISDN (Basic Rate) | | | | | | | | | | |
| Mobile | | | | | | | | | | |
| Internet (Dial Up) | | | | | | | | | | |
| Internet (Leased L) | | | | | | | | | | |
| Internet (ISDN LAN) | | | | | | | | | | |
| Internet (Web Host) | | | | | | | | | | |
| Frame Relay | | | | | | | | | | |
| PRI | | | | | | | | | | |
| Etisalat Calling Card | | | | | | | | | | |

H:\USERS\UNNIX\LS\QTRACH99.XLS]Sheet2

Attachment No.2

TRAFFIC STATISTICS SUMMARY - FIRST QUARTER 2000.

| S. No. | Category of Traffic | Qtr. under Review | Percentage Increase or Decrease | Last Qtr. | Last Year |
|--------|--|-------------------|---------------------------------|-----------|-----------|
| 1 | O/G International Operator Traffic Minutes | | | | |
| 2 | O/G IDD Minutes | | | | |
| 3 | Total O/G Int'l Minutes (1+2) | | | | |
| 4 | National Traffic Minutes | | | | |
| 5 | O/G Telex Minutes (Int'l + Nat'l) | | | | |
| 6 | TG Messages Forwarded | | | | |
| 7 | Bureaufax Traffic No. of Pages Transmitted | | | | |
| 8 | Total O/G Emdan Paid Traffic in Minutes | | | | |
| 9 | TV Minutes Received & transmitted by Satellite | | | | |
| 10 | Emnet (Paid) Traffic No. of Messages | | | | |

COMPANION MANPOWER REPORT

For The Month Ending:

| Grade | HEAD OFFICE This Report | | ABU DHABI This Report | | DUBAI This Report | | WEST COAST This Report | | AL AIN This Report | | Ras AL Khaimah This Report | | EAST COAST This Report | | TOTAL This Report | | | | |
|---------|----------------------------|-----|--------------------------|-----|----------------------|-----|---------------------------|-----|-----------------------|-----|-------------------------------|-----|---------------------------|-----|----------------------|-----|-----|-----|--|
| | Est | Act | CLR | Est | Act | CLR | Est | Act | CLR | Est | Act | CLR | Est | Act | CLR | Est | Act | CLR | |
| S | | | | | | | | | | | | | | | | | | | |
| S-4 | | | | | | | | | | | | | | | | | | | |
| S-5 | | | | | | | | | | | | | | | | | | | |
| E | | | | | | | | | | | | | | | | | | | |
| D | | | | | | | | | | | | | | | | | | | |
| C | | | | | | | | | | | | | | | | | | | |
| B | | | | | | | | | | | | | | | | | | | |
| A | | | | | | | | | | | | | | | | | | | |
| L | | | | | | | | | | | | | | | | | | | |
| M | | | | | | | | | | | | | | | | | | | |
| N | | | | | | | | | | | | | | | | | | | |
| O | | | | | | | | | | | | | | | | | | | |
| P | | | | | | | | | | | | | | | | | | | |
| Q | | | | | | | | | | | | | | | | | | | |
| R | | | | | | | | | | | | | | | | | | | |
| T | | | | | | | | | | | | | | | | | | | |
| U | | | | | | | | | | | | | | | | | | | |
| W | | | | | | | | | | | | | | | | | | | |
| A1 | | | | | | | | | | | | | | | | | | | |
| A2 | | | | | | | | | | | | | | | | | | | |
| SR.TOT. | | | | | | | | | | | | | | | | | | | |
| X | | | | | | | | | | | | | | | | | | | |
| Y | | | | | | | | | | | | | | | | | | | |
| Z | | | | | | | | | | | | | | | | | | | |
| 2 | | | | | | | | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | | | | | | | | |
| 8 | | | | | | | | | | | | | | | | | | | |
| 9 | | | | | | | | | | | | | | | | | | | |
| JR.TOT. | | | | | | | | | | | | | | | | | | | |
| TOTAL | | | | | | | | | | | | | | | | | | | |

U.A.E NATIONAL

AS AT END OF

| | Head Office | | Abu Dhabi | | Dubai | | West Coast | | Al Ain | | Ras AL Khaimah | | East Coast | | Total | | Percent | | |
|----------------|-------------|-----|-----------|-----|-------|-----|------------|-----|--------|-----|----------------|-----|------------|-----|-------|-----|---------|--------|--|
| | Est | UAE | Est | UAE | Est | UAE | Est | UAE | Est | UAE | Est | UAE | Est | UAE | Est | UAE | Est | Actual | |
| SR-STAFF | | | | | | | | | | | | | | | | | | | |
| Gr. S | | | | | | | | | | | | | | | | | | | |
| Gr. S-4 | | | | | | | | | | | | | | | | | | | |
| Gr. S-5 | | | | | | | | | | | | | | | | | | | |
| Gr. E | | | | | | | | | | | | | | | | | | | |
| Gr. D | | | | | | | | | | | | | | | | | | | |
| Gr. C | | | | | | | | | | | | | | | | | | | |
| Gr. B | | | | | | | | | | | | | | | | | | | |
| Gr. A | | | | | | | | | | | | | | | | | | | |
| Academic Staff | | | | | | | | | | | | | | | | | | | |
| Cable Ship | | | | | | | | | | | | | | | | | | | |
| Gr. A-1 (K) | | | | | | | | | | | | | | | | | | | |
| Gr. A-2 (J) | | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | | |
| JR. STFF | | | | | | | | | | | | | | | | | | | |
| Cable Ship Jr. | | | | | | | | | | | | | | | | | | | |
| Gr. 2 | | | | | | | | | | | | | | | | | | | |
| Gr. 3 | | | | | | | | | | | | | | | | | | | |
| Gr. 4 | | | | | | | | | | | | | | | | | | | |
| Gr. 5 | | | | | | | | | | | | | | | | | | | |
| Gr. 6 | | | | | | | | | | | | | | | | | | | |
| Gr. 7 | | | | | | | | | | | | | | | | | | | |
| Gr. 8 | | | | | | | | | | | | | | | | | | | |
| Gr. 9 | | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | | |
| Sr. & Jr. Tot | | | | | | | | | | | | | | | | | | | |

Total Corp. Sr. Staff

Total Corp. Jr. Staff

UAE Sr. Staff

UAE Jr. Staff

Combined on Actual

Combined on Est.

Scope and Objective

Financial reporting relates to the provision of information to management for the purpose of planning, controlling and decision-making. The main purposes of financial reporting are:

- a) Internal reporting to management for use in planning and controlling routine operations;
- b) Internal reporting to management for use in making non-routine decisions and in formulating major plans and policies; and
- c) External reporting to shareholders and Government on the financial performance of the Corporation.

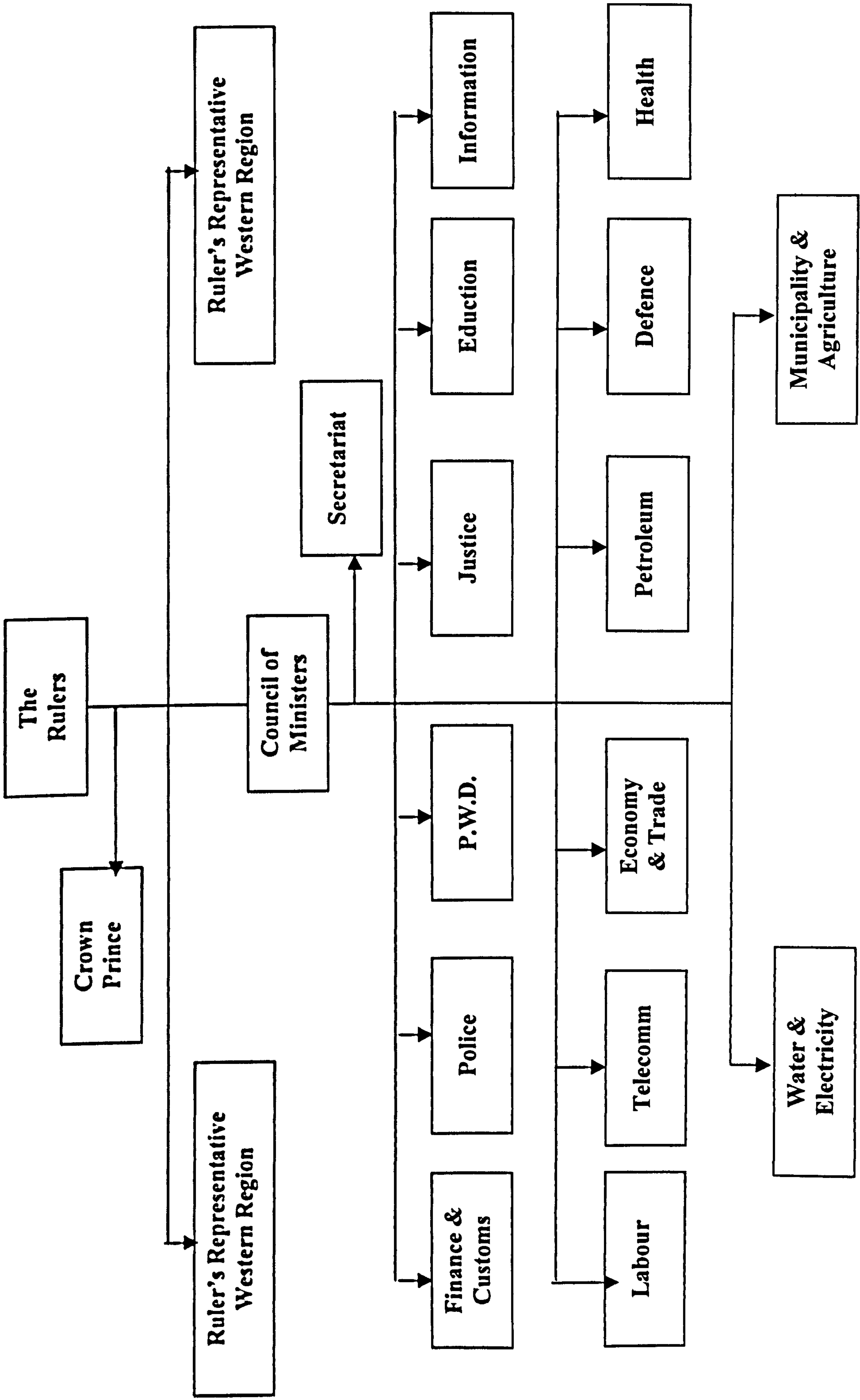
The financial information available to management may be presented in alternative formats from those required for external reporting or for the purpose of decision making and planning. Management reporting is not constrained in any way by legislative requirements or by the International Accounting Standards. Management will decide what assumptions, concepts and presentation techniques are appropriate for a particular purpose. Information will be provided to management for the following purposes:

- d) Formulation of policies and strategies;
- e) Planning and controlling the activities of Etisalat;
- f) Decision taking on alternative courses of action; and
- g) Safeguarding assets.

APPENDIX H

EMIRATES STRUCTURE BEFORE FEDERATION

Chart 1
Structure of Emirates Before Federation in 1971



BALANCE SHEET AT 31 DECEMBER 1994

| | Increase | |
|---|------------------|------------------|
| | 1994 | 1993 |
| | Dh'000 | Dh'000 |
| ASSETS EMPLOYED | | |
| FIXED ASSETS | <u>2,335,873</u> | <u>2,400,121</u> |
| CURRENT ASSETS | | |
| Stores | 121,076 | 79,910 |
| Debtors and Prepayments | 336,225 | 347,829 |
| Amounts due from other telecommunications administrations | 41,175 | 41,585 |
| Bank and Cash balances | 3,179,141 | 2,712,522 |
| | 3,688,317 | 3,581,947 |
| CURRENT LIABILITIES | | |
| Creditors and Accruals | 1,215,477 | 1,159,231 |
| Amounts due to other telecommunications administrations | 762,762 | 581,701 |
| Proposed dividend | 373,520 | 373,520 |
| | <u>2,351,759</u> | <u>2,114,452</u> |
| NET CURRENT ASSETS | 1,336,558 | 1,467,495 |
| LONG TERM LIABILITIES | | |
| (Amounts falling due after more than one year) | | |
| Provision for staff terminal benefits | 124,791 | 126,789 |
| | 124,791 | 126,789 |
| FINANCED BY | | |
| Share capital | 1,494,111 | 1,494,111 |
| Development reserve | 550,000 | 550,000 |
| Assets replacement reserve | 450,000 | 450,000 |
| General Reserve | 1,242,000 | 840,000 |
| Unappropriated profit | 222,126 | 6,615 |
| SHAREHOLDERS' FUNDS | 3,958,237 | 3,340,726 |

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 1994**

| | Increase | |
|--|------------------|------------------|
| | 1994 | 1993 |
| | Dh'000 | Dh'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating Profit | 1,140,557 | 1,083,799 |
| Adjustments for | | |
| Depreciation | 392,945 | 398,230 |
| Net transfer to staff terminal benefits | 7,410 | 6,136 |
| (Increase)/decrease in working capital * | | |
| Stores * | (41,166) | (62,216) |
| Debtors & repayments | (38,297) | (40,973) |
| Due to/from other telecommunications administrations * | 131,473 | (87,476) |
| Creditors and accruals | 157,246 | 181,491 |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 1,801,865 | 1,478,991 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets, net | (529,312) | (240,789) |
| Interest income | 192,107 | 57,197 |
| NET CASH USED IN INVESTING ACTIVITIES | (427,205) | (183,592) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (747,041) | (747,041) |
| NET INCREASE IN CASH & CASH EQUIVALENTS | 627,619 | 548,358 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>2,155,222</u> | <u>2,164,164</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 2,782,841 | 2,712,522 |

BALANCE SHEET AT 31 DECEMBER 1995

| | Increase/ | | 1994 |
|--|------------------|----------|------------------|
| | 1995 | Decrease | |
| | Dh'000 | % | Dh'000 |
| ASSETS EMPLOYED | | | |
| FIXED ASSETS | <u>2,732,251</u> | 7.58 | <u>2,535,488</u> |
| INVESTMENT | 35,703 | x | x |
| CURRENT ASSETS | | | |
| Stores | 169,750 | 40.21 | 121,876 |
| Debtors and Prepayments | 461,311 | 19.44 | 386,226 |
| Amounts due from other telecommunications administrations | 70,511 | 72.21 | 41,176 |
| Bank and Cash balances | 4,019,310 | 20.38 | 3,339,341 |
| | <u>4,721,792</u> | 21.45 | <u>3,887,819</u> |
| CURRENT LIABILITIES | | | |
| Creditors and Accruals | 1,541,773 | 17.34 | 1,316,477 |
| Amounts due to other telecommunications administrations | 1,842,379 | 36.66 | 762,762 |
| Proposed dividend | 466,910 | 25.00 | 373,528 |
| | <u>3,851,062</u> | 24.52 | <u>2,452,767</u> |
| NET CURRENT ASSETS | <u>1,667,729</u> | 16.21 | <u>1,435,060</u> |
| LONG TERM LIABILITIES (Amounts falling due after more than one year) | | | |
| Provision for staff terminal benefits | 139,573 | 4.23 | 134,199 |
| | <u>4,348,935</u> | 13.36 | <u>3,836,349</u> |
| FINANCED BY | | | |
| Share capital | 1,567,639 | 25.00 | 1,094,111 |
| Development reserve | 700,000 | 27.27 | 550,000 |
| Assets replacement reserve | 450,000 | - | 450,000 |
| General Reserve | 1,330,000 | (2.75) | 1,340,000 |
| Unappropriated profit | 1.1% | (46.36) | 2,238 |
| SHAREHOLDER'S FUNDS | <u>4,348,935</u> | 13.36 | <u>3,836,349</u> |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 1995

| | Increase/ | | 1994 |
|---|------------------|----------|------------------|
| | 1995 | Decrease | |
| | Dh'000 | % | Dh'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating Profit | 1,269,145 | 11.27 | 1,140,557 |
| Adjustments for: | | | |
| Depreciation | 392,923 | (0.26) | 393,945 |
| Net transfer to staff terminal benefits | 5,674 | (23.43) | 7,410 |
| (Increase)/decrease in working capital: | | | |
| Stores | (43,534) | 13.26 | (41,166) |
| Debtors & prepayments | (75,065) | 95.55 | (38,397) |
| Due to/from other telecommunications administrations | 249,373 | 37.69 | 181,470 |
| Creditors and accruals | <u>223,296</u> | 45.13 | <u>157,246</u> |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | <u>2,022,145</u> | 12.27 | <u>1,801,065</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment | (85,708) | x | x |
| Purchase of fixed assets, net | (592,701) | 11.98 | (529,312) |
| Interest income | <u>177,162</u> | 73.51 | <u>102,107</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(501,247)</u> | 17.33 | <u>(427,205)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | <u>(340,429)</u> | 12.50 | <u>(747,841)</u> |
| NET INCREASE IN CASH & CASH EQUIVALENTS | 680,469 | 8.56 | 626,819 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>3,339,341</u> | 23.11 | <u>2,712,522</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>4,019,310</u> | 20.38 | <u>3,339,341</u> |

BALANCE SHEET AT 31 DECEMBER 1996

| | Increase/ | | 1995 |
|--|------------------|----------|------------------|
| | 1996 | Decrease | |
| | Dh'000 | % | Dh'000 |
| ASSETS EMPLOYED | | | |
| FIXED ASSETS | <u>3,135,056</u> | 16.37 | <u>2,735,261</u> |
| INVESTMENT | <u>85,708</u> | 139.95 | <u>85,708</u> |
| CURRENT ASSETS | | | |
| Stores | 177,036 | 4.29 | 169,760 |
| Debtors and Prepayments | 453,431 | 8.06 | 461,311 |
| Amounts due from other telecommunications administrations | 107,025 | 50.94 | 70,911 |
| Bank and Cash Balances | 4,486,947 | 11.62 | 4,019,810 |
| | <u>5,259,499</u> | 11.60 | <u>4,721,792</u> |
| CURRENT LIABILITIES | | | |
| Creditors and Accruals | 1,501,113 | 16.59 | 1,544,773 |
| Amounts due to other telecommunications administrations | 1,110,032 | 6.49 | 1,042,370 |
| Proposed dividend | 466,910 | - | 466,910 |
| | <u>3,078,060</u> | 10.61 | <u>3,054,053</u> |
| NET CURRENT ASSETS | <u>1,891,439</u> | 13.41 | <u>1,667,739</u> |
| LONG TERM LIABILITIES (Amounts falling due after more than one year) | | | |
| Provision for staff terminal benefits | 162,414 | 16.12 | 139,873 |
| | <u>5,116,795</u> | 17.66 | <u>4,348,835</u> |
| FINANCED BY | | | |
| Share capital | 1,867,639 | - | 1,867,639 |
| Development reserve | 1,200,000 | 71.43 | 700,000 |
| Assets replacement reserve | 710,000 | 57.78 | 450,000 |
| General Reserve | 1,330,000 | - | 1,330,000 |
| Unappropriated profit | 9,156 | 665.55 | 1,196 |
| SHAREHOLDER'S FUNDS | <u>5,116,795</u> | 17.66 | <u>4,348,835</u> |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 1996

| | Increase/ | | 1995 |
|---|------------------|----------|------------------|
| | 1996 | Decrease | |
| | Dh'000 | % | Dh'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating Profit | 1,502,665 | 18.40 | 1,269,143 |
| Adjustments for: | | | |
| Depreciation | 427,449 | 8.79 | 392,928 |
| Net transfer to staff terminal benefits | 22,541 | 297.27 | 5,674 |
| (Increase)/decrease in working capital: | | | |
| Stores | (7,276) | (85.05) | (40,684) |
| Debtors & repayments | (37,170) | (50.50) | (75,065) |
| Due to/from other telecommunications administrations | 31,538 | (87.38) | 249,873 |
| Creditors and accruals | <u>256,345</u> | 12.29 | <u>222,296</u> |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | <u>2,196,092</u> | 8.60 | <u>2,072,145</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment | (119,006) | 38.85 | (85,708) |
| Purchase of fixed assets, net | (875,244) | 47.67 | (592,701) |
| Interest income | 199,114 | 12.39 | 177,162 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(795,136)</u> | 59.63 | <u>(501,247)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | (933,819) | 11.11 | (840,429) |
| NET INCREASE IN CASH & CASH EQUIVALENTS | <u>467,137</u> | (31.35) | <u>600,469</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>4,019,810</u> | 20.38 | <u>3,339,341</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>4,486,947</u> | 11.62 | <u>4,019,810</u> |

BALANCE SHEET AT 31 DECEMBER 1997

| | Increase/ | | 1996 |
|---|------------------|----------|------------------|
| | 1997 | Decrease | |
| | Dh'000 | % | Dh'000 |
| ASSETS EMPLOYED | | | |
| FIXED ASSETS | <u>3,921,847</u> | 23.42 | <u>3,183,056</u> |
| INVESTMENT | <u>415,517</u> | 102.97 | <u>204,714</u> |
| CURRENT ASSETS | | | |
| Stores | 125,740 | (28.41) | 177,036 |
| Debtors and Prepayments | 639,133 | 28.22 | 498,481 |
| Amounts due from other telecommunications administrations | 117,051 | 9.36 | 107,035 |
| Bank and Cash Balances | 4,535,706 | 4.43 | 4,486,947 |
| | <u>5,563,630</u> | 5.68 | <u>5,269,499</u> |
| CURRENT LIABILITIES | | | |
| Creditors and Accruals | 2,151,520 | 19.45 | 1,801,118 |
| Amounts due to other telecommunications administrations | 1,177,877 | 6.11 | 1,110,832 |
| Proposed dividend | 533,657 | 25.00 | 466,910 |
| | <u>3,913,054</u> | 15.84 | <u>3,378,860</u> |
| NET CURRENT ASSETS | <u>1,650,576</u> | (12.47) | <u>1,891,439</u> |
| LONG TERM LIABILITIES | | | |
| Provision for staff terminal benefits | 194,659 | 19.85 | 162,414 |
| | <u>5,305,601</u> | 13.45 | <u>5,116,795</u> |
| FINANCED BY | | | |
| Share capital | 2,334,549 | 25.00 | 1,867,639 |
| Development reserve | 1,200,000 | - | 1,200,000 |
| Assets replacement reserve | 900,000 | 26.76 | 710,000 |
| General Reserve | 1,363,000 | 2.43 | 1,330,000 |
| Unappropriated profit | 7,452 | (18.61) | 9,156 |
| SHAREHOLDER'S FUNDS | <u>5,938,001</u> | 13.45 | <u>5,116,795</u> |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 1997

| | Increase/ | | 1996 |
|---|--------------------|----------|------------------|
| | 1997 | Decrease | |
| | Dh'000 | % | Dh'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating Profit | 1,617,974 | 7.67 | 1,502,665 |
| Adjustments for: | | | |
| Depreciation | 534,859 | 25.13 | 427,449 |
| Net transfer to staff terminal benefits | 32,245 | 43.05 | 22,541 |
| Decrease/(increase) in working capital: | | | |
| Stores | 50,296 | (791.26) | (7,276) |
| Debtors & repayments | (140,652) | 278.40 | (37,170) |
| Due to/from other telecommunications administrations | 57,829 | 83.36 | 31,538 |
| Creditors and accruals | 350,402 | 36.69 | 256,345 |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | <u>2,502,953</u> | 13.97 | <u>2,196,092</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment | (210,803) | 77.14 | (119,006) |
| Purchase of fixed assets, net | (1,230,150) | 46.28 | (875,244) |
| Interest income | 237,506 | 19.28 | 199,114 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(1,253,647)</u> | 57.66 | <u>(795,136)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | (1,050,547) | 12.50 | (933,819) |
| NET INCREASE IN CASH & CASH EQUIVALENTS | 198,759 | (57.45) | 467,137 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>4,486,947</u> | 11.62 | <u>4,019,810</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>4,685,706</u> | 4.43 | <u>4,486,947</u> |

BALANCE SHEET AT 31 DECEMBER 1998

| | Increase/ | | 1997 Dh'000 |
|---|------------------|----------------|------------------|
| | 1998 Dh'000 | Decrease % | |
| ASSETS EMPLOYED | | | |
| FIXED ASSETS | <u>3,911,575</u> | 37.75 | <u>3,928,547</u> |
| INVESTMENT | <u>1,157,511</u> | 173.57 | <u>415,517</u> |
| CURRENT ASSETS | | | |
| Stores | 144,572 | 14.04 | 126,740 |
| Debtors and Prepayments | 904,549 | 41.53 | 639,133 |
| Amounts due from other telecommunications administrations | 52,630 | 13.57 | 46,343 |
| Bank and Cash Balances | 4,216,729 | (10.01) | 4,685,706 |
| | 5,313,440 | (3.25) | 5,497,922 |
| CURRENT LIABILITIES | | | |
| Creditors and Accruals | 3,123,001 | 43.15 | 2,151,520 |
| Amounts due to other telecommunications administrations | 1,309,212 | 18.25 | 1,107,169 |
| Proposed dividend | 535,938 | 0.39 | 583,637 |
| | <u>5,013,151</u> | <u>30.60</u> | <u>3,842,326</u> |
| NET CURRENT ASSETS | 309,289 | (31.86) | 1,655,596 |
| LONG TERM LIABILITIES | | | |
| Provision for staff terminal benefits | 214,533 | 10.24 | 194,659 |
| | 6,654,793 | 14.64 | 5,085,001 |
| FINANCED BY | | | |
| Share capital | 2,341,750 | 0.39 | 2,334,549 |
| Development reserve | 1,200,000 | - | 1,200,000 |
| Assets replacement reserve | 1,200,000 | 44.44 | 900,000 |
| General Reserve | 1,300,000 | 32.06 | 1,363,000 |
| Unappropriated profit | 11,043 | 43.19 | 7,452 |
| SHAREHOLDER'S FUNDS | 6,654,793 | 14.64 | 5,085,001 |

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 1998**

| | Increase/ | | 1997 Dh'000 |
|---|--------------------|-----------------|--------------------|
| | 1998 Dh'000 | Decrease % | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating Profit | 1,773,254 | 9.60 | 1,617,974 |
| Adjustments for: | | | |
| Depreciation | 589,830 | 10.25 | 534,859 |
| Net transfer to staff terminal benefits | 19,924 | (33.21) | 32,245 |
| Decrease/(increase) in working capital: | | | |
| Stores | (17,792) | (135.37) | 50,296 |
| Debtors & prepayments | (265,416) | 83.70 | (140,652) |
| Due to/from other telecommunications administrations | 195,736 | 238.51 | 57,829 |
| Creditors and accruals | 971,481 | 177.25 | 350,402 |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 3,267,037 | 30.53 | 2,982,953 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment | (779,818) | 219.77 | (243,869) |
| Disposal of interest in associate company | 37,823 | 14.39 | 33,066 |
| Purchase of fixed assets, net | (2,072,358) | 61.90 | (1,280,350) |
| Interest income | 239,212 | 0.72 | 237,506 |
| NET CASH USED IN INVESTING ACTIVITIES | (2,575,641) | 105.45 | (1,253,647) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Share proceeds | 9,201 | - | 8 |
| Dividends paid | (1,169,574) | 11.33 | (1,050,547) |
| NET CASH USED IN FINANCING ACTIVITIES | (1,160,373) | 10.43 | (1,050,547) |
| NET INCREASE IN CASH & CASH EQUIVALENTS | (468,977) | (335.95) | 198,759 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 4,685,706 | 4.43 | 4,486,947 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 4,216,729 | (10.01) | 4,685,706 |

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1999

| | Increase/ | | 1998 |
|---|------------------|-----------------|------------------|
| | 1999 | Decrease | |
| | Dh'000 | % | Dh'000 |
| ASSETS EMPLOYED | | | |
| FIXED ASSETS | <u>7,103,360</u> | 31.25 | <u>5,411,575</u> |
| INVESTMENT | <u>741,144</u> | (35.97) | <u>1,157,512</u> |
| CURRENT ASSETS | | | |
| Stores | 122,141 | (15.49) | 144,532 |
| Debtors and Prepayments | 916,215 | 1.29 | 904,549 |
| Loan to an associated company | 19,304 | x | x |
| Amounts due from other telecommunications administrations | 65,791 | 24.54 | 52,630 |
| Bank and Cash Balances | 4,040,465 | (4.13) | 4,216,729 |
| | 5,153,825 | (2.91) | 5,318,440 |
| CURRENT LIABILITIES | | | |
| Creditors and Accruals | 3,573,309 | 17.62 | 3,123,001 |
| Amounts due to other telecommunications administrations | 1,179,279 | (9.92) | 1,309,212 |
| Proposed dividend | 703,125 | 20.00 | 585,930 |
| | <u>5,455,714</u> | <u>10.71</u> | <u>5,018,151</u> |
| NET CURRENT(LIABILITIES) ASSETS | (391,873) | (230.50) | 300,289 |
| LONG TERM LIABILITIES | | | |
| Provision for staff terminal benefits | 232,517 | 8.40 | 214,583 |
| | 7,220,009 | 8.49 | 6,654,793 |
| FINANCED BY | | | |
| Share capital | 2,812,500 | 20.00 | 2,343,750 |
| Development reserve | 1,200,000 | - | 1,200,000 |
| Assets replacement reserve | 1,360,000 | - | 1,300,000 |
| General Reserve | 1,900,000 | 5.56 | 1,800,000 |
| Unappropriated profit | 7,509 | (32.00) | 11,043 |
| SHAREHOLDER'S FUNDS | 7,220,009 | 8.49 | 6,654,793 |

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 1999

| | Increase/ | | 1998 |
|---|--------------------|----------------|--------------------|
| | 1999 | Decrease | |
| | Dh'000 | % | Dh'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating Profit | 1,739,601 | (0.77) | 1,773,254 |
| Adjustments for: | | | |
| Depreciation | 610,259 | 3.47 | 589,830 |
| Net transfer to staff terminal benefits | 13,014 | (9.49) | 19,924 |
| Provision for diminution in value of investments | 585,567 | | |
| Decrease/(increase) in working capital: | | | |
| Stores | 22,391 | (225.15) | (17,792) |
| Debtors & repayments | (11,666) | (95.60) | (265,416) |
| Due to/from other telecommunications administrations | (143,004) | (173.05) | 195,756 |
| Creditors and accruals | 359,299 | (43.35) | 971,481 |
| | 3,391,521 | 3.91 | 3,267,837 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment | (173,873) | (77.70) | (779,818) |
| Disposal of interest in associate company | 4,674 | (87.64) | 37,823 |
| Loan Provided to an associated company | (19,304) | x | x |
| Purchase of fixed assets, net | (2,302,084) | 11.06 | (2,072,858) |
| Interest income | 211,865 | (11.43) | 239,212 |
| | (2,279,722) | (11.53) | (2,575,641) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | x | | 9,201 |
| Dividends paid | (1,239,063) | 10.22 | (1,169,574) |
| | (1,239,063) | 11.09 | (1,160,373) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (175,264) | (62.42) | (468,977) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 4,216,729 | (10.01) | 4,685,706 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 4,040,465 | (4.13) | 4,216,729 |

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