

## 2.1.5 Please provide an example of how you have, or would build institutional capacity in public financial management in fragile states.

### 1. Communications as key to Institutional Capacity-Building in Financial Management

a. Building institutional capacity in fragile or conflict-affected states requires an ambition and a commitment on the part of the domestic leadership to amend or improve existing institutional frameworks. In the first instance, this involves **communicating** a credible, feasible and viable vision to create buy-in from the leadership. In parallel, it involves **communicating** this vision and the reform process itself to the wider population in order to build confidence and buy-in to the strategy, with consideration given to the individual, the organizational and the institutional/political level. Public financial management sits at the core of any reform process. Typically, public confidence in institutions is low in states affected by conflict, where corruption flourishes, driven by necessity, opportunism and often culture. Similarly, fragile states unaffected by recent conflict may have relied on poor governance structures to obscure financial relationships underpinning political support for the existing order.

b. Creating transparency in public financial management is fundamental to state building but its impact is limited unless it is **communicated** effectively. Good governance relies not only on theoretical financial transparency but on the capability of the public to **engage with and understand** financial management processes, and in so doing hold them to account.

c. As a Strategic Communications company **we have focused on the communication element of this question**. Our approach to building institutional capacity in financial management is to build a line of communications between institutions and populations. We believe that the most effective means to **communicate** financial transparency, and in doing so build public confidence and allow institutions the breathing space to build their longer-term capacity, is to **demonstrate** transparency.

#### 1) We support Institutions:

- a) By providing communications support to articulate their vision, reform strategy and the systems they plan to implement.
- b) By building the technical interface – a transparent membrane between institutions and populations - enabling institutions to communicate each stage of the process and, for example, respond to information requests.

#### 2) We support local populations:

- a) By increasing awareness and understanding of public financial management processes.
- b) By building the technical interface, enabling local populations to engage with their institutions and providing the transparent mechanism through which to communicate and publicly hold their institutions to account.

### 2. Syria Case Study: Interim Government

a. **Polling data indicates that Syrians from across the political spectrum perceive the internationally sponsored Syrian National Coalition (NC) to be corrupt**. The effect of this perception has been to undermine Syrian confidence in a political alternative and raise suspicions of Western motives in promoting the NC as a superior model to the current regime, playing directly into the anti-Western Assad regime narrative. The Interim Government (IG) has also been accused of government mismanagement of funds. Anecdotal evidence suggests however that specific ministries (e.g. Health, Education and Transport) have been effective and their perception has been broadly positive.

b. The InCoStrat team would design an **online portal to publish financial data** for these three “successful” ministries, including budgets and a breakdown of spending across headline categories. The portal would enable users to scrutinise and comment. We would moderate responses in order to encourage constructive debate and support the institutions in responding and acting on user feedback to improve their processes.

c. The impact of **empowering a two-way communication** with government ministries would itself represent an unprecedented demonstration of transparency and public engagement. It would also set an example for other ministries, with a view to encouraging better financial management through “shaming”. By building public expectations of accountability and grassroots democracy, we would encourage a cultural shift that would support wider institutional capacity-building.