

Developing Systems to Combat Corruption



Posted by David Fellows[\[1\]](#)

Introducing the concept of “objective data”

In March 2018, we republished a short note on the use of [objective data](#) to combat corruption [\[2\]](#). The piece highlighted statistical techniques being used in western countries to identify corruption by correlating unorthodox procurement practices with aberrant supplier behaviour established from factually based ‘objective’ administrative data. It was suggested that less complex approaches to the analysis of ‘objective’ data could be used to indicate the need for further forensic examination of officials, suppliers, and politicians. The emphasis was on finding workable approaches for developing countries that were compatible with the available resources.

The term ‘objective’ data refers to factual information derived from official government records. It represents data on transactions, activity schedules, and personal information, recorded through established processes, that give the

information credibility. This contrasts with 'subjective' data which is often based on opinions or experience that is poorly evidenced and of limited application, as is the case with corruption perception surveys.

Frequent use of objective data

Objective data is checked and compared in dozens of administrative processes which can produce anomalies that may indicate the presence of corruption. For example, invoices are checked against orders and goods received notes or contract certificates, or payroll submissions are checked against timesheets. In addition, national bodies charged with the oversight of public administration – such as supreme audit institutions and public procurement commissions – are routinely engaged in the examination of objective data which can also lead to the identification of corruption.

Such findings are then included in published reports that may be used to identify process deficiencies or potentially to prosecute cases of fraud and corruption. These oversight functions can be particularly effective when they are invested with independence from government, extensive powers of enquiry, transparency of reporting, and due consideration of findings.

Developing objective administrative data systems

Apart from routine scrutiny provided by administrative processes and oversight arrangements, programs of administrative reform provide excellent opportunities for the development of systems that incorporate the automatic validation and cross-referencing of administrative data to help identify patterns of corrupt activity.

Such arrangements are straightforward, well known, and

remarkably simple to put into effect but in practice they are rarely complete or well executed. Too often there is a lack of expectation that good administration will have a beneficial effect. This places a premium on those who hold relevant managerial roles, requiring them to value high standards of administrative practice; exercise oversight responsibilities courageously, insightfully and in partnership with others as necessary; and ensure that reform opportunities are used to best effect. Well prepared and committed management is a prerequisite to any well-intentioned anti-corruption initiative.

Objective administrative data applications

Some examples of objective administrative data and its use to combat corruption are included in an Appendix available [here](#).

The use of objective data could also be developed in other ways. For example:

1. Countries could prepare anti-corruption strategies that include the use and development of objective data and staff training. Such strategies should be accompanied by operational guidance. Anti-corruption strategies and related material are often referred to as being part of the standard anti-corruption armoury but are rarely made available. In practice, however, few of these documents have been produced to a reasonable standard anywhere in the developing world, and perhaps it is time to redress this omission.
2. Additionally, collaboration between states, perhaps on a regional basis, could be helpful in developing techniques for interrogating data, preparing anti-corruption strategies, sharing knowledge of corrupt practices, and building operational cooperation between countries
3. Consideration should also be given by multilateral agencies and regional representative bodies to the

development of an international systems assessment schema (akin to PEFA methodology[3]) that would indicate the efficacy and shortcomings of individual administrative systems for the purposes of combatting corruption.

This article is written with government administration in mind, but similar considerations apply to local governments and state-owned enterprises.

[1] Director, PFMConnect. The author thanks John Leonardo for his helpful comments.

[2] This blog was first published at <http://blog-pfm.imf.org/pfmblog/2018/03/how-useful-are-perception-indices-of-corruption-to-developing-countries.html>

[3] See https://pefa.org/sites/default/files/PEFA%20Framework_English.pdf

Forthcoming blog: Developing Systems to Combat Corruption

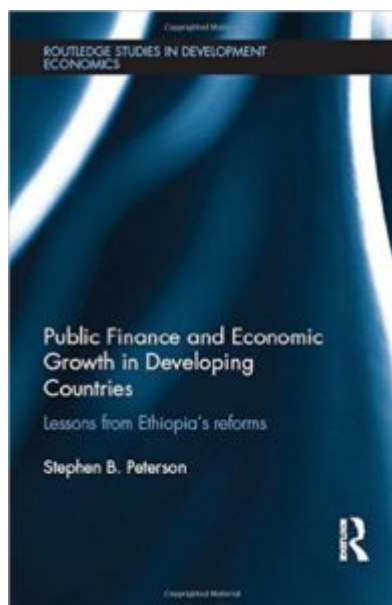


In a March 2018 blog PFMConnect co-principal David Fellows discussed the [deficiencies surrounding corruption perception indices](#) and outlined how objective data analysis could offer a clearer insight into the systemic nature of corrupt behaviour, thus providing a more precise indication of the corrupt parts of an administration, the number of external parties that are engaged in corruption, and features of the [public financial management \(PFM\) system](#) that need to be strengthened in order to combat corruption.

In a forthcoming blog “**Developing Systems to Combat Corruption**”, David describes how an objective data system is used in practice and how the concept may be developed. Some further examples of objective data and their use to combat corruption is available [here](#).

Book Review –“ Public Finance and Economic Growth in

Developing Countries”



Review by David Fellows of: ‘Public Finance and Economic Growth in Developing Countries: Lessons from Ethiopia’s reforms’ by Stephen B Peterson PhD, Professor of Public Finance, Melbourne School of Government, Published by Routledge

This is a remarkable book. It has the ring of coruscating honesty which is unique in my experience of case-based literature that all too often proceeds seamlessly from challenge to solution. No battles, no reverses and a job well done, leaving the informed reader with an abiding sense of improbability.

As a stark contrast to the norm I found this book highly insightful about public financial management in general, not simply in relation to developing countries. The author tells of his attempts to develop systems that are appropriate to place and people and provide the Ethiopian state with a serious reforming experience as it recovers from a devastating civil war. We see the challenges he faces both from the state and from external agencies.

In particular, we see a huge range of requirements for

financial systems, limited personnel and a low skill base supported by a development community that thinks in short timescales and finds it hard to accept the time needed to develop and embed major administrative reform.

We also see a development community presumption that favours advanced accountancy systems almost irrespective of their applicability. The potential danger being the creation of fundamentally unimproved public administrations either hooked on external consultancy or heading to chaos. We witness the tension between the author's wish for the simpler approach that carries a greater learning potential contrasted with the leap forward desired by the World Bank but successfully resisted at least for the time being.

Devolution has a prominent position in this narrative too. Many see it as a way of resolving a whole range of problems including ethnic diversity, service priorities, performance management, corruption, public engagement, taxation and the administrative demands of a highly centralised bureaucracy. While devolution is helpful in some ways it often opens up new problems. The Ethiopian imperatives and the author's stratagems are revealed and progress tracked.

Towards the end it appears that Ethiopia had developed a sustainable, not overly complex, accountancy solution that could be of widespread interest elsewhere only to discover that the authorities had changed their minds and opted to install a major accountancy package once the author had move on. Nevertheless, the scale of the contribution made by the author and his team in establishing the basis of financial administration in this war torn country is remarkable.

In all it is an enthralling read for those with a general interest in the challenges of international development as well as experts the field of public financial administration wherever they ply their trade.