

# How Useful are Perception Indices of Corruption to Developing Countries?



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

## The value and limitations of perception indices

There are numerous corruption perception indices. They provide an outsider's impression of the prevalence of corruption across the various branches of government. Some indices focus on issues of bribery, others are more general in scope. Some indices aim to engage with the general public, and others with businesses or NGOs. Perception indices can incentivise governments to tackle corruption given the reputational damage that they can inflict.

The shortcomings of perception indices, however, have been widely recognised, including in recent studies by UNDP and the IMF [\[2\]](#). Their evidential base is limited; survey samples are generally small; within the same index a variety of methodologies may apply so they can lack internal consistency; methodologies change so trends can be questionable; standardisation is difficult to achieve between or even within

countries and, as a result, the ranking of countries can vary from one perception index to another.

## **The relevance of objective data**

Those agencies and officials responsible for preparing these indices are aware of the deficiencies and make considerable efforts to mitigate them. Their key deficiencies are unassailable, however. Perception indices are based on impression, personal experience and hearsay rather than hard fact. In a multi-faceted study of villagers' perceptions of corruption affecting road building in Indonesia, Olken finds that perceptions are a good indicator of the presence but not the quantum of corruption. He concludes that "there is little alternative to continuing to collect more objective measures of corruption, difficult though that may be"[\[3\]](#). These factors can allow governments to diminish the importance of the messages that perception surveys contain.

An alternative approach has been proposed in a recent paper by Fazekas[\[4\]](#). The paper gives an account of recent research into public procurement in which legal, regulatory and administrative records have been analysed to reveal the presence of corruption. Relevant factors include: the characteristics of the tendering process; the political affiliations and personal connections of suppliers; and the location and transparency of information about the ownership of these supplier companies. Fazekas correlates these various data sets to reveal behaviour that indicates a skewing of contract awards toward suppliers with particular characteristics.

Fazekas uses the term 'objective' to refer to factual data that are not mediated by stakeholders' perceptions, judgments, or self-reported experiences. Nevertheless, the data are based on provable characteristics (e.g., from suppliers and procurement agencies). This approach, however, can provide some significant challenges. Databases may not be available

electronically, thus hampering data collection, and information is not collected on a systematic basis across countries. Despite these reservations, the approach can produce valuable evidence identifying areas of public administration that are especially prone to corruption, the role of officials in facilitating corruption, and the means by which corruption is being perpetrated.

## **Objective data analysis and developing countries**

European countries and the USA have been at the forefront of this kind of work, but it also has potential for guiding administrative scrutiny and reform in developing countries. The necessary analysis could be undertaken by internal auditors, anti-corruption agencies, or other oversight bodies. These agencies could use the results to improve system design, and commission detailed forensic investigations of those concerned.

Fazekas uses sophisticated statistical techniques, but simpler methods could also be employed to measure inappropriate administrative processes, potentially illicit flow of funds between parties with close personal ties, the unexplained accumulation of personal wealth, citizens' complaints, and other indicators of corruption. These results could then be used to identify potential levels and sources of corruption and, if acted on, lend credence to the government's anti-corruption commitments.

The approach outlined above is relevant to national and local government, as well as public corporations where significant levels of corruption can occur at the highest levels. Such work could be enhanced through external moderation and research collaboration across national boundaries, perhaps at regional level. A recent piece by the present author, published [here](#), discusses the growing relevance of digital media to governance reform.

## **The importance of national leadership**

Objective data analysis can 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 PFM system that need to be strengthened. It can provide data to support a vigilant administration that wishes to maintain pressure on corruption, complementing efforts to increase prosecutions or administrative reforms.

Whatever ideas are advanced, they will all require commitment from national leaders if they are to succeed.

[1] David Fellows is Co-principal of PFMConnect. He is an accountant and PFM specialist with significant interests in digital service development and performance management. His thanks are extended to Cornelia Körtrl and Domenico Polloni for their invaluable contribution to this article.

[2] UNDPs Guide to Measuring Corruption and Anti-Corruption (2015). See also IMF 2017, “The Role of the Fund in Governance Issues – Review of the Guidance Note, Preliminary Considerations”.

[3] Benjamin A Olken, “Corruption Perceptions vs Reality” – <https://economics.mit.edu/files/3931>

[4] Mihály Fazekas “A Comprehensive Review of Objective Corruption Proxies in Public Procurement” [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2891017](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2891017).

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# The case for an international online public service academy



by [David Fellows](#) [1]

## Introduction

The purpose of this post is to consider how digital communication could be developed for the provision of structured professional education for public servants in developing countries using an academy model. This proposal is based on the proposition that there is a widespread need for professional training to improve administrative effectiveness through a general grounding in the nature of public administration and its place in society; the study of key aspects of public sector management, relevant techniques and organisational values; and the examination of reform objectives and the means of achieving them.

Why open learning for developing countries? Well, a campus format bears a heavy cost-base and brings the practical difficulties of assembling the teaching staff necessary to deliver the standard of professional education required. It also incurs the loss of students from the workplace for substantial periods of time, together with the costs of student travel and accommodation. The positive advantages of an open learning format include the flexibility of study time

demands on student availability and, potentially, the benefits of an international experience for participating students given their interaction with students and teachers from around the world. This kind of initiative is not irrelevant to developed countries but I suggest that the priority and funding model should address the needs of developing nations first and foremost.

## **Geographical reach**

The use of digital communication provides for flexibility of student and teacher location. Seminars and staff meetings could be held online, academic material developed collaboratively over document handling systems, and student work could be dealt with by email or in-house systems. This would not be far removed from how most higher educational institutions are developing staff/student communication even where they are campus-based.

There may be merit in some courses being directed to regional groupings of students in order to provide greater focus on regional issues and it would make sense to do this using tutors who are immersed in the regional context. There may even be merit in some courses being run on a purely national basis. It would certainly be important to ensure that student study programs are aligned to the needs of the employing governments, possibly reflected in the nature of assignments or course options.

There could be a single worldwide institution with regional coordination to foster government relationships and accommodate periodic student workshops, although this is not essential in order to gain advantages from this format. There could be regionally based institutions or some states could operate primarily on a national basis.

## **Student body**

The students would be permanent officials of the public service in developing countries. There could be extensive flexibility about study arrangements including varying amounts of office time allowed for study purposes. This would be part of the arrangements to be agreed with the institution, and individual student study programs would take this into account.

Students could be encouraged to come together regularly online on a national or international basis to discuss their needs and course provision. Academic staff could join such meetings on request. Regular physical meetings of students could be possible on a national or departmental basis as well as at occasional regional workshops.

## **Prospectus**

Initially the prospectus should be developed around core governance-related topics: policy development; management and leadership (including roles and responsibilities of politicians and officials); human resources (including capacity development, appointment processes, records); public financial management; law; ethics; and economics (as a more contextual subject). Student programs could identify specific elements to be taken at a more advanced level (e.g. taxation or international trade). Some elements could be country specific.

The student program-based approach should allow flexibility in syllabus scheduling to reflect the time commitment made by each student. This does not mean that study would be unscheduled but that work schedules would be agreed with employers and students with the intention of building student cohorts around particular schedules. Tutors would be assigned to support each student cohort in making the necessary progress.

Courses would have action-oriented elements so that demonstrable benefits are gained for client governments from each program of study. Relevant benefits would be stated at the outset and evaluated in student assessments and satisfactory course completion would be formally certified.

In addition, short courses on service specialisations could be developed or a mentoring service could be provided for newly promoted administrators.

## **The foundations**

There is no need to create a completely new institution. There are a variety of bases on which the proposals could be founded. Various universities, civil service colleges and development agencies (e.g. the [new online Public Financial Management Course](#) just launched by the International Monetary Fund) around the world could establish the kind of institution proposed as an adjunct to their existing courses and program. Doing so would also provide the governance and administrative arrangements on which to base the new institution.

There is also no need to make extravagant claims about the possible size and scope of the institution. It could perhaps take a modest group of nations and development partners as a starting point. It is interesting to note that three conventional universities in the UK offer online Masters of Business Administration (MBA), one of which offers a two year course, and the others are more flexible with UK citizens forming a minority of each student body (ranging from 11% to 48%). In addition, the [UK Open University Business School](#) offers two and three year MBAs worldwide.

Nor is there any necessity to suppose that the starting point would be located in the northern hemisphere amongst the traditional developed nations. There would simply need to be familiarity with the concept of an open online college. Is the [Singapore Civil Service College](#) a prospective starting point? Could India launch an online Civil Service College to



satisfy its own needs, while also attracting students from further afield?

Client state engagement in governance arrangements would also offer the opportunity of using the institution to further South–South collaboration and the greater ownership of development philosophy by the developing nations.

## **Funding the academy**

The academy model is capable of being funded jointly by client governments and development partners. Cost-sharing could be flexible. Costs could be contained through collaboration agreements with appropriate institutions and the variety of expertise achieved in this way would add to the benefits of the model. The cost-benefits of online education have been demonstrated by existing institutions and must be exploited for this purpose.

The set-up cost would depend to some extent on the institutional foundations. Digital infrastructure costs would be scalable through agreement with application service providers with concessionary pricing being sought particularly at the outset.

## **Conclusions**

The purpose of this brief note is to suggest that it is now possible to provide extensive and high quality professional training for the public servants of developing countries with courses delivered predominantly via digital technology. It is further suggested that such an initiative would be cost-effective and possibly developed incrementally out of an existing institution(s).

At the current time capacity development has fallen out of favour with development partners due to the lack of clear linkage to measurable reform. I suggest, however, that without increased professional development for government officials the very ambition of improving state institutions is

fundamentally flawed. It is for those engaged in the formation of new institutions to demonstrate the effectiveness of such initiatives through the delivery and assessment mechanisms that are embedded within them.

[1] The author is a Co-principal of PFMConnect. A slightly abbreviated version of this blog is available at the [Devpolicy Blog](#) of the Development Policy Centre based at the Australian National University's Crawford School of Public Policy.

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## State-owned enterprise Reform Roundup



**Authors:** David Fellows and John Leonardo

PFMConnect's state-owned enterprise (SOE) [Board](#) on Pinterest for the first half of the current year demonstrates the financial burden that SOEs can impose on governments and the resulting dilemmas that arise. SOE services range from oil producers, insurers, railway operators and broadcasters. They can be large or small and some states have a vast number of them. Tensions arise between the desire to retain state

ownership to exercise control over pricing of essential services for the benefit of the poorer members of society and concerns over the effects of poor management and lax governance that can create unacceptable service standards and high prices.

States are giving consideration to a variety of improvements including outright sale, partial sale through stock exchange listings, governance reform, increased professional representation on management boards and the rationalisation of sprawling conglomerates.

It is very clear that in many countries the financial drain of SOEs on the exchequer and the political burden of justifying their poor performance, lack of transparency and corruption are leading towards a raft of drastic measures. The question remains as to whether chosen solutions will be seen through to successful outcomes. Slow progress with partial privatisation by some states raises a few doubts.

Some of the **Pins** that reflect these concerns are, as follows:

**An IMF press release** on 26 June reported that the Executive Board of the International Monetary Fund had concluded the Article IV consultation with South Africa. In the accompanying statement the IMF made the point that 'The public sector's balance sheet is ... exposed to sizable contingent liabilities from state-owned enterprises'.

**The Southern Times** reported on 26 June that South Africa, Namibia and Zimbabwe had all experienced problems with SOEs. As a result, South Africa and Namibia had both established ministries specialising in the management of SOEs. The Namibian Government was considering obtaining stock market listings for most commercial parastatals having spent in excess of R\$1 billion in the past few years on financial bailouts. The report also quoted the Zimbabwe *Sunday Mail* as

suggesting that the Zimbabwean Government had a list of around ten parastatals that were essential to the economy but needed urgent restructuring to and achieve profitability and improved service delivery. Governance reforms were also needed.

**The Telegraph, India** on 15 April reported that the Government was in the process of selling stakes in a series of SOEs through stock exchange listings. This included the Steel Authority of India Ltd, the Indian Oil Corporation and various railway and defence companies.

**Radio Pakistan** on 24 January quoted Finance Minister Ishaq Dar as expressing concern over SOE losses. He stated that the government intended to improve transparency and progress the privatisation of state enterprises.

**The Lusaka Times** on 23 April reported that the Zambian Government Minister of Finance, Felix Mutati, had expressed the Government's commitment to deal with the financial impact of SOEs on the state's finances and was introducing legal reforms to enforce fiscal discipline.

**Ukrinform** reported on 3 April that the Ukrainian Prime Minister, Volodymyr Groysman, had announced to his Cabinet the intention of selling some 3,500 SOEs that were 'absolutely ineffective' and 'of no strategic importance'. He considered that this would lead to economic improvements.

Finally, looking back almost a year **The Financial Express, Dhaka** voiced a relevant concern on 18 November 2016 when it reported that no appreciable progress had been made towards Bangladeshi SOEs gaining listings on the stock market. SOE officials cited disinterest of investors in the loss-making

concerns. Some commentators suggested that the lack of progress was related to board members' objections to investment income accruing to Government rather than SOEs and their fears about the loss of personal entitlements.

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# An International eCollaboration Route to Public Service Reform



**Author: David Fellows**

Governance of public affairs is a complex topic. It includes the processes by which decisions are made, the means by which service performance is assessed, the standards of behaviour to which public servants are held, the transparency applied to public life and the extent to which ordinary citizens are engaged in policy-making. In this respect, developing countries provide a wealth of expertise and examples of outstanding practice, research projects, and reform programmes.

In this post I propose an approach to governance reform in

developing countries that is owned and developed more extensively through multinational collaboration, and that uses digital media as a basis for that collaboration. This is not to suggest that development partners should be excluded from generating ideas or providing support but that developing countries should become more dominant orchestrators of their own development through more effective collaboration.

## **Working with an International Perspective**

Each nation requires its own strategies and implementation plans for governance reform, reflecting its specific needs, capacities, cultures, geographies and priorities. Nevertheless, multinational collaboration can offer a valuable combination of experience, ideas and expertise from diverse perspectives. At the centre of such an approach would be those who are responsible for achieving administrative reform, both civil servants and politicians, and who are intimately familiar with the challenges of the operational situation.

Such an approach would require an open and honest sharing of key problems and possibilities, the reality of progress made and the means by which achievements are being realised. Research could be shared at an early stage, development programme progress could be followed as it is rolled out and promising initiatives could be emulated promptly. Practical solutions could be sought to common problems, including mutual dependences.

This shared approach could involve officials, academics, staff from development agencies and the private sector, journalists and other experts. Technology can facilitate virtual exchanges that would not otherwise be feasible due to time, cost, and travel restrictions. It could enable the engagement of those best placed to assist, rather than those who are most

readily available. In short, digital technology is an excellent medium for bringing the most appropriate combination of people together in a low-cost, time-efficient manner.

There are very many collective organisations in most if not all regions of the world, including organisations with broad national representational remits, organisations consisting of specific types of institutions, and professional bodies. The purpose of this proposal is not to supplant these organisations, but to use them as a source of expertise, conduits for dissemination and platforms for discussion. Regional collaboration whether of formal groupings or ad hoc alliances can also provide a highly effective means by which these proposals can be approached in their entirety.

## **New Ways of Working using Digital Technology**

There are four basic strands to my proposed approach: (i) collaborative development arrangements; (ii) expert advice and mentoring; (iii) professional training for public servants; and (iv) public transparency and engagement.

**(i) Collaborative development.** Central to this proposal is the notion of collaboration: sharing current practice; learning from research and reform programmes; and identifying more effective ways of working through collective consideration. Relevant subject matter could include: public procurement; budgeting and performance management; auditing and risk management; broad-based annual reporting; the appointment of public officials; the conduct of elections; declarations for public office; small business development; cross border trading; taxation policy and the administration of justice. Broader themes are also relevant, such as strategic planning; combatting corruption and equality of opportunity.

A key aspect of the collaborative approach is to engage a

broad range of relevant people to contribute their ideas, experiences and judgements. The emphasis should be on how national priorities might be identified, reform programmes constructed, and viability tested. Their objective would be the creation of reasonably effective solutions that are affordable, feasible and sustainable.

The use of digital technology would allow flexible connectivity between people and ready access to information resources. Databases capturing a wide variety of policies, plans, reviews, process descriptions and standards would need to be constructed and made available for interrogation. Updatable schedules of financial and performance data would be required together with platforms to facilitate multiple authoring of documents. Working group meetings could be conducted over video conferencing systems offering document display and a record of proceedings.

**(ii) Expert advice and mentoring.** Beyond large group collaborations, the proposal also offers the opportunity for knowledge and experiences to be shared on a more personal basis. The key technological contributions here would be email, chat rooms and video conferencing with some use of databases as discussed under (i) above.

**(iii) Professional training for public servants.** Professional training is an essential aspect of public service development. However, traditional training methods can be highly expensive when physical attendance is required and can make significant demands on the student's time away from the office.

'Open university' approaches to further education have been in operation for decades in many countries and new technology has given them a boost [\[1\]](#). There is no reason why the model cannot be extended to suit the particular professional development needs of public servants from developing countries.



Digital technology can enhance the learning experience with video packages, interactive learning modules, online assessments, conventional study material, chat rooms and email exchanges together with video conferencing for tutorial sessions. Existing study programmes (e.g., World Bank courses) could be incorporated. Academics from major institutions around the world, experts from development agencies and specialists from international centres of excellence could be approached to lend support, providing a rich learning experience. It is possible that some existing public service training institutions could provide the basis for this type of provision.

Financial support for traditional training facilities has tended to fall out of favour with development partners. Perhaps this should be reconsidered using an evidenced-based approach to the value derived. A recent study [\[2\]](#) undertaken by PFMConnect provides substantial support for the feasibility of such an approach.

**(iv) Public transparency and engagement.** This can equip citizens to contribute ideas for the development of public service and hold officials to account for their judgement, integrity and effectiveness. Going further, it can also help to reduce costs and improve service benefits, root out corruption, and create confidence in public institutions.

This process of accountability and engagement can be effectively achieved through official websites, chat rooms, email and social media. There is considerable scope for all governments to improve two-way communication with their citizens. A professional training institution as discussed above should seek to play a leading role in advancing key developments in administrative reform, including public transparency.

## Key Technical Considerations

This proposal mainly concerns the infrastructure available to central government services in capital cities, as central government offices are the principal subject of these proposals. In this respect there is already a fairly high standard of general internet connectivity and the capacity to implement facilities of the kind required. The public engagement aspects must, however, rely on whatever public networks are available in a particular locality and these can be expected to improve over time.

In terms of government offices, there appear to be three principal technological issues. Firstly, individual offices need to have appropriate internal facilities. Secondly, there will need to be agreement to a range of key considerations concerning the digital architecture, service providers and core software products. Some issues must be decided internationally and some can be left to local discretion. For example, video conferencing requires basic software decisions to be made on behalf of all users with operating systems and browsers having the capacity to support the chosen software but beyond this there can be considerable desktop flexibility. Thirdly, it may be useful to establish document standards for certain purposes [3].

A balance would need to be struck between the sharing of information across a broad network of participants and the need for confidentiality and security over some material. Clearly such a proposal will not take root if it is based on stipulations that are highly complex and expensive. An evolutionary approach is clearly required.

## Conclusion

In a [previous blog](#) covered by the World Policy Journal the author and colleague John Leonardo set out the case for governance reform in developing countries in order to reduce

corruption and thereby improve economic performance and public service delivery.

Shifting the balance of responsibility and organising power for governance reform towards developing nations could give this agenda new impetus. An imaginative use of digital technology could enrich the inclusivity and practicality of such an approach.

This is a very tentative proposal. I have not started to discuss whether it would constitute a unified system or a series of ad hoc arrangements; how such a proposal would gain traction; and how the system would be financed. Observations and reactions would be welcome.

*David Fellows is Co-principal of PFMConnect.*

*Thanks are extended to Chris Fellows of ITI Europe for his views on the application of digital technology.*

[1] See this example from a British university:  
<http://www.wbs.ac.uk/courses/mba/distance-learning/teaching/>

[2] Commonwealth Africa Anti-Corruption Programme Evaluation – see  
<http://blog-pfmconnect.com/wp-content/uploads/2017/05/Anti-Corruption-Africa-Programme-Evaluation-Feb-2017.pdf>

[3] For instance: Horizon 2020 EU programs must include a deliverable called “data management plan” that, in part, describes the kinds of formats that will be adopted within the consortium. See  
<http://www.sussex.ac.uk/library/researchdatamanagement/create/biddingforfunding/horizon2020dataplan> and  
[http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/hi/oa\\_pilot/h2020-hi-oa-data-mgt\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/oa_pilot/h2020-hi-oa-data-mgt_en.pdf))