

# 11<sup>th</sup> International Anti-Corruption Conference: Workshop 11.1

## Presentation Abstract

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1. Panelist Name: William Dorotinsky	2. Workshop Title: Road Trip: Practical Lessons from Early Implementers
3. Title of case-study or paper: Financial Management Information Systems and Anti-Corruption: Limits to Technology	

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Governments around the world have been executing major initiatives in order to take advantage of the potential of emerging information and communication technology. Integrated financial management systems (IFMS) are one of the most popular government ICT-based initiatives. IFMSs enhances effectiveness and transparency of the system by computerizing the process in which public financial resources are managed. However, the results from international experience with IFMS, including the World Bank's, have been so far quite mixed. While some countries managed to improve transparency of their public financial management process, many other countries found that their reforms have been less than fully successful in combating corruption.

Since the late 1980's, the Bank has funded financial management information system (FMIS) projects as part of larger government reforms or as a stand-alone project in more than 27 countries totaling US \$ 1.1 billion. The project participants have hoped that emerging technology would make their public financial management procedures more transparent and efficient.

It is generally believed that FMIS can enhance transparency and accountability in the following ways:

- a) automated identification of exceptions to normal operations,
- b) automated cross-referencing of personal or vendor identification numbers for fraud,
- c) cross-references of asset ownership (e.g. land registry) with tax return entries for local tax payments,
- d) cross-references of asset ownership (e.g. land registry) with tax return entries for local tax payments, identifying scofflaws.
- e) cross-reference public benefit payments with both birth and death records or a national identification number to identify fraud,
- f) strengthening cash disbursement rules to minimize risk of theft of public funds,
- g) automated identification of exceptions to normal operations, cross-references of asset ownership (e.g. land registry) with tax return entries for local tax payments, identifying scofflaws.

However, these examples point to the very shortcomings of the system. It assumes the corruption is detectable, systems are in place to pursue remedial action where cases of actual corruption have been identified, and it assumes institutional incentives will favor accurate data entry. Adequate attention is needed to the "soft systems" that surround the technology.

With respect to systems, it may assume that a single taxpayer identification number exists, or can be readily created. In Argentina, there were numerous national identifiers, each covering different segments of the population, each with a legacy system unable to easily communicate with one another. While an IFMIS can help, Argentina's IFMIS did not. The political dynamics of which agencies identifier to use, and whether one identifier should even exist across the country, hampered progress.

With respect to remedial action, it is a very great assumption that the justice system in a country is working well enough to follow-up on identified cases of fraud, waste or abuse. There needs to be trained investigators who can take the initial suspicions and confirm or deny them and subsequently refer for prosecution (and an incentive to do so, in the face of local power elites), executive branch officials willing to allow detection and referral for prosecution, and courts willing and able to hold timely, fair trials, etc.

It is also important to emphasize the risks for new corruption opportunities through ICT-based financial management systems. Simply put, computerization of public financial management processes can create new opportunities for corruption by monopolizing information access and control.

Computerization of the system of financial management often requires increased knowledge and skill of ICT in operating and maintaining the system. As a result, it often provides more access for those with the required IT skills and denies those without IT skills. This monopolization of information access and control becomes more dangerous in IFMS compared to other e-government applications due to the integrating characteristics of IFMS.

In short, IFMSs' usefulness as anti-corruption measures materialize only when implementers are fully aware that they are enabling tools with certain limitations. Indeed, they are useful only when they are deliberately and systematically designed, reflecting wider organizational structures and incentive systems, paying careful attention to the 'soft systems' that surround the technology itself.

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