

FEATURED PAPER
Earned Value- A Leading Indicator
of Clean Governance?

By Paul Giammalvo

As a long time resident of Indonesia, with extensive experience throughout South and Eastern Asia, the question of corruption and “leakage” in Project funding has long been of prime interest to me. For many years, I have been beating the drums, advocating for adoption of Earned Value Management by various NGO’s and multi and bi-lateral funding agencies in particular as one of the ways to at least make the leakage of funds more difficult and if leakage does occur, make it easier for audits to uncover where the money went.

While I had long believed that Earned Value Management (and it’s alter ego, Activity Based Costing) were synonymous with “clean” project management, it was difficult to make any clear connection.

In the process of researching material for a course on Earned Value Management for Marcus Evans and other clients in SE Asia, I happened across a map produced by Transparency International (TI) which showed, through color coding, those countries perceived to be to most corrupt, going from lightest (least corrupt) to darkest, (most corrupt). http://www.transparency.org/policy_research/surveys_indices/cpi/2006

When I identified those countries who have FORMALLY ADOPTED Earned Value as a Government Policy, and marked them on the TI produced map, it became very apparent that preliminary evidence exists supporting the theory that perhaps a relationship exists between a country being PERCEIVED as not being corrupt and the adoption by that country of Earned Value Management. (See Figure 1)



Figure 1- Countries Formally Adopting Earned Value Management Compared to TI's Corruption Index

As you can see, only the lighter colored countries (perceived to be “clean” have adopted Earned Value. This proved so interesting that I contacted Wayne Abba (“Mr. Earned Value”) and asked what other countries are in the process of adopting Earned Value, just to see if the apparent correlation between earned value and the perception of a country as not being corrupt remained.

On February 18th of this year, Wayne replied *“Re your tie to the corruption index, I like it. It makes the point as it is. Should you want to include more countries that have expressed interest in EVM – not necessarily thru government but thru introduction by professional organizations such as AACE, IPMA, PMI – you could include Turkey, Brazil, Portugal, India, Norway... and mention that influence via contracting extends to France, Italy, Spain, Israel, Germany – much of that from Australian leadership, Australia having a small indigenous industrial base and having to contract overseas for much of its defense needs.”*

Taking Wayne’s advice, Figure 2 shows those countries (in red call out boxes) who have adopted or are in the early stages of adopting EVM, if not formally with government backing, it being “forced” on them through the global contracting practices, especially of Australia, through their defense contracting policies.



Figure 2- Other countries supporting or recognizing Earned Value Management. (Red Call Outs)

While it appears most of the top quartile of “cleanest” nations have adopted or at least recognize EVM, it will be very interesting to see if:

- 1) Those countries who are NOT in the top quartile move up in ranking as a result of recognizing Earned Value and;
- 2) Countries who traditionally top the TI Transparency Index-
 - a. Finland
 - b. Iceland
 - c. New Zealand
 - d. Denmark
 - e. Singapore
 - f. Sweden
 - g. Switzerland

Will join in adopting Earned Value Management.

http://www.transparency.org/policy_research/surveys_indices/cpi/2006

From my perspective living and working in several developing nations in South and Eastern Asia, I have long been advocating that the NGO’s, multi- and bi-lateral lending agencies also embrace Earned Value Management. Following the “Golden Rule” (She who has the gold, makes the rules) I believe the key to implementing EVM lies with those who control the initial funding- governments, multi- and bi-lateral lending agencies but equally important in today’s world of public-private partnerships- multi-national and trans global companies.

The ADB recognized EVM as early as 1988, (*Handbook on Management of Project Implementation*, Arthur D. Little, 1988, Asian Development Bank) and the World Bank claims to have adopted it (face to face discussions with Dr. Andrew Steer, past country director for Indonesia and several of his key staff) but I have seen no empirical evidence supporting that claim. More recently, USAID has recognized EVM for their own internal projects, but not yet for the projects they are funding.

http://www.usaid.gov/our_work/economic_growth_and_trade/info_technology/tech_series/EVM_508.pdf

To the Asian Development Bank and USAID especially, given both organizations have recognized the value of Earned Value Management, I would urge you to develop and implement some pilot projects in the developing nations using EVM the way it was designed and intended to be implemented, and I am skeptical that EVM alone can or will stop corruption and the leakage of funds, that it will at least make it more difficult for the funds to be misappropriated and if they are, a combination of EVM and Activity Based Costing, correctly implemented, will certainly help the auditors in finding where the money was stolen, which is the first step towards recovering it.

To conclude, for academics interested in this as a possible research topic, studying the correlation between the use of Earned Value Management and the real or perceived corruption in a country should prove very interesting. For the multi-national companies especially, "leading by example" in implementing EVM for your projects will be a good way to start demonstrating that corruption can be controlled.

References:

1. http://www.transparency.org/policy_research/surveys_indices/cpi/2006
2. *Handbook on Management of Project Implementation*, Arthur D. Little, 1988, Asian Development Bank
3. http://www.usaid.gov/our_work/economic_growth_and_trade/info_technology/tech_series/EM_508.pdf



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