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Three Ways to Assess Corruption: How to compare indicators?

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By weakening the institutional frameworks through which economic agents interact, corruption constitutes a major obstacle to economic development. Because of its secretive nature, measuring this phenomenon has proven challenging. Numerous initiatives have nonetheless been launched in the past two decades with the objective to produce reliable measures of corruption.

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LA FERDI EST UNE FONDATION RECONNUE D'UTILITÉ PUBLIQUE. ELLE MET EN ŒUVRE AVEC L'IDDRI L'INITIATIVE POUR LE DÉVELOPPEMENT ET LA GOUVERNANCE MONDIALE (IDGM). ELLE COORDONNE LE LABEX IDGM+ QUI L'ASSOCIE AU CERDI ET À L'IDDRI. CETTE PUBLICATION A BÉNÉFICIÉ D'UNE AIDE DE L'ÉTAT FRANÇAIS GÉRÉE PAR L'ANR AU TITRE DU PROGRAMME « INVESTISSEMENTS D'AVENIR » PORTANT LA RÉFÉRENCE « ANR-10-LABX-14-01 »

This critical review, along with the FERDI database of corruption indicators, provides a detailed analysis of the strengths and weaknesses of the different types of indicators that have been used more and less interchangeably since the mid-1990s for the study of macro-determinants and consequences of corruption, namely the indicators based on evaluations from experts, those constructed on the basis of surveys capturing the perceptions and experiences of households and businesspeople, and composite indicators of corruption. This study focuses on multi-year global and regional indicators of corruption that provide comparable scores across countries and time. Knowledge of the relative advantages and drawbacks of the different categories of corruption indicators makes it possible to generate a tool aiming at guiding researchers by defining which indicators are the most appropriate depending on the objectives and specific constraints of their research question.

The first indicators are constructed from expert assessments : *Business International* (which became *The Economist Intelligence Unit* soon after), and the *International Country Risk Guide* of *Political Risk Services, Inc*. (later renamed The *PRS Group*)[1] (see table 1).

The second category of indicators uses survey data on perceptions and experiences of corruption from a nationally representative sample of households or businesspeople. Among the many household surveys conducted the two most famous are probably Transparency International's *Global Corruption Barometer*, created in 2003, and the *International Crime Victims Survey* project, initiated in 1989. The World Bank has been particularly active in the development and implementation of business surveys with the *Business Environment and Enterprise Performance Surveys,* the *World Business Environment Survey* and, more recently, the *Enterprise Surveys* (see table 2).

Composite indices of corruption appeared in the 1990s with the development of an index by Transparency International that combined several indicators of corruption derived from expert assessments. Very soon, this index, whose methodology evolved to become the *Corruption Perception Index*, generated enthusiasm from the media but also criticisms regarding its methodological underpinnings as well as usefulness for research.

The *World Governance Indicators*, developed since 1999 by the World Bank are an attempt to respond to some of those criticisms. The *World Governance Indicators* are six composite indices measuring various aspects of governance at country level, including the prevalence of corruption with the *Control of Corruption index*. In the same spirit as Transparency International's *Corruption Perception Index*, those indices summarise opinions from a large number of experts, businesspeople, but also citizens, surveyed by polling companies, think tanks, non-governmental organisations, international organisations and private firms. Those composite indices have had, and continue to have, a major impact on corruption research (see table 3).

From a researcher's perspective, the decision to favour one indicator over another in an empirical study on corruption is likely not to be innocent. In fact, the results and conclusions of the study can fluctuate depending on which indicator is selected, as those indicators may not have the same coverage (leading to work on different samples) and are imperfectly correlated (when working on the same sample). There are no formal rules to follow for the choice of an indicator and very often this choice is made by the researcher on an *ad hoc* basis. The critical review reveals a number of criteria able to guide researchers in selecting suitable corruption indicators :

Criterion #1 - the definition of corruption adopted : The way corruption is defined in the study must be consistent with the definition used for the construction of the indicator.

1. Those indicators were notably used in Paulo Mauro's pioneer work on the impact of corruption on economic growth (Quarterly Journal of Economics, 1995) and the article of Knack and Keefer on the relationship between institutions and economic performance (Economics and Politics, 1995).

Criterion #2 - the researcher's objective : For example, measuring progress achieved in fighting corruption requires different indicators from those designed to measure its prevalence.

Criterion #3 - the type of corruption assessed: For example, we may assume that composite indices are more relevant for studies examining corruption in broad terms, while petty corruption may be better captured by household and business surveys.

Criterion #4 - the appropriate measurement tool : Measuring the share of the population affected by corruption, its cost for society, the incidence of corruption activities and their scope require different indicators.

Criterion #5 - biases associated with indicators: Different indicators are affected by different biases. Depending on the type of study, some biases are more problematic than others. This should guide researchers in their choice of a relevant indicator.

Criterion #6 - the temporal and geographical coverage : Most composite indices and a number of indicators using expert assessment data cover a large number of countries over a significant period of time. Yet, most corruption indicators provide information on a more limited number of countries and/or provide data less frequently.

The study also mentions a number of good practices worth keeping in mind when working with corruption indicators:

- Identify and acquire mastery over the methodology used to construct the indicator
- Identify the genuine potential for comparability over time and/or between countries
- Select appropriate indicator(s) following the above-mentioned criteria.
- Acknowledge and document the limitations of the indicator and its potential biases
- Take measurement error seriously
- Test the robustness of the results with alternative indicators meeting above criteria
- Promote replicability by granting access to the data (whenever possible).

Table 1. Indicators constructed from expert assessments

Advantages	Limits
• Perceptions are useful • Scores are comparable across countries and time • Data are relatively inexpensive to produce	• Perceptions do not necessarily reflect the reality of corruption • Those indicators are conceptually imprecise • Those indicators are influenced by their audience and the agenda of their institution • Experts are too similar • Experts are influenced by their emotions and prejudices • Experts influence one another • Teams of experts, fragmented and changeable, have different opinions • Lack of transparency • Poor dissemination

Table 2. Indicators constructed from surveys capturing perceptions and experiences of households or businesspeople

Advantages	Limits
• They allow a more detailed evaluation of corruption • Those indicators are more precise • Those indicators are less exposed to a number of biases • Computing margins of errors is straightforward • Those indicators provide information on people's intentions	• Data are not necessarily accurate • Those indicators are subject to their own biases • A cultural bias threatens data comparability • Surveys require interpretation from respondents • The sampling methodology is not always transparent • Data are costly and poorly disseminated

Table 3. Composite indicators

Advantages	Limits
• A wide geographical and temporal coverage • Measurement errors and biases from individual sources can be attenuated • Those indicators allow the explicit quantification of their error.	• The definition of those indices is imprecise and uncertain • Their definition is unstable • Interpreting scores and their evolution is complex • Primary sources are not always accessible • Normalisation and aggregation methods are complex and debatable • The hypothesis of independence of primary sources is doubtful

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