

**General overview of international  
comparative studies on assessment of corruption**  
(methodology, indexes and some data on  
Russia and Hungary)

**Centre for Independent Social Research**

St.-Petersburg, 2003

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## **Introduction**

Corruption is considered to be a problem in all contemporary countries and societies. Many international and domestic organizations try to combine their efforts in order to fight against this “world evil”, and encourage sociologists and economists to develop different tools, which could help to succeed in this fighting. Today almost all participants of this international anti-corruption “coalition” do agree about the point that diagnostic assessment of corruption in different countries is an important tool to develop guides and programs of anti-corruption policies. International studies of corruption help to understand how corruption manifests itself in a country's public institutions and relationships within societies.

In this text we offer a brief review of the most popular international comparative studies on assessment of corruption and one domestic research which is based on the international studies database. In this text we observe basic principles of approaches used by reviewed studies and include some data which concerns the situation with corruption in Russia.

## **Corruption assessment studies: classifications, indexes, key issues and methodologies**

### ***Classifications and most important studies***

There is a lot of studies aimed on measuring corruption in contemporary world. The most interesting among them are the comparative ones – the studies, which allow to compare situations with corruption in different countries. These studies can be classified in different ways. For instance, they can be distinguished according to countries chosen for comparison:

- Studies that use as many countries as possible,
- Studies investigating countries of certain regions (often - Africa),
- Studies, comparing countries that are chosen according to certain aims of the research (i.e. –countries for potential investments),
- Studies of the countries “in transition” (Russia is often included in this type of studies) (Satarov, Parhomenko 2001).

Another basement for classification is research approach used for collecting and analyzing data. From this viewpoint the studies can be distinguished in the following way:

- using statistics (economical, criminal, social etc.),
- using sociological research (mainly - surveys)
- using expert estimations
- using integral (composite) indexes - statistical generalization of several other indexes worked out by other researches (Satarov, Parhomenko 2001).

Even though the above mentioned “approaches” could provide the basis for analytical classification of studies, these approaches do not exist as absolutely clear in practice: quite often sociological surveys, expert estimations and composite indexes intersect or overlap wit each other. For instance, composite indexes are often based on the indexes worked out in the course of sociological surveys, including international experts opinion polls. That is why classifications of corruption studies suggested by different authors/organizations often overlap as well. This can be illustrated if we compare the above described classification

suggested by INDEM foundation (Satarov, Parhomenko 2001) with the classification of “the major country diagnostic assessments that have been conducted in E&E region” developed in MSI Handbook of Corruption Assessments, that includes five types of corruption assessments:

- surveys of adults,
- business surveys,
- three-pronged surveys,
- composite index,
- expert opinion

(MSI Handbook 2002).

In this classification all listed types of corruption assessments are sociological surveys, distinguished in according to data sources and types of respondents, including surveys of experts, mixed with composite indexes build on the basis of indexes worked out in mentioned surveys. This classification overlaps the previous one ( Satarov, Parhomenko 2001) and some studies/indexes are identified by these two classifications in different ways. For instance, Opacity Index worked out by Pricewaterhouse Coopers is identified by Satarov and Parhomenko as “Expert research”, while in MSI handbook it is presented as “Business survey”.

Anyway despite of the lack of unified classification of corruption studies, there are still some studies and indexes which are conventionally recognized as *important* - those indexes and studies which are used by international organizations for the development of anticorruption policies. The lists of such “recognized” studies (and indexes that are used in them) offered by different organizations also slightly differ from each other. The following tables contain the list of those “generally recognized” studies which concern transitional countries.

**Table 1: The List of Main Corruption Assessment Studies**

Title of organization/Study	Year	Type of research	The number of countries investigated, Region
"International Working Group" / International Crime Victim Survey	1996/97, 1999/2000	Public opinion survey	11
Freedom House / Nations in Transit	1998	Expert research	27, Eastern Europe
Gallup International / 50th Anniversary Survey	1997	Public opinion survey	44
Heritage Foundation / Index of Economic Freedom	Ежегодно	Expert research	161
Institute for Management / Development World Competitiveness Yearbook	Ежегодно	Top and middle manager’s survey	47
Political Risk Service / International Risk Guide	1999, 2000	Expert research	135
Pricewaterhouse Coopers / Opacity Index	2001	Expert research	35
the Economist Intelligence Unit / Country Risk Service and Country Forecast	1999, 2000	Expert research	115
Transparency International /	Ежегодно	Integral indicator	About 99

Corruption Perceptions Index			
Wall Street Journal, Central European Economic Review / Annual Survey	1997	Survey of analysts from US and Europe	26, Eastern Europe
World Bank Institute / Aggregated Governance Indicators	1998	Integral indicator	About 172
World Bank and EBRD / Business Environment and Enterprise Survey (BEEPS)	1999	Manager's survey	22, transit countries
World Bank/Basel University / World Development Report	1997	Manager's survey	69 + 5 (Basel)
World Economic Forum / Global Competitiveness Report	Ежегодно	Top manager's survey	59
The Southeast European Legal Development Initiative (SELDI)	2001 and annually thereafter	Surveys: face-to-face interviews with a representative sample of the adult population	7 South-East European countries
USAID (with WB)	2000	diagnostic surveys: face-to-face interviews with representative samples of public officials, enterprise managers, and households in a country	Romania Slovakia
Stability Pact Anti-corruption Initiative for South Eastern Europe (SPAI)	2001 and periodically thereafter	Expert research	South-East European countries
Situation Report on Corruption in the Baltic Sea Region	2000 and annually thereafter	Expert research	Baltic Sea Region (including Estonia, Latvia, Lithuania, Poland, and Russia)
The Council of Europe's Groups of States against Corruption (GRECO)	2000/2001 and periodically thereafter	Expert research	27 European countries
The Council of Europe and the European Commission's joint initiative named Octopus II	1998	Expert research	16 eastern European countries (including some CIS countries)

**Sources:**

Satarov. G., Parhomenko S. Diversity of Countries and Diversity of Corruptions (Analysis of comparative reesarches). Analytical paper. Moscow: INDEM, 2001 <http://www.indem.ru/corrupt/parhom/index.htm>  
MSI: Handbook on Corruption Assessments. Draft report. September 20, 2002

**Key issues**

What are the key issues of these studies? We will try to describe them by referring to Handbook for corruption assessment studies prepared and provided by MSI.

As it was already mentioned all these studies are aimed first of all to work out effective measures of fighting corruption. For these purposes they try to make diagnostic assessments of situation with corruption in investigated countries covering the following topics:

- ranking of corruption;
- changes in corruption levels;
- the nature of corruption problem;
- political attitudes towards corruption;
- the inventory of anti-corruption legislation;
- the review of government institutions;
- anti-corruption programs;
- the politics of reforms.

In more details:

*Ranking of corruption* provides an overall estimation of the severity of the problem in particular country, as to compare with other countries in the region and worldwide.

*Changes in corruption levels* which indicate the country's “corruption trajectory”. The level of corruption might decrease, increase or remain stable – it allows to estimate dynamics of corruption and the efforts of domestic authorities and international organizations in their fighting against corruption; to decide if an expansion of those efforts is needed.

Identifying *the nature of corruption problem* is the most challenging aspect of diagnostic assessment. To diagnose the problem, the assessments need to consider the locus, severity, types, and sources of corruption in government. This information is necessary to identify priorities and suggest a unique configuration of substantive reforms.

*Public attitudes toward corruption* reveal whether population is tolerant towards the situation of corruption. If tolerance is the norm, anti-corruption efforts need to increase public awareness about the costs of corruption (by the means of investigative journalism, advertisement campaigns, awards, discussions, research, conferences, and etc.).

The *inventory of anti-corruption legislation* is needed to describe how existing legislation really work in terms of creating anti-corruption legislative conditions (including criminal and civil procedure codes, public procurement regulations, campaign financing laws, codes of conduct, financial disclosure rules etc.). In the course of such a review notable strengths and weaknesses of the legislative framework, including gaps in legislation are to be pointed out.

The *review of government institutions* examines efficiency of government institutions. The aim is to identify opportunities, incentives, and insufficiencies fostering corruption. It also examines institutions dealing with prevention and prosecution of corruption. In this review attention is paid to the role of the government in economy and accountability systems in the public sector.

*Anti-corruption programs* initiated in the country are also supposed to be checked out and diagnosed. Efforts of government and civil society to fight corruption are examined here.

Some studies also pay attention to *the politics of reform*. Understanding of the situation with politics reforms are important to create a strategic response to the problem and identifying possible entrees for assistance. This assessment pays attention to the kind of regime in place (as an example see classification used by NIT\_FH: consolidating democracy, late nation-

builder, retreating democracy, consolidating authoritarian, or re-integrating state ([http://www.freedomhouse.org/pdf\\_docs/research/nitransit/2003/nitcharts2003.pdf](http://www.freedomhouse.org/pdf_docs/research/nitransit/2003/nitcharts2003.pdf))); etc. (Source: MSI Handbook, 2002).

Of course this list is rather general, i.e. not every study necessary covers all mentioned topics, as well as not only these topics are concerned in the studies mentioned above. For instance, the indexes developed by Freedom House assess besides corruption a wide spectrum of political and economic issues in researched countries, while BEEPS says nothing about laws related to corruption or anti-corruption initiatives. MSI experts estimate capacities of several of mentioned above studies/indexes as it is represented in the following table:

**Table 2.** Comparison of Assessment Approaches

Assessment Approaches	Rankings	Changes in Corruption Levels	Identification of Corruption Problems	Attitudes toward Corruption	Laws related to Corruption	Functioning of Government Institutions	Anti-Corruption Initiatives
Opacity Index done by Pricewaterhouse Cooper	B	B	C	A			
BEEPS	B		B				
WBI, USAID		B	A	A		A/B	
Composite Index: CPI_TI, WB_GAI,	A	B					
Freedom House	A	A	B	B	B	C	B

**Key:** A – Excellent; B – Good; C – Fair.

**Source:** MSI handbook 2002.

### **Composite indexes**

The most interesting and widely used are so called “composite” (or complex or general, or aggregated) indexes which are build on the basement of bringing together and aggregated several indexes worked out in the course of several stages of the same study or in the course of other studies. The most popular of them are:

- Corruption Perception Index (CPI) (since 1995) - Transparency International (CPI\_TI),
- Nations in transit (since 1998) - Freedom House (NIT\_FH)
- Aggregated governance indicators (1998) - World Bank Institute (AGI\_WBI)
- Opacity index (OI) (2001) – Pricewaterhouse Coopers (OI\_PC)
- Business Environment and Enterprise Performance Survey (1999) - World Bank (BEEPS)

This list is incomplete, of course. However the most popular composite indexes and comparative studies dealing with corruption issues are listed here (even though – as it was posed above – not all of them are concentrated around corruption issues only).

Our colleagues from Foundation for Market Economy (Budapest) has already made brilliant description of two of them – CPI done by TI and OI done by PC. So regarding these two studies we only offer some data which concerns Russia. We pay more attention to other listed studies and make very brief overview of them, based on descriptions done in MSI Handbook (2002) and in the mentioned above text by Satarov and Parhomenko (2001).

*Corruption Perception Index (CPI) (since 1995) - Transparency International (CPI\_TI)*

Here we offer one Tab. From PI report:

Table 3: “Transparency International “Corruption Perception Index”: Country Ranking” :

	Country	CPI 2002 score	Surveys used	Standard deviation	High-low Range
71	Cote d'Ivoire	2.7	4	0.8	2.0 - 3.4
	Honduras	2.7	5	0.6	2.0 - 3.4
	India	2.7	12	0.4	2.4 - 3.6
	Russia	2.7	12	1.0	1.5 - 5.0
	Tanzania	2.7	4	0.7	2.0 - 3.4
	Zimbabwe	2.7	6	0.5	2.0 - 3.3

Table 3.1.

In the same tab. Hungary's rank is 33:

33	Hungary	4.9	11	0.5	4.0 - 5.6
	Malaysia	4.9	11	0.6	3.6 - 5.7
	Trinidad & Tobago	4.9	4	1.5	3.6 - 6.9

Source: **Transparency International Corruption Perceptions Index 2002: Press release**  
[http://www.transparency.org/pressreleases\\_archive/2002/2002.08.28.cpi.en.html](http://www.transparency.org/pressreleases_archive/2002/2002.08.28.cpi.en.html)

*World Bank and European Bank for Reconstruction and Development's Business Environment and Enterprise Performance Survey (BEEPS)*

This research was realized for the first time in 1999 and happen periodically after that. It is survey which is a regional component of the World Business Environment Survey carried out by the World Bank. It assesses corruption in detail from the perspective of about 3,000 firms in 22 transition countries. BEEPS looks at the frequency and size of unofficial payments to public officials, and the degree of judiciary and state capture (degree to which firms in the country are affected by illegal "purchase" of presidential decrees, parliamentary laws, and criminal and commercial courts).

There are 4 dimensions – and four indexes - for comparison countries and regions in BEEPS:

- frequency of administrative corruption;
- severity of administrative corruption;
- judiciary capture; and
- state capture.

The most interesting categories/dimensions are judiciary and state capture. They seem to be very useful because this area is not covered by other assessment methodologies. Like the other business surveys, however, BEEPS does not provide guidance on corruption that affects households. Moreover, BEEPS does not provide information on changes in corruption levels, attitudes, laws, government institutions and anti-corruption initiatives. The idea of state capture influenced Russian sociologists from INDEM who formulated the Russian analog of it and called it “Privatization of State”. They understand “State capture” as activities of individuals, groups or organizations aiming to influence laws and normative acts forming state policy, by providing to representatives of authorities some profits and benefits in illegal and not controlled way. “Privatization of state” is wider. It supposes getting influence to state institutions – while state capture is limited by influence to “rules of

the game” and not more. Another important difference is that privatization of state is realized by agents who are endogenous to the state – by officials themselves, while state capture – by definition – might be realized only by exogenous agents. Apart from developing “state capture” concept INDEM analysts criticize it for identifying administrative corruption to state capture: Satarov and Parhomenko consider these two indexes to be overlapping rather than comparable (they give bribing as an example). However, as it come later, this is state capture index that impressed Russian scholars Satarov and Parhomenko who build their own theory on the basis of it (see the last chapter). That is why we include here this very index among all BEEPS indexes:

**Table 4: BEEPS: State Capture Index**

Code	Name	Average	St. Error	No. firms
ALB	Albania	<b>0,157</b>	0,035	79
ARM	Armenia	<b>0,071</b>	0,031	72
AZE	Azerbaijan	<b>0,412</b>	0,056	71
BLR	Belarus	<b>0,080</b>	0,027	61
BGR	Bulgaria	<b>0,285</b>	0,052	65
HRV	Croatia	<b>0,267</b>	0,044	96
CZE	Czech Republic	<b>0,110</b>	0,033	87
EST	Estonia	<b>0,101</b>	0,027	99
GEO	Georgia	<b>0,239</b>	0,043	97
<b>HUN</b>	<b>Hungary</b>	<b>0,068</b>	<b>0,026</b>	<b>98</b>
KAZ	Kazakhstan	<b>0,125</b>	0,042	54
KGZ	Kyrgyzstan	<b>0,293</b>	0,068	32
LVA	Latvia	<b>0,299</b>	0,040	101
LTU	Lithuania	<b>0,115</b>	0,036	69
MDA	Moldova	<b>0,371</b>	0,053	75
POL	Poland	<b>0,115</b>	0,024	167
ROM	Romania	<b>0,211</b>	0,046	69
<b>RUS</b>	<b>Russia</b>	<b>0,316</b>	<b>0,023</b>	<b>368</b>
SVK	Slovakia	<b>0,239</b>	0,047	71
SVN	Slovenia	<b>0,065</b>	0,022	107
UKR	Ukraine	<b>0,323</b>	0,034	169
UZB	Uzbekistan	<b>0,058</b>	0,026	76

**Source:** <http://info.worldbank.org/governance/beeps/questions1.asp>

*The World Bank Institute’s (WBI) Governance Aggregated Indicators (AGI)*

The research was done in 1998 and 2001. In principle, there are no studies with such a title: they all have their own titles, however what they all share are the database and the tools<sup>1</sup>. This research did not include any proper sociological work but used secondary data, including data from studies conducted by Freedom House (“NIT” and “Freedom in the world”). In WB\_AGI was used methodic of aggregating secondary data worked out by several economists in 1970-s – it concerned analysis of latent factors (“unobserved components methodology”). In WB\_AGI this methodology was applied to a new sphere and data.

The aim of the research was to work out a set of indicators which could allow to estimate state governance. The World Bank Institute has compiled a composite indicator for corruption (and five other governance indicators) based on a large number of readily

<sup>1</sup> See: D.Kaufman, A.Kraay, Pablo Zodio-Lobaton “Aggregating Governance Indicators” Policy Research Working Paper 2195

available sources. The data sources include perception-based surveys of the business community, expatriates, and citizens as well as expert ratings made by non-governmental organizations, commercial risk rating agencies, and think tanks. The data sets for 1998 and 2001 cover more than 175 countries, but countries' relative rankings are subject to margins of error that are often quite significant. Consequently, it is inappropriate to infer precise country rankings based on this data. So, this methodology is not useful for ranking countries in any precise way. At the same time it allows to group countries into major categories of best, middle and worst (which WBI terms green light/yellow light/red light countries). This “scale” seems to be quite strange for scientific research and might be hardly considered as an advance of the research. Another weak point: the research is not conducted annually so is not useful for tracking year-to-year changes.

Scholars from MSI compares WBI\_AGI to CPI\_TI and conclude as follows: “One point of difference between the TI and WBI composite indexes involves whether to assign weights to different data sources to reflect varying quality. WBI gives greater weight to indicators that resemble each other and less weight to ones that seem more independent on the assumption that the differing few might be of lower quality or a bit 'off the mark'. TI argues that some indicators might resemble each other not because they are both more accurate but because one source has been influenced by knowledge of the other”.

Find below data from WBI\_AGI which concerns Russia:

**Table 5: All 6 governance indicators for RUSSIA**

Governance Indicator	Year	Percentile Rank (0-100)	Estimate (-2.5 to + 2.5)	Standard Deviation	Number of surveys/ polls	Sources
Voice and Accountability	2002	33.8	-0.52	0.13	11	<a href="#">List</a>
	2000	35.6	-0.44	0.15	9	<a href="#">List</a>
Political Stability	2002	33.0	-0.40	0.20	9	<a href="#">List</a>
	2000	28.5	-0.53	0.23	10	<a href="#">List</a>
Government Effectiveness	2002	44.3	-0.40	0.13	11	<a href="#">List</a>
	2000	29.9	-0.61	0.16	12	<a href="#">List</a>
Regulatory Quality	2002	44.3	-0.30	0.16	10	<a href="#">List</a>
	2000	6.5	-1.55	0.24	9	<a href="#">List</a>
Rule of Law	2002	25.3	-0.78	0.12	15	<a href="#">List</a>
	2000	17.3	-0.86	0.13	14	<a href="#">List</a>
Control of Corruption	2002	21.1	-0.90	0.13	12	<a href="#">List</a>
	2000	10.3	-1.05	0.13	14	<a href="#">List</a>

Source: [D. Kaufmann, A. Kraay, and M. Mastruzzi 2003: Governance Matters III: Governance Indicators for 1996-2002. \[http://info.worldbank.org/governance/kkz2002/sc\\\_chart.asp\]\(http://info.worldbank.org/governance/kkz2002/sc\_chart.asp\)](#)

We see here that PR of Russia has positive tendency for almost all the indicators; the biggest achievements are at some indicators among which – control of corruption (CC, also: GE and RQ). However, in comparison, for instance, to Hungary the results look more than modest:

**Table 5.1: All 6 governance indicators for HUNGARY**

Governance Indicator	Year	Percentile Rank (0-100)	Estimate (-2.5 to + 2.5)	Standard Deviation	Number of surveys/polls	Sources
Voice and Accountability	2002	85.4	+1.17	0.13	10	<a href="#">List</a>
Political Stability	2002	88.6	+1.08	0.20	9	<a href="#">List</a>
Government Effectiveness	2002	74.2	+0.78	0.13	11	<a href="#">List</a>
Regulatory Quality	2002	84.0	+1.21	0.16	10	<a href="#">List</a>
Rule of Law	2002	78.9	+0.90	0.12	14	<a href="#">List</a>
Control of Corruption	2002	73.7	+0.60	0.13	12	<a href="#">List</a>

Source: [D. Kaufmann, A. Kraay, and M. Mastruzzi 2003: Governance Matters III: Governance Indicators for 1996-2002. \[http://info.worldbank.org/governance/kkz2002/sc\\\_chart.asp\]\(http://info.worldbank.org/governance/kkz2002/sc\_chart.asp\)](#)

But for better understanding of the results of **percentile** ranking of countries – it is necessary to take into account the following note which is attached to the AGI tabs: “**Note:** The governance indicators presented here reflect the statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries, as reported by a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The aggregate indicators in no way reflect the official position of the World Bank, its Executive Directors, or the countries they represent. As discussed in detail in the accompanying papers, countries' relative positions on these indicators are subject to margins of error that are clearly indicated. Consequently, precise country rankings should not be inferred from this data” (*stressed by the author of this essay*).

#### *Freedom House: Nations in Transit*

The research has been initiated in 1998 and is ongoing annually (in fact this research started earlier than in 1998, but this year some new sections were included in the survey and one of the concerned corruption issues). This research tried to give complex description of economic, social and political processes in 28 post-soviet or transit countries. There are 27 papers each of them describing one country and qualitative description is followed by quantitative data. There are 9 sections in each paper and 6<sup>th</sup> of them is devoted to corruption. For all countries Freedom House has provided ratings for corruption, which take into account perceptions of corruption in the civil service, the business interests of top policy makers, laws on financial disclosure and conflict of interest, and anti-corruption initiatives. The ratings are based on a scale of 1 to 7, with one representing the lowest and seven the highest level of corruption. In the first step of the ratings process, authors of country reports suggested preliminary ratings for each country. Authors were Freedom House staff members, outside consultants, and representatives of regional think tanks. They used a wide variety of sources in writing the reports, including information from NGOs, multilateral lending institutions and other international organizations, local newspapers and magazines, and select government data. Next, the U.S. and CEE-NIS academic oversight boards met in New York in December 2000 and in Budapest in February 2001, respectively, to evaluate the ratings and to establish consensus. Finally, Freedom House staff reviewed the ratings. So NIT\_FH is an expert research which has strong as well as weak points. It could explicit some patent processes which are not visible in statistics and are known only for experts; but at the same time expert opinion is anyway subjective one so the general estimation is risking to be subjective. Other weak and strong points also concerns methodological approaches. NIT\_FH rates all countries in the region which makes comparison possible and efficient. Freedom House addressed corruption in the 1998 and 2000 issues of *Nations in Transit*, and

will do so in the future, so it provides a good way to observe trends and measure progress. The ratings give a synthesis of corruption problems, attitudes, laws, government institutions, and anti-corruption initiatives. But, the reports do not go into great detail on any of these. They give only cursory information on government institutions.

**Table 6:** Russia in NI\_FH:

COUNTRY	EP	CS	IM	GOV	DEM	CLJF	CO	ROL
Russia	4.75	4.25	5.50	5.00	4.88	4.50	5.75	5.13

**Key:**

**Democratization Score (DEM)** = average of Electoral Process (EP), Civil Society (CS), Independent Media (IM), and Governance (GOV) ratings

**Rule of Law Score (ROL)** = average of Constitutional, Legislative, and Judicial Framework (CLJF) and Corruption (CO)

Ratings and scores are based on a scale of 1 to 7, with 1 representing the highest level and 7 representing the lowest level of democratic development. The 2003 ratings and scores reflect the period January 1, 2002, through December 31, 2002.

In principle, results seem to be not so bad, however they grow dark when are compared to Hungary’s ratings and scores:

**Table 6.1:** Hungary in NIT\_FH:

COUNTRY	EP	CS	IM	GOV	DEM	CLJF	CO	ROL
Hungary	1.25	1.25	2.25	2.50	1.81	1.75	2.75	2.25

We see, that Hungarian data is about twice “better” than the Russian one. At the “Corruption” the difference is more than twice.

To conclude this section which concerns indexes assessing corruption and other social, economic and political processes, we tell a few words of critique – referring to Russian researchers from INDEM team – Satarov and Parhomenko. Generalizing weak points of all the mentioned indexes (including CPI\_TI and OI\_PC, described in another paper by our Hungarian colleagues), INDEM researchers point out the following issues:

- almost all the indexes are based on expert surveys which implies the threat of subjectivity; this threat is reflected by researches but this is the only way to produce internationally comparable results and indexes – comprehensible but bad excuse anyway;
- listed above most popular studies do not usually make distinctions between:
  - o several types of corruption (bribes, relationships, personal and family ties)
  - o corruption in several spheres (administrative and political)
  - o corruption at several levels (low level executive administrative corruption, high level administrative, high level political etc.) – all this “faults” are implied by methodologies used in the corruption assessment researches.
- the systems of estimation are sometimes quite different in different surveys which makes data hardly comparable - keep in mind that comparability is the main advantage of this kind of studies as was mentioned above, so the most “strong point” implies weakness,

- finally, another “strong point” of these surveys is also criticized: though they convince that strong correlation between particular and general indexes in their researches is the best argument showing relevance of those general or aggregated indexes, some experts reasonably object and arguing that this strong correlation between particular and general indexes is caused by the very simple thing: general indexes are built on the basis of those particular ones, of course they correlate strongly! They are not independent from each other.

To this last but not least critical point we will turn back in the next section.

## What do corruption indexes measure?

It is quite natural to guess that these indexes – considered to be most popular and recognizable - attract attention of analysts. Below we would like to describe briefly results of one comparative research which is based on the analysis of the situation with corruption and wider economical and political processes in Russia and CIS. This study is focused on comparative analysis of several composite or aggregated indexes assessing corruption and “particular” indexes/researches these composite indexes are built on. This research has been realized by Russian think tank “Informatics for Democracy” (INDEM) in 2001<sup>2</sup>.

Apart from description (which we referred to above) of most popular indexes of corruption INDEM researchers did an analytical work. They tried to answer the question: what do those indexes measure and how could the results of this assessment help to influence the corruption? They answer they gave is quite disappointing: they found that analyzed studies and indexes present quite trivial results. All the conclusions are built on the basement of expert estimations which represent not pure “expert knowledge” but banal ordinary attitude – binary opposition - “bad-good”, which dominate over expert estimations. INDEM researchers show that contemporary most popular indexes can not help to predict situation and changes in the future – apart from giving two trivial and contradictive conclusions both of which are analytically and logically growing from the data: it makes sense to fight corruption (1)? It makes no sense to fight corruption – it will disappear itself and all the efforts will not be successful because this is corruption that prevents from their success.

INDEM team prepared two data basis consisted of results of the following studies:

1 Database: concerns data on “Transition countries “ from:

- Transparency International «Corruption Perceptions Index» (TI CPI);
- World Bank «Aggregate Governance Indicators» (WB\_AGI);
- World Bank «Business Environment and Enterprise Performance Survey» (BEEPS);
- Freedom House «Nations in Transit» (NIT\_FH);
- Heritage Foundation «Index of Economic Freedom» (HF).

2 Database: concerns data on other countries from:

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<sup>2</sup> Satarov, G., Parhomenko S. Diversity of Countries and Diversity of Corruptions (Analysis of comparative researches). Analytical paper. Moscow: INDEM, 2001 <http://www.indem.ru/corrupt/parhom/index.htm>

- Transparency International «Corruption Perceptions Index» (TI CPI);
- World Bank «Aggregate Governance Indicators» (WB\_AGI);
- PricewaterhouseCoopers «The Opacity Index» (OI\_PC);
- Heritage Foundation «Index of Economic Freedom» (HF).

In the course of the analytical work they used (compared and analyzed) indexes worked out in the listed studies, indexes which measure corruption and those which measure other economical and political phenomena and use corruption indexes for that.

In their research INDEM team did three comparative procedures:

1) compared and analyzed level of correlation of composite indexes assessing corruption in transit countries (CPI\_TI; CONT\_COR from WBI\_AGI and CO from NIT\_FH);

**Table 7:** Coefficients of linear correlation of general indexes of corruption for transit countries (1 Database)

	CPI-99	CONT_COR	CO_NIT
CPI-99	1,000	,953	-,876
CONT_COR	,953	1,000	-,923
CO_NIT	-,876	-,923	1,000

Result: we see *strong linear correlation*

2) compared and analyzed level of correlation of composite indexes assessing corruption (CPI\_TI), on the one side, and indexes/ratings of quite wider nature, measuring wider tendencies and processes in investigated countries (rating of the level of democracy – NIT\_FH, rating of the development of economy NIT\_FH, index of economic freedom HF) – on the other side;

**Table 8:** Coefficients of linear correlation of the following variables: 1 - CPI\_TI (1999); 2 – Rating of democracy development (Freedom House: Nations in Transit (NIT)); 3 – rating of economic development (Freedom House: Nations in Transit (NIT)); 4 – Index of economic freedom (IEF\_HF: Heritage Foundation). (For 22 transit countries)

		1	2	3	4
		CPI_TI	Rating of democracy development FH_NIT	Rating of economic development FH_NIT	IEF_HF
1	CPI_TI	1,000	-0,812	-0,764	-0,808
2	Rating of democracy development FH_NIT	-0,812	1,000	0,954	0,917
3	Rating of economic development FH_NIT	-0,764	0,954	1,000	0,886

4	IEF_HF	-0,808	0,917	0,886	1,000
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Result: the same, *strong linear statistical correlation*.

3) compared and analyzed level of correlation of composite corruption indexes (CPI\_TI), on the one side, and particular corruption indexes, assessing particular features of corruption processes (“Rule of Law” rating from AGI, OI\_PC, several indexes (State Capture, Administrative Corruption) from BEEPS).

**Table 9** : Coefficients of linear correlation of the following variables (2 Database): 1 – CPI\_TI (1999); 2 – Rating of «Rule of Law» done by WB within «Aggregate Governance Indicators» (WB\_AGI); 3 - Index of economic freedom (IEF\_HF: Heritage Foundation); 4 – Opacity Index by Pricewaterhouse Coopers (OI\_PC)

		1	2	3	4
		CPI_TI	Rating «Rule of Law» WB AGI	IEF_HF	OI_PC
1	CPI_TI	1,000	0,903	-0,763	0,778
2	Rating «Rule of Law» WB AGI	0,903	1,000	-0,798	0,612
3	IEF_HF	-0,763	-0,798	1,000	-0,604
4	OI_PC	0,778	0,612	-0,604	1,000

**Table 10** : Coefficients of linear correlation of the following variables (1 Database): 1 - CPI\_TI (1999); 2 – BEEPS: Ratings of Corruption as an Obstacle (BEEPS\_CO), 3 – BEEPS: Administrative corruption (BEEPS\_AC), 4 – BEEPS: State Capture (BEEPS\_SC)

	CPI_TI	BEEPS_CO	BEEPS_AC	BEEPS_SC
CPI_TI	1,000	-0,664	-0,712	-0,513
BEEPS_CO	-0,664	1,000	0,583	0,616
BEEPS_AC	-0,712	0,583	1,000	0,372
BEEPS_SC	-0,513	0,616	0,372	1,000

Result: value of correlation is *quite strong, but weaker* than in the previous cases (compare Tab. 8)

As a result of this analysis INDEM team drew conclusions as follow:

A) coefficient of correlation between *several indexes measuring corruption* (Tab. 7) is **comparable** to coefficient of correlation *between composite corruption index (CPI\_TI) and generalized variables of the different nature: like level of democracy and economic development (by FH and HF) (Tab. 8)*,

B) the paradox is that *composite index of corruption* (CPI\_TI) correlates **stronger** to variables which are not directly linked to corruption **than** to “particular” corruption indexes (Tab. 7,8,9).

The explanation for these two conclusions looks as follows:

- A) In the studies experts (almost all the studies use expert estimations) assess not situation in particular sphere they are asking about, but they estimate country as taken “in a whole” and mark this or that rank/position for the country at the particular scale which fit to the “whole image” of a country; i.e. they take into consideration not situation in the country in this particular sphere, but the general or universal scale of countries and position of the country at this general scale;
- moreover, that general or universal scale where countries are ranked (in minds of experts) looks like primitive or ordinary one of binary opposition: “bad-good”.

Thus experts have a kind of image or “Gestalt” of the country in their mind and mark this or that position at particular scale in according to this Gestalt (not to “real order of things” in the particular sphere of economic or political or any other life in the country).

It means that scientific importance of results of such “mythology based” “expert assessing” is quite closed to zero.

B) Relationships between popular composite corruption index CPI\_TI and particular corruption indexes which are used to build it be described as statistical dependency “general and particular” like. It means:

- if general index is low it means that all particular ones are low as well (general level of corruption could not be high when all the particular indexes are low);
- if the general index of corruption is high – each of particular indexes might be higher or lower without any limits, because it is not clear which particular feature causes high level of the general index.

It is clear that diagnostic and predicting power of indexes in such statistical dependence is quite low.

That is why INDEM researches continued their work and tried to find out nontrivial interdependencies among corruption assessment indexes.

### **State, corruption and transit: future of corruption in transit countries**

INDEM researches decided to develop the categories as follow:

- Index of State Capture (ISC\_BEEPS)
- “Transition”

They started from two main hypothesizes:

- 1) State capture concept (borrowed from WB research BEEPS (1999)) is the most nontrivial, uncertain and perspective one (among other corruption assessment concepts/indexes);
- 2) transition is the most important dimension for former totalitarian states moving towards democratic political system and market economy.

Since SC concept has been already worked out by WB, INDEM team started to work out and develop another key concept – transition. By aggregating components of variables used by WB\_AGI, FH, HF they worked out variable called “Transit stage” (and index of TS - ITS) which reflected the stage of the country on the way of transit towards democracy and free market economy.

Then they tried to compare two indexes – ISC and ITS - in order to explain what could happen to a state capture while transition processes. The level of correlation here is 0,5 and it is explained by INDEM team as non linear statistical correlation.

What processes stay beyond this statistical correlation of two indexes? INDEM team’s members try to answer this question. They see the situation as follows:

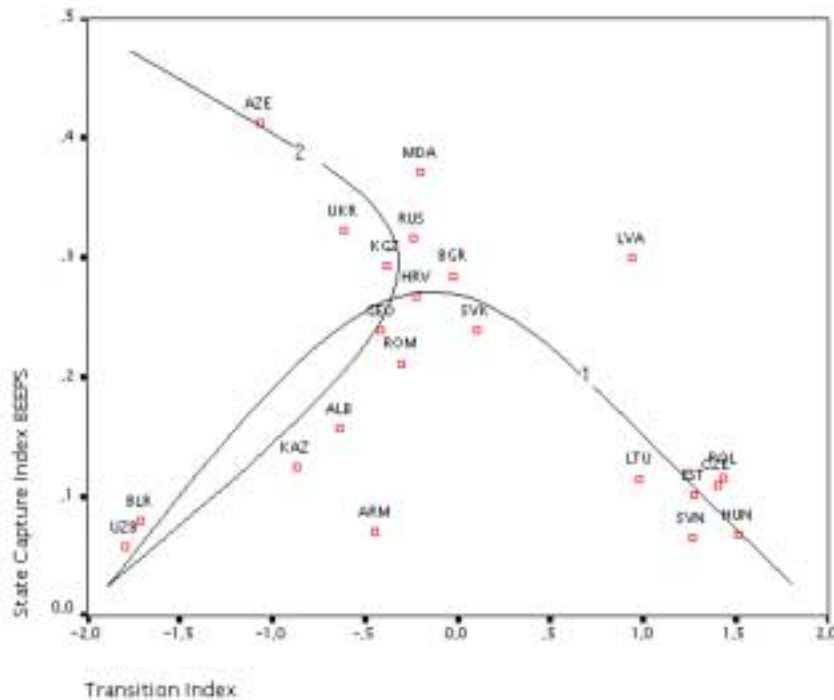
- an unavoidable condition to start SC is business separated from the state – it means that in transition countries before the beginning of the transit movement SC was at the zero level (there was no business and the state controlled almost all considerable economic activities);
- at the beginning of transition business acted beyond legislation limits, it means that at this “start” stage of transition business tries to capture the state – so the SC level is higher at this stage;
- relationships between state and business depend (among other things) on position of the state and the state might influence these relationships, for instance – to become stronger; it means that the SC level might decrease on the transit way.

It causes the following conclusion: the level of SC might be low in two situations:

- 1) at the very beginning of transit – when there are no agents who could capture the state,
- 2) at the later stage of transition movement – when state is strong enough again and relationships between the state and business are arranged.

So the tendency of relationships should be as follows: ISC grows at the beginning of transit and decrease at the later stage.

INDEM researchers use picture where they pose transit countries in according to the value of ISC and ITS:



Picture 1 Diagram of dispersion of two indexes: Index of Transit Stage (ITS\_INDEM) – horizontal (long) axis; BEEPS: State capture index (BEEPS\_SC) – vertical axis (pintle). **Source:** Satarov, Parhomenko 2001.

There is dependency mentioned above – it is marked on the picture as Curve 1. But researchers stress that there is another obvious tendency – marked as Curve 2. Social processes reflected by this second curve are interpreted by researchers as “giving up transit”.

Researchers are searching an explanation of the fact of existing two non linear statistical correlation at the flat diagram. They claim that it might be explained by another – third – factor which was not taken into account when the diagram was made. Basing on the analysis of situation in Russian and CIS countries INDEM researchers consider that third important factor - which forces to draw three-dimension diagram – is tendency they call **“business capture”** (BC). BC is a set of strategies and tactics that political and administrative power – represented by officials and authorities – tries to use to get control over business in order to get administrative rent from it. It might be represented by several practices:

- the fight of authorities for blocking or controlling share holdings,
- participation of officials in managing companies with municipal or regional shares in share holdings,
- creating fringe benefits for “their own” companies in taxation or similar spheres,
- creating artificial monopoly by officials for “their own” firms,
- protectionism for “their own” firms,
- “pushing” firms in order a) to force them to hire certain people as managers or b) to deal with certain firms (providers etc.)
- etc.

## Conclusions

Researchers from INDEM claim that market economy and democracy developments in transition countries are followed by both processes: *state capture* (SC) and *business capture* (BC). This kind of corruption is produced by two players – *state* and *business*. Each of them has its own resources and they both try to appropriate resources of the competitor – by using its own ones. They compete all the time for resources and this competition influences the country, its political, economical life.

At the geometrical center of the diagram (Picture 1) one can see the “uncertainty zone” (in temporal terms – it comes after several stages of competition of two agents). Russia is located in this very zone. There are four options in the game – or four ways for the further movement from this zone:

- going back to the starting stage which means that market economy looses (left-down corner of the diagram),
- the “optimal regime” when business and power arrange their relationships and get agreement (right-down corner)<sup>3</sup>
- SC tendency wins which means that business establish shadow control over the state,
- the last fourth way means that BC strategy wins which means that business is controlled by the state – in shadow (the last two tendencies are supposed to be quite different – on three-dimensioned diagram, however at the flat one they both go to the left-up sector of the diagram).

In according to INDEM team, among four mentioned ways only second could be treated as the successful one – for a society and its future transit.

As a critique towards the results of this innovative approach we could point out notes as follow:

1. To build its own index – ITS – INDEM team uses particular indexes of other researches – those indexes which has been already criticized by INDEM researchers as showing not real order of things but subjective opinions of experts, who, moreover, mark country’s position on the particular scale in according to a very general and primitive image or “Gestalt” of the country as whole that (s)he has in his mind. It allows to call INDEM \_ITS index in a question because of the similar reasons.
2. The INDEM\_ITS is a complex index of fourth or fifth level (as being far from the empirical ground), it is pure mathematical index build by absolutely mathematical tools, so it seems to be quite far from the real order of things and look like a thing of absolutely mathematical nature; thus it seems to be able to explain some mathematical or statistical tendencies – not real economical and political processes; that is why the description of the relationships between the state and business – and its future – presented by Satarov and Parhomenko look rather as presumption and fantasies than empirically based results of analysis.

In spite of this critique we would agree with INDEM authors at the very point that relationships between the state and business is the most interesting and prospective direction in the corruption studies in Russia and, probably, some other “transition countries”. So in our own work we are going to deal with this issue even though we intend to apply quite different – qualitative – methods of gathering data and its analysis.

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<sup>3</sup> By the way – Hungary is located in this “optimal” corner

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