

The Proxy Challenge: Why bespoke proxy indicators can help solve the anti-corruption measurement problem



The *esteira* mat – a proxy for extreme poverty in Mozambique
Photo: Nair Noronha

Practitioners working in anti-corruption face perennial challenges in measuring changes in corruption levels and evaluating whether anti-corruption efforts are successful. These two challenges are linked but not inseparable. To make progress on the latter front, that is, evaluating whether anti-corruption efforts are having an impact, the U4 Anti-Corruption Resource Centre and the UK Department for International Development are launching an exploration into the use of proxy indicators. Proxy indicators are alternatives to “direct” indicators that more directly measure the phenomenon under study but that may be hard to operationalize or require overly costly data collection. In the 2013 Proxy Challenge Competition, we invite academics and practitioners to present specific proposals for indicators that would be good proxy measures for anti-corruption results.



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At an abstract level, all corruption indicators are proxy indicators, because corruption is a collective term for a range of different practices. Complex, overarching concepts can rarely be measured directly by a single indicator. However, some individual types of corruption, such as bribery and certain types of fraud, can be directly measured with reasonable accuracy. We are, however, still left with two overall indicator problems:

- a. how to measure other types of corruption, such as patronage, conflict of interest, abuse of power, and so on, that so far have defied direct measurement, and

- b. how to present a measure of overall corruption levels in a country, region, sector, or organization that is not biased towards the measurable types of corruption and that can illustrate trajectories of change.

We are primarily concerned with the first problem, as solutions here will contribute to progress in relation to the second problem.

Since the 1990s, anti-corruption practitioners have supposedly benefited from a data revolution that has produced more comprehensive data sources, in some cases down to the subnational level. Current indicators are typically standardized in cross-country indices. These have been useful for diagnostic purposes – to assess where some types of corruption are most prevalent – and as advocacy tools. However, to measure the impact of anti-corruption efforts, sometimes less is more. A few well-chosen proxy indicators can be more informative than a sea of data or dozens of aggregate, cross-country indices. In some ways, the popular cross-country indices have done practitioners a disservice by presenting aggregate, standardized data as more scientific than what can be derived from bespoke indicators that reflect the purposes and contexts of a given anti-corruption initiative. A suite of bespoke proxies may be more useful to development agencies (and ultimately to governments) and avoid the ambiguity of current approaches.

So far, the bulk of financial investments and intellectual efforts have gone into developing cross-country indices. How, then, should indicators be crafted to measure the progress of anti-corruption reforms? In addition to the standard criteria for indicator development presented below, we propose that anti-corruption indicators should not be aggregated. In addition, they should:

- reflect de facto changes and behavioural changes,
- prioritize sensitivity to context over standardization
- measure specific types of corruption, and
- ensure that changes in corruption trends are attributable to reforms.

Some current corruption measurement tools have

indicators that meet these criteria, typically based on advanced survey methods. For example, leakage of public funds, measured through Public Expenditure Tracking Surveys, can be a good proxy indicator of corruption in the flow of funds between the central and local levels of government in many contexts. However, in order to progress beyond the current plateau, greater use of bespoke proxy indicators may offer a way forward.

This brief first explains the measurement problem faced by donor organizations. It then presents the rationale for use of proxy indicators and outlines the characteristics of good proxy indicators. It also presents ideas about how indicator baskets can be crafted, stressing the complementarity between proxy and direct indicators. Finally, the expected outcomes of the Proxy Challenge Competition are presented.

The measurement problem

Development practitioners working in the field of anti-corruption increasingly face the challenge of measuring the progress of their efforts. In particular, they seek to identify trajectories of change in corrupt behaviours and the impact of their interventions. Senior managers in agencies, along with political leaders, are also demanding stronger evidence of the role and impact of development assistance in reducing corruption. They seek measurements which can be used in a public arena, are readily understandable to lay audiences, and, most importantly, are “directionally unambiguous.”¹

Practitioners and advocates in the anti-corruption field are aware of the limitations of existing measurement frameworks. A growing number of organizations have constructed cross-country indices to measure governance and anti-corruption trends.² However, these indices are mainly useful for advocacy purposes and less useful in evaluating the impact of anti-corruption actions.

Perhaps the best known is Transparency International’s Corruption Perceptions Index (CPI), a composite index based on a combination of polls. While recent changes to the CPI methodology now permit year-on-year comparison, the index carries clear warnings about viewing year-on-year changes in scores as indicators of either progress or slippage. This is because a robust anti-corruption drive in a country has often translated into declines in that country’s CPI score in the following years as perceptions-based surveys register public impressions, influenced by media publicity around the anti-corruption campaign, that there is more corruption in the country than before. Perversely, a country’s anti-corruption performance could appear to have declined while in fact it is taking strong and commendable anti-corruption measures. Therefore, the CPI as an indicator of progress has severe limitations and might even contradict the empirical facts, at least in the short to medium term. Another important shortcoming of the CPI, shared with similar indices, is the aggregation of a wide

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variety of corrupt behaviours into one overall phenomenon.

Nevertheless, for lack of alternatives, the CPI continues to be widely used by aid agencies when public accountability demands an easily understandable indicator of success or failure. Due to the acknowledged drawbacks of the CPI, large investments have been made in second- and third-generation measurement tools, but none has proved able to satisfy the needs of donor agencies. The Global Integrity Reports provide a good overview of actions that have been taken to “corruption-proof” parts of the public sector in specific countries, but they offer no evidence that such efforts have worked. The World Bank’s Control of Corruption Index incorporates different aspects of corruption than the CPI, but it has essentially the same problems, being an aggregated, perceptions-based index.³

Other indices provide detailed information for specific types of corruption or specific sectors. Examples include Transparency International’s Global Corruption Barometer, which focuses on bureaucratic corruption, and its Bribe Payers Index, which focuses on private sector bribery, as does the World Bank’s Global Competitiveness Report (Johnsøn and Hardoon 2012). These indices have stronger methodologies because they focus on what is measurable and don’t “overstretch.” However, in order to move beyond the measurement of bribes and measure other types of corruption in other sectors, we need to think differently.

In short, the problem for aid donors is that while they know that the indices available are not suited for measuring the impact of their programme portfolio, they currently have no alternatives when they are asked to show the impact and value for money of the anti-corruption activities they support.

The idea behind using proxies

Aid donors have supported the development and operation of these cross-country anti-corruption indices in the hope of solving their measurement problems. Seventeen years after the launch of the CPI, as the third generation of these indices undergoes development, no solution has yet been found. Time to try a different approach.

It is common in many sectors to complement direct measurements with proxy measurements in order to gain a better understanding of the phenomenon one wishes to assess. For example, poverty usually is not tracked only through changes in reported incomes. It is well known that income can be underreported; even when income figures are accurate, they at best tell only part of the story. Therefore, proxy

measures for poverty are often used, particularly for the very poor. Household assets, for example, can be good proxy indicators for household income because measurements are more observable. In Mozambique, for example, whether a household owns an *esteira*,

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a mat on which visitors can sit, may be a clearer indicator of poverty than the household’s income. If one had to pick a proxy indicator of extreme poverty in Mozambique, it might be the absence of such a mat. It is important to recognize that norms and therefore proxies will differ across contexts. Mat ownership is a good proxy indicator in Mozambique because of the strong social norms around hospitality and the role of the mat in providing it, but it might be meaningless elsewhere. To increase precision and assess different levels of poverty, indicators can be combined in bundles or “baskets.” If one is not only interested in measuring extreme poverty, it can be useful to

include other household assets such as a cooker. Such proxy indicators are used by donors in systematic ways in other sectors, for example to assess poverty by means of the Living Standards Measurement Studies (Po et al. 2012).

Proxy indicators for anti-corruption progress could also be crafted and combined in a basket to arrive at an overall measure. Like the living standards indicators, they should not be static, but should be reassessed periodically to ensure that they accurately

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reflect local conditions. The benefit of using proxy indicators is that they are often more observable, and at times more actionable. The fact that it takes 254 steps and two years to get a building permit may be a key proxy indicator for corruption, even beyond the construction sector. Benchmarks have to be carefully established: in the case of the permit, the goal should not be to arrive at one step and instant issuance. As progress is made towards

benchmarks, new proxy indicators become more important. The trade-off for short-term utility and policy relevance can therefore be inability to track progress using the same indicator over long periods of time. However, the type of proxy indicators proposed would be an improvement for short- to-medium term measurement.

Anti-corruption proxy indicators, like living standards indicators, have to be adapted to the local context. Just as people in Mozambique know what constitutes and indicates poverty in their society, they also know what reliably indicates corruption in the local context. Moreover, to move beyond general measures of corruption levels in a country (corruption

indicators) towards measures that capture the progress or regress of initiatives (anti-corruption indicators), indicators should reflect the priorities of anti-corruption reform, which in turn should reflect the most important corruption problems facing the country. This requires prior diagnostic work and broad stakeholder consultations.

An example to consider is whether measures of social trust in public institutions (particularly service delivery institutions) are linked to, and reflect, changing levels of corruption in those institutions. Another would be the often-remarked linkage between levels of tax compliance and corruption levels. A proxy indicator for payroll fraud in the civil service could be the number of ghost workers. Randomly assigned audits could provide an estimate of levels of fraud and embezzlement. An indicator of patronage in some countries could be how many senior civil servants change jobs after a change in government.

Indicators for the effectiveness of anti-corruption safeguards could make use of “system tests.” These tests could provide an estimate of civil servants’ and politicians’ inclination to engage in corrupt behaviour (seeking bribes or nonmonetary benefits) in both frontline service delivery processes and high-level processes at the central level of government.⁴ If randomized sampling is applied, such system tests can be reliable, relatively cheap, and cost-effective. Examples of system test indicators could be the percentage of requests for access to information answered within a specified time frame, the percentage of land registry clerks or customs officials who did not accept a bribe, or the number of complaints that are processed to completion according to rules and regulations.

The characteristics of good proxies

Recommended characteristics of proxy indicators do not differ noticeably from those of direct indicators. Good indicators, in general, are said to be SMART (specific, measurable, attainable, relevant, time-bound) or CREAM (clear, relevant, economic, adequate, monitorable).⁵ An additional important aspect of indicators that measure anti-corruption impact relates to what is called “construct validity.” This refers to the extent to which an indicator actually measures what it is supposed to measure. A classic question of construct validity is to what extent an IQ test actually measures intelligence. Because corruption is a complex social construct, with many different definitions, indicators should specify which aspects of corruption they measure (Johnsøn

et al. 2011). The general recommendation is to use multiple indicators of different types (based on facts, experience, and perceptions) at both the outcome and impact levels to increase construct validity (Bamberger, Rugh, and Mabry 2006; Bamberger and White 2007). A basket of anti-corruption indicators should reflect these considerations.

The use of proxies is not new to the anti-corruption field. In a way, most corruption indices are based on proxy measurements. Perceptions are proxies; so are measurements of leakage of funds. The many “corruption control” or “corruption-proofing” indicators that measure institutional arrangements or initiatives that are believed to be helpful in fighting corruption are always proxies for actual direct measurements of effectiveness. In this brief we are concerned with a new type of proxies distinct from perceptions or corruption-proofing measures. These new proxy indicators would be directly observable and would reflect de facto behavioural change rather than de jure safeguards.

Proxy indicators can be used at all levels of results – for outputs, outcomes, and impacts. Outputs, such as the number of training workshops, are usually fairly easy to measure and proxies are not necessary. Impacts, defined as attainment of overall, long-term development goals, are difficult to measure, but at this level one can use a variety of corruption measurement indices. The frustrating gap, what we label “the missing middle,” concerns outcome indicators, those that measure outcomes of anti-corruption reforms and initiatives by means of observed behavioural change. It is these outcomes that bring real changes to people’s lives. The argument of this brief is that bespoke proxy indicators may offer the best way to fill this missing middle.

Traditionally, the ideal has been to test the correlation between a proxy indicator, or set of proxy indicators, and a more direct measure. For example, one can test the degree of correlation between household asset indicators and household income. Such testing is difficult in a field where direct measures do not always exist. Moreover, it is often an illusion to draw a clear distinction between “proxy” and “direct” measures. Many poverty analysts would not consider household income a better or more reliable indicator of poverty than more tangible (proxy) measures such as household assets. Thus, a fundamental principle of indicator testing is to observe trends in individual indicators to see whether a clear pattern or trend emerges. Such testing requires a certain degree of patience (to see whether a trend emerges) and rich data (using multiple indicators, preferably gathering different types of data).

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The way forward

A basket of anti-corruption indicators could consist of both proxy and more direct indicators. The ideal scenario would be to produce more hard data on specific types of corruption where possible, such as bribery and financial fraud. Most other development sectors, such as health, education, finance, and poverty reduction, have stronger data foundations because their survey tools are integrated into national household surveys. As noted by Olken and Pande (2011, 9), “Virtually all countries have regular measurements of government expenditure, GDP, manufacturing, education, health, etc. compiled on a regular basis at the provincial level, and even finer levels of detail. But our knowledge about leakages is still limited to a few cases, with little meaningfully comparable data across countries.” If, for example, budget tracking or victimization surveys were not one-off, donor-driven events but were performed routinely and extensively by national institutions, then one would have a stronger foundation for measuring changes in corruption, at least when it comes to leakage of public funds and victims of corruption in the public sector.

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In an ideal scenario, more support would be given to collection of experience-based data, preferably anchored within national data collection systems to ensure sustainability. However, donors cannot sit

and wait for the ideal scenario to unfold, and many types of corruption (grand, political) still defy direct measurement with current methods. Moreover, because most good survey practices focus on bribery or financial leakage, the greater availability of data on these particular forms of corruption can skew the focus, highlighting not the most damaging forms of corruption but merely the most visible or measurable.

Finally, corruption is a broad concept with various manifestations (bribery, facilitation payments, embezzlement, fraud, extortion, favouritism, etc.) in different sectors (health, education, water, etc.) and in various central government processes (procurement, taxation, recruitment, etc.). As a result, the data collected will arguably never be comprehensive enough to fully diagnose the spectrum of corrupt behaviours. Therefore, the task at hand is not to measure corruption levels broadly but to identify specific corruption problems and measure changes in the relevant sectors, institutions, or processes. There are no quick fixes; good measurement requires robust data, systematically and consistently collected over time.

Concluding remarks

The Proxy Challenge Competition aims to shift the focus from standardized, cross-country indices aimed at measuring corruption levels on a national scale towards more bespoke, problem-oriented indicators that allow for short- to medium-term measurement of progress. Bespoke proxy indicators have been underutilized in the corruption field, perhaps due to fears that they are not scientific enough for reliable measurements. They are not a panacea, but a glance at measurement practices in other sectors shows that no magic indicators exist and that proxies sometimes come as close to a depiction of reality as one can expect.

THE PROXY CHALLENGE COMPETITION

<http://www.u4.no/assets/themes/evaluation/Proxy-Challenge-Competition.pdf>

U4 is holding a competition to address the perennial problem of assessing whether anti-corruption efforts are successful. “The Proxy Challenge” calls for greater use of bespoke proxy indicators.

To assemble a body of promising ideas, U4 welcomes proposals from development practitioners, monitoring and evaluation professionals, and researchers. Who can come up with the best proxy indicator (or basket of indicators) which aid agencies, partner governments, civil society groups, and others can use to better track progress of a given reform initiative? The deadline for submissions is 11 October 2013. See online for full description and requirements.



U4 is a web-based resource centre for development practitioners who wish to effectively address corruption challenges in their work. The centre is operated by the Chr. Michelsen Institute – an independent centre for research on international development and policy – and is funded by AusAID (Australia), BTC (Belgium), CIDA (Canada), DFID (UK), GIZ (Germany), Norad (Norway), Sida (Sweden) and The Ministry for Foreign Affairs of Finland. All views expressed in this brief are those of the author(s), and do not necessarily reflect the opinions of the U4 Partner Agencies or CMI/U4. (Copyright 2013 - CMI/U4)

Notes

1. Common metrics for measuring corruption tend to be directionally ambiguous. For example, an increase in the number of corruption cases handled by a country's courts may signal either that there is more corruption in the country or that more corruption cases are coming to the surface. Likewise, an increase in the number of complaints to anti-corruption commissions or similar bodies may mean either that there is more corruption or simply that people are more willing to report it.
2. For a selection, see U4 (2013).
3. Although it is based on perceptions, the Control of Corruption Index arguably uses a broader conceptualization of corruption than the CPI. Its measures range from "the frequency with which firms make 'additional payments to get things done,' to the effects of corruption on the business environment, and finally to measuring 'grand corruption' in the political arena, or the tendency for people to obtain positions of power based on patronage rather than level of ability" (Olken and Pande 2011, 37).
4. This is similar to the measures proposed by Sharman (2012, 16–20) for testing the effectiveness of anti-money laundering regimes.
5. On SMART, see Doran (1981); on CREAM, see Schiavo-Campo (1999).

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U4'S EVALUATION & MEASUREMENT THEME

<http://www.u4.no/themes/evaluation-and-measurement/>

Evidence on what works and why is sparse in anti-corruption. Find guidance on how to improve evaluations and measurement tools to inform policy and programme design.

The U4's thematic work on evaluation and measurement addresses the lack of credible, unbiased evidence on outcomes and impact of anti-corruption interventions, which means that policy and programme designs are not optimally informed. Understand how evaluations of anti-corruption projects, programmes and strategies can be improved and how to use measurement tools correctly. Some publications available online:

- **Theories of change in anti-corruption work:** A tool for programme design and evaluation <http://bit.ly/16uo3s5>
- **Why, when and how to use the Global Corruption Barometer** <http://bit.ly/15Zq5AC>
- **Corruption indicators in Performance Assessment Frameworks for budget support support** <http://bit.ly/152qjks>
- **Mapping evidence gaps in anti-corruption:** Assessing the state of the operationally relevant evidence on donors' actions and approaches to reducing corruption <http://bit.ly/11pOUWJ>