CHAPTER 3

Critical review of non-perception-based measures and mixed indices of corruption
The present report focuses on exploring and evaluating various governance indices, with the overarching goal of highlighting the reasons why new approaches of measuring corruption should be explored for African countries.

In this chapter, several indices that have been recognized as being rigorous, broad and objective in their approach will be reviewed. These are: the African governance indicators of the African Governance Report; the Ibrahim Index for African Governance; the Global Competitiveness Index; and the Country Policy and Institutional Assessment. These indices are deemed to be less perception-based and provide a wider and regular assessment of the entire African region. It is, however, important to note from the onset that these measurements assess governance as a whole, with corruption representing only one, albeit key, dimension of governance. Measurements of governance are significant because monitoring the general trends of governance indicators over time is critical to evaluating the effectiveness of policies, such as anti-corruption interventions, at the national level. It is therefore essential that users of these indicators are aware of which one is relevant and for what purpose.

As noted in chapter 2, there are generally three types of corruption measurements. They are classified as proxy indicators, objective indicators and perception-based indicators. Proxy indicators assume that corruption is a phenomenon, which can never be directly and empirically estimated. These measures are therefore taken to approximate by aggregating as many opinions and signals of corruption, or alternatively, by measuring actions taken against corruption through anti-corruption, good governance and public accountability mechanisms. On the other hand, objective indicators are measurements that are constructed using fact-based data. Typical examples might include the presence of anti-corruption laws and regulations or the funding received by the anti-corruption agency. Perception-based indicators use opinions and perceptions of corruption in a given country among its citizens and experts. These include assessments of citizens’ or firms’ actual experiences with corruption, such as whether they have been offered or whether they have given a bribe.

Each of the above approaches or methods carries their own comparative advantage. The argument in this chapter, however, is that each one of the approaches on their own falls short of providing a credible picture of either governance or corruption for African countries. The general perception that fact-based indices are more accurate is, by many experts account, simply wrong and misleading. If indeed, objective-based indicators told the complete story about the state of corruption in Africa, policymakers and the development community would have readily embraced them. The results from objective-based indicators are often criticized for their failure to reflect the reality, and generally for their ineffectiveness in shaping policies or guiding reforms. This is also the same criticism given to the other two types of indicators. The prevailing sentiment among leading experts and institutions working on governance indicators is that a composite index on corruption, which combines fact-based surveys and data with perception-based surveys, will generate a much more dynamic tool. Such a composite index would better reflect realities on the ground and be effectively utilized, both by African policymakers and governance advocates.

In the process of reviewing and evaluating the above indices, several facts about corruption measurement tools and their limitations have become abundantly clear. First, all governance issues, including corruption, are contextual and vary across regions and countries. For this reason it would be very difficult to design one standard measurement that addresses all the needs of all countries.

Second, the political dynamics underlying governance and many of the corrupt practices that are often not captured by purely fact-based measurements should be considered. For example, the level of institutional weaknesses in many African countries, which makes it possible for political leaders, public officials and private sector agents to misuse national resources and abuse their power, is a difficult exercise to measure.

Third, another dimension that the traditional measurements of corruption have overlooked is the external dimension, which is a scourge on African countries. Indeed, when it comes to assessing the full magnitude of corruption in Africa, alternative non-perception-based methods have also turned a blind eye to the international dimension of this phenomenon. Foreign companies often take advantage of the weak and ineffective institutional mechanisms in African countries, to gain an unfair advantage or secure political privileges in national policies and regulations.
A. Review of methodologies of selected governance-related measurements

Several credible governance-related indicators, which were recently developed, seem to have made attempts to deal with the commonly raised criticisms against the popular perception-based measurements. These indicators have adopted well-researched methodologies and have made tremendous efforts to minimize errors and address methodological questions. They include, among others, the African governance indicators of the African Governance Report (ECA), the Ibrahim Index of African Governance (Mo Ibrahim Foundation), the Country Policy and Institutional Assessment (World Bank), and the Global Competitiveness Index (World Bank). Table 4 reviews the methodologies of the four selected measurements. The table focuses on the overall objective – country coverage, frequency, data sources, and aggregation technique – for each of the measurements.

Over and above the characteristics of the governance-related measurements outlined in table 4, there are specific issues that should be taken into consideration to appreciate the nature of these measurements.

Table 4

SUMMARY OF METHODOLOGIES OF GOVERNANCE INDICATORS

<table>
<thead>
<tr>
<th>Index</th>
<th>Overview</th>
<th>Research method</th>
<th>Sample size</th>
<th>Number of indicators</th>
<th>Variables assessed</th>
<th>Data source</th>
<th>Aggregation technique</th>
</tr>
</thead>
<tbody>
<tr>
<td>African governance indicators (African Governance Report, ECA)</td>
<td>Overall objective: to provide a mechanism for monitoring progress towards the creation of a capable State in Africa, as well as developing in-house and regional capacity for future research on governance. Geographical coverage: African countries Frequency: every two years, since 2009 Approach: no explicit definition of governance, but it provides “core elements of good governance” (e.g., political governance, institutional effectiveness and accountability, and economic management and corporate governance)</td>
<td>Three research techniques used: Instrument I: national expert survey; Instrument II: household surveys; Instrument III: desk research.</td>
<td>100+ national experts 2,000 – 3,100 households per country</td>
<td>Instrument I: 83 indicators used in expert panels Instrument II: 99 indicators in national sample household surveys. Instrument III: more than 150 indicators in desk-research.</td>
<td>Political governance Economic governance Public Financial Management Private sector development Corporate governance Institutional checks and balances Institutional effectiveness and accountability Human rights and rule of law</td>
<td>ECA data Country reports, produced by National Research Institutions</td>
<td>Each governance index is constructed using average scores, which are put together and re-scaled to bring each of them to a common range of 0–100.</td>
</tr>
<tr>
<td>Country Policy and Institutional Assessment I – World Bank</td>
<td>Overall objective: to guide lending activities by the World Bank Geographical coverage: 77 countries Frequency: annually, since 2005 Approach: assesses the quality of countries' policy and institutional frameworks. 'Quality' is specifically defined as 'how conducive the framework is in order to foster poverty reduction, sustainable growth and the effective use of development assistance.'</td>
<td>Country surveys: 3–15 surveys can be used per country Desk review of secondary sources</td>
<td>Representa-tive sample of countries that covers all six regions</td>
<td>16 criteria grouped into the four clusters</td>
<td>Economic management Structural policies Policies for social inclusion and equity Public sector management and institutions</td>
<td>World Bank staff ratings External sec-ondary sources</td>
<td>Each of the four clusters has a 25 per cent weight in the overall rating. Within each cluster, all criteria receive equal weights, although components within a criterion may be weighted differently. The overall score is obtained by calculating the average score for each cluster, and averaging scores of the four clusters. For each of the 16 criteria, countries are rated on a scale of 1 (low) to 6 (high).</td>
</tr>
</tbody>
</table>

(...)
<table>
<thead>
<tr>
<th>Index</th>
<th>Overview</th>
<th>Research method</th>
<th>Sample size</th>
<th>Number of indicators</th>
<th>Variables assessed</th>
<th>Data source</th>
<th>Aggregation technique</th>
</tr>
</thead>
</table>
| Country Policy and Institutional Assessment II — African Development Bank | • Overall objective: to guide lending activities by the African Development Bank  
  • Geographical coverage: 54 countries  
  • Frequency: annually, since 2013  
  • Approach: assesses the quality of countries’ policy and institutional frameworks. ‘Quality’ is specifically defined as “how conducive the framework is in order to foster poverty reduction, sustainable growth and the effective use of development assistance.” | • Country Surveys: 3–15 surveys can be used per country  
  • Desk review of secondary sources                                                                                                           | • Representative sample of countries that covers all six Regions                                                                  | 18 criteria grouped into the five clusters | • Macroeconomic policies  
  • Structural policies and regulation  
  • Social context and human development  
  • Governance  
  • Infrastructure development and regional integration                                                                                           | • African Development Bank staff ratings  
  • External secondary sources                                                                                                                   | • Each of the five clusters has a 20 per cent weight in the overall rating. Within each cluster, all criteria receive different weights, although components within a criterion may be weighted differently.  
  • The overall score is obtained by calculating the average score for each cluster, and averaging scores of the four clusters. For each of the 18 criteria, countries are rated on a scale of 1 (low) to 6 (high). |
| Global Competitiveness Index | • Overall objective: to assess economic competitiveness  
  • Geographical coverage: 144 countries  
  • Frequency: annually, since 2006  
  • Approach: assesses the impact of a number of key factors that contribute to creating conducive environment for competitiveness | • Desk-based reviews of collated data  
  • External sources                                                                                                                             | • Not applicable since the Index is based exclusively on secondary data                                                                  | 12 pillars of competitiveness  | • Institutions  
  • Infrastructure  
  • Macroeconomic Stability  
  • Health and primary education  
  • Higher education and training  
  • Goods market efficiency  
  • Labour market efficiency  
  • Financial market sophistication  
  • Technological readiness  
  • Market size  
  • Business sophistication  
  • Innovation                                                                                                                                     | • Publicly available administrative data  
  • Data from the World Economic Forum's annual Executive Opinion Survey                                                                  | • An arithmetic mean is used to aggregate individual indicators within a category. |
| Ibrahim Index of Governance | • Overall objective: to provide a statistical measure for monitoring governance performance in African countries and to support good governance and leadership building in Africa.  
  • Geographical coverage: all African countries  
  • Frequency: annually, since 2007  
  • Approach: defines governance as the “provision of the political, social and economic goods that any citizen has the right to expect from his or her State, and that any State has the responsibility to deliver to its citizens.” | • Desk-based reviews of collated data  
  • External sources                                                                                                                             | • Not applicable since the Index is based exclusively on secondary data                                                                  | 93 indicators divided into four clusters | • Safety and rule of law  
  • Participation and human rights  
  • Sustainable economic opportunity  
  • Human development                                                                                                                              | • 33 external sources  
  • Data from the 33 external sources are transformed to a common scale and aggregated into a composite index.  
  • The data for each of the 93 indicators are put on a standardized range of 0–100, where 100 is always the highest possible score. |
African governance indicators

African governance indicators, produced by ECA, were developed to assist policymakers in identifying the gaps between policies, constitutional and other legal provisions and actual practice, as well as building in-country research capacity to measure and monitor governance, among others. As outlined in box 14, institutional and the executive’s effectiveness and accountability need to be scrutinized and nurtured in order to combat corruption in Africa.

Country policy and institutional assessment

The Country Policy and Institutional Assessment provides for an extensive assessment of the policy and institutional environment, whilst devoting attention to issues of corruption explicitly (see box 15, next page). Just like for the previously mentioned governance measurements, the other clusters of the assessment also has significant implications for the success of any anti-corruption initiatives.

Since 2013, the African Development Bank has revised its Country Policy and Institutional Assessment computation such that there are five clusters, as indicated in table 4. This revision of the assessment tool was done “to better adapt it to the specific circumstances of Africa and the African Development Bank’s mandate”\(^{19}\) by adding a new cluster to the questionnaire. This new cluster encompasses two additional criteria of which one relates to infrastructure. This addition is critical, notably in the context of an assessment on corruption, because the infrastructure sector is prone to corruption, which occurs from the mismanagement of public procurement and weaknesses in corporate governance.

\(^{19}\) Questionnaire for the 2013 country policy and institutional assessment (African Development Bank Group, 2013).

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**Box 14**

ECONOMIC GOVERNANCE CONCEPTS ASSESSED AND CORRESPONDING INDICATORS

Institutional effectiveness and accountability:

- Legislature’s effectiveness; constitutional checks and balances status; legislature’s independence; legislature’s control; parliamentary debate relevance; parliamentary opposition strength; legislature’s corruption status; judiciary’s independence; and executive’s independence.
- Judiciary effectiveness; legislature’s independence; judiciary’s independence; judges appointment mode; court access; justice access; judiciary’s corruption status; and executive’s independence.

Executive’s effectiveness:

- Management of State structure: legislature’s independence; judiciary’s independence; executive’s independence; senior appointees’ composition; executive’s corruption status; civil service accountability; government accountability; government services’ efficiency; local government accountability; resource allocation; local government capacity; and government responsiveness.
- Civil service transparency: accountability and accessibility; civil service management; civil service accountability; civil service perceptions; government accountability; and government transparency.
- Efficiency of government services: access to government services; services’ relevance to the poor; services’ relevance to women; local government accountability; resource allocation; and government responsiveness.
- Decentralization of structures: local government accountability; resource allocation; local government capacity; community participation; and government responsiveness.

Control of corruption:

- Legislature’s corruption status; justice access; judiciary’s corruption status; executive’s corruption, government services’ efficiency; access to government services; tax collection; and control of corruption.

Box 15

COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT CLUSTERS AND INDICATORS FOR THE WORLD BANK

Economic management
- Macroeconomic management
- Fiscal policy
- Debt policy

Structural policies
- Trade
- Financial sector
- Business regulatory environment

Policies for social inclusion and equity
- Gender equality
- Equity of public resource use
- Building human resources
- Social protection and labour
- Policies and institutions for environmental sustainability

Public sector management and institutions
- Property rights and rule-based governance
- Quality of budgetary and financial management
- Efficiency of revenue mobilization
- Quality of public administration
- Transparency, accountability and corruption in the public sector


Box 16

IMPORTANCE OF INFORMATION AND COMMUNICATIONS TECHNOLOGY IN combAting corruption

A body of literature highlights that having access to information and communications technology reduces the probability of corruption. Real-time reporting of information will obviously reduce the scope of engaging in corrupt practices. Moreover, mobile messaging can be used by the authorities to be better informed of the nature and incidences of corruption, through whistle-blowing. For example, using Afrobarometer data, Bailard (2009) found that there was a negative relationship between mobile phone diffusion and corruption in 13 Namibian provinces in 2006. Those findings confirmed that if adequately utilized, mobile technology can decrease corruption and increase detection of corrupt practices. The rapid penetration of mobile technology in Africa presents policymakers with an easy and real opportunity to step up the fight against corruption.

Source: Gaskins (2013); Luminita (2013); and Bailard (2009).
Global competitiveness index

The Global Competitiveness Index is based on 12 pillars with a view to capturing a broad range of factors affecting an economy’s business climate, which are important determinants of sustained economic growth (see table 4). All of the three clusters – basic requirement, efficiency enhancers, and innovation and sophistication factors – have a direct influence on inhibiting the possible occurrence of corruption. Box 16 provides one example of using information and communications technology to combat corruption.

Table 5

<table>
<thead>
<tr>
<th>Subcategory</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Rule of law</td>
<td>• Property rights</td>
</tr>
<tr>
<td></td>
<td>• Judicial process</td>
</tr>
<tr>
<td></td>
<td>• Judicial independence</td>
</tr>
<tr>
<td></td>
<td>• Sanctions</td>
</tr>
<tr>
<td></td>
<td>• Transfers of power</td>
</tr>
<tr>
<td>2 Accountability</td>
<td>• Accountability, transparency and corruption in the public sector</td>
</tr>
<tr>
<td></td>
<td>• Access to information</td>
</tr>
<tr>
<td></td>
<td>• Online services</td>
</tr>
<tr>
<td></td>
<td>• Corruption and bureaucracy</td>
</tr>
<tr>
<td></td>
<td>• Corruption in government and public officials</td>
</tr>
<tr>
<td></td>
<td>• Diversion of public funds</td>
</tr>
<tr>
<td></td>
<td>• Accountability of public officials</td>
</tr>
<tr>
<td></td>
<td>• Public sector corruption investigation</td>
</tr>
<tr>
<td></td>
<td>• Prosecution of abuse of office</td>
</tr>
<tr>
<td>3 Personal safety</td>
<td>• Safety of the person</td>
</tr>
<tr>
<td></td>
<td>• Police services social unrest</td>
</tr>
<tr>
<td></td>
<td>• Violent crime</td>
</tr>
<tr>
<td></td>
<td>• Political violence</td>
</tr>
<tr>
<td></td>
<td>• Human trafficking</td>
</tr>
<tr>
<td>4 National security</td>
<td>• Government involvement in armed conflict</td>
</tr>
<tr>
<td></td>
<td>• Domestic armed conflict</td>
</tr>
<tr>
<td></td>
<td>• Cross-border tensions</td>
</tr>
<tr>
<td></td>
<td>• Internally displaced people</td>
</tr>
<tr>
<td></td>
<td>• Political refugees</td>
</tr>
</tbody>
</table>


Ibrahim Index of African Governance

In this index (see table 5), the “accountability” subcategory focuses explicitly on corruption. However, it is to be noted that the other subcategories have indirect links to State capacity to combat corruption.

This index is used extensively by the media, civil society and foreign investors to assess the overall governance performance of African countries and their effectiveness in service delivery. Its relative usefulness for decision-making notwithstanding, the index focuses
exclusively on results rather than processes, but the latter is equally important for good economic governance. For example, the performance for Morocco had slightly declined between 2006 and 2011, yet those scores did not give useful insights into the processes, which led to such a decline (see table 6). It is noteworthy that understanding the processes is critical to policy reforms, including combating corruption.

**B. Analysis of strengths and limitations of the governance-related measurements**

As discussed in the previous sections, it is undeniable that the corruption and associated governance-related measurements have their strengths and limitations to which policymakers need to pay attention.

### Table 6

**IBRAHIM INDEX OF GOVERNANCE COUNTRY PERFORMANCE 2006–2014: MOROCCO**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Overall Score</td>
<td>54.5</td>
<td>55.5</td>
<td>54.6</td>
<td>54.3</td>
<td>53.7</td>
<td>54.2</td>
<td>55.5</td>
<td>57.2</td>
<td>57.6</td>
<td>+3.4</td>
</tr>
<tr>
<td>18</td>
<td>Safety &amp; Rule of Law</td>
<td>62.0</td>
<td>62.0</td>
<td>59.9</td>
<td>59.1</td>
<td>58.8</td>
<td>57.7</td>
<td>58.8</td>
<td>58.5</td>
<td>57.8</td>
<td>-1.2</td>
</tr>
<tr>
<td>21</td>
<td>Rule of Law</td>
<td>55.3</td>
<td>56.7</td>
<td>57.4</td>
<td>57.0</td>
<td>56.3</td>
<td>56.0</td>
<td>56.6</td>
<td>57.1</td>
<td>54.0</td>
<td>-3.0</td>
</tr>
<tr>
<td>13</td>
<td>Accountability</td>
<td>38.8</td>
<td>39.7</td>
<td>39.4</td>
<td>38.9</td>
<td>39.3</td>
<td>40.3</td>
<td>43.5</td>
<td>44.8</td>
<td>44.8</td>
<td>+5.9</td>
</tr>
<tr>
<td>19</td>
<td>Personal Safety</td>
<td>68.8</td>
<td>68.8</td>
<td>57.9</td>
<td>55.4</td>
<td>54.7</td>
<td>54.7</td>
<td>55.0</td>
<td>52.0</td>
<td>52.6</td>
<td>-2.8</td>
</tr>
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<td>29</td>
<td>National Security</td>
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<td>84.9</td>
<td>84.9</td>
<td>85.0</td>
<td>85.0</td>
<td>80.0</td>
<td>80.0</td>
<td>80.0</td>
<td>80.0</td>
<td>-5.0</td>
</tr>
<tr>
<td>42</td>
<td>Participation &amp; Human Rights</td>
<td>36.7</td>
<td>37.2</td>
<td>36.7</td>
<td>35.3</td>
<td>33.8</td>
<td>34.8</td>
<td>37.0</td>
<td>37.1</td>
<td>36.6</td>
<td>+1.3</td>
</tr>
<tr>
<td>44</td>
<td>Participation</td>
<td>23.8</td>
<td>24.2</td>
<td>21.3</td>
<td>18.3</td>
<td>17.6</td>
<td>19.0</td>
<td>21.6</td>
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</tr>
<tr>
<td>26</td>
<td>Rights</td>
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<td>45.8</td>
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<td>45.6</td>
<td>45.2</td>
<td>47.4</td>
<td>52.0</td>
<td>51.9</td>
<td>49.1</td>
<td>+3.5</td>
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<tr>
<td>48</td>
<td>Gender</td>
<td>39.8</td>
<td>41.7</td>
<td>43.4</td>
<td>41.9</td>
<td>38.7</td>
<td>37.9</td>
<td>37.4</td>
<td>36.8</td>
<td>38.0</td>
<td>-3.9</td>
</tr>
<tr>
<td>3</td>
<td>Sustainable Economic Opportunity</td>
<td>56.1</td>
<td>58.5</td>
<td>58.0</td>
<td>58.4</td>
<td>58.3</td>
<td>58.6</td>
<td>59.9</td>
<td>67.1</td>
<td>69.8</td>
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</tr>
<tr>
<td>4</td>
<td>Public Management</td>
<td>62.3</td>
<td>64.4</td>
<td>61.2</td>
<td>63.4</td>
<td>60.9</td>
<td>59.4</td>
<td>58.0</td>
<td>59.6</td>
<td>63.1</td>
<td>-0.3</td>
</tr>
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<td>5</td>
<td>Business Environment</td>
<td>60.3</td>
<td>59.0</td>
<td>57.6</td>
<td>56.9</td>
<td>59.3</td>
<td>60.4</td>
<td>63.1</td>
<td>67.8</td>
<td>69.2</td>
<td>+12.4</td>
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<tr>
<td>4</td>
<td>Infrastructure</td>
<td>47.6</td>
<td>49.5</td>
<td>52.3</td>
<td>52.4</td>
<td>52.2</td>
<td>53.5</td>
<td>57.7</td>
<td>67.2</td>
<td>71.0</td>
<td>+18.6</td>
</tr>
<tr>
<td>3</td>
<td>Rural Sector</td>
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<td>60.7</td>
<td>61.0</td>
<td>60.8</td>
<td>61.3</td>
<td>60.6</td>
<td>73.9</td>
<td>75.9</td>
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<td>Human Development</td>
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<td>63.8</td>
<td>63.8</td>
<td>64.4</td>
<td>63.6</td>
<td>65.6</td>
<td>66.2</td>
<td>65.9</td>
<td>66.3</td>
<td>+1.9</td>
</tr>
<tr>
<td>19</td>
<td>Welfare</td>
<td>55.9</td>
<td>54.1</td>
<td>54.7</td>
<td>56.8</td>
<td>57.8</td>
<td>58.9</td>
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<td>56.8</td>
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</tr>
<tr>
<td>14</td>
<td>Education</td>
<td>49.2</td>
<td>51.9</td>
<td>50.9</td>
<td>49.8</td>
<td>54.1</td>
<td>58.5</td>
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<td>59.9</td>
<td>60.5</td>
<td>+10.7</td>
</tr>
<tr>
<td>10</td>
<td>Health</td>
<td>85.1</td>
<td>85.3</td>
<td>86.0</td>
<td>86.6</td>
<td>79.0</td>
<td>79.5</td>
<td>80.9</td>
<td>81.1</td>
<td>81.7</td>
<td>-5.0</td>
</tr>
</tbody>
</table>

**Strengths**

These measurements have all contributed to the global discourse and awareness-raising on corruption, in particular in African countries. In addition, Kaufmann and Kraay (2007, cited by Urra, 2007) identify the following four main benefits of aggregate indicators: allow a broader country coverage than individual ones; provide a functional summary from a vast array of individual indicators; average out and therefore reduce measurement error as well as the influence of bias of individual sources; and allow for the calculation of explicit margins of error.

As regards the African governance indicators, emphasis is placed on the local buy-in from African countries, which is backed up by a body of empirical knowledge at country and subregional levels. As far as the relevance and effectiveness of qualitative approaches are concerned, the work of ECA on governance measurement has proven to be the generally accepted. This highlights the fact that when surveys are carefully designed, implemented and repeated over time, they can provide powerful and convincing comparative data. The *African Governance Report* data can be used as performance benchmarks by Governments and all major stakeholders in tackling the concerns expressed by the citizenry and serve to monitor how faithfully the compact between them is carried forward.

With regard to the Country Policy and Institutional Assessment, one of its strengths is the consistency in the data sources. This actually allows for inter-country comparisons. For instance, according to the 2015 Country Policy and Institutional Assessment Report, since 2008, the quality of economic management has varied across a group of countries. Mineral rich countries persistently scoring low at 3.1, compared to non-oil resource-rich countries at 3.5 and non-resource-rich countries at 3.3 (see figure 15).

As noted earlier, the Ibrahim Index of African Governance receives very high media coverage through which it has made significant contributions in making governance issues high on the agenda of leaders and development experts. In line with the 2005 Paris Declaration and the 2015 Addis Ababa Action Agenda, it is gratifying that

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**Figure 15**

**PERFORMANCE ON ECONOMIC MANAGEMENT CLUSTER BY GROUP, SUB-SAHARAN AFRICA 2007–2014**

![Graph showing performance on economic management cluster by group, Sub-Saharan Africa 2007–2014](source: World Bank (2015b).)
both the African governance indicators of the *African Governance Report* and the Ibrahim Index of African Governance are African-led and owned initiatives, informing the works of the African Union and the regional economic communities.

**Limitations**

A quick look at the governance measurements would show that there are a lot more perception-based indicators than facts-based indicators focusing on Africa. There are two reasons behind this: the data required to construct facts-based indicators are often unavailable or unreliable for developing countries; and there appears to be much more demand for perception-based indicators from donors, business investors and policymakers. The four measurements reviewed in the previous section are all constructed using a combination of fact-based and perception-based data.

The African governance indicators itself, warns its users of its limitations by noting that because much of the analysis is based on perceptions, considerable caution should be exercised in cross-country comparisons, since the political, social and economic environments differs significantly from one country to another. Perception-based elements provide a picture of the state of governance in each country only as perceived by the citizens of each country at the time of the research. Policymakers thus have to be cautious not to be too prescriptive. Furthermore, the *African Governance Report* contains recommendations, which are essentially informed by country-specific realities as governance must be contextualized and home-grown for it to be sustainable.

On the other hand, the general criticism over the Country Policy and Institutional Assessment centres on the fact that the ratings are focused on policies and institutions and excludes outcomes. The assessment also does not generally recognize the process of change in governance. It is undeniable that since the assessment ratings are generated for resource allocation by the World Bank and the African Development Bank, the adopted methodologies tend to be biased towards their respective understanding of what constitutes good policies and institutions. Indeed, the assessment continues to be controversial among several development specialists and policymakers in Africa. Some common recurring criticisms of the assessment are that: it essentially reflects the Washington consensus; it is prescriptive in its underlying assumptions about the character of good policies and institutions; it does not take into account a country’s historical experiences and ignores country-specific characteristics; and its process lacks internal consistency and is not sufficiently robust.

Corruption studies and results should be carried out and calculated on a country-by-country basis without any reference to comparisons between countries.

While the Global Competitiveness Index is widely used by international financial institutions, its critics are mostly focused on the meaninglessness of putting together countries and economies, which have varying socioeconomic contexts and which are at different development stages, in one basket to rank their performance. Consequently, most development specialists outside of the World Bank and its affiliates are hesitant about relying on the assessment of this index to make governance-related decisions. Although it assesses several aspects related to governance, such as public trust in institutions, judicial independence and corruption, these are limited measures of governance. As was noted earlier, even objective-based assessments such as the Global Competitiveness Index are ideologically biased towards business. The premise of the index is that a favourable business environment is essential to economic growth and development. This is clearly reflected by the questions and respondents of the Executive Opinion Survey. The index points out that the ranking is based on relative positioning, thus one country movement on the list is not necessarily due to changes in the country but rather in other countries – in other words, if one country cannot keep-up with the pace of changes in other countries it falls behind in the ranks, even if it is registering positive changes. Again,
for reasons cited above and for reasons that the Global Competitiveness Index is designed to assist in pushing the Washington Consensus and not Africa’s development agenda, it fails to tell the full story on governance in general or the level of corruption in particular.

The Ibrahim Index of African Governance has also come under the spotlight since it relies exclusively on secondary data without triangulating with expert-based assessments to get a better picture of what the state of governance is in a given African country.

It is important to be mindful of the fact that all governance indicators are attempts at approximating some unobserved broad dimensions of governance. Such an undertaking is bound to be fraught with difficulties. There is first and foremost the evident problem associated with translating perceptions into quantities. This is coupled with the fact that perceptions do not necessarily represent objective reality. As was noted from the analysis of the four measurements, the standard governance measures bring together a large amount of complex information into a single number for a country for a given year. The result can be quite heterogeneous and the weight assigned to a particular type of data can be arbitrary. For governance-related indicators (which includes the corruption dimension) to be useful, the indicators need to contain sharp definitions and clear specificity, comprising a plan for specific actions, a strategy for reforms, and a metric for measuring impacts.

In summary, as this chapter has demonstrated, while current measurements may be useful as indicators of the prevalence of corruption or bad governance, they do not help much by way of advancing policy reforms in Africa. Critics cast doubt over the methodological approaches and reliability of sources.

C. Lessons learned

There are important lessons to be learned from the above strengths versus weaknesses analysis:

- **Lesson 1:** Building and strengthening institutions of governance is key to tackling all governance challenges, including corruption.
- **Lesson 2:** Corruption studies and results should be carried out and calculated on a country-by-country basis without any reference to comparisons between countries.

- **Lesson 3:** The current practice of survey bias towards one group of society over another undermines the quality of the outcome of the exercise.
- **Lesson 4:** The major type of corruption in a given country should be identified and its occurrence measured on its own (without aggregating it). This will provide a better picture of the extent and prevalence of the major types of corruption in each country. In addition, this will better equip policymakers with tools for designing and carrying out appropriate intervention measures.
- **Lesson 5:** Illicit financial flows are an indication of dysfunctional public institutions and a lack of accountability on the part of public officials. No single measurement of corruption or governance would be complete without taking into account the social and economic impact of such financial flows.

First, there is consensus that corruption remains a social phenomenon, which is intrinsically linked to the problem of governance. The ECA African governance indicators were among the few bold attempts to situate corruption in the broader governance context.

Second, with regard to corruption, the most popular and sought after data is the annual publication of cross-country comparison of corruption. As demonstrated in the previous chapter, comparing corruption between country X and Y is like comparing apples and oranges. Each country has its own unique historical and cultural experiences. For example, countries rich in mineral resources are prone to certain types of corruption, which may never be experienced by resource poor countries. Furthermore, it is common knowledge that the views of the people selected to respond to survey questionnaires are shaped by the media, culture, experiences, among others. The type and nature of these factors that influence public perceptions and thoughts have to be similar across countries for us to be able to compare and rank countries according to the degree of perceived corruption. Results of such ranking can never be accurate but their consequences, especially on poor countries, should never be underestimated. Access to FDI is often affected by these rankings. Furthermore, banks and financial lenders use them for country risk analysis. It is for this reason that the present report,
as others have done in the past, rejects the idea of attaching so much value to ranking countries with such diverse background as deserving any merit.

Third, respondents to the survey questionnaire are often concentrated around a small circle of individuals, such as businessmen, media personalities and non-governmental employees. The contents of the survey questions often deal with respondents’ engagement with public servants and institutions. The survey seems to be more concerned about how corruption affects a selected group in a society. But corruption does not affect only one group or a segment of the population, depending on how widely practiced it could very well affect all categories of the society. Furthermore, as long as the results of such exercises reflect only the views of a minority, policymakers are not encouraged to carry out major reforms.

Fourth, the practice of aggregating sources of data to minimize errors in measuring corruption is often used by the major perception-based corruption measurements. This practice would be accepted if the additional sources that are brought to the model were more reliable. But, as experts have shown, the lack of reliability with each additional source added makes the model less reliable.

Last, one of the most alarming reports on corruption, which was recently brought to the public’s attention, was published by Global Financial Integrity. The report (2008, p.1) noted that:

*Much attention has been focused on corruption in recent years, that is, the proceeds of bribery and theft by government officials. In the cross-border flow of illicit money, we find that funds generated by this means are about 3 per cent of the global total… Criminal proceeds generated through drug trafficking, racketeering, counterfeiting and more are about 30 to 35 per cent of the total. The proceeds of commercial tax evasion, mainly through trade mispricing, are by far the largest component, at some 60 to 65 per cent of the global total.*

The loss as a result of such financial flows is estimated to be a total of $854 billion between 1970 and 2009. According to Global Financial Integrity, “this massive flow of illicit money out of Africa is facilitated by a global shadow financial system comprising tax havens, secrecy jurisdictions, disguised corporations, anonymous trust accounts, fake foundations, trade mispricing, and money laundering techniques”.

**D. Conclusions**

It is a fact that one cannot measure what is hidden. A precise measure of corruption is, by all accounts, impossible. Data on money illegally exchanging hands are made purposely difficult to trace. It is for this reason that almost all corruption-related indicators resort to measuring public perception rather than corruption itself. As has been noted early in the chapter, there are several types of corruption – bribery, embezzlement, fraud and extortion, among others. These activities are all carried out away from public view and it is therefore difficult to know that they even exist, much less to measure their magnitude. Consequently, we recognize the importance of perception-based measurements. However, it is essential that most current perception measurements need to rethink their conceptual understanding and technical measurements of corruption to align themselves with current development thinking and practice.