

Possibilities in Measuring Corruption

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Contents

- Conceptualization – we have to find a proper (clear!) working definition for the notion of corruption
- Operationalization – then we can decide **how to measure** it
 - By perceptions
 - attitudes
 - **or objective indicators**
- Presentation of potential objective indicators based on a Hungarian example

Conceptualization

- If not appropriate, the research will be misleading
- Impartiality should be sought
- Corruption
 - Not only public actors can be involved
 - Micro phenomenon, consisting of transactions, an entire country can not be corrupt
 - Hidden, not directly observable, the transactions themselves cannot be recorded - we never see it, but we can estimate its prevalence based on measurable signals
 - Still, it can be measured with objective data
 - Like the black hole, not visible but measurable (weight, rotational speed, distance)
 - There is no general indicator, it can be measured with approximation / substitution indicators

Measuring corruption

- Investigations of **perceptions** related to corruption, mostly based on questionnaires and interviews
- Researches concerning **attitudes** towards the phenomenon, also based on survey fieldworks in most of the cases
- Studies implementing **objective indicators**

Measuring perceptions

- Transparency International, World Bank, World Economic Forum
- They are based on the opinions of economic and business analysts/decision makers and the results of questionnaire research

Measuring perceptions – problems

- The uncertainty of the relationship between subjective perception and the real situation
- Broader changes may have distorting effects on perceptions, such as economic development – strong correlation between the CPI and the GDP
- Respondents involved in corruption may be interested in underestimating its importance, or those who are not involved may not have enough information to form a well-founded opinion
- Instead of own experiences, the perception may be influenced by the appearance of corruption cases in the media
 - Controversially the existence of the well-functioning free press may increase the perception of corruption
- Respondents are only partly influenced by real experiences of corruption
- Perception indices bundle many different types of corruption into an overall score, however, corruption is a diverse phenomenon

Measuring perceptions

- Despite the problems, perception measures are useful, because
 - They are quite simple, easy to understand
 - They raise awareness
 - Availability – long time series characterizing many countries

Measuring attitudes

- ‘Please tell me for each of the following actions whether you think it can always be justified, never be justified, or something in between, using this card. (...) Someone accepting a bribe in the course of their duties.’
/World Values Survey/
- Classic problems of social researches addressing sensitive questions
 - Corruption is a soft social phenomenon, its understanding may vary among the people
 - The wording of the questions and the interview situation itself can strongly influence the answers
 - Answers may be strongly influenced by the media coverage of the scandalous cases

Objective corruption proxy methods

- Investigating parking violations by exempt diplomats in New York
- Analysing how the officials were bribed in African ports
- Both studies made it possible to objectively quantify corrupt transactions and to do international comparisons

Corruption risks

- These are measurable signs of favourable conditions for corruption
- It can be measured how much of these were created and to what extent

Public procurement corruption risks

- The examination of the existence of conditions favour the corrupt transactions, assuming that if someone wants to cheat, he creates proper conditions for fraud
- The existence of conditions conducive to corruption does not in itself lead to the conclusion that the corrupt transaction took place
- Such circumstances may have occurred accidentally or at least in the complete absence of corrupt intentions
- It is also possible that although the conditions and the corrupt intentions were given, the corrupt transaction itself did not occur

Public procurement corruption risks

- **Type of the public procurement procedure**
- **Number of bidders, the intensity of the competition**
- Deadlines
- Quality of data publication
- Price distortion, analysis of the winner companies, etc.
- These characteristics can be observed regarding all the contracts issued in a country/won by a company, etc.

Public procurement corruption risks

- Also understood as
 - Red flags (by the European Commission)
 - The Commission has established its Single Market Scoreboard (SMS) system in 1997 for monitoring the compliance of the member states with the single market legislation – regarding the public tenders, the SMS has 12 individual performance indicators
 - Single bidder (i), no calls for bids (ii), publication rate (iii), cooperative procurement (iv), award criteria (v), decision speed (vi), small and medium-sized enterprises (SME) as contractors (vii), SME bids (viii), procedures divided into lots (ix), missing calls for bids (x), missing seller registration numbers (xi) and missing buyer registration numbers (xii)
 - Measures characterizing whether the issuers of the tenders could maximize value for money (VfM)
 - number of bidders for a contract, open advertising of contracts, aggregation of demand (how often contracting authorities buy together as a consortium), type of award criteria used (whether supplier selection is based on quoted price only or if quality is also considered – the latter is associated with VfM), decision speed and reporting of information pertaining to contract awards

Public procurement corruption risks

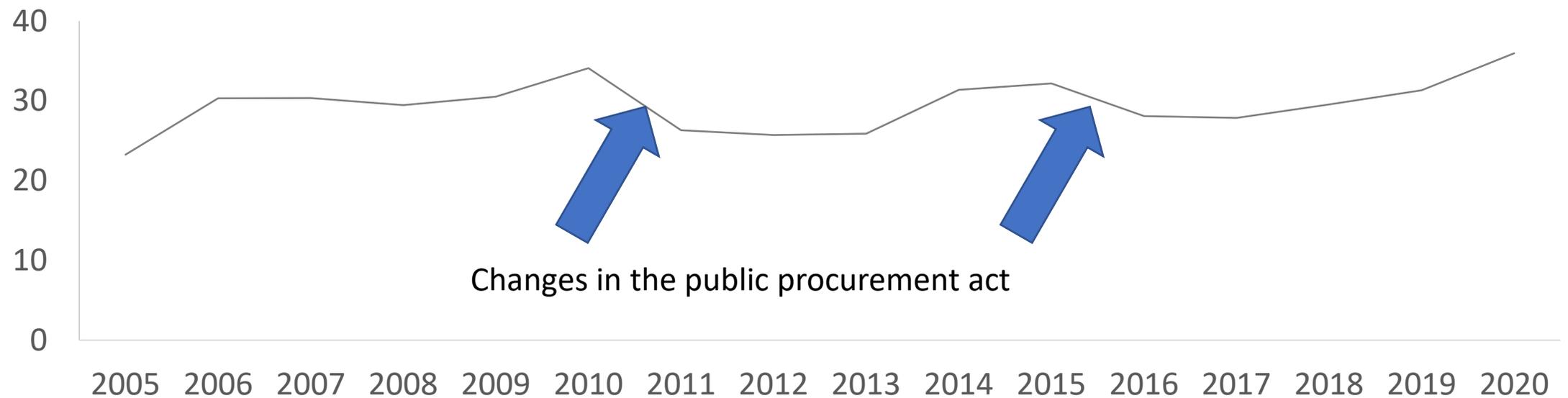
- Public procurement can be a policy tool also for promoting the objectives of different 'horizontal' policies like the economic development of disadvantaged social groups
- The indicators can be analysed from many further perspectives apart from corruption research
- They not essentially capture corruption, but a lack of good governance in terms of administrative quality and integrity of public bodies
- **But international empirical findings support that they can effectively identify corrupt public procurement tenders**

Public procurement corruption risks

- Indicators may signal risk even in non-corrupt circumstances – i.e., they give false positive alarms
- This can be eliminated by the careful selection of the indicators and pulling them into a composite measure
- The relevance of the corruption risk indicators has to be critically investigated and revised if needed
 - It may vary due to regulatory and cultural differences and changes
- https://ec.europa.eu/internal_market/scoreboard/performance_per_policy_area/public_procurement/index_en.htm

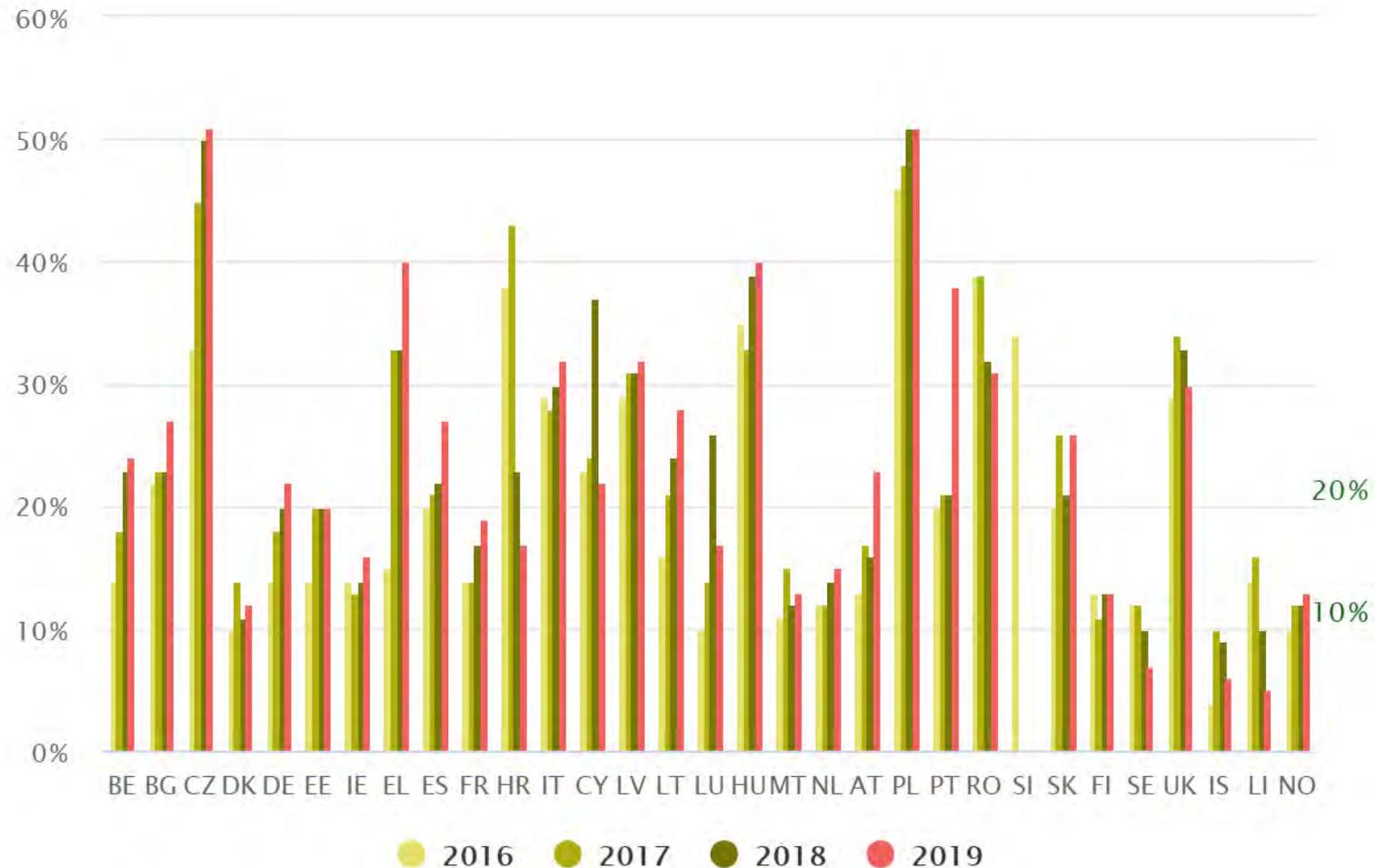
Public procurement corruption risks

Share of contracts without competition in the Hungarian public procurement from January 2005 to April 2020, with framework agreement, N = 245,541, %



Source: CRCB

Public procurement corruption risks – SB indicator



Source: European Commission

Conclusion

- There is no obvious solution for measuring corruption
- According to some views corruption cannot be measured at all, because
 - There is no commonly accepted definition of corruption
 - It is an illegal phenomenon
 - So a certain extent of it will always remain invisible for the researchers
- However, empirical findings also support that certain red flags can effectively identify corrupt public procurement tenders