



## Indicators





# Readers' Guide and Notes to Tables

This guide contains statistics pertaining to corruption and human development in all countries and territories of the Asia-Pacific region. The indicators are grouped into three broad categories: (1) popular measures of corruption, (2) political economy conditions that could be linked to corruption, and (3) socio-economic factors. This last category includes the human development index (HDI) and indicators relating to the Millennium Development Goals (MDGs).

## Data Coverage

For the purposes of this report, countries and territories in the Asia-Pacific region have been grouped into three categories: East Asia, South and West Asia, and the Pacific. The total number of countries and territories is 44: 18 from **East Asia** (Brunei Darussalam, Cambodia, China, Hong Kong China (SAR), Indonesia, Japan, Korea Rep. of, Korea DPR, Lao PDR, Macao China (SAR), Malaysia, Mongolia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam); 9 from **South and West Asia** (Afghanistan, Bangladesh, Bhutan, India, Iran Islamic Rep. of, Maldives, Nepal, Pakistan, Sri Lanka); and 17 from the **Pacific** (Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia Fed. Sts., Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu). They are presented in alphabetical order within groups. Blanks (..) indicate non-availability of data.

## Data Sources and Inconsistencies

The Regional Human Development Reports Unit is a user of datasets, not a producer. The Report draws from data produced by international institutions with the resources and expertise to collect them. Data sources are given in abbreviated form at the end of each table, while the full citations are available in the statistical reference. These sources are UNSTAT online, The World Bank, UNDP Global HDR (not a data producer), University of Maryland, Transparency International and International Country Risk Guide (ICRG) ratings by Political Risk Service (PRS) group. Use has also been made of online sources but URLs may change over time, which explains why the date of access of a given website is mentioned for all online sources.

Because international sources often rely on data supplied by national authorities, there can be inconsistencies between the data reported by these two sources. There are several reasons for this. International data agencies often apply international standards and harmonization procedures to improve comparability across countries. When international data are based on national statistics, as they usually are, national data may need to be adjusted. When data for a country are missing, an international agency may produce an estimate. Because of the difficulties in coordination between national and international data agencies, international data series may not incorporate the most recent data.

All these factors can lead to inconsistencies between national and international estimates.

As international data agencies continually improve their data series, including updating historical data periodically, the indicators across editions of the RHDR may not be comparable.

### Timelines

This report uses the most recent information available as of September 2007. In addition, data are presented at different points in time, in order to capture trends over a longer period. Thus, the tables present data on most indicators at five-year intervals (i.e. 1990, 1995, 2000) and the latest year for which data are available for most countries. For example, the latest Corruption Perceptions Index refer to 2007 while some socio-economic indicators refer to 2004. The latest data for most indicators are for 2005. However, data for all four reference points are not available for some indicators. This gap has been addressed, whenever possible, by reporting data for the year nearest the reference points.

### Country Notes

Data for China do not encompass Hong Kong, China (SAR), Macao, China (SAR) or Taiwan Province of China, unless otherwise noted. Timor-Leste became an independent country on May 20, 2002. Data for Indonesia include Timor-Leste through 1999, unless otherwise noted.

### NOTES ON SELECT INDICATORS IN THE TABLES

#### Table 1: Popular Measures of Corruption

The RHDR tables present the three most popular 'measures' of corruption, particu-

larly in terms of their empirical coverage of the Asia-Pacific region. First, the World Bank's Control of Corruption Index (CCI), which captures corruption for a large number of countries, draws upon multiple sources of data. Second, another popular measure of corruption is the International Country Risk Guide (ICRG) corruption risk ratings by the Political Risk Services (PRS) group. However, it primarily caters to business interests, which limits its use for broader analytical purposes. Third, perhaps the most popular measure of corruption is Transparency International's (TI) Corruption Perceptions Index (CPI). This report does not make extensive use of the CPI because this index relies heavily on perceptions. The three indices are briefly discussed in the sections that follow.

### Control of Corruption Index

The CCI, produced by the World Bank, measures the extent to which public power is exercised for private gain. This includes both petty and grand forms of corruption, as well as 'capture' of the state by elites and private actors. It is based upon surveys of business leaders, public opinion and assessments by country analysts and is available for 213 countries and territories for the years 1996, 1998, 2000, and 2002 to 2006. The CCI values are normally distributed with a mean of zero and a standard deviation of one in each period. The values of the CCI range from minus (-)2.5 to 2.5, with higher values indicating higher control of corruption; conversely, lower values indicate higher corruption.

### ICRG Corruption Score

The ICRG corruption scores, produced by PRS, are assessments by staff and relate to actual and potential corruption in the

following forms: excessive patronage, nepotism, job reservations, 'favour-for-favours', secret party funding and suspiciously close ties between politics and business. The ICRG corruption scores are available for 146 countries from 1984 to 2006. The scores range from 0 to 6, where 0 indicates the highest potential risk of corruption and 6 indicates the lowest potential risk for any country. Higher corruption signifies that high government officials are likely to demand special payments and that illegal payments are generally expected throughout lower levels of government. This can transpire in the form of bribes connected with import and export licenses, exchange control, tax assessment, police protection or loan transactions.

### ***Corruption Perceptions Index***

The CPI, produced by TI, is a composite index that draws upon surveys of business people and assessments done by country analysts. The CPI ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. The CPI started with 41 countries in 1995 and expanded to 180 countries in 2007. The CPI values vary from 0 to 10. A lower value indicates high corruption perception in any country, while a higher value is an indicator of low corruption perception.

### ***Comparison of Corruption Measures Across Countries and Time***

The above measures of corruption must be interpreted and used with care, not only because corruption is largely an unobservable phenomenon but also because different definitions, data sources and methodologies to collect, process and aggregate data are often used.<sup>1</sup>

To some extent, most of these measures rely on perceptions. Data based on perceptions are generally problematic, in that they tell us more about the respondents than about corruption itself, and there is a wide gap between perceived and 'experienced' corruption. Perceptions are also particularly troublesome as a source of comparative data. Specifically, once the reputation of a country has been established – in part through media attention to CPI rankings – it appears that subsequent CPI measures are strongly affected by previously published measures and thus are not independent. There are also grounds for believing that measures may reflect certain observable factors, such as poverty or poor economic performance, which are assumed to be consequences of corruption and hence used to impute (backwards) the presence of corruption. In either case, because measures are not firmly rooted in first-hand experience with corruption, it is hard to have strong confidence in comparisons of perception-based measures of corruption, over time.

Then there is the issue of sample design and the design (and wording) of questionnaires. Because 'corruption' can mean many things, questions that use this word without defining it, are of little use in an attempt to estimate the level of corruption across countries or over time. Indeed, it is hard to compare the responses from vaguely worded questions in any meaningful way. Yet such practices are common in questionnaires used to gather data for popular measures. Likewise, when different questionnaires that use different questions are used to produce an index, the lack of uniformity weakens the basis for comparison. The desire to construct indices of broad empirical scope and to develop time series is understandable and such attempts deserve to be supported. Nevertheless, it is also important to underline

<sup>1</sup> For detailed discussion, See Hawken and Munck 2007.

| <i>Name of index</i>               | <i>Strengths</i>  | <i>Weaknesses</i>   |
|------------------------------------|---|---|
| Control of corruption index (CCI)  | <ul style="list-style-type: none"> <li>• Broad empirical scope</li> <li>• Attempt to construct an index encompassing many manifestations of corruption</li> </ul>   | <ul style="list-style-type: none"> <li>• Perceptions-based, vague and variable questions; variable sample design</li> <li>• Aggregation of conceptually unrelated indicators; questionable aggregation rule</li> <li>• Many of the sources of data cater to the needs of the business interest</li> </ul>   |
| Corruption perceptions index (CPI) | <ul style="list-style-type: none"> <li>• Broad empirical scope</li> <li>• Attempt to construct an index that captures mostly bureaucratic corruption</li> </ul>   | <ul style="list-style-type: none"> <li>• Perceptions-based, vague and variable questions; variable sample design</li> <li>• Aggregation of conceptually unrelated indicators; questionable aggregation rule</li> <li>• The methodology of construction of index changes over time</li> <li>• CPI mostly captures bureaucratic corruption, not political</li> <li>• The subjective assessments by business people are prone to bias because of business interests</li> </ul> |
| ICRG corruption scores             | <ul style="list-style-type: none"> <li>• Attempts to capture actual and potential corruption in the form of excessive patronage, nepotism, job reservations, 'favour-for-favours', secret party funding, and suspiciously close ties between politics and business</li> </ul> | <ul style="list-style-type: none"> <li>• Assessments by staff</li> <li>• Looks at corruption through business interests only</li> </ul>   |

*Source:* Based on Hawken and Munck 2007.

the problems involved in questionnaires that clearly were not designed to obtain equivalent measures across time and space. Finally, sample sizes and the respondent pool of the surveys used to generate indices also vary considerably, raising yet new questions about comparability. The need for further work to develop and consistently apply an instrument suitable for measuring corruption across time and space must be duly recognized.

### **Table 2: Corruption (Perceptions) in Public Institutions, Media and NGOs**

Transparency International's Global Corruption Barometer (GCB) explores how corruption affects ordinary people. The GCB provides an indication of both the form and extent of corruption, from the viewpoint of citizens around the world. The GCB 2006 is the fourth in a series from 2003 and reflects the findings of a survey of 59,661 people in

62 low-, middle- and high-income countries. The survey was carried out on behalf of TI by Gallup International, as part of the Voice of the People Survey between July and September 2006.

An interesting features of the GCB is that it measures the perception of corruption in different sectors/public institutions, such as: politician/political parties; parliament/legislature; police; legal system /judiciary; tax revenue; business/private sector; medical services; media; education system; utilities; registry and permit; services; the military; NGOs; religious bodies. These measures are ratings on a scale of 1 (not at all corrupt) and 5 (extremely corrupt).

### **Table 3: Impact of Corruption (Perceptions)**

The Barometer, produced by TI, captures the experience of bribery through sample surveys

during the previous 12 months. In addition, the Barometer measures people's perception of the the impact of corruption on political life, the business environment and on personal and family life. The scale goes from 1 (corruption has no impact) to 4 (corruption has a large impact).

#### **Table 4: Political Climate**

##### ***Extent of Democracy***

Produced by the Centre for International Development and Conflict Management, University of Maryland, the operational definition of a mature and internally coherent democracy is one in which (a) political participation is fully competitive, (b) executive recruitment is elective, and (c) constraints on the chief executive are substantial. The values of this measure vary between -10 (strongly autocratic) to + 10 (strongly democratic).

##### ***Durability of Current Political Regime***

Produced by the Centre for International Development and Conflict Management at the University of Maryland, this indicator refers to the number of years since the most recent regime change or the end of a transition period defined by the lack of stable political institutions. The first year of the new regime is given the value 0. Each subsequent year adds one point. One must note that durability of the regime does not imply changes in the political party in power but the number of years since the last substantive change in authority characteristics.

##### ***Military in Politics***

The PRS produced this measure which is based on the premise that military involvement in politics (even at the peripheral level) diminishes democratic accountability, since

the military are not elected by anyone. The values of this indicator vary between 0 and 6. Lower values indicate a greater degree of military participation in politics and a higher level of political risk.

#### **Table 5: Governance Climate**

##### ***Political Stability***

The index of political stability, produced by the World Bank, captures perceptions about the likelihood that the government will be destabilized or overthrown through unconstitutional or violent means, including political violence and terrorism. The index values vary between minus (-) 2.5 and 2.5; higher values correspond to lower chances of government destabilization.

##### ***Government Effectiveness***

The index of government effectiveness, produced by the World Bank, captures the following: quality of public services, quality of the civil service, degree of the civil services' independence from political pressures, quality of policy formulation and implementation and credibility of the government's commitment to such policies. The index values vary between minus (-) 2.5 to 2.5; higher values correspond to better government effectiveness.

##### ***Government Stability***

This indicator, produced by the PRS, represents an assessment both of the government's ability to carry out its declared programme(s) and its ability to stay in office. The indicator is composed of three sub-components: government unity; legislative strength; popular support. The values of this indicator vary between 0 and 12, where lower values indicate a lower degree of



government stability and higher level of political risk.

### ***Democratic Accountability***

The PRS-produced indicator of democratic accountability is a measure of how responsive a government is to its people. Its essential message is that the less responsive it is, the more likely the government is to fall, peacefully in a democratic society, but possibly violently in a non-democratic one. The values depend on the type of governance experienced in a particular country. The values of the indicator vary between 0 and 6. The highest value (lowest risk) is assigned to alternating democracies, while the lowest value (highest risk) is assigned to autarchies.

### ***Bureaucracy Quality***

The indicator of bureaucracy quality, produced by the PRS, measures the strength and expertise of the bureaucracy to govern without drastic changes in policy or interruptions in government services. The values of the indicator vary between 0 and 4. Higher values imply better bureaucracy.

### **Table 6: Voice and Choice, and Legal Climate**

#### ***Voice and Accountability***

The index of voice and accountability, produced by the World Bank, measures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and free media. The index values vary between minus (-)2.5 to 2.5; higher values correspond to greater voice and accountability.

### ***Rule of Law***

The rule of law, produced by the World Bank, measures the extent to which agents have confidence in and abide by the rules of society. It also measures in particular the quality of contract enforcement, the police and the courts, as well as the likelihood of crime and violence. The index values vary between minus (-)2.5 to 2.5; higher values correspond to better rule of law.

### ***Law and Order***

Law and Order, produced by the PRS, are assessed separately, with each sub-component comprising 0 to 3 points. The law sub-component is an assessment of the strength and impartiality of the legal system, while the order sub-component is an assessment of popular observance of the law. Thus, a country can enjoy a high rating of 3 in terms of its judicial system, but a low rating of 1 if it suffers from a very high crime rate or if the law is routinely ignored without effective sanction (i.e. widespread illegal strikes). The values of the indicator vary between 0 and 6; higher values indicate greater strength and implementation of the legal system.

### **Table 7: Economic Climate**

#### ***Regulatory Quality***

The index of regulatory quality, produced by the World Bank, measures the ability of the government to formulate and implement sound policies and regulations that permits and promotes private sector development. The index values vary between minus (-)2.5 to 2.5; higher values correspond to implementation of sound policies and greater promotion of the private sector.