THE PROXY CHALLENGE COMPETITION II

Finding new ways to assess anti-corruption efforts

#U4Proxy
Why does it matter that anti-corruption reform results can be measured?
We need reliable, intuitive, accessible, and cost-effective assessment methods that are useful across country-contexts.
Where we are and what we need

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U4 Proxy Indicator Challenge

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Our Proxy Indicator

The percentage of traffic court cases resolved within expected time standards as an indicator of anti-corruption reform results in the justice sector.
Why the Justice Sector?

A growing chorus of development scholars and practitioners cite judicial corruption as a deterrent to inclusive economic growth, and point to corruption of justice systems as an engine of inequality and insecurity.

The International Bar Association and Basel Institute on Governance note that corruption in the judiciary is most often reflected in incidents of bribery or undue political influence, in countries where Rule of Law is seen to be weak.

As such, corruption in the judiciary may reflect upon the function of governance and Rule of Law more broadly in a given country.
Why Traffic Cases?

Traffic cases represent a high volume of adjudicative activity with limited variations in its parameters.

Traffic cases provide a unique window into the functioning of public law institutions (law enforcement, the judiciary, or other administrative body) which cannot be substituted by alternative resolution outside of formal processes (such as mediation or arbitration).

Maximum time standards for traffic cases are established through statute of limitation. Shorter time standards may also be defined by judicial institutions.
Where can corruption occur?

**Phase 1**, *incident*: a police officer may seek a bribe or accept a bribe from an alleged traffic violator to fail to issue a traffic citation.

**Phase 2**, *case filing*: a police officer or employee of the court may be incentivized to ignore or fail to process a traffic violation into the courts through speed or delay payments.

**Phase 3**, *time to disposition*: a case may lapse due to willful delay or process inefficiency by the courts, or shirking of responsibility.
Figure 1: What the Proxy Indicator Measures

- Total court cases heard
- Traffic court cases heard
- Traffic court cases resolved within expected time standards
Measurement Approach

Measuring only adjudication process

Limiting variables and data set

Variables addressed in a given local jurisdiction:

Number of Traffic Cases Pending and Resolved In a Given Period

Number of Traffic Cases Resolved under Statute of Limitations
Feasibility

Access and Availability of Data

Data on traffic adjudication widely available. Data on pending and resolved cases is typically made available through published judicial statistics. Data on manner of disposition or time to disposition is not uniformly published and would involve consolidation to be useful in comparison from one country to the next.

Control for Variability in Adjudication Across Jurisdictions

Traffic cases may be heard in general jurisdiction misdemeanor criminal courts; specialized limited jurisdiction courts (traffic courts); or in adjudicative bodies attached to state or municipal governments.
Measurement Limitations

Non-Uniformity of Data - While accessible, data is not uniformly reported.

Quality or Fairness - As a measure of efficiency of output, the indicator does not identify quality or fairness of the process in adjudication; It should therefore not be misconstrued as a measure of quality or fairness of decision-making.

Contribution of Law Enforcement to Good/Bad Outcomes - With a focus on adjudication, the measure brings into focus court case processing that relies in part on effective work of law enforcement (proper citations including complete, accurate information). We do not directly measure the role of law enforcement as a contributor to efficiency (or inefficiency) of case processing.
Conceptual Limitations

Efficiency & Free of Corruption

The indicator identifies the courts as a potential site of corruption, and places a premium on court efficiency in the measurement of anti-corruption reform success. Efficient case processing does not mean that a given is system is free of corruption. Inefficient case processing, however, creates an enabling environment for corrupt practices and likely reflects broader systemic issues.
Potential for Policy Evaluation

Tracking Trends

Researchers and practitioners who take traffic adjudication as their subject may track trends in systemic behavior over time in a limited jurisdiction (traffic).

Identifying Focal Points

Variation in case processing efficiency within and between countries may sharpen reform efforts by identifying focal points and addressing them.

Addressing State Revenue Capture

Traffic court efficiency is one area where ROI on revenue is identifiable and measurable.

Applying to other case types
Application to Other Case Types

This case processing analysis may be applied to other illustrative case types, especially those which demonstrate the work of courts in frequent interaction with citizens.

The case types that may provide rich terrain for analysis include: labor disputes and small civil cases (small claims) that are resolved in courts. Each case type has its own research merits and limitations.

Combined, these non-complex cases with comparatively short shelf-lives may provide the basis for a “basket of proxies” that may be used to evaluate corruption in the justice sector.
Acknowledgements

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Other Resources

Research Proposal for U4 Anticorruption Resource Centre

About Corruption in the Justice Sector

News Extracts

- O.C.’s illegally fixed court cases add up to ‘big-time corruption’ (LA Times June 2015)
- Court clerk at center of massive bribery scheme forged records for drunk drivers and others, prosecutors say (LA Times September 2016)
- Abolishing Traffic Court Will Be Your Most Satisfying Vote Ever (Philly Mag April 2016)
- Sri Lanka government, transport unions reach consensus (Colombo Page, November 2016)
- Romania Tops EU Road Deaths (Balkan Insight, April 2011)
Measuring Corrupt Rent Extraction by Tracking the Misuse of Corporate Vehicles

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Main message

By tracking corruption risks of companies doing business with the government, we can proxy corruption more broadly.
Corruption definition

Corruption is a deliberate violation of basic norms of impartial, impersonal, and equal access to public resources with the aim of benefiting a particular group or individual.

It can take many forms, monetary vs non-monetary; legal vs illegal; etc.

Conceptualizing corruption indicators

Public body

Transaction Risk Indicators

Exchange

Private firm

Public Body Risk Indicators

Particularistic tie

Company Risk Indicators

Political Connections Indicators
Indicator building process

1. Identifying the full universe of potentially corruptible transactions
2. Identifying high risk companies
3. Identifying risky companies’ transactions
4. Validation (e.g. convergent validity)
What can be suspicious about a company?

**Indicator groups**
1. Registration: e.g. tax haven registration
2. Financial performance: e.g. dependence on the state
3. Ownership&management: e.g. age/gender profile
4. Governance: e.g. accounting standards

For full details see:
A concrete example

• Indicator definition

Age of company at the time of exchanging with the state (1 year cut-point)

• Age ~ competence
• Domain: public procurement in HU&SE
• Clean benchmark: established, competent company winning the tender
Scope & cross-country validity

Share of total public procurement spending going to companies younger than 1 year

- Hungary:
  - 2010: 5.2%
  - 2011: 2.9%
  - 2012: 0.9%
  - 2013: 0.6%
  - 2014: 1.5%

- Sweden:
  - 2010: 0.1%
  - 2011: 0.1%
  - 2012: 0.1%
  - 2013: 0.1%
  - 2014: 1.5%
Micro-validity

**Profit rate**
- Hungary**: 4.7% (company age: >1 year) vs. 6.4% (company age: <1 year)
- Sweden**: 5.9% (company age: >1 year) vs. 9.5% (company age: <1 year)

**Single bidding**
- Hungary**: 28.5% (company age: >1 year) vs. 30.8% (company age: <1 year)
- Sweden**: 4.7% (company age: >1 year) vs. 7.1% (company age: <1 year)
Assessment

• PLUS
  – Simple
  – Objective, hard data
  – Micro-level
  – Sensitive to change & actionable

• MINUS
  – Easy to circumvent: buy an established firm
  – Corruption conflated with innovation
  – Requires good administrative data
  – Assumes clean competitors excluded
Further readings


Extensions
Extension 1: *Expected* success of companies by age

1. Gradual build-up of contracts
2. Natural fluctuation over time
Extension 1: *Observed* success of companies at 'specific' ages

1. ‘Just’ founded companies

2. Companies founded under party last in power

Hungary, 2010

Review panel assessment

Caryn Peiffer, University of Birmingham

Elisabeth Hart, Independent Consultant
WINNER

The Proxy Challenge Award 2016

Mihály Fazekas & Bence Tóth

“Measuring Corrupt Rent Extraction by Tracking the Misuse of Corporate Vehicles”
The next steps

Paul Heywood, University of Nottingham
U4 MEET & MINGLE
Tonight 18:00 – 20:00
Aloft Panama Hotel