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## Aggregate Indices Topic Guide

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### What are aggregate indices?

According to the OECD, an aggregate (or composite) index is a compilation of individual indicators into a single index on the basis of an underlying model. Aggregate indices are generally designed to measure multidimensional concepts which cannot be captured by a single indicator<sup>1</sup>.

With the exception of Transparency International's Corruption Perception Index which focuses purely on perceptions of corruption in the public sector, most corruption-relevant indices cover a broad range of governance and democracy related concepts of which (anti-) corruption is but one element. The most pertinent of these are covered in this guide.

### Purpose and context of the assessments

The primary purposes of aggregate governance indices are to provide a general overview of the governance situation at the country level and to monitor trends and compare performance across countries and/or over time.

More specifically, governance indices are primarily used:

- by advocacy organisations and journalists to draw attention to particular issues
- by international investors to inform lending and investment decisions
- by aid donors to inform aid allocation decisions,
- by academics to explore relationships with other variables/outcomes<sup>2</sup>.

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<sup>1</sup> OECD (2008) Handbook on Constructing Composite Indicators

<sup>2</sup> OECD (2006) Uses and Abuses of Governance Indicators

## Assessment approaches

The construction of aggregate governance indices can broadly be broken down into two main approaches:

- (1) **Re-scaling (or normalisation) of existing indicators:** This approach involves the use of statistical methods to standardise the scores/rankings of other indicators into a single comparable scale. The precise technique varies from index to index, and whilst a detailed description of each is beyond the scope of this guide, a good overview can be found in the OECD's Handbook on Constructing Composite Indicators<sup>3</sup>. Ultimately, the most important factor to consider when developing such an index is that the underlying indicators measure the same variable<sup>4</sup>.
- (2) **Scoring based on expert analysis of existing indicators:** This approach usually involves the use of standardised questionnaires or checklists which are completed by international and/or national experts. Questionnaires are designed to capture information from existing sources in order to assign values to a common set of indicators. Whilst this approach adds an element of subjectivity to the assessment, questionnaires are most often accompanied by a detailed set of scoring criteria to render the exercise as objective as possible<sup>5</sup>.

Beyond these two broad areas, there are a number of other distinguishing features of aggregate governance indices, including<sup>6</sup>:

- the dimensions of governance which are assessed
- the number and types of sources used,
- the different ways in which the data is presented (including scoring and ranking), and
- the extent to which indices are comparable over time.

Table 1 below summarises this information for some of the main corruption related indices.

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<sup>3</sup> OECD (2008) Handbook on Constructing Composite Indicators (pp 27-30)

<sup>4</sup> Examples of this approach include TI's Corruption Perception Index, the World Bank's Worldwide Governance Indicators and Mo Ibrahim Foundation's Index of African Governance

<sup>5</sup> Examples include Bertelsmann Stiftung's Sustainable Governance Indicators, the Heritage Foundation's Index of Economic Freedom, Freedom House's Freedom in the World Report and The EIU's Democracy Index

<sup>6</sup> Additional features, beyond the scope of this guide, include how indicators are selected, how missing data is "imputed", and whether indicators are weighted. For a good overview of these issues see: OECD (2008) Handbook on Constructing Composite Indicators

Table 1: Main features of governance indices

NAME OF INDEX	Dimensions of Governance assessed	Number of sources	Types of sources	Basis of scoring system	Presentation of data		Compar-able over time?	Relevance for corruption/anti-corruption
					Single Country score?	Single Country ranking?		
<b>Corruption Perceptions Index</b>	Perceptions of corruption in the public sector.	17	- Expert assessment - Surveys	Standardisation/ rescaling of underlying data	Yes	Yes	No	Captures perceptions of corruption in the public sector
<b>Worldwide Governance Indicators</b>	(1) Voice and Accountability (2) Political Stability and Absence of Violence; (3) Government Effectiveness; (4) Regulatory Quality; (5) Rule of Law; (6) Control of Corruption.	30	- Objective data - Expert assessment - Surveys	Standardisation/ rescaling of underlying data	Yes - For each dimension	Yes - For each dimension	Yes	The Control of Corruption dimension captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.
<b>Ibrahim Index of African Governance</b>	(1) Safety and Rule of Law, (2) Participation and Human Rights, (3) Sustainable Economic Opportunity, (4) Human Development	23	- Expert assessment - Surveys	Standardisation/ rescaling of underlying data	Yes	Yes	Yes	Includes indicators on Accountability, Transparency and Corruption in the Public Sector; Accountability, Transparency and Corruption in Rural Areas; Corruption and Bureaucracy; Accountability of Public Officials; Corruption in Government and Public Officials; Prosecution of Abuse of Office
<b>Actionable Governance Indicators</b>	(1) Public Sector Management; (2) Political Accountability; (3) Checks and Balances; (4) Civil Society and Media;	21	- Objective data - Expert assessment - Surveys	N/A	No – Scores per indicator only	No ranking	Depends on indicator	A strong emphasis on public sector accountability including oversight functions as well as numerous corruption specific indicators.

	(5) Private Sector; (6) Decentralisation and Local Participation							
<b>Sustainable Governance Indicators</b>	(1) Democracy; (2) Economy/ Employment; (3) Social Affairs; (4) Security; (5) Resources; (6) Steering capability; (7) Policy implementation; (8) Institutional learning; (9) Accountability	50 +	- Objective data - Expert Assessment	Standardisation/ rescaling of underlying data <i>and</i> Numerical ratings provided by country experts through a standardised questionnaire	Yes (for two separate indices: Status Index and Management Index)	Yes (for two separate indices: Status Index and Management Index)	Yes	The Rule of Law criterion includes indicators on corruption prevention and control of corruption.
<b>Freedom in the World</b>	(1) Electoral Process, (2) Political Pluralism and Participation, (3) Functioning of Government, (4) Freedom of Expression and Belief, (5) Associational and Organizational Rights, (6) Rule of Law, (7) Personal Autonomy and Individual Rights	Unclear	- Expert Assessment	Numerical ratings provided by country experts through a standardised questionnaire	Yes (for two separate indices: Political Rights Index and Civil Liberties Index)	No ranking	Yes (index indicates positive and negative trends)	The Political Rights Index includes indicators on the transparency and accountability of government as well as government corruption.
<b>Index of Economic Freedom</b>	(1) Rule of law; (2) Intrusiveness of Government; (3) Regulatory	50 +	- Objective data - Expert	Numerical ratings provided by country	Yes (also disaggregated by dimension)	No ranking	Yes	Freedom from corruption is one of 10 “economic freedoms” which is graded in the index.

	efficiency; (4) Openness of Markets.		Assessment	experts through a standardised questionnaire				
<b>Democracy Index</b>	(1) Electoral Process and Pluralism; (2) Civil Liberties; (3) Functioning of Government; (4) Political Participation; (5) Political Culture	Unclear	-Expert Assessment - Surveys	Numerical ratings provided by country experts through a standardised questionnaire	Yes (also disaggregated by dimension)	No ranking	Yes	Functioning of Government dimension includes indicators on government accountability and transparency as well as the pervasiveness of corruption.

### Data sources

By their very nature, aggregate indices rely almost entirely on secondary data, although in some cases primary data is collected for specific indicators<sup>7</sup>. Whilst data sources vary from index to index, the three most common sources are public and business surveys, statistical data and country level expert assessments. The method of collecting this data involves either desk research by a centralised research team or the administration of questionnaires to country level experts.

### Key issues and challenges

The principle advantage of aggregate indices is that they can consolidate and summarise complex information derived from a range of separate indicators in order to support decision-makers and facilitate communication with the public. The main drawback is that they may produce misleading or simplistic messages which can lead to inappropriate policies or may even be misused to support pre-existing policy decisions<sup>8</sup>.

Some more specific issues to bear in mind with regards to aggregate indices relate to both how they are constructed and how they are used:

- **Objective vs subjective indicators:** There is an ongoing debate about the relative value of fact-based (objective) governance indicators vs perception-based (subjective) indicators. The data needed to produce fact-based indicators is usually harder to find and only provides information on “de jure” rules and regulations rather than how these are implemented in practice. Furthermore, fact-based data may, in some cases, be misleading. For example the number of corruption-related court cases may reflect greater levels of corruption in a country, or simply a stronger, more effective (and possibly less corrupt) judicial system. In the absence of appropriate objective indicators, subjective measures are often used instead. However, perception-based data is often criticised for not adequately capturing reality and for being slow to reflect changes on the ground. Comparability of subjective data is also difficult due to different interpretations of what constitutes corruption across cultures and traditions. Given these challenges, multiple subjective sources are often aggregated, to provide a more reliable score and to validate the results.<sup>9</sup>
- **Selection bias:** With both objective and subjective indicators, it is important to note that the *choice* of data and interpretations of how variations affect the quality of governance is necessarily subjective. For example, the observation of political stability may be judged to be a good or bad thing depending on whether the regime in question respects or represses civil liberties and political freedoms. Therefore a key issue is not only whether indicators are subjective or objective, but whether the indicators selected to compile an aggregate index may bias the results in favour of certain political or normative ideals<sup>10</sup>.
- **Oversimplification:** A further issue which relates to the use of aggregate indices is the danger of placing too much significance on single numbers. Firstly, it is important to remember that governance is not an exact science and that indicators are often

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<sup>7</sup> For example, the World Economic Forum conducts its own Executive Opinion Survey to capture new data points essential to the Global Competitiveness Index (GCI) and other indices.

<sup>8</sup> OECD (2008) Handbook on Constructing Composite Indicators

<sup>9</sup> OECD (2006) Uses and Abuses of Governance Indicators; NUPI (2008) Governance Indicators: A guided Tour

<sup>10</sup> NUPI (2008) Governance Indicators: A guided Tour; The Policy Practice (2011) What makes a good governance indicator?

subject to substantial statistical error and uncertainty. Whilst these confidence intervals are often reported by the producers of aggregate indices, they are not always given sufficient consideration by users. Secondly, there is a concern that over reliance on quantifiable results focuses attention on narrower, more specific and measurable problems at the expense of less tangible, but perhaps more fundamental challenges. Thirdly, aggregate indices can give only a very superficial reading of the governance conditions in a country, and do little to explain *why* such conditions have arisen or to recommend specific courses of action<sup>11</sup>. It is therefore critical to understand both the intended purposes and limitations of aggregate indices, and to use other more appropriate tools for diagnosing specific corruption problems at the micro level<sup>12</sup>.

### Promising practices

Perhaps the greatest criticisms which have been levelled at aggregate indices are that: (a) they are insufficiently transparent (underlying sources are not always available, aggregation methods not well explained and results overly simplistic) and, as noted above, (b) they provide little “actionable” information to guide improvements in a given country<sup>13</sup>.

In this context, a promising recent development is the creation of a number of **publicly accessible data portals** which consolidate information on the full range of available governance indicators so that users are better able to use them in a manner which best suits their needs. Notable amongst these initiatives is the World Bank’s Actionable Governance Indicator (AGI) Data Portal<sup>14</sup> which offers customized tools for data management, analysis and display. Actionable governance indicators (AGIs) focus on specific and narrowly-defined aspects of governance, rather than broad dimensions. Likewise, the Inter-American Development Bank’s Governance Indicators Database<sup>15</sup> permits users to produce cross-national comparative and time series graphs and tables, based on approximately 800 governance indicators for a global sample of countries.

In addition to these rich sources of governance data, there are a number of **guides** designed to help users select and make better use of governance indicators. These include, most notably: UNDP (2006) Measuring Democratic Governance A framework for selecting pro-poor and gender sensitive indicators, UNDP (2007) Governance Indicators: A User’s Guide, and OECD (2008) Handbook on Constructing Composite Indicators: Methodology and User Guide.

Finally, one attempt to address the “actionability gap” at the **country level** is the Data Tracking Mechanism (DTM) developed by Inspectorate of Government in Uganda. The DTM was launched in 2009 to address a growing concern about the lack of credible tools and methods to track corruption in the country. The initiative aims to monitor corruption trends in Uganda on an annual basis through 71 indicators. Data is sourced both from within Uganda (Bureau of Statistics, the Office of Auditor General etc) and from international

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<sup>11</sup> NUPI (2008) Governance Indicators: A guided Tour; The Policy Practice (2011) What makes a good governance indicator?

<sup>12</sup> See for example the Topic Guides on Education, Health and Water, Social Accountability, Justice Sector, Political Corruption, Local Governance, Private Sector and Public Procurement, amongst others

<sup>13</sup> Uses and Abuses of Governance Indicators; NUPI (2008) Governance Indicators: A guided Tour

<sup>14</sup> WB - Actionable Governance Indicators

<sup>15</sup> IADB - DataGov

organizations with data on Uganda, to provide a comprehensive picture of the state of corruption in the country<sup>16</sup>.

**All tools referenced in this guide are accessible via the gateway tool database:**  
<http://gateway.transparency.org/tools>

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<sup>16</sup> Corruption Trends in Uganda: Using the Data Tracking Mechanism



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