16 Bribe Payers Index (BPI) 2006

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Methodology

The BPI is a ranking of 30 leading export countries according to the propensity of firms with headquarters in those countries to bribe when operating abroad. It is based on the responses of more than 8,000 business executives from companies in 125 countries, who were polled as part of the World Economic Forum's Executive Opinion Survey 2006.[2] To create the BPI 2006, which assesses the international supply side of bribery, executives were asked about the propensity of foreign firms that do the most business in their country to pay bribes or to make undocumented extra payments.

Respondents rank the foreign countries whose firms they know to be doing significant business in their own country on a scale of 1 (bribes are common) to 7 (bribes never occur). In calculating the BPI, the answers are converted to a score between 0 and 10, and the ranking reflects the average score.

Summary of results

1) The ranking

Table 1 shows the results of the TI Bribe Payers Index 2006. The 30 countries ranked are among the leading international or regional exporters, whose combined global exports represented 82 per cent of the world total in 2005.[3] Higher scores reveal a lower propensity of companies from a country to offer bribes or undocumented extra payments when doing business abroad.

The results show that there is a smaller range of scores than might be expected, with Switzerland ranking first at 7.81 and India at the bottom with a score of 4.62. Therefore, with all countries falling well short of a perfect score of 10, the results show a considerable propensity for companies of all nationalities to bribe when operating abroad.

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2 The WEF is responsible for overall coordination of the survey and the data quality control process, but relies on a network of partner institutes to carry out the survey locally. WEF's local partners include economics departments of national universities, independent research institutes and/or business organisations. Contact details for WEF partner institutes can be found on the TI website at: www.transparency.org/policy_research/surveys_indices/bpi. The survey was carried out between February and May 2006. The survey was anonymous.

3 IMF, International Finance Statistics (2005), available at ifs.apdi.net/imf/output/93B496BD-DCF8-41F8-B0F5 31C7A0A0793C/IFS_Table_36789.701535.xls

Table 1: The TI BPI 2006

Rank	Country/territory	Number of respondents	Average score	Standard deviation	95% confidence interval*
1	Switzerland	1,744	7.81	2.65	0.12
2	Sweden	1,451	7.62	2.66	0.14
3	Australia	1,447	7.59	2.62	0.14
4	Austria	1,560	7.50	2.60	0.13
5	Canada	1,870	7.46	2.70	0.12
6	UK	3,442	7.39	2.67	0.09
7	Germany	3,873	7.34	2.74	0.09
8	Netherlands	1,821	7.28	2.69	0.12
9	Belgium	1,329	7.22	2.70	0.15
10	US	5,401	7.22	2.77	0.07
11	Japan	3,279	7.10	2.87	0.10
12	Singapore	1,297	6.78	3.04	0.17
13	Spain	2,111	6.63	2.73	0.12
14	UAE	1,928	6.62	3.09	0.14
15	France	3,085	6.50	3.00	0.11
16	Portugal	973	6.47	2.79	0.18
17	Mexico	1,765	6.45	3.17	0.15
18	Hong Kong	1,556	6.01	3.13	0.16
19	Israel	1,482	6.01	3.14	0.16
20	Italy	2,525	5.94	2.99	0.12
21	South Korea	1,930	5.83	2.93	0.13
22	Saudi Arabia	1,302	5.75	3.17	0.17
23	Brazil	1,317	5.65	3.02	0.16
24	South Africa	1,488	5.61	3.11	0.16
25	Malaysia	1,319	5.59	3.07	0.17
26	Taiwan	1,731	5.41	3.08	0.15
27	Turkey	1,755	5.23	3.14	0.15
28	Russia	2,203	5.16	3.34	0.14
29	China	3,448	4.94	3.29	0.11
30	India	2,145	4.62	3.28	0.14

* The margin of error at 95 per cent confidence is provided to demonstrate the precision of results. The confidence level indicates that there is a 95 per cent probability that the true value of the results lies within the range given by the margin of error above and below each score.

2) Cluster analysis

Since the differences in scores on the ranking are relatively small, cluster analysis[4] provides further material with which to interpret the results by grouping together countries that exhibit similar behaviour in terms of their companies' propensity to bribe abroad.

The four clusters are as follows, with cluster 1 comprising countries least likely to bribe and cluster 4 comprising countries most likely to bribe:

Cluster 1: Switzerland, Sweden, Australia, Austria, Canada, UK, Germany, Netherlands, Belgium, USA, Japan
Cluster 2: Singapore, Spain, United Arab Emirates, France, Portugal, Mexico
Cluster 3: Hong Kong, Israel, Italy, South Korea, Saudi Arabia, Brazil, South Africa, Malaysia
Cluster 4: Taiwan, Turkey, Russia, China, India.

These results raise concerns about emerging market economies and their apparent lack of controls regarding the behaviour of their firms abroad. At the same time, further analysis of the data shows that companies from the 30 countries ranked in the BPI 2006 – including those from countries whose regulations and controls mean they are judged to be less corrupt by business experts – nevertheless exhibit a different propensity to bribe in different areas of the world. In short, bribery by foreign firms is more likely in less developed countries than in highly industrialised ones. A comparison of assessments by respondents in Low-Income Countries (LICs)[5] and OECD countries is illustrated in figure 1.

Perhaps the most significant finding regarding this comparison is the apparent double standard employed by foreign companies in the two groups. While the scores for companies from the majority of countries tend to look considerably higher in the OECD than in the full sample,[6] their performance falls when looking at scores in LICs. Italy's performance in LICs is particularly poor. The result is that less developed countries with poor governance and ineffective legal systems for dealing with corruption are the ones that are hardest hit, with their anti-corruption initiatives undermined. This helps trap many of the world's most disadvantaged people in chronic poverty.

4 This analysis uses an agglomerative hierarchical cluster procedure to form four clusters. The decision to use four clusters was made using a graphical approach, 'the elbow criterion', to examine the reduction of variance.

5 There are 54 Low-Income Countries as defined by the World Bank (see www.worldbank.org for further information), 27 of which were included in the survey. Assessments by respondents from these countries make up the analysis.

6 For example, the performance of companies headquartered in the United Arab Emirates, Singapore, Mexico and Hong Kong is considerably better in the OECD than in the full sample.

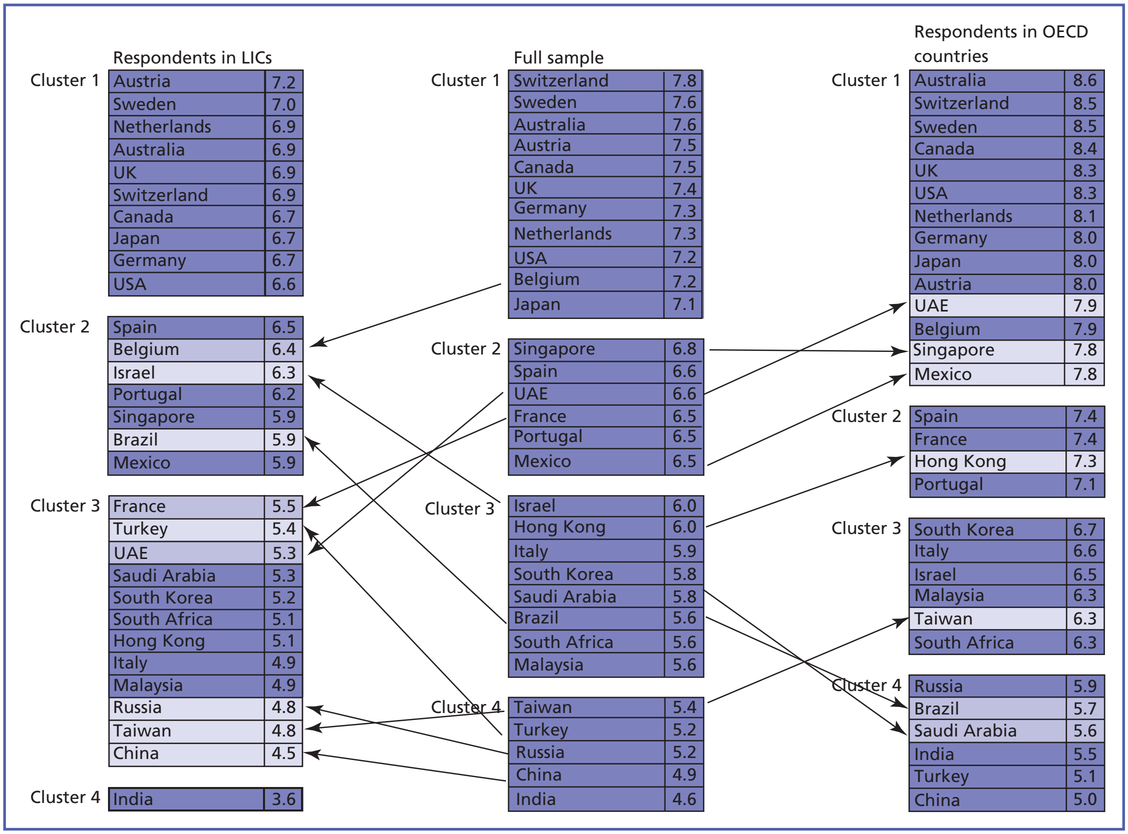

Figure 1: Comparison of the views of respondents in Low-Income and OECD countries