

CORRUPTION PERCEPTIONS INDEX 2018

METHODOLOGY

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CORRUPTION PERCEPTION INDEX 2018



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Scores and ranks 180 countries and territories from around the world on the perceived level of corruption in the public sector.

THE CORRUPTION PERCEPTION INDEX IS:



A global (180 countries/territories)
aggregate Index (up to 13 different data sources)
capturing perceptions (experts/business executives)
of corruption (abuse of power for private gain)
in the public sector (public officials and institutions)

WHAT DOES THE CPI MEASURE

All of our sources measure public sector corruption, or certain aspects of public sector corruption, including:

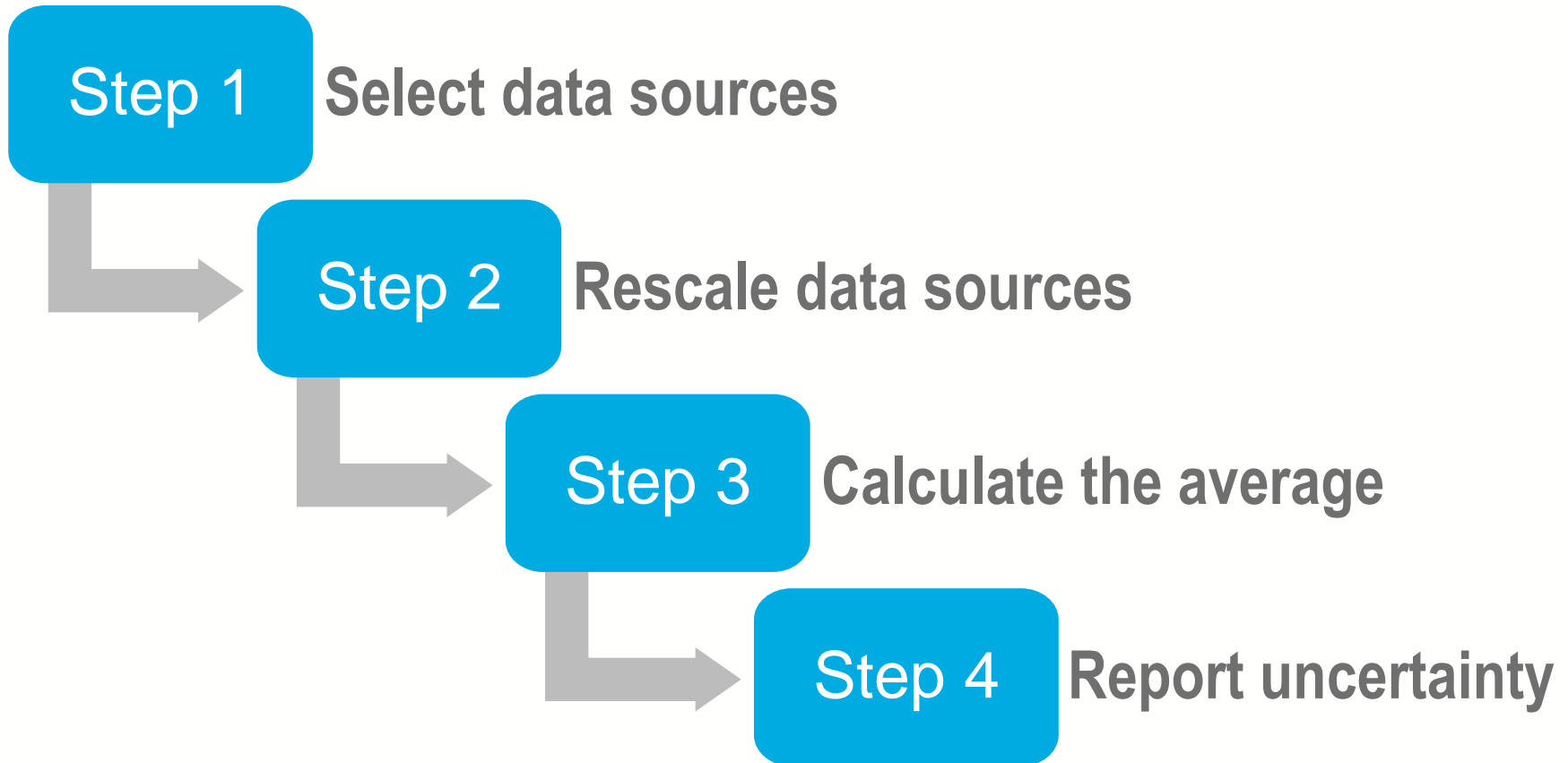
- Bribery
- Diversion of public funds
- Use of public office for private gain
- Nepotism in the civil service
- State capture
- The government's ability to enforce integrity mechanisms
- The effective prosecution of corrupt officials
- Red tape and excessive bureaucratic burden
- The existence of adequate laws on financial disclosure, conflict of interest prevention and access to information
- Legal protection for whistleblowers, journalists and investigators

WHAT DOES THE CPI NOT CAPTURE

Based on the dimensions included in our external sources, the following aspects are not captured in the CPI:

- Citizen perceptions or experience of corruption
- Tax fraud
- Illicit financial flows
- Enablers of corruption (lawyers, accountants, financial advisors etc),
- Money Laundering,
- Any type of private sector corruption
- Informal economies and markets

METHODOLOGY - APPROACH



METHODOLOGY - SOURCES



What makes a valid source?

- A. Methodological reliability and institutional reputation
- B. Conceptual alignment of the data
- C. Quantitative granularity
- D. Cross country comparability
- E. Multi year data availability



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METHODOLOGY – RESCALING SOURCES

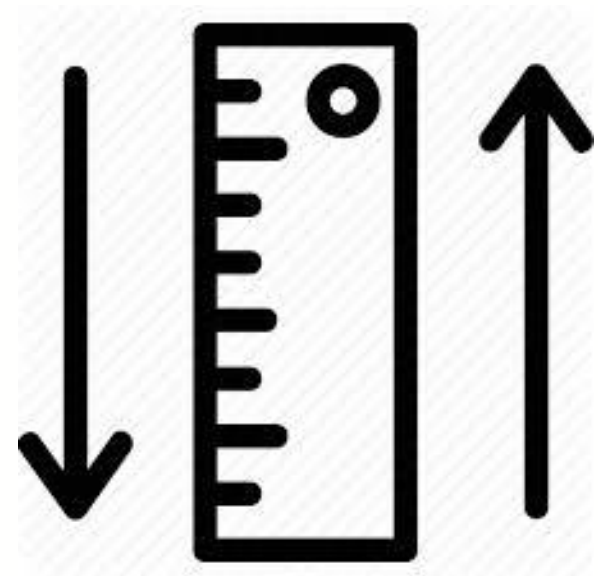
Reverse the data (if necessary)

- Low number = Highly corrupt
- High number = Very clean

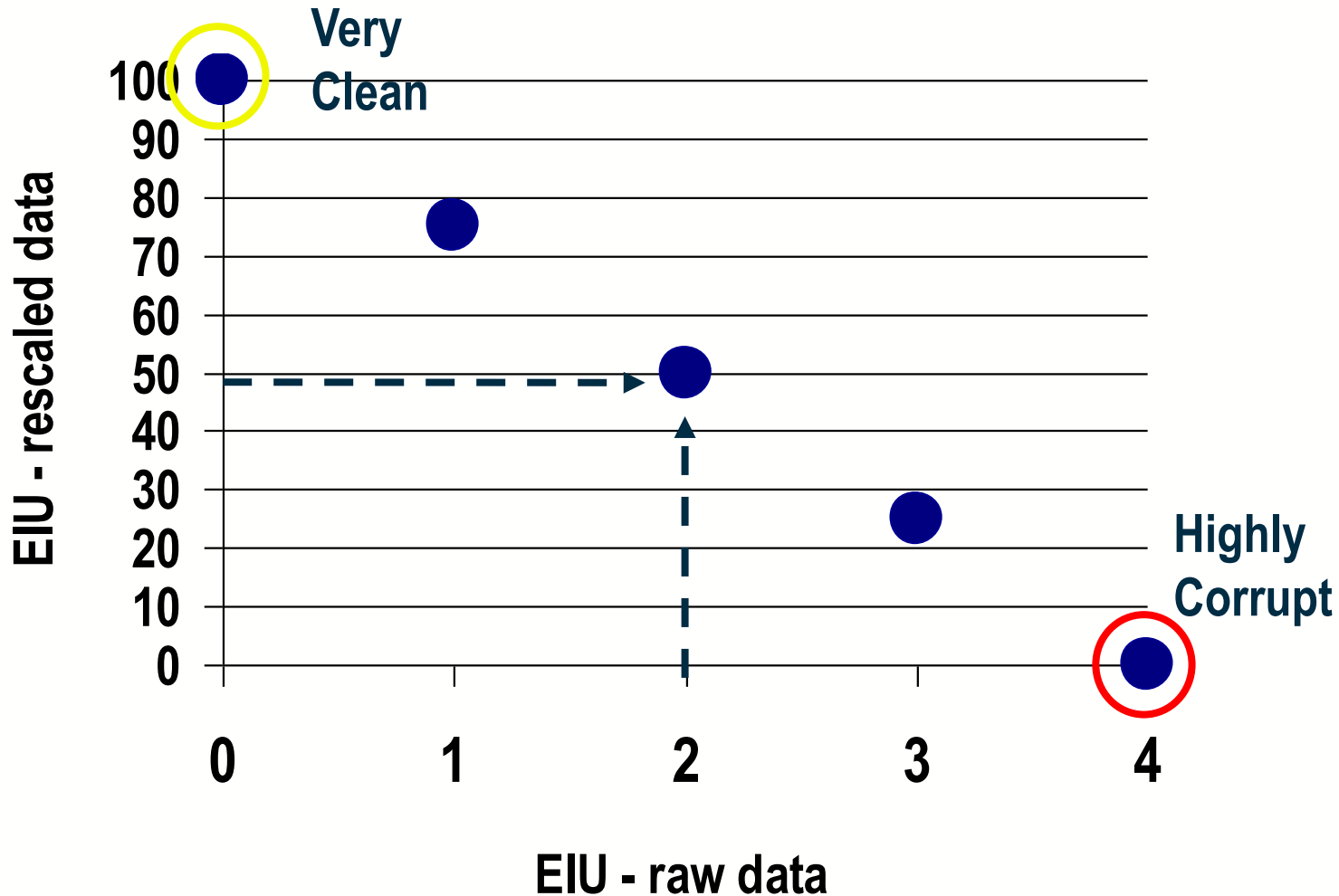
Standardise original data to z scores

Standardise data to CPI scale (0-100)

- Transform Z scores to 0-100 scale
- Fix the spread of data to have a max 100, min 0



METHODOLOGY – RESCALING SOURCES

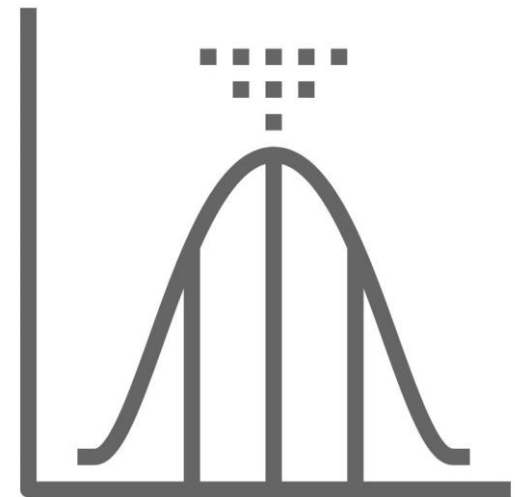


METHODOLOGY – CALCULATE THE AVERAGE

At least three scores for each country

Simple average of scores

Each source counts equally (no weighting)



METHODOLOGY – CALCULATE THE AVERAGE

Country X	Score
Varieties of Democracy Project	71
Global Insight Country Risk Rating	62
World Justice Project	71

$$\begin{aligned}
 \text{Country X score} &= \frac{71+62+71}{3} \\
 &= 68
 \end{aligned}$$

METHODOLOGY – REPORTING THE UNCERTAINTY

To capture the uncertainty in the score

- Calculate a measure for the spread of the data source
- Report the standard error
- Calculate a 90% confidence interval

METHODOLOGY – REPORTING THE UNCERTAINTY

Country X	Score
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Country X st. error $= \sqrt{\frac{N - n}{N - 1} \frac{\sigma}{\sqrt{n}}}$ **= 3.12**

- N = number of sources used for the CPI calculation
- n = number of sources for the CPI score of Country X
- σ = standard deviation of the CPI score for Country X

90% Confidence interval = 63 (Lower CI)
73 (Upper CI)

INTERPRETING THE RESULTS

Score:

On a scale of 0 – 100, where 0 means highly corrupt and 100 means very clean.

Allows for comparison with scores from previous years (between 2012 – 2018): The CPI score for 2018 can be compared with the CPI scores from the previous six years and changes in scores can be interpreted appropriately.

Rank:

Out of the 180 countries/territories, a change in rank could be due to:

- a) Change in CPI score for the country between a year to another
- b) Change in scores of other countries included in the CPI
- c) Inclusion of additional countries in the index.

WHY DO WE STILL NEED THE CPI

The external audit re-iterated that the CPI is an important global indicator for the following reasons:

Coverage: The CPI covers more countries than any of the individual sources alone

Statistical reliability: The CPI is better than the sum of its parts as it compensates for eventual errors among sources by taking the average of at least 3 different sources and as many as 13.

Precision: The CPI's scale (0-100) introduces more precision in comparison to other sources that may have scales of 1-5 or 1-7 (and where many countries are equally ranked).

Neutrality: The CPI reconciles different view points on the issue of public sector corruption, it is also more neutral when handling different political regimes.

THE 8 DATA SOURCES FOR CAMBODIA

1. Bertelsmann Stiftung Transformation Index 2017-2018
2. Economist Intelligence Unit Country Risk Service 2018
3. Global Insight Business Conditions and Risk Indicators 2017
4. Political and Economic Risk Consultancy Asian Intelligence 2018
5. World Bank Country Policy and Institutional Assessment 2017
6. World Economic Forum Executive Opinion Survey 2018
7. World Justice Project Rule of Law Index Expert Survey 2017-2018
8. Varieties of Democracy (V-Dem) 2018