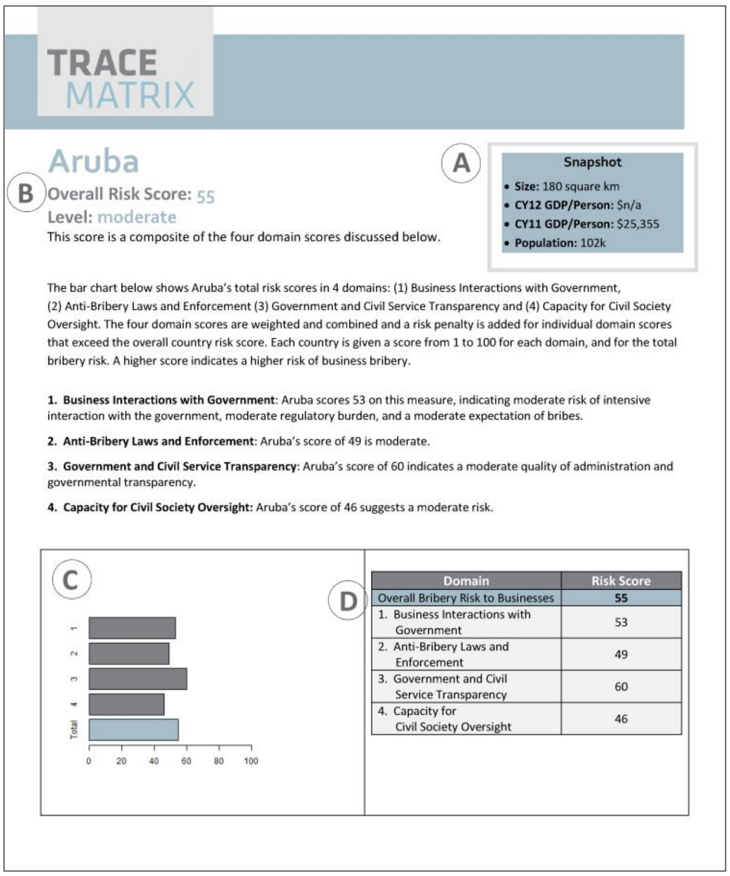
TRACE MATRIX

Guide to the Country Report

This guide to the TRACE Matrix Country Report explains how to interpret and use the information provided for each of the 197 countries covered by the TRACE Matrix and provides a brief explanation of how the bribery risk scores are derived. For a detailed description of the TRACE Matrix, please consult www.rand.org/t/RR839. A ranking of countries by overall risk score may be found here: http://www.rand.org/content/dam/rand/pubs/research_reports/RR800/RR839/RAND_RR839.appendixf.pdf.

Figure 1 is a copy of the country report for Aruba. The report is divided in the labeled sections explained below.

A. The country ***snapshot*** assists with country comparisons based on size, population, and gross domestic product (GDP).[1]



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Aruba

B Overall Risk Score: 55
Level: moderate
This score is a composite of the four domain scores discussed below.

A Snapshot
- Size: 180 square km
- CY12 GDP/Person: $n/a
- CY11 GDP/Person: $25,355
- Population: 102k

The bar chart below shows Aruba's total risk scores in 4 domains: (1) Business Interactions with Government, (2) Anti-Bribery Laws and Enforcement (3) Government and Civil Service Transparency and (4) Capacity for Civil Society Oversight. The four domain scores are weighted and combined and a risk penalty is added for individual domain scores that exceed the overall country risk score. Each country is given a score from 1 to 100 for each domain, and for the total bribery risk. A higher score indicates a higher risk of business bribery.

1. **Business Interactions with Government**: Aruba scores 53 on this measure, indicating moderate risk of intensive interaction with the government, moderate regulatory burden, and a moderate expectation of bribes.
2. **Anti-Bribery Laws and Enforcement**: Aruba's score of 49 is moderate.
3. **Government and Civil Service Transparency**: Aruba's score of 60 indicates a moderate quality of administration and governmental transparency.
4. **Capacity for Civil Society Oversight:** Aruba's score of 46 suggests a moderate risk.

C

D

Domain	Risk Score
Overall Bribery Risk to Businesses	55
1. Business Interactions with Government	53
2. Anti-Bribery Laws and Enforcement	49
3. Government and Civil Service Transparency	60
4. Capacity for Civil Society Oversight	46

B. The ***overall country risk score*** is a combined and weighted score of the four domains:

1. Business Interactions with the Government
2. Anti-bribery Laws and Enforcement
3. Government and Civil Service Transparency
4. Capacity for Civil Society Oversight

Each domain contains subdomains; a total of nine-subdomains are used to construct the overall risk score.

Overall risk ranges from a low of 20 (Ireland) to a high of 97 (Nigeria), where low overall scores indicate low overall bribery risk.

C. The ***graph*** illustrates the four domain scores (indicated by number) and the overall country risk score at the bottom of the graph. Scores range from 1 – 100, with 1 the lowest risk and 100 the highest risk.

D. Domain scores

The four domains represent a theoretical construct of the factors that influence the propensity for business bribery and bribery risk. Each domain has a risk score; low and high scores indicate low and high risk respectively.

The ***first domain*** reflects the frequency and nature of how businesses interact with the government, including three subdomains that measure risk associated with "touches" with the government, the likelihood of a bribe transaction arising through those interactions, and the overall regulatory burden; the greater the number of "touches" the greater the risk score.

The ***second domain*** captures a country's legal infrastructure related to combatting bribery and corruption. Subdomain 2.1 is a de jure measure of anti-bribery laws, while subdomain 2.2 provides information about enforcement.

[1] Source: World Bank Development Indicators, as of June 9, 2014; for Andorra, Faroe Islands, French Polynesia, Liechtenstein, San Marino, and Syria, the source is the CIA World Factbook as of September 29, 2014.

The ***third domain*** addresses the overall quality of government administration, relying in particular on measures of government budget transparency and on the quality and supervision of government workers.

The ***fourth domain*** captures the role played by extra-governmental actors in monitoring and controlling corruption, including the critical role of the media and a broad-based measure of the capacity of a country's population.

How Are the Country Scores Derived?

Domain 1, "Business Interactions with the Government," is weighted more heavily than the other three domains, based on our interviews with international regulators, anti-bribery experts, and the experience of TRACE International, which has over 20 years of experience in assessing business bribery risk. We decreased the weight of Domain 2, "Anti-Bribery Laws and Enforcement," based on the lack of reliable data concerning the enforcement of anti-bribery laws.[2] Domains 3 and 4 are weighted equally.

The domain scores for each country are calculated as the mean of the standardized sub-domain scores. The total risk score is therefore calculated as:

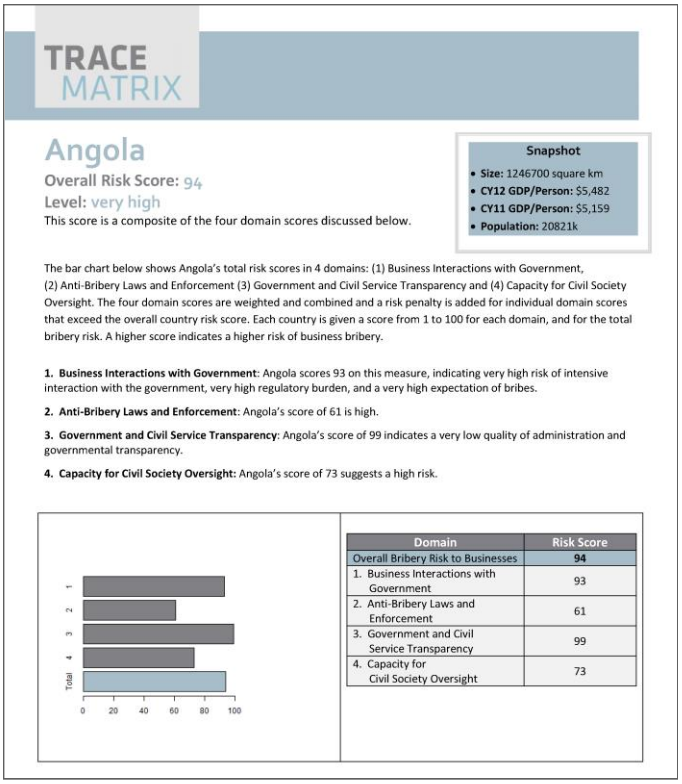
$$Domain\_1 \times 0.450 + Domain\_2 \times 0.079 + Domain\_3 \times 0.238 + Domain\_4 \times 0.238$$

After the domain scores were calculated, we assessed a variance penalty. By variance penalty, we mean that countries are penalized for high scores in one or more domains.

How should the information be interpreted?

The country reports explain the overall scoring and the domain level scores for each country. Readers of this guide should look at the overall risk score, and then the domain scores to understand the factors that are most influential in the overall risk.

[2] For a more detailed discussion of the rationale for the weighting of domains 1 and 2, see *Business Bribery Risk Assessment,* Chapter 2, Section D, www.rand.org/t/RR839.



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Angola

Overall Risk Score: 94

Level: very high

This score is a composite of the four domain scores discussed below.

Snapshot

- **Size:** 1246700 square km
- **CY12 GDP/Person:** $5,482
- **CY11 GDP/Person:** $5,159
- **Population:** 20821k

The bar chart below shows Angola's total risk scores in 4 domains: (1) Business Interactions with Government, (2) Anti-Bribery Laws and Enforcement (3) Government and Civil Service Transparency and (4) Capacity for Civil Society Oversight. The four domain scores are weighted and combined and a risk penalty is added for individual domain scores that exceed the overall country risk score. Each country is given a score from 1 to 100 for each domain, and for the total bribery risk. A higher score indicates a higher risk of business bribery.

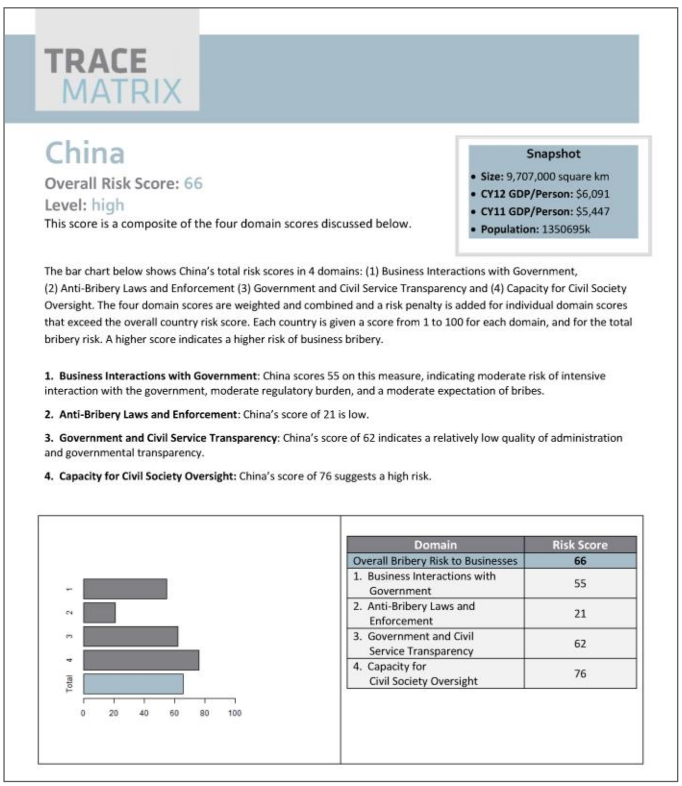
1. **Business Interactions with Government**: Angola scores 93 on this measure, indicating very high risk of intensive interaction with the government, very high regulatory burden, and a very high expectation of bribes.
2. **Anti-Bribery Laws and Enforcement**: Angola's score of 61 is high.
3. **Government and Civil Service Transparency**: Angola's score of 99 indicates a very low quality of administration and governmental transparency.
4. **Capacity for Civil Society Oversight:** Angola's score of 73 suggests a high risk.

Domain	Risk Score
Overall Bribery Risk to Businesses	**94**
1. Business Interactions with Government	93
2. Anti-Bribery Laws and Enforcement	61
3. Government and Civil Service Transparency	99
4. Capacity for Civil Society Oversight	73

Example of Very High Risk: Angola

Angola has an overall bribery risk of 94. This makes it among the top 10 high risk countries in the TRACE Matrix.

Risk across all domains is high, but it is particularly high in the related categories of Domain 1, Business Interactions with Government, and Domain 3, Government and Civil Service Transparency. This combination is problematic because it indicates that there is poor administrative oversight of government employees in a system where interaction with the government and opportunities for bribe-taking are plentiful.



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China

Overall Risk Score: 66

Level: high

This score is a composite of the four domain scores discussed below.

Snapshot

- **Size:** 9,707,000 square km
- **CY12 GDP/Person:** $6,091
- **CY11 GDP/Person:** $5,447
- **Population:** 1350695k

The bar chart below shows China's total risk scores in 4 domains: (1) Business Interactions with Government, (2) Anti-Bribery Laws and Enforcement (3) Government and Civil Service Transparency and (4) Capacity for Civil Society Oversight. The four domain scores are weighted and combined and a risk penalty is added for individual domain scores that exceed the overall country risk score. Each country is given a score from 1 to 100 for each domain, and for the total bribery risk. A higher score indicates a higher risk of business bribery.

1. **Business Interactions with Government**: China scores 55 on this measure, indicating moderate risk of intensive interaction with the government, moderate regulatory burden, and a moderate expectation of bribes.
2. **Anti-Bribery Laws and Enforcement**: China's score of 21 is low.
3. **Government and Civil Service Transparency**: China's score of 62 indicates a relatively low quality of administration and governmental transparency.
4. **Capacity for Civil Society Oversight:** China's score of 76 suggests a high risk.

Domain	Risk Score
Overall Bribery Risk to Businesses	**66**
1. Business Interactions with Government	55
2. Anti-Bribery Laws and Enforcement	21
3. Government and Civil Service Transparency	62
4. Capacity for Civil Society Oversight	76

Example of High Risk: China

China has an overall risk score of 66, representing a high bribery risk.

China's bribery risk is highest in Domains 3 and 4, but the level of the overall risk is considerably less than that for Angola.

By examining the domain scores, companies operating in China can expect a significant amount of regulatory burden, even though the number of interactions with the government may be low. High risk scores in government and civil service transparency in conjunction with high regulatory burden heighten opportunities for bribe-taking. Weakness in the capacity for civil society oversight reduces the effectiveness of third party pressure on government actors, further increasing risk that government officials might believe they can act with impunity.

China has strong anti-bribery laws and a record of enforcement. This provides some measure of assurance that companies can leverage existing legal remedies.