

KEY FINDINGS AND LESSONS LEARNT DURING THE CORRUPTION RISK FILTERING EXERCISE

**RISK MANAGEMENT AND GOOD GOVERNANCE FOR RESULTS
TALLINN, SEPTEMBER 2014**

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CONTENT



- **Introduction**

- Risk assessment methodology

- Upcoming publication

- **Key findings from the risk filtering exercise**

- Presentation, followed by discussion

- **Risk mitigation measures**

- Presentation, followed by discussion

INTRODUCTION (1)



Risk assessment methodology

Purpose: Risk **rating** to tailor mitigation measures to those areas and programmes that face higher corruption risks

Assessment of corruption **risk exposure**, not corruption incidences

- Methodology developed in consultation with FMO and all NFPs (presentations at risk seminars in 2011 and 2012), signed-off by all parties in September 2012
- Based on stakeholder surveys (including key staff in NFPs, FMO and DPPs) and publicly available information
- Implementation by Berlin Risk Institute 2013-2014: Preliminary findings of 4 countries presented at seminar in Oslo. Today: 8 country reports closed, 6 in final stages

Pilot: scope for further improvement > suggestions welcome!

INTRODUCTION (2)



Upcoming publication

- Risk assessment methodology as approved by FMO and NFPs foresees publication of all national reports:

“In accordance with the framework co-operation agreement between TI-S and the FMO and national legal requirements, the major findings of each country report will be made publicly available. The content of what is made publicly available is agreed between TI-S and the FMO.”

- Publication: Synthesis report about key findings from all 14 countries and overview of mitigation measures
- Contribution from and review by NFPs
- Individuals won't be named or directly traceable

INTRODUCTION (3)



Upcoming publication - content

- Foreword, Executive Summary, Background (4 pages)
- Methodology – overview, added value and limitations (3 pages)
- Main corruption risks – overview of main risks, based on an aggregated analysis of the risk filtering reports (5 pages)
- Overview of key mitigation measures taken by National Focal Points, including case studies (good practice from the beneficiary countries: action plan, results of mitigation measures if available). (5 pages)
- Conclusions and Recommendations (2 pages)

+ Annexes:

- Per country: Summary report, reaction NFP, Action Plan / mitigation measures (8 pages per country = 100 pages)
- Corruption risk assessment methodology

INTRODUCTION (4)



Upcoming publication - timeline

- Expected publication date: February 2015
- Challenge: First reports delivered in September 2013, last report in August 2014
 - > Some information outdated
 - > Different opportunities for risk monitoring and mitigationReport will acknowledge these limitations
- **Input from National Focal Points:**
 - Template from FMO: Responses from NFPs to key findings and overview of mitigation measures. Input needed by 10th October latest.
 - Draft report and annexes will be shared by FMO end October
 - Review of report by NFPs by 14th November

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- > ANY QUESTION OR COMMENT?**

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RISK FILTERING: KEY FINDINGS (1)



Country level results

- All beneficiary states (except Estonia): medium or high corruption risk exposure at country level
- Separation of functions and complaint mechanisms high risk exposure in more than 40% (usually combination of both factors)

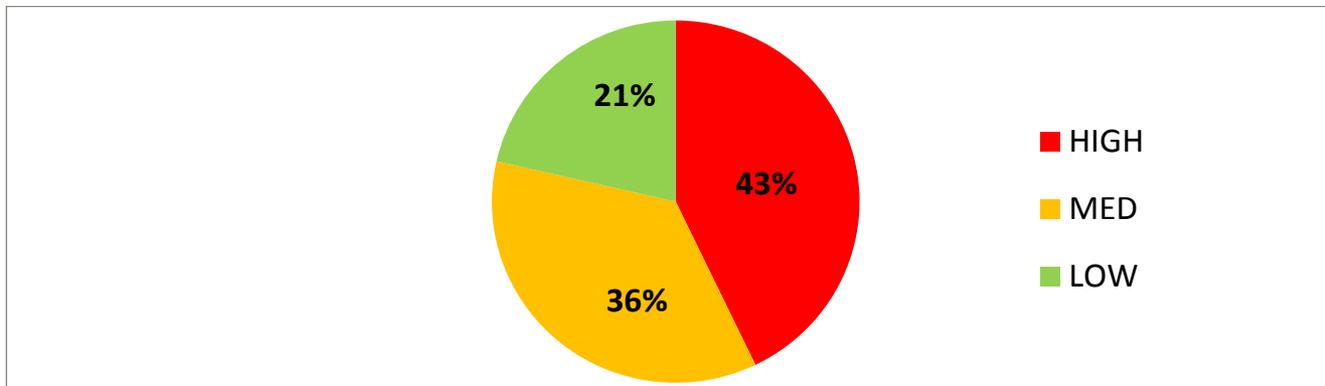


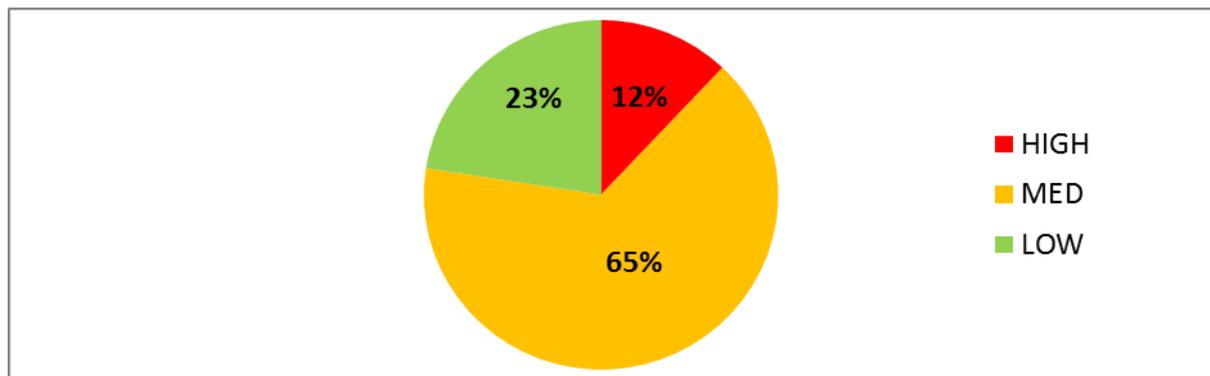
Figure 1 Risk levels relating to separation of functions and complaint mechanisms across all Beneficiary States



RISK FILTERING: KEY FINDINGS (2)

Programme level results: overall picture

- 133 programmes in 14 countries assessed
- Programmes rated at high risk exposure (12%) require particular attention
- 45% of medium risk programmes contain at least one criterion rated at high risk exposure, also requiring attention.
 - 30%: grant allocation to the programme
 - 15%: related to Pre-defined Projects or Programme Operators



RISK FILTERING: KEY FINDINGS (3)



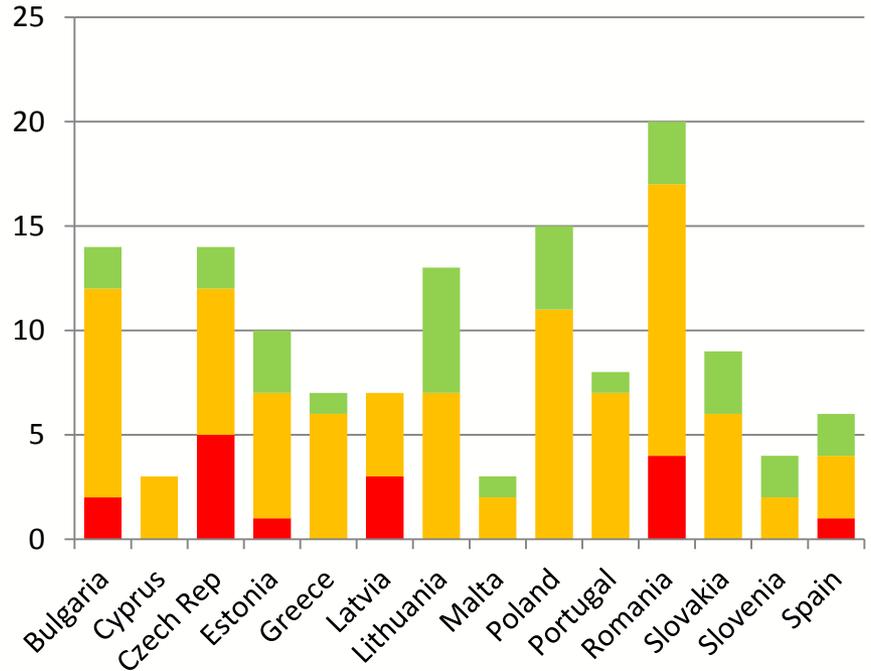
Six Beneficiary States:
Between one and five
programmes with high
risk exposure

Eight Beneficiary States:
No programmes with
high risk exposure

All countries: Many
programmes with
medium risk exposure

Number of
programmes

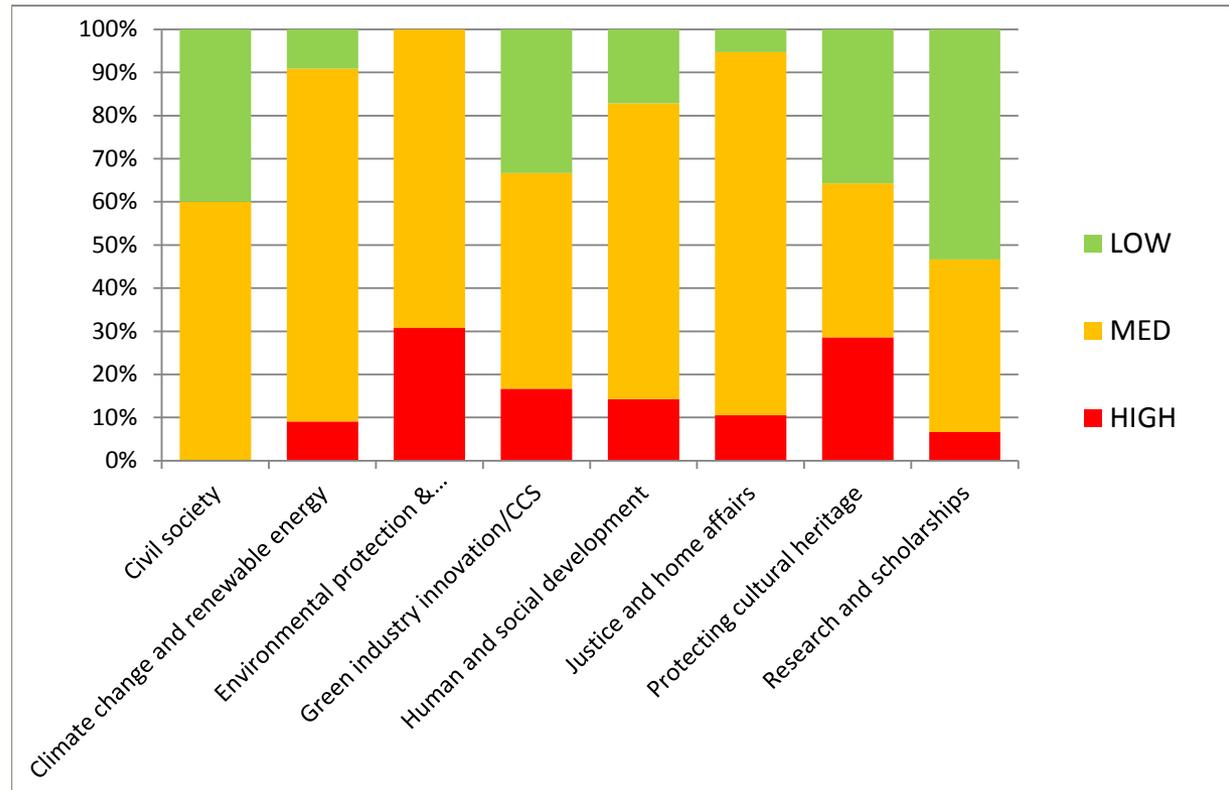
LOW
MEDIUM
HIGH



RISK FILTERING: KEY FINDINGS (4)



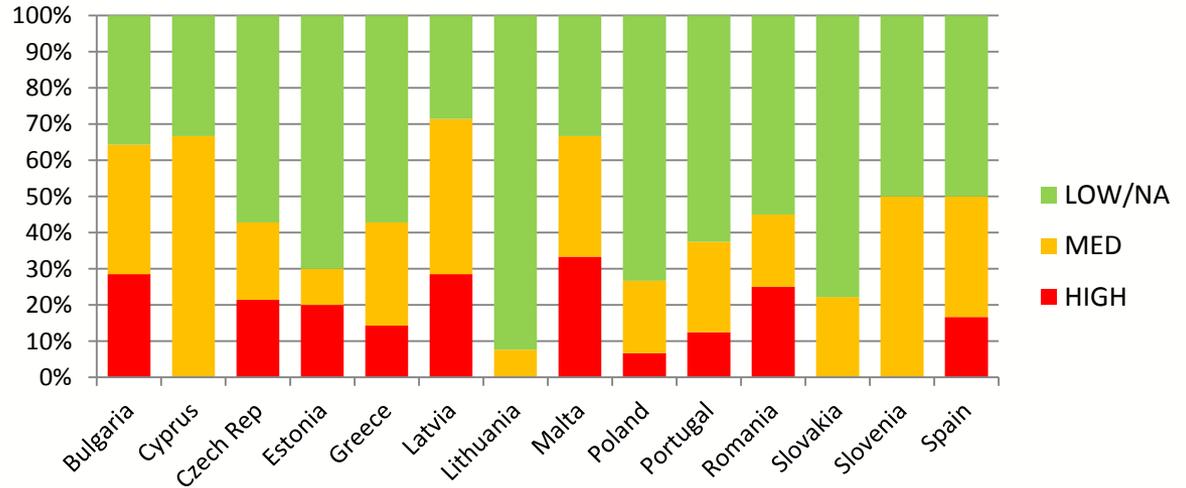
- Lowest risk exposure:
Research and scholarships; civil society
- Highest risk exposure:
Environmental protection and management
Main factors:
 - Procurement
 - Conflict of interest cases
 - Integrity of key actors



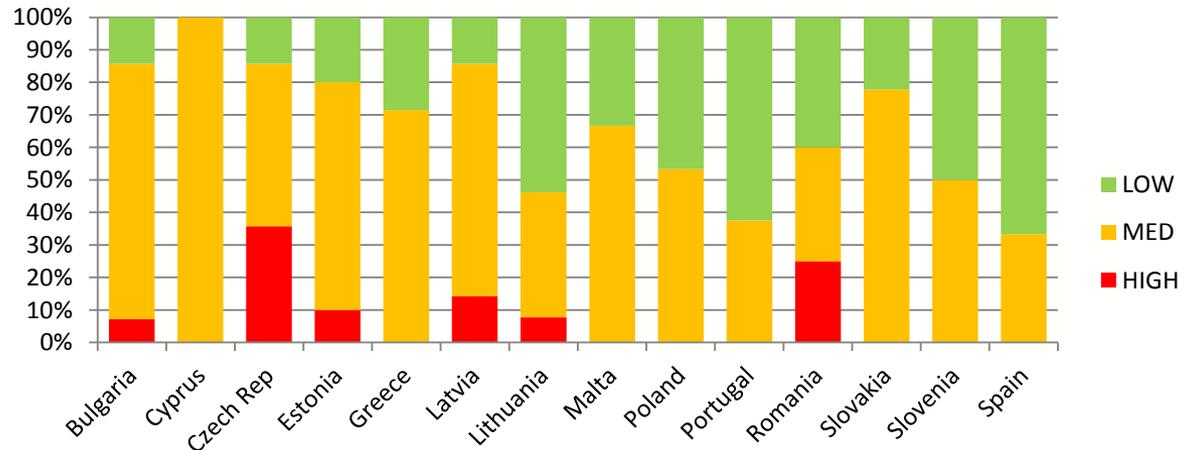
RISK FILTERING: KEY FINDINGS (5)



Pre-defined projects



Programme Operators



RISK FILTERING: KEY FINDINGS (6)



Conclusions

- Many medium risk programmes with different risk profiles
- Combination of risks requires mitigation on a case by case basis.
- Mitigation measures should focus on those areas where change can be achieved directly and over the short to medium term, such as
 - Calls for proposals
 - Project selection
 - Procurement and subcontracting
 - Integrity of Programme Operators or Programme Operator Institutions
 - Enhanced monitoring of Pre-defined Projects
 - Establishment of effective complaint mechanisms

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RISK MITIGATION MEASURES (1)



Overview

- Mitigation measures led by NFPs and FMO; TI can provide support in specific areas
- Information on mitigation measures available for 9 out of the 14 Beneficiary States assessed
- Measures address mostly high, but also some medium risk areas
- Majority of measures are planned or ongoing, with a few already completed
- Measures are mostly in line with the recommendations presented in the country risk filtering reports, with some additional and more specific measures proposed in a few cases.

RISK MITIGATION MEASURES (2)



Country-level mitigation measures (6 Beneficiary States)

- Measures that address areas identified **as a whole** rather than any of the specific criteria
- Sharing results and improvements made to the national **audit function** which might impact upon the grants
- Assessing / proposing **amendments to the National Management and Control System** including revision of the complaints review procedure
- Trainings on **risk management** in the Financial Mechanism
- Sharing and discussing the **risk assessment results** with key stakeholders
- Reporting on **irregularities detected** and findings from audit, monitoring, review and evaluation activities

RISK MITIGATION MEASURES (3)



Separation of functions and complaint mechanism (6 Beneficiary States)

- **Reallocating certain tasks** among implementing partners to strengthen the separation of functions
- **Establishing the complaint mechanism functions** and providing relevant information on this on the NFPs website in compliance with the standard suggested by the FMO.
- Providing an overview of **how the complaint mechanism functions** when a complaint is made

RISK MITIGATION MEASURES (4)



Programme-level mitigation measures (9 Beneficiary States)

- **Enhanced follow-up and monitoring by NFP** of certain programmes
- Monitoring the **calls for proposals and project selection procedures** under programmes
- **Extra monitoring and inspections of pre-defined projects**
- Managing **conflict of interest risks** for pre-defined projects
- **Delegating tasks** to reduce the potential risk posed by a politically exposed person.
- **Trainings for procurement experts**
- Ensuring **sufficient staffing** and capacity of the PO

RISK MITIGATION MEASURES (5)



Example:

Monitoring call for proposal procedures

- The NFP has a dedicated expert monitoring the risks of implementation under the EEA/Norway grants.
- A risk register is kept and updated at the NFP with all relevant information on signals received.
- Representatives of the NFP participate as observers in the selection committee meetings.
- A national level round table was held with all institutions involved in EU funds, leading to the establishment of three working groups with the aim of proposing a standard approach for EU Funds management.

NEXT STEPS



- **Catalogue of risk mitigation measures** to support development and implementation of targeted measures to address the risks identified
 - Complaint mechanism: Feedback to draft guide and checklist by 15th October; support to implementation at FMO and up to 2 NFPs
 - Publication: By **10th October** submission of
 - **Response to country reports** and
 - **Details on your planned, ongoing and completed monitoring and mitigation measures**, including concrete examples and „success stories“, if available
- Please use template provided by FMO!

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