Corruption Risk Assessment: Approaches and Best Practices

EU Network Against Corruption
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Central European University

Introduction to Corruption Risk Assessments

What is a CRA?

- A methodology – often accompanied by a tool - used by various state agencies, private sector actors, and civil society organisations to monitor corruption risks in the public sector.
- CRA is distinct from integrity assessment or corruption risk management (but can support both)

What purpose does CRA serve?

- CRA methodology 'seeks to identify weaknesses within a system which may present opportunities for corruption to occur' (Transparency International, 2011)
- CRA does not identify corruption itself, but targets *potential* weaknesses in institutional design, legislation, procedures, or regulations that can lead to corruption or are generally associated with corrupt behaviour.
- CRAs can initiate investigations (if designed respectively), but do not have it in their primary goals

Introduction to Corruption Risk Assessments

Who is responsible for conducting CRA?

- Public bodies (independent anti-corruption commissions or departments and divisions within other controlling bodies such as, a court of auditors, ministry of interior, etc)
- Civil society organizations
- Private sector actors

How are CRAs formulated and established?

- National legacy / tradition of anti-corruption institutions / practices
- International best practices /standardized methodologies
- Political struggles

Overview of CRA approaches

Centralized	Decentralized	Transparency-oriented approach
Carried out systematically	Systematic / via request	Non-systematic
By external body	Internal assessment (sometimes guided)	By anti-corruption bodies, other ministries, NGOs, media
Done by collecting data on the operations of the public body and identifying 'red flags' that signal corrupt behaviour, conducting legal assessments, or analyses of procedural compliance	Take the form of questionnaires, focus groups, or interviews and can either involve all employees of the body being assessed, or just those who hold relevant positions (HR, budget office, mid-level managers, etc)	Apps, websites, dashboards that target a particular type of public function (eg state subsidies, public procurement, political parties' donations) or provide indicators for certain territories or sectors
Requires significant administrative and financial resources	Does not require significant administrative or financial resources	Often requires extensive resources to collect data/sustain data collection
Facilitates an unbiased look at internal processes, but at high costs + requires proper design	No incentives for management to actually act on the concerns raised by the assessment / employees cannot express their views freely	Provides instruments and information to general public, but does not imply follow-up mechanisms

Data and corruption types used in CRAs

Data:

- **Primary**: key informant interviews, focus groups, or statistical data collected by the implementing anti-corruption agency
- **Secondary**: media investigations, corruption perception surveys
- **Qualitative**: interviews, focus-groups, legislative analysis
- **Quantitative**: statistical analysis (regressions, descriptive stats, machine learning)

Corruption types:

- Corruption loopholes in legislative frameworks and regulatory coherence and transparency
- Transparency and accountability / personal compliance
- Conflicts of interest / inadequate spending of public funds / illicit enrichment / favouritism
- Lobbying / bribery

Challenges

Institutional constraints:

- Collaboration across public institutions
- Adequate financial resources and administrative and analytical capacities
- Political and institutional support

-> Legal leverage is needed to motivate the cooperation of assessed bodies

-> Providing adequate resources to the CRA itself and the public bodies participating in the assessment

Data quality and accessibility:

- reliability, accuracy, completeness, and consistency of the data
- data accessibility
- lack if the own data collection tools / personnel

-> Ensuring that anti-corruption bodies have access to their own data collection tools and personnel

-> Establishing cooperation with reliable data providers

-> Ensuring aligned system of data storage in appropriate formats

Challenges

Methodology and analytical focus:

- Bias in in the selection of methodology and analytical focus
- Choosing a methodology that considers the resources available, while also offering sufficient coverage of different corruption types

-> Scarce resources require decentralized methodologies

-> Establishing clear criteria for selecting the methodology and analytical focus

-> Prioritise stakeholder engagement and feedback throughout the CRA process

Follow-up mechanisms:

- CRA's recommendations may be ignored or only partially followed up by assessed entities
- lack of systematic monitoring of CRA recommendations' impact

-> Follow-up mechanisms such as a requirement to implement recommendations should ideally be stipulated by law / rely on good communication and framing

-> Involving media, civil society, general public can facilitate implementation of recommendations

Further reading

Poltoratskaia, V.; Fazekas, M. (2023) Corruption risk assessments: country case studies highlight advantages and challenges of diverse approaches. Bergen: U4 Anti-Corruption Resource Centre, Chr. Michelsen Institute (U4 Issue 2023:2)

Martini, M. 2012. Overview of integrity assessment tools. U4 Expert Answer. U4 AntiCorruption Resource Centre, Chr. Michelsen Institute

Transparency International. 2020. Mining awards corruption risk assessment tool – 3rd edition

CoE (Council of Europe). 2019. Technical Guide on Risk Assessment

Hansen, H. K. 2011. Managing corruption risks. Review of International Political Economy 18(2): 251–275.

Williams, A. 2014. Using corruption risk assessments for REDD+: An introduction for practitioners. U4 Issue. U4 Anti-Corruption Resource Centre, Chr. Michelsen Institute.

THE ROLE OF DATA IN DEFINING INDICATORS FOR MEASURING CORRUPTION RISK

NATIONAL ANTI-CORRUPTION AUTHORITY, ITALY

CORRUPTION RISK IN PUBLIC PROCUREMENT

Why is public procurement at risk of corruption?

❖ Close interaction between public actors and private companies

⬇

conflicts of interest

❖ Inflow of substantial financial resources

⬇

criminal appetites

❖ Tendency to derogate from ordinary legislation (emergency situations, relevant infrastructural works, major events)

⬇

regulatory stratification, regulatory uncertainty

CORRUPTION RISK IN PUBLIC PROCUREMENT: SOME EXAMPLES

Contract awarding phase

- Non-legitimate use of direct awarding
- Attribution of undue competitive advantages to certain economic operators

Contract execution phase

- Contractual changes and variations aimed at increasing the contractor's profits
- Improper uses of subcontracting

In the special section of PNA 2022-2024 ANAC helps contracting authorities identify agile and effective anti-corruption measures in procurement.

ANTI-CORRUPTION MEASURES IN PUBLIC PROCUREMENT

STOP CORRUPTION

- ❖ Control measures
- ❖ Digitalisation
- ❖ Regulation (explanatory circulars)
- ❖ Staff rotation
- ❖ Staff training
- ❖ Integrity pacts
- ❖ Measures for the prevention and management of conflicts of interest
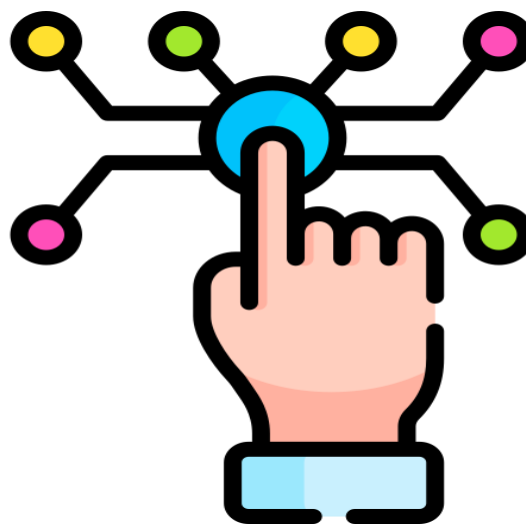- ❖ Transparency

the necessary safeguard to ensure respect for legality and full scrutiny of the work of the public administration

DIGITALISATION:TRANSPARENCY+EFFICIENCY - MEASUREMENT

Citizens can effectively and fully exercise their right to know how the administration works and how it manages public money
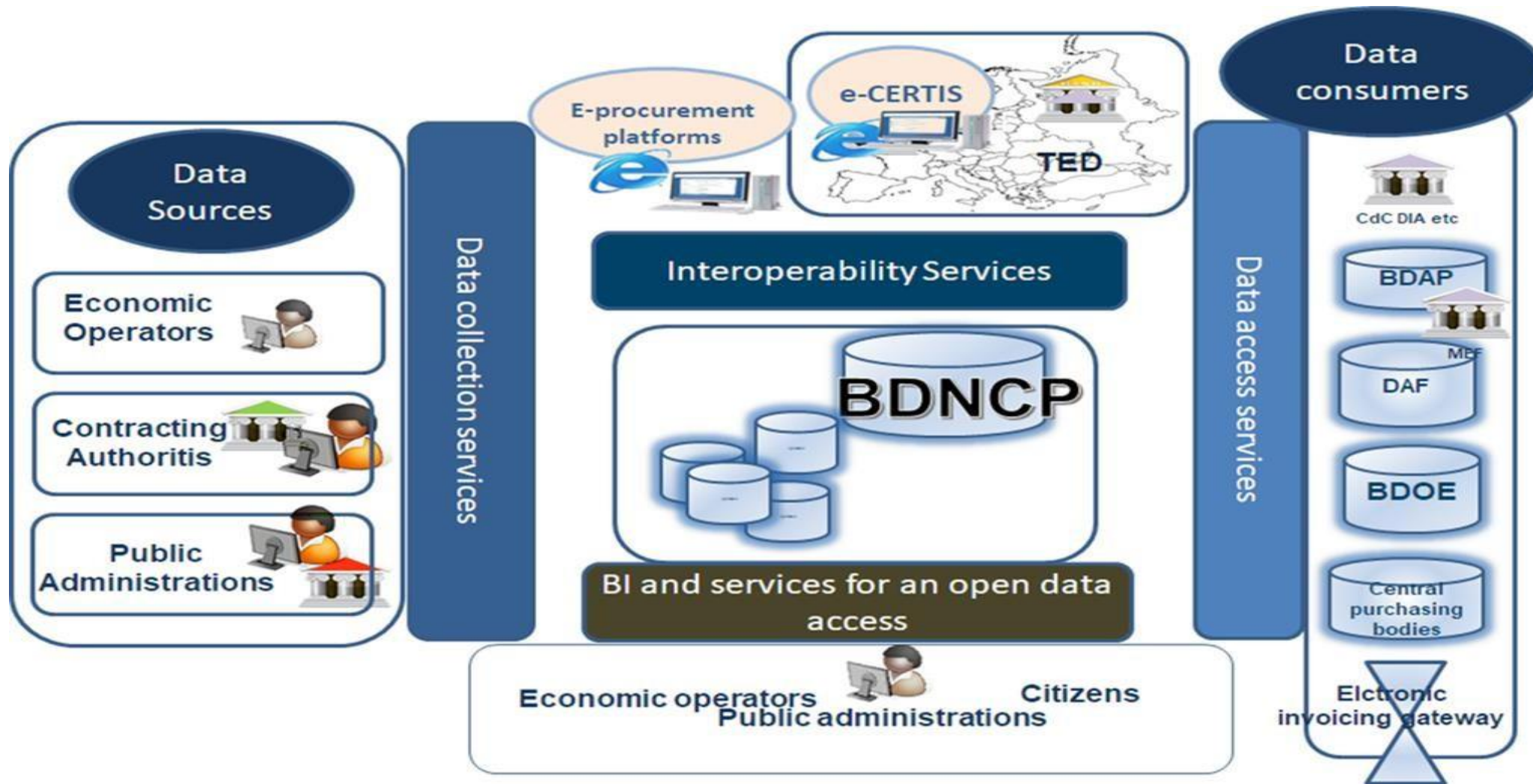
DIGITISATION AS A DEMOCRATISING FACTOR

eProcurement platforms guarantee simplification and the concrete application of the Once Only Principle, and ensure availability of verified and in real time data

DIGITISATION AS A SIMPLIFICATION FACTOR

The project provides a **set of indicators to quantify the corruption risk at the territorial level**, using information from different databases.

The indicators can be seen as **alarm bells** or **red flags**, signalling potentially problematic situations. In this way, they make it possible to identify the territorial contexts at risk of corruption, where investment should be made in terms of prevention and/or investigation.

The use of territorial indicators also contributes to **increasing the statistical offer** and to developing a **reference methodology** for measuring corruption risk at territorial level, to be shared at European level.

VALIDATION OF INDICATORS

For any measurement activity to be successful, it is important not only to have indicators, but also to validate them

Validation requires data and experience

DATA

BDNCP

ANAC

EXPERIENCE

Ten years of activity in public procurement and corruption prevention

DASHBOARDS AND TYPES OF INDICATORS

The results of the project are organised in a dedicated web portal with data, information, bibliographies, infographics and multimedia materials on risk measurement. The heart of the portal is the **dashboard section** for the publication of data sets and risk indicators.
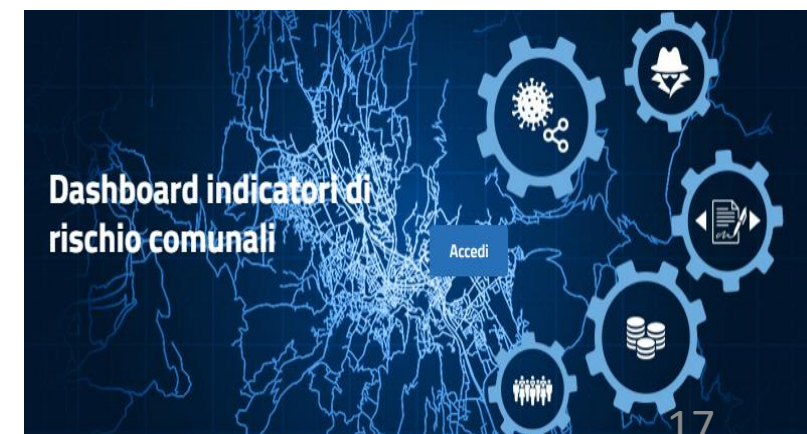
https://www.anticorruzione.it/en/il-progetto

48 CONTEXT INDICATORS

17 PUBLIC PROCUREMENT RISK INDICATORS

5 INDICATORS AT MUNICIPAL LEVEL

Dashboard indicatori di contesto
Accedi

Dashboard indicatori di rischio negli appalti
Accedi

Dashboard indicatori di rischio comunali
Accedi

CONTEXT INDICATORS

The context analysis aims to understand **the distribution of corruption risk in the territory**, taking into account the characteristics of the **local economy** and **social fabric** and identifying situations, conditions and dynamics that may activate corruption propensity.

The information offered can be useful:
- ✓ for **the analysis of the external context** by public administrations in order to draw up anti-corruption and transparency plans;
- ✓ to promote **the watchdog role** played by civil society organisations;
- ✓ to enable citizens to exercise **a more aware citizenship**;
- ✓ to foster **the use of public data** by businesses and universities.

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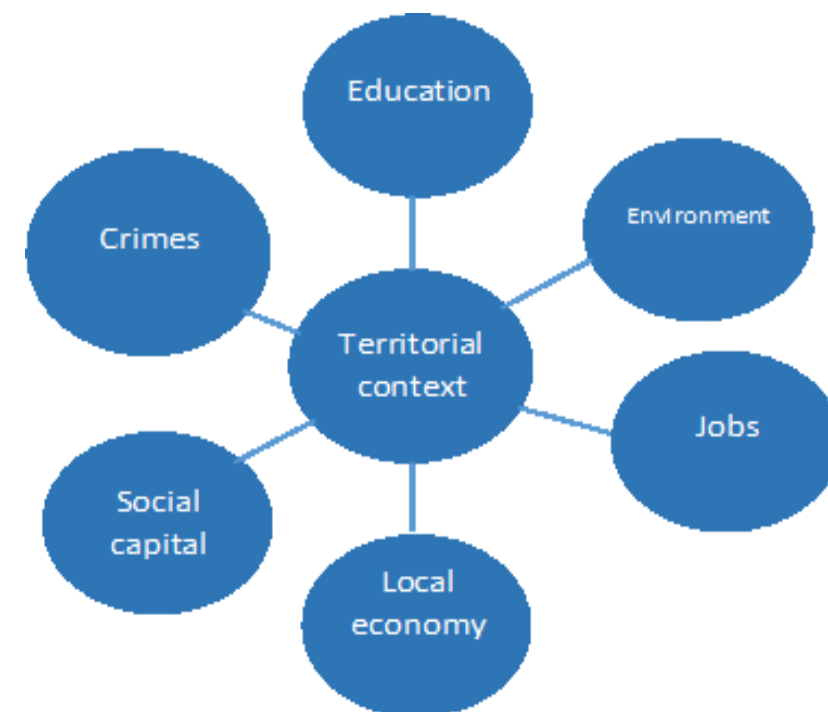
PUBLIC PROCUREMENT RISK INDICATORS

- ✓ Public procurement risk indicators provide information on **public administration purchases at provincial level**.

- ✓ They are distinguished by **object** (works, services and supplies), **sector** (ordinary and special) and **year of publication**.

- ✓ They are particularly important, because:

  o they are based on BDNCP
  o the public procurement sector is highly exposed to corruption risk.

PUBLIC PROCUREMENT RISK INDICATORS

IND. 1 Number of contracts awarded to the most economically advantageous tender / Total number of contracts

IND. 2 Number of unopened contracts / Total number of contracts

IND. 3 Economic value of unopened contracts / Total economic value of contracts

IND. 4 Number of contracts with at least one variant / Total number of contracts awarded and concluded

IND. 5 Average ratio of final amount to amount awarded

IND. 6 Average ratio of actual to planned contract duration

IND. 7 Number of contracts without award notice / Total number of contracts

IND. 8 Number of contracts without end-of-work notice / Total number of contracts

IND. 9 Number of single bidding procedures / Total number of awarded procedures

IND. 10 Average ratio of number of rejected offers to number of submitted offers

PUBLIC PROCUREMENT RISK INDICATORS

IND. 11 Number of contracts where all but one offer was excluded / total number of contracts where only one offer was accepted

IND. 12 Average proportion of offers excluded, calculated only for contracts with all offers excluded except one

IND. 13 Average homogeneity of the distribution of contracting authority - successful tenderers

IND. 14 Average number of days between the expiry date of the tender and the publication date

IND. 15 Average number of days between the date of the first award and the expiry date of the tender

IND. 16 Number of contracts with lots between 37,500 and 40,000 euros / Number of contracts with lots between 30,000 and 37,500 euros

IND. 17 Ratio of the number of contracts with amount between 20,000 and 40,000 euros to the number of contracts with amount over 40,000 euros.

RISK INDICATORS AT MUNICIPAL LEVEL

Indicatori Comunali – Visione per Comune

Attento! In questo cruscotto sono analizzati i 745 Comuni italiani aventi popolazione uguale o superiore a 15.000 abitanti. Nel filtro puoi trovare solamente i Comuni appartenenti a questa categoria.

Applica filtri

Comune: Anno:

✓ Risk indicators at municipal level group together **variables associated with the occurrence of corruption in public administrations**.

✓ The analysis was carried out on municipalities with a **population of 15,000 or more**.

✓ The information on corruption cases was obtained by consulting **the reports of the Corruption Prevention and Transparency Officers (RPCT)** for the five-year period 2015-2019.

✓ In order to identify the administrations characterised by corruption phenomena, we took into account both the municipalities where **corruption episodes in the strict sense** occurred, and the cases in which **criminally or disciplinaryly relevant events** were detected that could in some way be related to the phenomenon of corruption.

RISK INDICATORS AT MUNICIPAL LEVEL

✓ Risk of contagion

✓ Dissolution for mafia

✓ *Sub*-threshold concentration

✓ Resident population

✓ Taxable income *per capita*

THE STRENGTH OF THE PROJECT: OPEN DATA

Since 2022, we have made the "Measure corruption" section of our institutional website **fully accessible** to the community.

https://www.anticorruzione.it/en/misura-la-corruzione

So, researchers and citizens can measure corruption risk in the territories with an appreciable degree of accuracy.

Further progress can be made in the future thanks to the ongoing technological evolution (development of **advanced algorithms** based not only on traditional statistical analysis, but also on **big data analytics** and **artificial intelligence techniques** such as machine learning).

THANK YOU

Corruption in Selected Sectors of the Czech Republic and possibilities of its Reduction

Ministry of Justice of the Czech Republic

Planning and design

- Ministry of Justice
  - Identification of the need.
  - Identification of desired outcome.
  - Co-identification of risk sectors.
- Institute of Sociology, Czech Academy of Sciences
  - Experimental design.
  - Methodological approach.
  - Leadership of the research team.

Scope of research
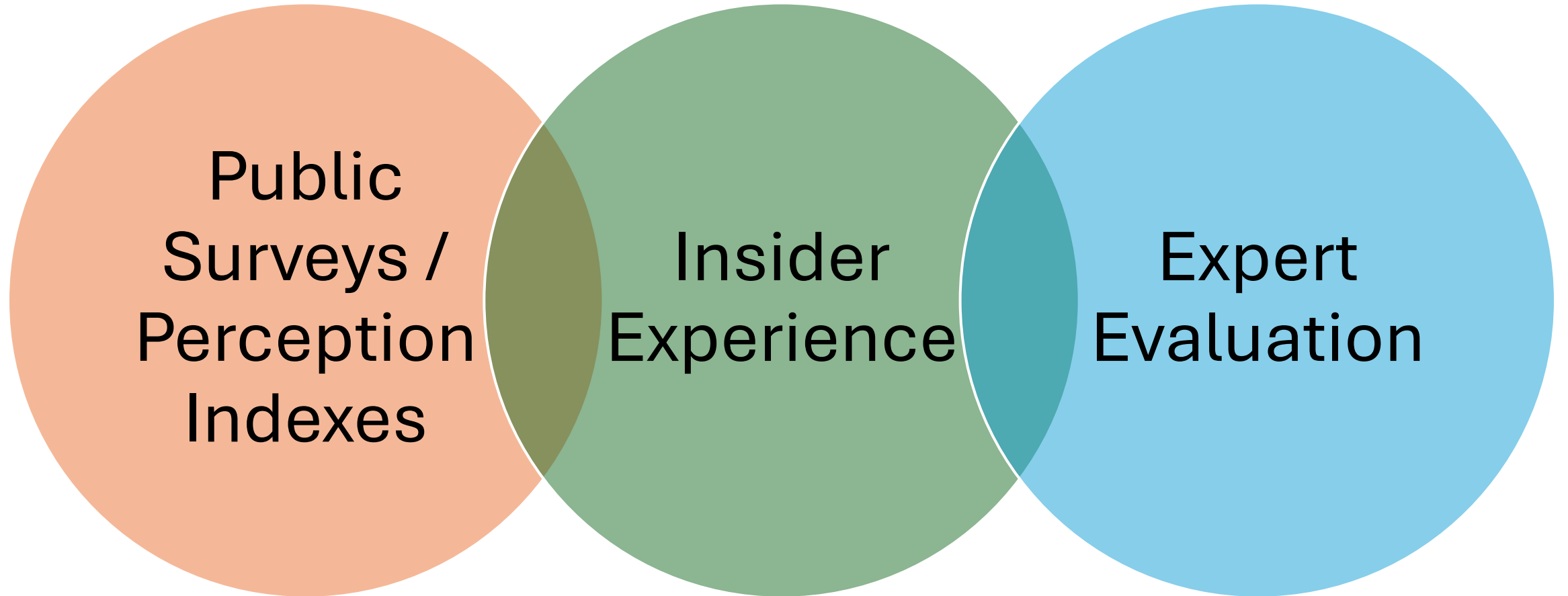
Public Surveys / Perception Indexes

Insider Experience

Expert Evaluation

Methodological approach

- Mixed-methods approach + methodological triangulation.

- Phases:
  - Desk research
  - In-depth expert interviews
  - Insider survey
  - Thematic workshops

Surveyed sectors

- education and science

- sports

- healthcare

- public procurement

- executions/foreclosures

- construction and planning proceedings

Findings

- Overall level of corruption is not getting worse.

- Specific forms of corruption are gaining strength.

- "Petty corruption" - education, sports, health, and construction and planning.

- "Grand corruption" - foreclosures, public procurement and, to some extent, sport, construction and planning and health.

- Most forms of corruption are unique to each sector.

Recommendations

- "petty corruption" sectors:
  - awareness-raising activities,

  - increasing the level of salaries of workers in these sectors,

  - inter/generational renewal/change.

Recommendations

- "grand corruption" sectors:
    - changes in legislation,

    - transparency of processes – electronization and digitisation,

    - addressing the need to boost/improve morale of actors in these sectors,

    - strengthening the role of civil society in order to successfully reduce the corruption.

Implementation

- Strategic tools:
  - Government Anti-Corruption Strategy for 2023 2026

  - Anti-Corruption Action Plan for 2023-2024

  - Anti-Corruption Action Plan for 2025-2026 *(in development)*

- Legislative changes

Corruption risk assessment

Special Investigation Service of the Republic Lithuania

2024-10-03

Corruption Risk Assessment (external, internal)

1. **Corruption risk analysis (external assessment, implemented by STT)**

    - Requires the specific knowledge and experience of the staff
    - Potentially broader scope of assessment
    - Independent and objective assessment

2. **Determination of the probability of occurrence of corruption (self-assessment of a body)**

    - A *simplified* version of corruption risk analysis
    - Does not require any additional competence of the staff, only established effective methodology in place and trainings.

Corruption Risk Analysis (STT)

1.

Identification and analysis of the risk of corruption and its factors in a certain area of state/ municipal activity from an anti-corruption point of view

Performed only by the officials of the Corruption Risk Division of the Corruption Prevention Department of the STT in any state, public or municipal institution or State-owned and municipality-owned enterprise

MONITORING

The area of state/ municipal activity shall be selected taking into account the criteria provided in the Law *(e. g. there have been attempts to affect the employees of the public entity or decisions adopted by them; criminal acts of a corruptive nature have been detected in another similar field)*

Reasones **conclusion** of the corruption risk analysis is **public.**
Provided information on how the STT proposals are or will be implemented.
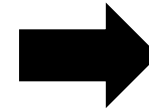
Corruption Risk Assessment (self-assessment)

Determination of the probability of occurrence of corruption

IMPACT		Very low	Low	Medium	High	Very high
	Catastrophic	5	10	15	20	25
	Critical	4	8	12	16	20
	Observable	3	6	9	12	15
	Low	2	4	6	8	10
	Irrelevant	1	2	3	4	5
		Very low	Low	Medium	High	Very high

PROBABILITY
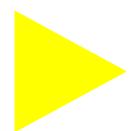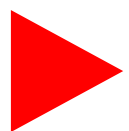
Recommended to carry out a mandatory assessment of corruption risk factors in the areas of activity where corruption risks are likely to occur

Recommended that the public sector body conducts legal proofing of the internal legal acts regulating this area(s), adds to the anti-corruption code of conduct or rules situations on how to deal with these risks for employees, and applies awareness-raising measures

Generally not appropriate to analyse

- **Recommendations** of STT on performing the determination
- **Annex**: list of most common risks and their factors in different areas of activities (public procurement, IT systems, local government, licensing, etc.)

Thank You For Your Attention!