This document was prepared to support the implementation of the 2016 Recommendation of the Council for Development Co-operation Actors on Managing the Risk of Corruption. The Compendium of Existing Practices provides practical examples of tools and mechanisms for managing corruption risks that are already in use in the development cooperation agencies of Adherents. The selection of examples offered here is not comprehensive, but it offers illustrations of the kinds of policies, frameworks and management tools Adherents use to support their approach to managing the risks of corruption in development cooperation. Technical Annexes further complement this work.

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Abbreviations and Acronyms

BMZ  German Federal Ministry for Economic Cooperation and Development
BTC  Belgian Development Agency
Camões, IP Camões, Instituto da Cooperação e da Língua (Portugal)
EU   European Union
FSCU Foreign Service Control Unit (FSCU)
GAA  Evaluation and Audit Unit (Camões, IP)
GAC  Global Affairs Canada
GIZ  Deutsche Gesellschaft für Internationale Zusammenarbeit (Germany)
DAC  Development Assistance Committee of the OECD
DANIDA Danish International Development Agency
DFAT Department of Foreign Affairs and Trade (Australia)
DFID Department for International Development (United Kingdom)
JICA Japan International Cooperation Agency
KfW  KfW Development Bank (Germany)
MFA  Ministry of Foreign Affairs (Denmark, Norway)
MFAT Ministry of Foreign Affairs and Trade (New Zealand)
NORAD Norwegian Agency for Development Cooperation
NUPAS Non-US Organization Pre-Award Survey (USAID)
PEA  Political economy analysis
PFMRAF Public Financial Management Risk Assessment Framework (USAID)
Sida Swedish International Development Agency
UN   United Nations
UNODC United Nations Office on Drugs and Crime
UNICEF United Nations Children’s Fund
USAID United States Agency for International Development
WGB  OECD Working Group on Bribery in International Business Transactions
Purpose of the document

This report has been prepared to support implementation of the Recommendation of the Council for Development Cooperation Actors on Managing the Risk of Corruption [C(2016)156] (hereafter “Recommendation”) (see Annex A). In the Recommendation, the Council outlines a range of policies and operations that constitute a strong and integrated approach to managing the risks of corruption in development cooperation.

This compendium of current practices was proposed to provide practical examples of existing tools and mechanisms for managing corruption risks that are already in use in the development agencies of OECD Members and non-Members which have adhered to the Recommendation (hereafter, “Adherents”). These concrete examples are intended to provide examples and inspiration for the development cooperation agencies of Adherents and other organisations seeking to strengthen their approach to managing the risks of corruption. The selection of examples offered here is not comprehensive (see the section on Methodology, contributors and case selection) but it offers numerous illustrations of the kinds of policies, frameworks and management tools Adherents use to support their approach to managing the risks of corruption in development cooperation.

This document does not address whether or to what degree the examples compiled are adequate to implement the Recommendation. Nor does the inclusion of an example in this document represent any position held by the OECD as to whether that example represents good practice or otherwise (see Section C on the methodology). Lastly, this document is not intended to pre-empt the upcoming monitoring work to be carried out, as referred to in paragraph VIII of the Recommendation, by the Development Assistance Committee (DAC) and the Working Group on Bribery in International Business Transactions (WGB) (see Background on the Recommendation). Indeed, the Council has instructed the DAC and the WGB to:

“i) establish a mechanism to monitor regularly the implementation of the Recommendation, within or outside of their respective peer review mechanisms, and in line with their mandates and programme of work and budget;

ii) report to the Council no later than five years following the adoption of the Recommendation and regularly thereafter, notably to review its relevance and applicability and whether it requires amendments in the light of experience gained by Adherents”.

Unclassified
The Recommendation was approved as an update to replace the 1996 DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement (hereafter “1996 Recommendation” [DCD/DAC(96)11/FINAL]). The 1996 Recommendation called on DAC members, in co-operation with partner countries and international development institutions, “to introduce or require anti-corruption provisions governing aid-funded procurement.” Implementation mainly took the form of introducing clauses prohibiting recipients of ODA-funded grants or contracts from participating in any corrupt actions in the execution of the contract or grant (OECD, 1997). The 2016 Recommendation abrogated and replaced the 1996 Recommendation.

The development community has progressed in its approach to managing the risks of corruption, moving well beyond the parameters of the 1996 Recommendation. Concerns about corruption in aid-funded procurement are now accompanied by a wide range of initiatives to assure a strong matrix of policies and practices to prevent funds being lost to other forms of corruption (such as embezzlement, nepotism or other forms of favouritism or fraud in the management of aid projects), that aid does not unintentionally exacerbate corruption problems, and that approaches to corruption risk management respond flexibly to different types and levels of corruption risk.

The Recommendation reflects this advancement in thinking. Based on a background study of donor practices across a range of policy and operational areas (Hart, 2015), a draft Recommendation was developed, and the final version was negotiated through collaboration with the DAC - through the Anti-Corruption Task Team of the DAC Network on Governance - and the Working Group on Bribery (WGB). The Public Governance Committee’s Working Party of Senior Public Integrity Officials was also invited to submit written comments. The final version was presented to the Council jointly by the DAC and WGB, and was adopted on 16 November 2016.

In accordance with Recommendation VIII (i), the DAC and the WGB will establish a mechanism to monitor the implementation of the Recommendation. For this purpose, the Recommendation was included in the DAC peer review methodology that was adopted in March 2017. The WGB will primarily conduct its monitoring as part of Phase 2 and Phase 3, and where appropriate Phase 4, of the evaluation of the Parties to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The committees will also jointly report to the Council no later than five years following the adoption of the Recommendation and regularly thereafter, notably to review its relevance and applicability and whether it requires amendments in the light of experience gained by Adherents.
Methodology, contributors and case selection

The document has been prepared with the assistance of numerous counterparts in the development co-operation agencies of Adherents that volunteered to assist with the project. Based on expressions of interest, agencies were contacted by the OECD and requested to specify elements of the Recommendation in which they had relevant policies or management tools they were willing to share. Thirteen agencies from twelve Adherents contributed examples. In some cases, interviews were conducted to clarify practices with regard to the specific policies or tools provided.

Table 1: Adherents’ agencies that contributed examples to the Compendium

| Australia: Department for Foreign Affairs and Trade (DFAT) | Germany: KfW Development Bank (KFW) | Sweden: Swedish International Development Agency (SIDA) |
| Belgium: Belgian Development Agency (BTC) | Japan: Japan International Cooperation Agency (JICA) | United Kingdom: Department for International Development (DFID) |
| Canada: Global Affairs Canada (GAC) | New Zealand: Ministry of Foreign Affairs and Trade (MFAT) | United States: US Agency for International Development (USAID) |
| Denmark: Ministry of Foreign Affairs (MFA) | Norway: Ministry of Foreign Affairs (MFA) | Portugal: Camões - Instituto da Cooperação e da Língua (Camões, IP) |
| Germany: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) | |

This voluntary approach to gathering information creates a selection of examples that informs readers of some of the measures Adherents have taken to manage the risk of corruption in development co-operation, but is not necessarily complete. Other Adherents may also have relevant tools and frameworks, and in some cases participating agencies may not have offered or may not have been requested to provide examples in all possible areas covered by the Recommendation.

As mentioned above, this document does not address whether, or to what degree, the examples compiled within it are adequate in implementing the Recommendation. These examples have not been assessed for their merit, and their inclusion here should not imply that they are deemed “good practice” or otherwise. By simply presenting examples, this document aims to allow readers to gain insight and inspiration from the approaches that some Adherents have adopted. It is hoped that this inspiration and insight may assist Adherents in working towards implementing the Recommendation and achieving the goals set out therein. Lastly, the inclusion of an example policy or management tool in this document does not constitute an endorsement thereof by the OECD.

Finally, readers should also be aware that policies or management tools are not presented in their entirety in almost any case. Policies and tools are described broadly, with specific examples given, rather than a presentation of complete documents. In every possible case, links to the full document are provided, and some additional documents not available online are provided in the separate Technical Annexes.
Terminology

Adherents’ governments have different arrangements to implement development cooperation and use different terminology to describe those efforts. For simplicity, this paper takes a “generic” approach to such terminology. In particular, readers should note the following terms are used throughout the paper in a generic sense. Their usage does not imply that the government in question would necessarily use the same terms.

**Adherent**: Any OECD Member or non-Member that has adhered to the Recommendation.

**Agency**: An official aid-giving (or -managing) department, ministry (or branch thereof), agency, or company that does similar work for a government (e.g., GIZ, KfW).

**Aid**: A funding process (e.g., loans, grants, contracts) whereby ODA is delivered.

**Contributing agency**: Any Adherent’s agency which contributed examples to this compendium report.

**Implementing partner, delivery partner, supplier, grantee, funds recipient**: Organisation or individual that receives funds (contracts, grants) in support of an agency’s development agenda.

**Management tool**: A format, template, system (e.g., IT system) for implementing an element of an agency’s policies for the management of development aid.

**Programme, project**: A specific investment and related activity toward a development objective (given the range of usages across agencies, these terms are used interchangeably in this document).
1. Practices Related to the Recommendation

This section, the main part of this document, discusses and provides examples of contributing agency practices in each of the ten policy and operational areas included in the Recommendation. Each sub-section starts with the text from the Recommendation. In most cases, discussion of background issues and commonalities or differences among practices is then followed by examples. In a few cases where there is sufficient variation among approaches, the discussions and examples are disaggregated by some of the sub-elements of the Recommendation.

1.1. Code of Conduct

As referred to in paragraph III of the Recommendation, codes of conduct are one of the elements that the Council suggests should be included in the systems to be implemented by Adherents’ international development agencies and their implementing partners in order to manage risks of and respond to actual instances of corrupt practices in development co-operation.

[...] Code of Conduct (or equivalent), which should:

1. Be applicable to public officials engaged in any aspect of development co-operation work and the management of aid funds;
2. Be decided on and endorsed by the highest authority within the international development agency, disseminated to all staff and communicated on an ongoing basis;
3. Clearly establish what practices should be avoided and embraced with regard to corruption and anti-corruption, using specific examples of corrupt practices to reduce possible differences in understanding across social, cultural and institutional settings. [...] 

In a survey for the background study for the Recommendation, when asked which three elements of an integrity system they considered to have had the most impact on their agency’s ability to assess, manage and mitigate corruption risks in its aid portfolio, responding Adherents’ representatives voted most frequently for codes of conduct, along with training and awareness-raising (Hart, 2015:27). A code of conduct, sometimes called a code of ethics or ethical guidelines, is a statement of the principles and practices intended to guide staff behaviour. Codes of conduct do not typically focus solely on corruption and related issues, but these are almost always included. Not every code uses the word “corruption;” sometimes “fraud” or “unethical behaviour” or similar expressions are used. Some contributors noted that concepts such as conflict of interest, bribery (especially facilitation payments), and gift-giving need to be clearly addressed in a code of conduct as they may be understood very differently in different contexts.
Most of the example codes of conduct contributed apply to all employees - whether at the contributing agency’s headquarters, posted to national offices, hired locally in partner countries, or from third countries—though in some instances there are different formats for different audiences. The examples contributed typically articulate principles as well as concrete obligations to act (or not to act) in certain ways.

As stated in the Recommendation, it is especially helpful for a code to **clearly establish what practices should be avoided and embraced with regard to corruption and anti-corruption, using specific examples of corrupt practices [...]**. For example, in several of the examples provided, the codes include monetary limits on gifts or provide concrete guides as to what is or is not considered an acceptable small token or gift.

Contributing agencies differ in how they disseminate their codes. Most distribute the code when hiring, but some also make it the main subject of specific training on integrity, especially for new staff, or incorporate it into training on broader anti-corruption and anti-fraud issues. In some cases refresher courses are required.

Interviews suggested that one element of the Recommendation that is not always clear in contributors’ practices is the **endorsement (of the code) by the highest authority within the international development agency**. Equally important in some contributors’ estimation is conveying the message that “leadership will support staff who act in accordance with the code’s expectations.”
1.1.1. Examples

The Belgian Development Agency’s (BTC) code of conduct (BTC, 2016) applies to all employees, including directors and members of its Board. It is an example of a code that covers a wider range of issues than just corruption, including discrimination, exploitation and health and safety. Four values of Respect, Integrity, Commitment and Responsibility are articulated, with specific types of behaviours linked to each. “Corruption” is not included specifically in the Code, but the section on Integrity includes prohibition on conflict of interest and facilitation payments, as well as asking for, accepting or giving a gift (see Box 1.1) linked to an employee’s position. BTC has distributed its code of conduct through a letter from management. The purpose and meaning of the Code of Conduct is also included in intake training for all new staff.

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**Box 1.1. A clear policy on a complex issue: Example of gifts from BTC**

**Gifts and other advantages**

11. In no case, may gifts influence or give the impression of influencing the decisions that we have to take in performing our job.

To guarantee our impartiality, it is forbidden to ask, accept or give a gift linked to our job. The term ‘gift’ must be understood in the broad sense covering specific concepts such as a present, a promise or any other advantage, regardless of whether for ourselves or for others, or whether obtained in performing our job or not.

As an exception and in order to observe the rules of politeness, the exchange of minor tokens of attention is accepted if the hierarchical supervisor has given written authorisation for it.

Small tokens of attention may be exchanged between colleagues during the normal performance of our duties.

These small tokens of attention are occasional presents and other advantages, the value of which does not exceed 35 EUR per giver, per calendar year for a staff member.

Source: BTC (2011), Code of Conduct

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) developed a Code of Conduct in 2001 (GIZ, 2015), even before a broader anti-corruption initiative of the German government was launched in 2004. The Code is binding for all staff. Its content includes a statement of principles (equal rights, prohibition of sexual harassment, compliance with contracts and laws, transparency, among others) and specific rules and guidance on the following topics: bribery, gifts and other advantages, dealing with conflicts of interest, and seeking integrity advice through the GIZ Integrity Advisors (see Section 1.2.1). Usefully, the GIZ format not only articulates the general rule about each topic, but it also gives help to define each of the concepts and then provides standards of behaviour for specific types of situations (See Box 1.2.).

Box 1.2. Defining, helping and guiding in a Code of Conduct: Example on bribery, GIZ

Bribery
Rule: Active and passive bribery: It is not permissible – either directly or indirectly – to request, accept, offer, give bribes or arrange for bribes to be given.
Help: Bribery: GIZ’s agents, suppliers and other subcontractors receive appropriate remuneration for their services. GIZ staff do not pay bribes intended for third parties.
Standard: ‘Dispatch money’ [facilitation payments]: GIZ staff do not pay ‘dispatch money’.

The KfW Development Bank Group (KfW), which includes the international development finance arm of the German government, developed an employee Code of Conduct based on the German Banking Act and other relevant laws and regulations requiring appropriate management of public funds and institutions. The Code covers a range of areas for compliance with applicable laws and regulations, including combating fraud and corruption, along with other subjects such as preventing money laundering, securities compliance, avoiding conflicts of interest, data protection, confidential information, information management, and duty to cooperate. Employees are provided with the Code upon initial employment, and a mandatory annual on-line training refreshes knowledge and awareness. KfW also conducts annual risk-based in-person trainings on the topics of integrity, fraud and corruption prevention to discuss results of the annual risk analysis as well as the contents of the Code.
The **New Zealand Ministry of Foreign Affairs and Trade (MFAT)**, which manages the country’s aid programming, has a code of conduct that covers corruption-related issues, including fraud prevention, management of public finance, offers and acceptance of gifts, and managing conflicts of interest (Box 1.3) along with other topics such as security, protection of information, and political neutrality (see Technical Annex 1). The code applies to all MFAT staff in headquarters and posted to field missions. The Ministry also has a template of the code tailored for locally employed staff (LES) that allows for adapting the code to specific locations e.g., inserting the correct embassy or high commission name (see Technical Annex 1). The LES version contains very similar content regarding corruption-related issues, though the document is organised differently. The Ministry provides a copy of the code to all new employees and requires them to sign a declaration acknowledging they have received it, understand its requirements and agree to abide by it.

### Box 1.3: Managing conflict of interest: Example from New Zealand Ministry of Foreign Affairs and Trade’s code for locally employed staff

15.1 Employees should perform their duties honestly and impartially, and act in a manner that will bear the closest public scrutiny. They shall avoid situations which might compromise their integrity, and shall ensure that no conflict exists or appears to exist between their private interests and their official duties.

15.2 Employees must observe the principles of fairness and impartiality in all official dealings. No individual or organisation with which an employee is involved may therefore be given preferential treatment (whether by access to goods and services or access to “inside information”) over any other individual or organisation.

15.3 In addition, employees should avoid any financial or other interest or undertaking that could directly or indirectly compromise the performance of their duties. This would include any situation where actions taken in an official capacity could be seen to influence or be influenced by an individual’s private interests.

15.4 Where any actual or potential conflict of interest arises with the full, effective, and impartial discharge of their official duties, employees should inform the Head of Mission. The Head of Mission will then determine the nature and degree of the conflict as it relates to their official duties, and decide upon the best course of action to resolve it.

15.5 Employees who in the course of their employment come into contact with information concerning a business enterprise in which they have a significant interest, or for whom a conflict of interest arises shall disclose the nature of that interest to the Head of Mission. They shall not make unauthorised use of information to which they have had access in the course of their employment nor shall they become financially or personally involved either directly or indirectly in any arrangements arising from the provision of advice.

15.6 The conflict, and the process for managing it, should be recorded in writing.

Source: MFAT Code of Conduct Template for Locally-Employed Staff (Technical Annex 1)
Staff of the **Swedish Ministry of Foreign Affairs and the Swedish International Development Agency (SIDA)** are subject to the ethical guidelines that govern all public servants, but the agencies also developed specific Ethical Guidelines for Service Abroad (see Technical Annex 2) addressing the specific experiences of their work. These guidelines are meant to complement the range of regulations governing public service and management of public resources by putting some of the challenges and obligations of working abroad in simple, clear terms. With regard to corruption, missions abroad are asked to ensure that management and oversight systems are carefully applied so as to prevent corruption from gaining footholds even in settings where it is common. The guidelines also note that this effort will “serve to protect staff against unfounded accusations of corruption.” (Swedish MFA, 2012 – see Technical Annex 2) Simple principles on accepting gifts are also provided with further discussion and specific instructions covering specific types of gift-giving or – receiving situations (Box 1.4). Conflicts of interest that may arise in missions abroad are also addressed.

### Box 1.4: Guidance on gifts: Example from Sweden

**Accepting and giving gifts, etc.**

The dividing line between what is ‘proper’ and ‘improper’ is fluid and can vary with time and between different areas of activity. In general, the more your work or decisions can be perceived to influence the finances or general situation of the gift giver, the more restrictive you must be when it comes to accepting gifts or the equivalent. When exercising public authority … it is not allowed to receive gifts from the person affected by the decisions made.

…

Gifts of minor value may normally be accepted. For somewhat more valuable gifts, or if you are hesitant about accepting a gift, a solution can be to accept the gift on behalf of the mission and, if it is of such a character, enter it in an appropriate inventory list. If it concerns consumer goods, … the gift can be shared by the entire staff during, for example, staff gatherings. Cash or similar gifts, however, may never be accepted.


All employees of the Swedish government are expected to understand the ethical obligations that govern them, and recent joint guidelines from the Ministry of Foreign Affairs and Sida clarify that the “Ethical Guidelines for Service Abroad” also apply to locally employed staff (Swedish MFA, 2016). For Sida, this guidance reinforces - and is reinforced by - the agency’s Anti-Corruption Rule, which has been neatly captured in an easy-to-remember formulation

Sida’s approach to corruption and irregularities is as follows (SIDA, 2016):

- always prevent,
- never accept,
- always inform,
- always act.
1.2. Ethics or anti-corruption assistance or advisory services

Paragraph III of the Recommendation refers to further elements to include in systems aimed at managing the risks of and responding to actual instances of corrupt practices in development co-operation. Such as:

**Ethics or anti-corruption assistance/advisory services, which should:**

i) Assure human and financial resources are available to provide ethics and anti-corruption advice, guidance and support to staff in a safe, confidential, independent and timely manner;

ii) Ensure that staff providing such advisory services are trained and prepared to discuss sensitive matters (i.e. such as how to respond to evidence or suspicions of corruption, and related issues) in a safe and non-threatening environment in order to build a strong, shared understanding of acceptable and unacceptable behaviours;

iii) Build trust between staff responsible for providing advice in anti-corruption with the rest of personnel, in particular when reporting channels are also responsible for investigation.

Ethics or anti-corruption advisory services can help employees or other stakeholders avoid getting into problematic situations rather than just helping them determine how to respond once a problem has been discovered. This can reduce the costs and other consequences associated with corruption in an aid programme. Specialised anti-corruption advisory services may be combined with other functions, such as training (usually related to code of conduct and broad integrity issues) and/or reporting/whistleblowing. In some contributing agencies, ethical advice is provided by the agency’s legal officers, particularly regarding potential conflicts of interest for an employee.

As stated in the Recommendation, ensuring a safe and non-threatening environment is important. Some contributors have undertaken outreaches and efforts to personalise the advisory service by introducing, for example, the agency’s advisory staff individually on a web page, and providing detailed information about how the process works. Some advisors also do training workshops, offering a further opportunity for personal contact and explaining how advisory services work.

Some interviewees, seeking to achieve a good level of trust, explained that they had made some advisory services clearly independent and confidential for the employee, in order to avoid difficulties arising where advisory functions are combined with the roles of investigating irregularities or enforcing sanctions. Even when this is not the case, contributing agencies reported that they endeavour to provide as much information as possible about the process of making an inquiry and how the inquiry will be handled.°

**1.2.1. Examples**

BTC has an Integrity Desk that serves both as a source of advice on integrity issues and a reporting mechanism (Figure 1.1). The service acts as an alternative to reporting problems through the normal managerial structure, though policy documents clearly state that such channels should be tried first. The Integrity Desk website explains what the
service is for, when it should be used, and who can use it (the service is available to BTC staff, partners/suppliers, and programme beneficiaries). It does not take anonymous reports, but ensures the confidential treatment of information provided. This is achieved in part by a separate web platform allowing the submission of reports through a web site independently of the agency’s main IT system. Currently, reports outnumber requests for advice.

Figure 1.1. Belgian Development Agency Integrity Desk flyer

GIZ has two Integrity Advisors whose main responsibility is to promote the agency’s anti-corruption and integrity agenda through training and also advisory services and reporting. The Integrity Advisors are “impartial, autonomous and bound to confidentiality.” The agency’s website clearly defines their role, advising staff to contact the Integrity Advisors if they have:

- questions on ethical conduct in general and our Code of Conduct in particular,
- reason to suspect corrupt practices or an infringement of GIZ’s Code of Conduct.

GIZ Integrity Advisors receive a large number of contacts each year. The majority are requests for advice on issues such as accepting gifts, hiring relatives and resolving other issues related to the code of conduct, such as harassment. This suggests that a clearly defined and well-publicised option for receiving advice on ethics and anti-corruption will be used. At the same time, GIZ reports that the Integrity Advisors are contacted by national (locally employed) staff much less often than by headquarters and seconded staff, perhaps because Advisors are physically closer to headquarters staff and are acquainted with them more directly, and/or because inquiries or concerns from national staff are first raised with higher level staff (usually seconded from headquarters) in
national offices, who then contact the Integrity Advisors.\(^{10}\) GIZ also provides an independent ombudsperson who may give advice on certain corruption situations (see Section 1.7).

**KfW**’s Compliance Department offers anti-corruption/integrity/ethics advisory services (e.g., regarding receiving gifts or other possible conflicts of interest), training and reporting through an anti-fraud and corruption representative and their deputies and team. This role is clearly defined in guidelines and work instructions, and on KfW’s intranet. Staff members are requested to contact the team in case of queries on anti-corruption/integrity/ethics topics as well as for information on suspected fraudulent or corrupt practices. Additionally, the KfW ombudsperson (see Section 1.3.1) may offer advice to employees who have questions about how to handle specific situations. However, the main function of the ombudsperson is as an anonymous reporting channel for suspicion of corruption or other illegal acts.

**The Japan International Cooperation Agency (JICA)** provides a variation on these examples, with an advisory desk for companies, NGOs and individuals involved in ODA projects. In 2009, the agency established a point of contact for reports of fraud and corruption related to ODA projects. While the point of contact was initially intended only to receive such reports, there was a growing demand for broader advice and assistance, and the point of contact “was renamed as ‘Consultation Desk on Anti-Corruption’ and started to engage in consultations with companies suffering from unreasonable requests in relation to alleged fraud and corruption.”\(^{11}\)

### 1.3. Training and awareness raising

Here again, paragraph III of the Recommendation highlights the importance of training and awareness raising on anti-corruption.

**Training and awareness raising on anti-corruption**, which should:

1. Include ethics and anti-corruption training, including for locally-engaged staff in partner countries. Opportunities for interactive training, including discussions of scenarios and exploration of possible responses, should be put in place for making codes of conduct and other anti-corruption rules practically applicable and meaningful across different social, cultural, and institutional settings;
2. Clarify the roles and responsibilities of different staff and tailor the extent and specialisation of training according to the exposure to corruption risk of each role, particularly in face of resource constraints;
3. Assure that training of all staff involved in posts that are more directly involved in dealing with corruption risks (such as programme design, management, procurement and oversight) goes beyond the internal ethics and reporting regime, to include corruption risk identification, assessment and mitigation approaches as well as main international obligations to which their country has committed.

Most contributing agencies provide some level of training on corruption, if only to ensure that employees know which behaviours may violate agency rules. Contributed examples of practices in anti-corruption training fall into three categories:\(^{12}\)
• Training only on code of conduct/ethical behaviour and agency rules on corruption/anti-fraud issues (typically, but not always, mandatory);
• Integrated training on code of conduct and ethical behaviour along with broader approaches to anti-corruption, including causes and consequences, risk factors and/or international agreements and commitments on corruption (sometimes mandatory);
• Optional specialised training in corruption analysis and approaches to programming to assist countries to fight corruption (often for governance specialists or other specifically interested staff).

Some contributing agencies noted that resource constraints may lead to the prioritisation of specialised training for especially high-risk functions over broader training for all staff. Others noted that, unlike accounting practices or procurement rules, anti-corruption regulations apply to everyone, and involve terms and concepts which may mean very different things to different people, depending on their cultural, economic, and social backgrounds and environments. Furthermore, some interviewees observed that as corruption and related issues may be related to professional or legal consequences, employees may be reluctant to discuss them, for fear of getting into trouble. For these reasons, some contributing agencies ensure that anti-corruption/anti-fraud training reaches as many employees as possible, especially locally hired staff in field missions.

One way of addressing resource constraints and distributing the responsibility for anti-corruption training is to use on-line training. A second approach used by some contributing agencies is to encourage or even require managers - often heads of mission, or department heads in headquarters - to deliver anti-corruption training to their staff. Training guides and related materials are used by many contributing agencies to assist managers in this effort.

While contributing agency practices differ in how they pursue the elements of the Recommendation with regard to training and awareness raising, some recurring examples of contributing agencies’ practices were:

• using interactive and scenario-based training, with an emphasis on discussion about concepts that may be differently interpreted and understood in different institutional, social and cultural contexts;
• placing emphasis on safety and encouraging discussion by taking questions seriously and avoiding signals which indicate someone has said something “wrong”;
• using training as an opportunity to introduce and/or reinforce knowledge of resources for further assistance, such as advisory services or help desks.

While some of these examples are easier to implement through in-person training, the examples that follow suggest some ways to move training initiatives in this direction even without the resources to conduct comprehensive in-person training for all agency staff.

1.3.1. Examples

GIZ provides training that focuses on its Code of Conduct. A training course (“Acting with Integrity – Integrity Management at GIZ”) forms part of the induction training for all headquarters and seconded (hired in Germany to work in field offices) staff. Country directors are charged with assuring training is provided for local staff of national offices, and GIZ provides supporting PowerPoint slides in multiple languages. Additionally, all new staff must complete a “GIZ: Acting with integrity” online tutorial within the first 100
days of their employment, or within the first year for national staff. The in-person training, as well as the online tutorial, covers the key elements of the Code of Conduct, along with information on getting guidance and reporting concerns through GIZ’s Integrity Advisors and Ombudsperson. The training follows recommended practice by including practical examples and scenarios for users to consider. (Error! Reference source not found.)

Figure 1.2. Using scenarios in training: Example from GIZ on-line training

GIZ does not provide a systematic programme of specialised anti-corruption training for staff in specific high-risk roles, but instead takes the individual integrity of all staff as its highest priority. However, the agency does sometimes identify special situations - such as a country where activities and staff levels have expanded very quickly and/or many employees are working in remote locations away from support and oversight - where extra training efforts are needed.

KfW’s training on the code of conduct, as well as additional training directed at the prevention of fraud and corruption, includes examples abstracted from real cases in KfW’s work, or from other institutions doing similar work. These are included in both on-line and in-person trainings. Training is mandatory for all employees, initially at the start of employment and every one to two years thereafter. Trainers state that it is most important to assure that some of the examples come from international settings similar to those in which the trainees work, as this makes the situations more relevant and meaningful for trainees. Moreover, KfW has also developed a training flyer with risk scenarios and solutions, which is handed out to all employees. This was developed in workshops based on experiences and findings from prior cases, and with support of the World Bank’s Integrity Vice-Presidency.
MFAT’s (New Zealand) training on the code of conduct is not mandatory, but managers are encouraged to provide training opportunities to all staff, and the Ministry’s Audit and Risk Division has provided a training guide. The guide consists of twelve scenarios, each with related questions, discussion points and references to relevant provisions in the Code of Conduct. Like the Code, not all of the scenarios relate to corruption, but many do, as illustrated in Box 1.5.

Table 1.1. Using scenarios in training: Example from MFAT code of conduct training guide

<table>
<thead>
<tr>
<th>Situation</th>
<th>Questions and prompts</th>
<th>Key discussion points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mike has been collecting quotes from contractors. Last week he presented</td>
<td>Which sections of the Code of Conduct are applicable? (Fraud prevention, protected</td>
<td>Fiona appears to have breached the Code of Conduct by awarding the contract to a company that she has a financial interest in. Fiona appears to have acted for personal gain, rather than in the interests of the Ministry.</td>
</tr>
<tr>
<td>them to his manager, Fiona, and recommended the best one for the job based</td>
<td>disclosures and managing conflicts of interest)</td>
<td>As a person with an apparent conflict of interest Fiona should not have been responsible for the awarding of contracts in this area. Fiona should have declared her interest to her manager prior to the collection of quotes.</td>
</tr>
<tr>
<td>on price and overall quality Fiona chooses a different contractor. Mike</td>
<td>Has Fiona breached any provisions of the Code of Conduct?</td>
<td>Mike is obliged to notify the Ministry of his concerns regarding Fiona’s actions. He can start by discussing his concerns with Fiona directly. If he is not fully satisfied that Fiona is acting ethically and in accordance with the Code of Conduct and the Ministry’s Conflicts of Interest Policy, he should elevate the matter to the AUR Divisional Manager.</td>
</tr>
<tr>
<td>knows Fiona has a financial interest in the company she chose.</td>
<td>What should Mike do?</td>
<td>Employees may use the process set forth in the Ministry’s Fraud Prevention and Response Policy, the Protected Disclosures Policy or use the Integrity Plus Line where they become aware of serious wrongdoing within the Ministry.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Relevant provisions of the Code of Conduct: Fraud prevention “Employees shall comply with the Ministry’s fraud prevention and response policy……. Employees should report any suspected fraud to their Manager and, at overseas posts, also their head of mission. All cases of fraud will be investigated.” (Clauses 3.6 to 3.8)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Protected disclosures “There may be circumstances when it is difficult for employees to report suspected serious wrongdoing……agency’s protected disclosures procedures available to them.” (Clauses 3.9 to 3.11)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managing conflicts of interest “Employees should perform their duties honestly……nor shall they become financially or personally involved either directly or indirectly in any arrangements arising from the provision of advice.” (Clauses 4.10 to 4.15)</td>
</tr>
</tbody>
</table>

The training guide also provides a reference tool which helps staff and managers to quickly identify relevant guidance for specific issues and trainees. One chart sets out the twelve scenarios against the issues from the Code of Conduct to which they are relevant (e.g., performance of duties, managing conflicts of interest, fraud prevention, respecting the rights of others). Another indicates which scenarios would be relevant for front-line staff (those working directly with the public), management (those with responsibility for staff or budgets), policy staff (those working in policy development or advisory roles, including those who work directly with Ministers), and general staff.
For management-level training, the Ministry also provides an optional, on-line interactive module that takes participants through a story of a diplomat posted overseas who is offered gifts. The module interjects questions along the way about how the diplomat should respond.14

Finally, the training kit also provides a “decision-making checklist” for employees, with a simple set of considerations for situations in which they may find themselves (Error! Reference source not found.).

**Box 1.5. Tools for training and beyond: Example of New Zealand Ministry of Foreign Affairs and Trade’s decision-making checklist for ethical behaviour**

Ethical behaviour involves using good judgement and a logical process of thinking about whether your conduct or actions are appropriate to the situation. In the same way, when we are faced with a difficult decision sometimes it helps us to consider the possible consequences of the action we are considering. Common sense and good judgment based on well-reasoned decision making is required in applying the Code of Conduct to any situation you face.

If you are unsure if an action you are about to take is correct, ask yourself:

- Would my action be lawful?
- Would it be fair?
- Would it be reasonable?
- How would it look?

And finally, ask yourself:

- Is it sensible?

It may be that a proposed course of action meets all the other criteria, but it just isn’t sensible.

If you are not sure what an appropriate response to a situation is, you must discuss the issue with your manager before taking any action. Similarly, if you think others may be behaving inappropriately, discuss this with your manager.


**Sida** requires all staff, including locally hired staff in overseas missions, to complete on-line anti-corruption training. This training falls in the second category identified at the beginning of this section: integrating issues beyond the agency’s ethical guidance, including definitions of corruption, preventing corruption (including different types of corruption analysis), handling cases of suspected corruption, ethical questions, and the international framework of agreements.

A training guide is available to be used by managers in conjunction with the basic online course, to set forth the interactive discussions endorsed by the Recommendation (see Technical Annex 3). The guide provides discussion questions, including scenarios, suggestions to facilitate the conversation, and resources for further reference by leaders or participants. Sida also presents more in-depth training on internal controls and risk
management as part of its training on its contribution management system (see Section 1.5), as well as broader training on anti-corruption programming approaches. Sida is one of several agencies also providing training from the U4 Anti-Corruption Resource Centre available to their staff.

1.4. Auditing and internal investigation

Paragraph III of the Recommendation also focuses on the role of high-level auditing and internal investigation in order to ensure the proper use of resources and prevent, detect and remedy corruption risks, with the following functions provided for:

1. Internal audit services. Detailed standards for internal auditors are available through relevant international professional associations and should serve as guidance as appropriate;
2. External audit, including of the agencies as well as of the projects/activities the agencies fund, conducted by relevant authorities (i.e. Supreme Audit Institutions, independent external audits). Detailed standards for external auditors are available through relevant international professional associations and should serve as guidance as appropriate;
3. Access to investigatory capacity, within or outside the agency, to respond to audit findings;
4. Systematic and timely follow-up of internal audit findings as well as findings from independent external audits to assure that weaknesses have been addressed and any sanctions implemented;
5. Communication to staff about audit and investigation processes and outcomes, within confidentiality limits, to build trust, reduce perceptions of opacity and take into account lessons learned

Internal and external auditing provide an oversight of the operations and financing of development activities. Among contributing agencies, both programme and financial audits are typically conducted by actors (whether internal or external to an agency) who are not involved in implementing or managing the activities under review, thereby assuring a more independent verification of the procedural and financial management of the activities.

Some examples of auditing practices submitted by contributing agencies are quite similar and do not need a great deal of explanation. Some areas where examples were relatively similar include:

- Subjection of contributing agencies to external audit by their government’s supreme audit institution.
- Most contributing agencies require audits through qualified auditing firms of grants and contracts. These are typically financial audits, but some agencies also reserve the right to request programme or management audits.
- Follow-up and monitoring of audit findings is typically done through various types of management oversight. However, few examples emerged of systematised approaches to this function with special management tools or systems. In the case of external audits of grantees and contractors, programme managers are typically responsible for checking whether weaknesses have been addressed.
In other areas, such as the scope and structure of internal audit, how investigations are handled, and how follow-up is managed, practices differ more widely. This section offers examples of agency practices especially in areas where practice is not uniform across agencies.

A few other observations about auditing and follow-up activities emerged from interviews:

- Among contributing agencies, internal auditors are typically responsible for much more than just the activities an agency funds. In some cases, internal audit is more concerned with the quality and outcomes of implementation of the agency’s own policies and procedures than with the financial practices of grantees and contract holders. Management reviews and reviews of alignment between strategies and activities appear to be at least as important for internal audit review as the individual activities funded by the agency.
- Several integrity officers and auditing officials indicated in interviews that audits are not the main source of information on possible corruption. Rather, corruption is more frequently uncovered through direct reports from partners or country missions (embassies, agency offices) or from reporting and whistleblowing mechanisms.

### 1.4.1. Examples

#### Functions and scope of internal audit

In many of the contributing agencies, “internal audit” refers to a range of responsibilities, not always including financial audit. Examples of different practices and arrangements are provided here.

**Camões, IP** has an Evaluation and Audit Unit (GAA) that aims to strengthen overall knowledge on programmes and projects and their results and outcomes. Internal audit in Camões, IP examines organisational performance, conformity of activities and management practices with the Institute’s regulations, alignment of activities and resources with strategies and objectives, and the degree of achievement of those objectives. It identifies weaknesses in procedures and implementation and proposes and monitors solutions, with a goal to improve productivity, efficiency and effectiveness of the institute (Camoes, 2014). The unit’s work is framed around the risks identified in the Institute’s overall risk management plan (see Section 1.5.1); for instance, at the time of writing, it was conducting a review of small projects funded by Embassies to identify problem areas and propose solutions aimed at producing better outcomes.

GAA also plays a relevant pre-emptive role in Camões, IP’s development practice. For instance, it actively engaged in an internal working group responsible for the creation of a comprehensive project management manual, providing guidance on issues such as corruption and conflict of interest, among others, in procurement of development activities.

**Norway’s MFA** fulfils the internal audit function through the Foreign Service Control Unit (FSCU). The FSCU was established in 2007 with a broad mandate, which was slightly modified in 2014:

- Handle cases involving breach of acts, rules, regulations applicable to the foreign service;
• Oversee to what extent the functioning of the foreign service at HQ and at missions abroad is in accordance with decisions and instructions, including ethical guidelines, highlight deficiencies and deviations, and
• Carry out other assignments as instructed by the Secretary-General.\textsuperscript{15}

The FSCU’s responsibility covers all aspects of Foreign Service operations, including grant management, and the Unit reports directly to the Secretary-General of the MFA. (The MFA manages approximately 70% of Norway’s official development assistance [ODA]).

The FSCU is not strictly an internal audit body, but it performs several audit-like functions. Examples include a review of financial management and internal control in an administrative department in the MFA and a recent review of the quality of grant management in another section. In addition, the FSCU, through an external consultant, has reviewed the system for information security in the MFA. The Unit also carries out reviews of grant management and administrative functions at missions abroad. The FSCU engages in co-operation and dialogue with the internal audit and investigations units of multilateral organisations with a view to strengthen them.

The FSCU has the scope to examine more than just financial controls or adherence to procedures, and this allows for more comprehensive solutions to be proposed. In the grant management quality review mentioned above, for example, the reviewed unit was asked to develop an action plan to address internal weaknesses, and the FSCU was also able to identify weaknesses in the Ministry’s guidance and management tools. A useful outcome in this case was to recommend improvements in the reviewed unit’s execution as well as in grant application and decision document templates (management tools). The report also highlighted some systemic issues such as leadership (tone from the top) and recognition of the importance and value of strong grant management competence for enhancing the quality of grant management within the Ministry. Thus, the review produced a broader understanding of issues at various levels than would a narrowly focused financial or programme (e.g. results) audit.

Sida’s and KfW’s internal audits perform similar roles, focusing on reviewing adherence to the agency’s policies and procedures, as well as reviews of the agency’s overall approach to particular issues, such as anti-corruption, to identify remaining vulnerabilities and how they may be addressed. The internal auditor’s agenda is set forth in an annual audit plan decided by the Agency’s Board of Directors.

\textit{External audit of development agencies and individual projects}

Most contributing agencies are themselves subject to audit by their government’s supreme audit authority. In some cases, agency programmes or budget areas may be subject to specially-constituted authorities such as the United States’ Special Inspector General for Iraq Reconstruction (SIGIR) and Special Investigator for Afghanistan Reconstruction (SIGAR), aimed at providing additional oversight and monitoring of very large or otherwise risky activity areas.\textsuperscript{16}

At the project level, it is typical practice among contributing agencies to require that contractors and grantees contract with accredited auditing firms to conduct financial audits. Contracts and grants usually include language to this effect. For example, Sida’s Rule for Managing Contributions requires that all aid funding agreements include requirements for auditing and other reviews, and gives detailed guidance on what is expected (Box 1.6.). The rule is supported by guides on auditing (see Technical Annex 4)
and a standard template of annual audit terms of reference that implementing partners can use to assure compliance with Sida’s requirements (see Technical Annex 5).

**Box 1.6. An example of auditing requirements: Sida’s rules**

2.8.9 Management of monitoring, evaluation and audit

- The Agreement on contribution shall establish conditions regulating monitoring, evaluation and audit and other external reviews and controls of spent funds. The terms and conditions shall be based on and adapted to an assessment of the cooperation partner’s capacity and a risk analysis.
- The Agreement on contribution shall state that Sweden/Sida always has the right to request or conduct audits and reviews, on its own, or jointly with other financiers.
- The Agreement on contribution shall state that upon request an organisation (not applicable for state or multilateral organisations) shall give the Swedish National Audit Office opportunity to review how contributions are being used by the recipient and provide access to the information needed for the review.

2.8.10 Requirements for audit of use of funds

- The co-operation partner ensures that the use of funds is subject to an annual, separate audit or is included in the audit of the project, program or organisation. Audit means first and foremost assurance audit, however an agreed-upon procedure review (ISRS 4400) can also be accepted if Sida assesses the review to be sufficient.
- For contributions lasting 23 months or less, a final audit at the end of the contribution may suffice, given that Sida finds it appropriate based on the risk assessment.
- For contributions funded with total agreed amounts below SEK 500 000, forms of control of funds other than audit may be used, if Sida finds it appropriate based on the risk assessment. This can also apply to grants forwarded by an organisation with which Sida has an agreement, provided that the individual agreed amounts are below SEK 500 000.
- Under particular circumstances, other forms of control than audit may be used also in cases where the contribution exceeds SEK 500 000, after a decision by the competent Director with the right of disposal of funds. Before such a decision an Audit Advisor shall be consulted and the reasons for not using audit documented in the contribution decision. The Audit Advisor shall sign the “Consultation” preceding the decision.
- Sida's requirements for control and audit of the use of funds also apply to funds forwarded to all subsequent parties. The Agreement on contribution shall regulate the cooperation partner’s responsibility for the control and how this shall be carried out on subsequent levels. The requirements shall be drafted in accordance with this Rule.

2.8.11 Requirements for auditors and audit standards

- The cooperation partner’s regular auditor and audit procedures shall be used if they meet the requirements as described below.
- The audit shall be conducted by an external, independent and qualified auditor,
i.e. an approved or certified auditor. The audit shall be conducted in accordance with international standards issued by the International Federation of Accountants (IFAC), or International Organisation of Supreme Audit Institutions (INTOSAI) or equivalent national standards.

- If the cooperation partner is a multilateral organisation, its internal audit may be accepted provided that it complies with international standards of internal auditing issued by the Institute of Internal Auditors (IIA).
- The co-operation partner’s selection of auditor shall be approved by Sida. The signing auditor shall not be contracted for the assignment for more than seven years.


Sida also encourages direct aid to other governments to be audited by the Supreme Audit Institution (SAI) of that country provided there is evidence that the SAI has sufficient capacity to do so (SIDA, 2016c).

Investigative capacity

As noted in the introduction to this section, investigative capacity in contributing agencies is typically associated with more than just auditing functions. Instead, investigations are conducted in response to any source of information that credibly suggests that corrupt actions (and in many cases other violations of agency regulations) may have taken place.

Contributing agencies differ on where investigative capacity is located within the agency (e.g., an independent inspection unit/office, or an internal fraud control unit) and whether in-house resources are maintained for this purpose. Agencies that do not have investigation capacities may be in a weaker position to assure effective and timely responses to corruption allegations, but they may also hire external investigators to fulfil this function.

KfW’s anti-fraud and corruption representative, their deputies and an integral team is responsible for investigation of any suspected corruption, fraud and other financial irregularities that may violate rules and regulations. German legislation requires that all suspicions of financial irregularity be investigated. The investigations are carried out with the relevant operational departments and if necessary with external expertise.

Similarly, the FSCU of the Norwegian MFA handles investigations into suspected breaches of rules and regulations, particularly corruption, fraud and other financial irregularities. In accordance with the Ministry’s zero-tolerance policy, all suspicions of financial irregularity must be investigated, regardless of the amounts involved (Norway MFA, 2010). The FSCU has some investigative capacity itself, or sometimes it will also use externally-contracted investigators. Embassies may also employ auditors or lawyers to assist with follow-up at the country level (Norway MFA, 2012). For cases of irregularities in organisations that receive funds, the FSCU may request and monitor an action plan where serious weaknesses were found, but normally monitoring is left to the relevant managing unit of the Ministry.

In Sida, investigators are not directly attached to the internal audit office. Rather, the agency has an internal investigation group which responds to reports of corruption that
come through regular management channels and through the agency’s whistleblowing mechanism. If financial audits turn up suspicions of corruption, project managers are expected to report these concerns to Sida’s investigation unit or to the immediate supervisor.

1.5. Active and systematic assessment and management of corruption risks

Paragraph III of the Recommendation also refers to **active and systematic assessment and management of corruption risks** in an ongoing way and at multiple levels of decision making, which should:

1. Integrate corruption risk assessment into all programme planning and management cycles in formalised ways, informing relevant hierarchical levels within the international development agency, assuring analysis and review of corruption risk throughout the project cycle and not as a stand-alone exercise at the project design phase;

2. Provide guidance or frameworks appropriate for different levels of corruption risk analysis with a view to help programme managers identify how corruption might directly affect the desired outcomes of the activity, including more detailed assessment than a broad political economy analysis, such as a careful examination of assumptions regarding obstacles and opportunities for anti-corruption and identifying adequate anti-corruption measures;

3. Use tools like risk registers or matrices at the outset of a development intervention, and update them regularly throughout implementation, with necessary adjustments to anti-corruption measures;

4. Strengthen integration between agency control functions, including auditors and controllers, and programme management functions and other relevant stakeholders for the purposes of more effective corruption risk assessment and management;

5. Build an evidence base for corruption risk management by sharing experience internally and among other international development agencies about the content and form of corruption risk assessments and management tools, ways that risk management is built into the project cycle, and the impact of these processes.

This element of the Recommendation focuses specifically on risk management frameworks, tools and guidance that help to institutionalise and systematise corruption risk management. It also highlights the importance of learning from these efforts and directing that knowledge back into project management functions (sub-items iv and v). Some other elements of the Recommendation, particularly due diligence procedures, are often included in risk management systems, though they are discussed separately in the Recommendation. (See Section 1.6.1)

A number of contributing agencies have well-developed risk management frameworks in place, and a range of systems and tools has been developed to implement them. There are important differences, however, in how corruption risk per se is dealt with in these frameworks, and there are fewer examples of detailed guidance on identifying and assessing corruption risks, especially outside of institutional reviews (due diligence). Even fewer examples exist of how contributing agencies integrate learning from the
findings of their control functions (audit, investigation) into project design and management, while initiatives to assess the impact of corruption risk management remain almost completely undeveloped.\textsuperscript{18}

While contributing agencies have adopted a number of similar tools (risk registers and matrices, for example) for certain parts of their corruption risk management, there are significant differences in how corruption risk is defined or conceptualised, the institutional levels at which risk management takes place, and how corruption risk management is ultimately executed in project management. The following sections illustrate some of the variations and commonalities that are evident in the ways contributing agencies conceptualise and manage corruption risk in their activities.

1.5.1. Examples

Conceptualisation of corruption risk and level of implementation

Risks can be identified at the contextual, programmatic and institutional levels, a framework commonly known as the Copenhagen Circles (Error! Reference source not found. 1.3.).

\textbf{Figure 1.3. Conceptualising Risk: The Copenhagen Circles}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Copenhagen_Circles.png}
\caption{Conceptualising Risk: The Copenhagen Circles}
\end{figure}

\textit{Source: DANIDA.}

Within this framework, corruption may be considered at all levels:

- as a contextual factor: e.g., widespread corruption in a given country or sector, or weak oversight and enforcement institutions in a country - which then may create…
- programmatic risks: e.g., risk that the objectives may not be achieved due to misdirection of important government contributions or failure to pass necessary policies (due to corrupt interests), or risk that the programme could unintentionally exacerbate corruption by, for example, freeing government funds for politically motivated patronage activities, perpetuating practices of allowance-chasing within a partner institution, or flooding a weak financial management system with money. Programmatic risks may also result from…
institutional risks: e.g., poor management processes (by an aid agency or its implementers) that lead to fiduciary losses. Additionally, institutional risks may stand alone from programme risks: for instance, reputational or fiduciary risks that may result from engaging with corrupt governments or funding an organisation that misuses funds.

The Copenhagen Circles and variations on them provide a basic guide for where to look for corruption risk. Contributed examples of risk management tools emphasise different degrees of breadth in how they conceptualise corruption risk and what types of risk they emphasise. For instance, corruption is a mandatory cross-cutting issue in the Norwegian MFA grant management system, and grant managers are therefore required to conduct corruption risk assessment on all grants, examining two aspects of corruption risk that correspond to the programmatic risk element of the Copenhagen Circles: 1) possible impact on achieving the objectives of the programme, and 2) creating unintended consequences in terms of corruption (do no harm). This and similar approaches constitute the broadest conceptualisation of corruption risk in the contributed examples. In comparison, USAID’s main tool for conducting corruption risk assessment, the Public Financial Management Risk Assessment Framework (PFMRAF), focuses specifically on government-to-government funding and emphasises fiduciary risk (institutional risk). (See further discussion of PFMRAF below.) The Department for International Development of the United Kingdom (DFID)’s Business Case requires corruption risk analysis in terms of fiduciary risk and in a broader programmatic sense (see further discussion of the DFID Business Case).

A second aspect of how contributing agencies conceptualise corruption risk is the position corruption holds in their overall risk management frameworks. For contributing agencies with comprehensive risk management plans, corruption risk may appear as a specific issue to be addressed through all aspects of an agency’s activities (programmatic and administrative), or it may be more narrowly defined in terms of the agency’s own internal functions only.

Camões, IP, for example, has developed an agency-wide risk management plan in response to a broader Portuguese government effort to reduce corruption risks, among others. The plan uses a framework that considers risks in the external environment; risks related to the agency’s planning, processes and systems; and risks related to people and the organisation (Camões, 2015). Corruption risks are placed in the last category, under the heading “Ethics and organisational behaviour.” shows the elements of the agency’s current risk analysis and management plan that address corruption. As currently formulated, corruption risk is related mainly to factors internal to the agency. Like all agencies administering aid funds, Camões recognises risks in the broader environment as well, but it has not yet developed a framework for integrating these considerations into its overall risk management approach. Camões, IP’s experience raises the broadly recognised challenge of possible conflicts between the agency’s interest in limiting its exposure to corruption risk, on the one hand, and other national policy priorities that may make addressing corruption in the external environment more difficult, on the other.
### Box 1.7. Corruption risk management: Example from Camões, IP

#### 3. Risks related to people and the organisation

**3.2. Ethics and organisational behaviour:** Identify any situation that may affect the ethics or organisational behaviour affecting the Institute and, indirectly, its activities/goals.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description of the risk (identifying the cause of the risk and the potential consequence)</th>
<th>Impact: Low-Medium-High</th>
<th>Probability: Low-Medium-High</th>
<th>Risk level: Reduced-Moderate-High-Extreme</th>
<th>Notes, namely risk basis, affected activities and actions, responsible service, deadline/periodicity</th>
<th>Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>Favouring a candidate in the context of any procurement</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
<td>Risk Rationale: The favouring of candidates implies less credibility and transparency of Camões, IP and consequently worse performance. Activities affected: Management of Camões, IP interventions. Possible actions: Respect the mechanisms and criteria that guarantee a rigorous and transparent selection. The constitution of juries must include an external element to the unit/department/organisation. Deadline: Where applicable.</td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Non-implementation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
<td>Risk Rationale: Situations of corruption of foreign public officials in international business transactions in cooperation activities or related to Portuguese Cooperation put into question the credibility of the country. Activities affected: Development cooperation Possible actions: Implement the recommendations of the OECD Convention Review. Deadline: 2015</td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>The existence of conflicts of Interest.</td>
<td>High</td>
<td>High</td>
<td>Extreme</td>
<td>Risk Rationale: Conflicts of interest cause problems in the credibility and transparency inherent in the provision of the public service. Activities affected: Approval of cooperation interventions. Possible actions: Elaborate Guidelines to avoid conflicts of interest Deadline: December 2016</td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Breach or failure of confidentiality - information provided to entities or persons outside the process.</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
<td>Risk rationale: The breach of confidentiality is harmful to the image of the organisation. Activities affected: Management; Presentation and approval of interventions. Possible actions: Disseminate the Code of Ethics; signature of confidentiality commitment similar to the declaration of anti-corruption risk incompatibility. Deadline: Whenever a contract is signed in the context of any partnership.</td>
<td></td>
</tr>
</tbody>
</table>

DSPG DSC DLC GPAC GAA GDC*
This example also demonstrates the difference between risk management at the agency level versus the programme or project level. Camões, IP does not yet employ this approach at the project level, where the agency reports some corruption risks may appear in log frames, but are not yet part of formal project analysis or management tools. (Tools for implementing corruption risk management at the project level are discussed in the following section.)

**Risk management at the project level: What risks, what guidance, and what tools for integration into project management?**

This section discusses how contributing agencies define corruption risk at the level of individual investments, and the tools they use to integrate risk management into the project cycle. Common approaches include:

- different types of corruption risk analysis (either explicitly focused on corruption, or as an element of other types of analysis) at project planning/appraisal and approval stages,
- risk matrices for assessing the seriousness of risk (see example in Error! Reference source not found.), and
- risk registers for recording risks and mitigation measures.

Risk monitoring and updating is usually mandated in these tools, though the frequency varies. More agencies appear to be trying to implement a continuous risk management approach, with reporting and project management tools that require updates on how an activity’s risk profile may be changing and/or the effectiveness of mitigation measures.

**Figure 1.4. Example of a risk matrix**

![Risk Matrix Example](source: USAID)
In comparison to the basic tools for managing risks at the project level, including corruption risks, guidance for corruption risk identification and assessment is less common and differs greatly, both in terms of the type of guidance that is given and its specificity. Detailed guidance for broad, context-level corruption risk identification and assessment is rare. More common at this level are suggestions for information sources (e.g., World Bank Global Governance Indicators, Transparency International National Integrity System studies, PEFA Assessments, etc.), along with offers of assistance from specialists within the agency.

Frameworks and guidance for more specific types of risk assessments, including due diligence analysis of potential funds recipients, are fairly common among contributing agencies. Some examples are provided in the agency examples that follow.

The Danish Ministry of Foreign Affairs requires risk analysis for all programmes above DKK 35 million (about USD 5 million or EUR 4.7 million) and provides guidance for developing this analysis. Denmark’s guidance was being updated at the time of writing, but has included corruption as a specific element of the risk environment that should be tracked in a risk register. However, based on the experience that some degree of corruption risk is almost always present, guidance suggests that corruption in the risk identification and assessment should focus on changes in the exposure to corruption, either through alterations in programming that may increase or decrease Denmark’s exposure to corruption, or shifts in the type or prevalence of corruption in the operating context. The Ministry considers that ongoing and constant risk of corruption should be taken into consideration in the design of programmes and not be assigned to a separate risk assessment.

The Ministry has recognised some special needs related to programming in high-risk and conflict-affected settings. For its development programming in Afghanistan, for instance, the Danish Embassy in Kabul identified a need to operationalise and adapt overarching risk management guidelines (e.g., the Copenhagen Circles) to the unique and dynamic context of the country. To respond to this challenge, the Embassy in Kabul has been developing iterative approaches to managing corruption risk. In 2016, the Afghanistan programme developed risk workbooks as a tool for managing each development engagement in the Country Programme. The workbooks identify risks, treatments, controls, next actions and who is responsible for the actions. The treatments and controls can be standard interventions such as audits, third party monitoring and administrative reviews, but the workbooks also allow for more ad hoc treatments that are specifically tailored for the context of each project. Guidance for identifying risks and tracking mitigations in the workbooks is provided in Standard Operating Procedures tailored for programme officers and for managers.
Table 1.2. Identifying risks in a workbook: Example from Danish Embassy, Kabul

<table>
<thead>
<tr>
<th>Risk factor</th>
<th>Likelihood</th>
<th>Assessment of likelihood</th>
<th>Impact</th>
<th>Assessment of impact</th>
<th>Date of last review</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the risk?</td>
<td>Your assessment of the likelihood that the risk will be realised and is ranked on a scale of unlikely-almost certain.</td>
<td>The background to your assessment</td>
<td>This is your assessment of how significant the impact will be if the risk is realised and is ranked on a scale from minor – major.</td>
<td>The background to your assessment</td>
<td>The last date you reviewed these details. At a minimum, every quarter.</td>
</tr>
</tbody>
</table>

Table 1.3. Tracking risks in a workbook: Example from Danish Embassy, Kabul

<table>
<thead>
<tr>
<th>Risk factor</th>
<th>Risk treatment or control</th>
<th>Next step</th>
<th>By who</th>
<th>Date of last update</th>
</tr>
</thead>
<tbody>
<tr>
<td>This is identical to column A in the Risks tab and should not be changed, unless the risk is no longer considered relevant.</td>
<td>How you are going to either treat, or control the risk. This could be action taken by you, or by an external body and details how the risk will be mitigated, or managed. Usually these are longer-term.</td>
<td>This details at the operational level what you need to do to ensure the risk is being monitored. It requires tangible, actionable stems such as ‘reviewing an audit report, ‘attending a meeting’. You should ensure your input here can be measured and actioned. It does NOT contain steps for the partner to take.</td>
<td>Officer responsible for taking the next step. Be specific here, even if there are multiple people involved, indicate the responsible officer.</td>
<td>Date when the ‘next step’ was updated.</td>
</tr>
</tbody>
</table>

Source: Tables 1.2 and 1.3 from Danish Embassy-Kabul (n.d.), “Standard Operating Procedure: Managing Risk for Programme Officers.”

The corruption risk management system in Afghanistan is also specifically linked to project results reporting: workbook spreadsheets cover both results monitoring and risk monitoring. The Embassy reports that when results are off track, staff can quickly analyse whether the identified risks may be contributing to the lack of progress and whether treatments and controls are sufficiently effective. Both risks and results are reviewed on a bi-monthly basis and adjusted quarterly. The Embassy has identified three strengths of this system: it is a practical tool that can change with the dynamic context of Afghanistan; issues are logged so that progress can be gauged, and an evidence base is generated to learn which treatments and controls are most effective. Experience has also highlighted the value of these tools for making a pro-active approach to corruption risks routine which, although time-intensive, has proven to be more efficient than reacting to a corruption incident after it has come to full fruition.

DFID’s corruption risk identification and assessment at the project level is located mainly in the agency’s Business Case Framework, which also serves as a tool for specifying risk mitigation requirements.25 Business cases include consideration of corruption risks from a number of perspectives (see Error! Reference source not found.). These analyses are intended to give project designers and managers a broad understanding of corruption risks in the overall environment, but also detailed insights on the specific ways that corruption might endanger outcomes and financial integrity in the execution of the project.
Figure 1.5. Levels of corruption risk analysis in the DFID business case

Addressing Fraud and Corruption Risk in the Business Case

1. Strategic Case
   - Identify how corruption affects intended sector / area of intervention, drawing on existing analysis such as Anti-Corruption and Counter Fraud Country Strategies, Fiduciary Risk Assessments, surveys and research.

2. Appraisal Case
   - Note any major differences in corruption risk for each option and the implications for the chosen option

3. Commercial case
   - Set out how corruption and fraud risk will be managed in the handling of any programme-related procurement

4. Financial case
   - Set out how the money is going to be disbursed in terms of the delivery chain, and any notable corruption risks at each stage
   - Due diligence of chosen partner(s) (if already identified) and remedy of shortcomings
   - How expenditure will be monitored, reported and accounted for

5. Management case
   - Monitoring and evaluation (verifying results eg through social accountability and beneficiary monitoring methods; early identification of any problems)
   - Risk assessment and safeguards – protecting UK aid and benefitting wider sector


While DFID’s Business Case Framework requires a high-level analysis of the corruption environment at the country or sector level (the strategic case), the structure of the business case also requires project designers and managers to identify and assess risk in more detail, notably including delivery chain analysis (see Box 1.6) to identify weak or risky aspects of the project’s implementation structure. DFID reports that the strategic case of any business case must address the broad context, including the fiduciary and corruption context, in which the project is located. However, business cases for investments aimed specifically at reducing corruption or strengthening the environment against corruption in a country will likely include a more focused political economy analysis or similar assessment of the corruption situation. Other projects may require a less detailed treatment of the corruption context, but focus more on risks at lower levels of project implementation and monitoring.
Box 1.6. A type of detailed risk analysis: Example of delivery chain analysis from DFID

Delivery chain risk management is an approach which focuses on understanding, capturing and managing the risks to the successful delivery of a programme with a particular focus on downstream partners. Everyone in the entire delivery chain should understand the risks that exist and their interdependencies.

Delivery chain risk mapping should clearly show how funds flow from the initial source to end beneficiaries, the risks and potential risks along the way, and how programme objectives are being achieved. It is a visual depiction that enables us to see every partner in the delivery of a programme.

More specifically, delivery chain risk mapping can help identify:

- How and where funds flow through the delivery chain including administrative costs.
- All partners associated with programmes including those sub-contracted (e.g. downstream or indirect partners) by the direct implementing partner.
- Where capacity issues have been assessed with delivery partners and gaps where there is limited information.
- Risks involved and at each stage in the delivery chain.
- Where risk management is transferred or where there may be opportunities to transfer risk management and where accountability sits for the management of such risks.

Source: Excerpt from internal guidance materials provided by DFID (January 2017)

The business case is typically prepared by a senior advisor or other programme or project manager, not a governance/corruption expert or risk assessment expert, though a team may call on such expertise from within the agency. The agency provides guidance and suggested information sources for each element of the required analyses for the business case along with some specific templates, for instance for conducting due diligence of organisations and governments. (See Section 1.6.1. for more discussion of DFID’s approach to due diligence, which contributes particularly to the financial case.)

The final section of the business case, the management case, summarises the management requirements of the project, including “a clear illustration, ideally set out in a risk matrix, of the risks and risk appetite. It should include the envisaged approach to escalating risks and issues as well as exit and possible closure scenarios.” (DFID, 2014:9) DFID’s guidance does not prescribe a specific template for the risk register, but rather states that “teams should use whatever format they find useful to effectively manage risks and maintain evidence that they are doing so.”27 The guidance suggests, however, that “[a] risk register should contain a description of the risk, the risk owner, the risk rating, potential triggers and proposed mitigating actions.”28

DFID considers risk review as an ongoing element of programme management and expects teams to review risk registers monthly or quarterly, in consultation with implementing partners whenever possible. Internal agency guidance suggests that “[r]eviews of the register should cover: current risk status; any change in the risk rating; what is on the horizon that may affect the risk; what action is proposed or decision is
Risk analysis is also formally revisited as part of DFID’s required Annual Review. An Annual Review template on the agency’s on-line project management platform includes a space for any changes in the risk management framework.

GIZ has developed a tool for corruption risk assessment and planning counter-measures called Anti-Corruption (AC) WORKS. Described as “an advisory tool that makes it easy for programmes to do corruption-sensitive planning,” AC WORKS combines the expertise of programme staff with the knowledge of anti-corruption experts in a workshop setting. (GIZ, 2016b). Always tailored to the individual needs of the team requesting the workshop, the method typically maps corruption risks along the value chain in the relevant sector or process map of a project, prioritises those risks according to “their relevance to the objectives and target groups of the project, their potential detrimental impact, and the likelihood of their occurrence,” and identifies preventive measures, taking into account what is feasible within a programme. AC WORKS is not part of the standard project management cycle. It is an optional tool that GIZ programmes can use. In 2016 around 15 programmes with their staff attended a workshop. The methodology and guidance material, along with workshop leadership, is provided by GIZ’s Anti-Corruption and Integrity Programme, which is commissioned by the Ministry for Economic Cooperation and Development (BMZ) to support anti-corruption activities within German development co-operation.

Alongside AC WORKS, GIZ has also developed an internal tool for corruption-sensitive context analysis and action planning. These guidelines are designed especially for officers responsible for the commission, planning officers, external consultants and programme staff who see the need to address corruption risks in the technical co-operation programme or sector. The guidelines include a framework of questions about the general country context, the actors involved in the programme, and the processes that are likely to be relevant to achieving programme goals and may be prone to corruption risk. The process questions are based on a helpful framework of four pillars of anti-corruption (Figure 6). Box 1.7 shows the basic questions that are used at each level of analysis.

**Figure 1.6. Operationalising anti-corruption for risk assessment: Four principles of anti-corruption, example from GIZ**

![Figure 1.6](source: GIZ)
Box 1.7. Identifying corruption-prone areas: Example from GIZ

Key questions concerning the country-specific context

- How can general corruption risks and existing governance structures be assessed at country level with the aid of external sources (see below for possible sources)?
- Is the partner country a signatory to an international convention on corruption prevention and integrity, or does it have a national anti-corruption strategy or reforms to combat corruption at country level, and are they being credibly implemented?
- What is the position of the media, civil society and private sector on the issue of corruption?

Key questions from the perspective of actors

- What experience has been gained in the past and from other programmes in regard to corruption risks when cooperating with the partner and the relevant actors?
- Do partners and actors commit to relevant compliance and ethical principles regarding corruption? What relevant provisions have been made in the contracts and agreements pertaining to a development measure? What kind of regulations do contracts and agreements pertaining to a development measures entail?
- Has the partner taken (effective) precautions to ensure integrity (transparency, anti-corruption) in decisions or processes (e.g. guidelines, risk management systems, criteria for discontinuation of measures, sanctions for employees etc.) and are these being credibly implemented?
- Does the partner cooperate with institutions that promote integrity, e.g. civil society or anti-corruption authorities?
  Have capacity development measures been conducted within the partner system on which transparency measures (or effectiveness measures, where appropriate) can build on?
- Do programmes provide an (external/internal) audit or supervisory body? Has one of the actors taken on these functions? What role do donor organisations play with regard to the implementation of requirements in this area?

Key questions for processes

*Processes included in the guidance are: provision of public services, procurement, personnel, regulation, licensing, subsidies/investments. The guidance notes that not all processes may be relevant to a given project or sector; experience is that two or three are usually identified as crucial to a programme. The key questions for provision of public services are provided here as an example.

- Are there clearly defined responsibilities, competences and distribution of tasks in the provision of the service (e.g. healthcare)?
- Are there transparent agreements on how the service provision and payment for it are to be done and documented?
- Are citizens provided with publicly accessible and transparent information on public services? Does the partner system include complaint mechanisms for
customers/citizens? Are these mechanisms known to the customers/citizens? Are customers/citizens familiar with these mechanisms? Are they being used?

- Are there accountability obligations and reporting requirements in respect to the service provided?


After identifying corruption-prone areas, users are asked to assess how relevant each area is for the programme and assess associated corruption risks based on their probability of occurrence and the extent of the damage they could cause (a method similar to the risk matrix in Error! Reference source not found.). GIZ’s framework then provides two options for dealing with these risks, as exemplified in Error! Reference source not found. A range of risk mitigation approaches based on four pillars of anti-corruption (integrity, transparency, participation and accountability) is provided. (See Technical Annex 10)

**Figure 1.7. Options for taking action to address corruption risks: Example from GIZ**


The main location for risk analysis within the **Norwegian MFA’s** grant management system is the Decision Document (similar in function to DFID’s Business Case). Grant managers record their assessment of the applicant’s risk management, other risks associated with Norway supporting the project (in addition to any identified by the applicant), and whether the applicant has considered risks that could have a negative impact on cross-cutting issues (including corruption). “Relevant questions” are suggested for the first two issues Box 1.11. Expert advice on corruption risk assessment and mitigation is available to managers who think they need further assistance, but guidance is not provided for how to assess corruption risk specifically.
For the most part, the MFA’s approach is to examine the quality and realism of risk assessment included in programme proposals rather than to conduct separate analyses. An independent perspective is maintained, however, with a reminder that “the Ministry/Norad might have objectives in addition to, or that differ from the grant recipient’s (e.g. zero tolerance for financial irregularities, (domestic) political considerations), as well as own internal risks (e.g. lack of resources for follow-up, insufficient competence in the sector),” that should be taken into account (Norway MFA, 2013:85). Similarly, grant managers must evaluate the proposed risk mitigation approaches and determine whether any additional follow-up or monitoring beyond what the proposal suggests may be required.

Box 1.8. Guidance for assessing risk: Norway MFA/Norad approach to assessing proposals

Assessment of the quality of the applicant’s risk management:
Relevant questions: Have relevant risks been identified? Have the probability and consequences of these risks been assessed? Does the application include a plan for handling/mitigating the risks? Does the application focus on the greatest risks? Do the risk assessments seem thorough and realistic? [Refers to further guidance on risk assessment in Grant Management Handbook]

Other risks associated with Norway supporting the project, over and above the risks described by the applicant:
Relevant questions: Has the applicant omitted risks that could have a negative impact on the project’s results achievement? Is there a risk that the project itself could cause harm? Does entering into an agreement with this partner involve any risks [refers to further guidance on due diligence]? Could supporting the project pose a threat to Norway’s reputation? What is the overall level of risk in the country/countries concerned, or in the relevant areas/sectors? Are mitigating measures planned from the donor side [refers to section of the decision document that specifies any additional management or oversight actions resulting from identified risks]? Are there circumstances that make it appropriate to accept a particularly high level of risk?

The MFA requires that risk assessments should be updated with varying frequencies based on level of risk and significance of the grant. At minimum, updates should take place in conjunction with mid-term or end reports. The latter is especially relevant for learning: Were the risks appropriately identified and managed, and if not, what could be done differently in the future?

Sida has developed an extensive approach to corruption risk management that is built into its Contribution Management System, an IT system called TRAC. Seven standard risk areas are identified in TRAC, with requirements for assessing risks, evaluating their potential impact, and establishing mitigation approaches when needed. As seen in Box 1.13, while anti-corruption is a specific focus, several other of the risk areas also relate to corruption risks.
Box 1.9. Sida’s project-level risk framework

In its project appraisal process, Sida assesses seven types of risk. The first is related to external conditions; the others are related to capacities and orientations of the implementing partner.

1. Results: the feasibility and likelihood of achieving the stated results, including evaluating assumptions and external risks.
2. Management and organisation: Risks associated with whether the partner has the management, organisation, skills and resources to achieve the results.
3. Planning, monitoring and evaluation: Risks related to the strengths and weaknesses of the partner’s capacity to monitor and evaluate results and the progress of the intervention.
4. Auditing processes and financial control: Risks associated with the audit history and audit arrangements of the partner, its response to findings of weaknesses, and its routines, resources and competencies for financial management.
5. Procurement: Risks associated with the partner’s plan to procure goods and services as part of the intervention, its procurement regulations, and its routines, resources and competencies for fulfilling procurement plans in compliance with regulations that ensure competition, objectivity and efficiency.
6. Anti-corruption: Analysis of a) the most likely types of corrupt acts and where in the intervention’s processes they might occur; b) the partners’ awareness of internal and external corruption risks and willingness to prevent, detect and deal with corruption; and c) the presence or absence of external stakeholders that can contribute to reducing, preventing or detecting corruption in the intervention.
7. Sustainability and ownership: Risks associated with the degree to which the intervention is designed to promote sustainability of outcomes, for instance through ensuring local ownership and support from local stakeholders from the outset.

Source: Summarised from SIDA (2014), TRAC Guidance

Project managers must complete this risk analysis during the appraisal stage for all projects. Sida notes that the first element of corruption risk (the most likely types of corrupt acts and where in the intervention) was recently added to help address a lack of specificity in most analyses of corruption, and a pattern of frequently citing risks related to potential loss of funds, but not examining other potential risks that corruption could pose (e.g., inadvertently doing harm to the legitimacy of the project or its objectives by contributing to, or not mitigating, corrupt practices that are endemic in a particular sector, but not directly related to the project; or types of corruption that do not necessarily involve loss of funds, like conflict of interest and nepotism). To assist project managers, who are not anti-corruption experts, Sida has developed extensive help texts for this area of assessment (see Technical Annex 7).

For each risk area, the level of risk is evaluated (high, medium, low), its likelihood assessed (not likely, possible, likely) and a judgment of the potential consequence (major,
moderate, minor) is made. Based on these factors, a decision to accept or reduce the risk is made. If the latter, methods for reducing risk are identified. The TRAC system generates a risk register based on these assessments that becomes part of the appraisal document (see example in Figure 1.8). While the risk register itself is a simple visual, the appraisal document includes the rationale for each assessment as well as the steps to be taken to reduce risks. Risk registers must be updated annually through a mini-assessment process.

**Figure 1.8. Sida’s risk register**

<table>
<thead>
<tr>
<th>9 RISK ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External risks related to achievement of results</strong></td>
</tr>
<tr>
<td>Resistance to change among national and local government and local communities</td>
</tr>
<tr>
<td>The political, legislative and security situation deteriorates</td>
</tr>
<tr>
<td><strong>Standard risk areas</strong></td>
</tr>
<tr>
<td>Risk of inadequate internal control: management and organisational capacity</td>
</tr>
<tr>
<td>Risk of inadequate internal control: monitoring and reporting of results</td>
</tr>
<tr>
<td>Risk of inadequate internal control: audit processes and financial control</td>
</tr>
<tr>
<td>Risk of inadequate internal control: procurement</td>
</tr>
<tr>
<td>Risk of corruption</td>
</tr>
<tr>
<td>Risk of inadequate ownership and failure to sustain results</td>
</tr>
<tr>
<td><strong>Other risk areas</strong></td>
</tr>
<tr>
<td>Security risks</td>
</tr>
</tbody>
</table>

*Source: Excerpt from a 2016 Sida appraisal document*

*Specialised fiduciary risk assessment tools*

In addition to the various risk assessment tools that contributing agencies use within the framework of their programme management systems, specialised approaches to address certain types of programming risks are also used. One example is due diligence frameworks (discussed in Section 1.6.1). These identify and assess the risks associated with a particular funds recipient and feed into overall risk identification and assessment.
for a project. This section describes two other specialised fiduciary risk assessment tools, one that is an integrated framework for fiduciary risk assessment of several types of funds recipients (Canada’s FRET), and one deals only with government-to-government aid (USAID’s PFMRAF).

**Global Affairs Canada** (GAC-Canada's Department of Foreign Affairs, Trade and Development) has developed a Fiduciary Risk Assessment Tool (FRET) that is used to evaluate the fiduciary risk associated with its international development funding, including the corruption risks. Unlike the USAID PFMRAF (below) that covers only recipient governments, or other agencies’ due diligence frameworks for local NGOs, for example, the FRET is an integrated framework that covers three categories of recipients: partner governments; international organisations, other donors and multi-donor trust funds; and partner organisations including NGOs, academia and private sector.34

<table>
<thead>
<tr>
<th>Table 1.4. Risk categories in the FRET Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recipient risk profile</strong></td>
</tr>
<tr>
<td>Risk 1: Recipient governance and stability</td>
</tr>
<tr>
<td>Risk 2: Results performance history</td>
</tr>
<tr>
<td>Risk 3: Recipient financial viability and stability</td>
</tr>
<tr>
<td>Risk 4: Corruption and fraud control</td>
</tr>
<tr>
<td><strong>Initiative/ project risk</strong></td>
</tr>
<tr>
<td>Risk 5: Capacity of local responsibility centres</td>
</tr>
<tr>
<td>Risk 6: Recipient procurement capability</td>
</tr>
<tr>
<td>Risk 7: Complexity</td>
</tr>
<tr>
<td>Risk 8: Materiality</td>
</tr>
<tr>
<td><strong>Overall project fiduciary risk level</strong></td>
</tr>
</tbody>
</table>


The FRET assesses all recipients against eight risk categories (see Table 1.4 Error! Reference source not found.), using different sub-factors for each recipient type.35 Table 1.5 summarises the factors for corruption and fraud risk for each category of recipient.

<table>
<thead>
<tr>
<th>Table 1.5. Risk assessment elements for corruption and fraud risk: Global Affairs Canada's FRET</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International organisation/trust fund/other donor</strong></td>
</tr>
<tr>
<td><strong>NGO/company</strong></td>
</tr>
<tr>
<td><strong>Government</strong></td>
</tr>
<tr>
<td>Risk assessment elements</td>
</tr>
<tr>
<td>Institutional anti-corruption policy and practices</td>
</tr>
<tr>
<td>Organisational anti-corruption policy, ethics policy, or code of conduct</td>
</tr>
<tr>
<td>Government effectiveness (Source: WGI)</td>
</tr>
<tr>
<td>Investigation of corruption &amp; fraud allegations and consequent action (Source: MOPAN Financial Accountability Rating)</td>
</tr>
<tr>
<td>Adequacy of anti-corruption procedures</td>
</tr>
<tr>
<td>Operational National Development Strategy (Source: DAC)</td>
</tr>
<tr>
<td>Reports about corruption-related issues with this organisation</td>
</tr>
<tr>
<td>Reports about corruption</td>
</tr>
<tr>
<td>Rule of law: Checks and Balances on abuse of executive authority (Source: WGI)</td>
</tr>
<tr>
<td>Additional or update information</td>
</tr>
<tr>
<td>Cross-debarment decisions (for private sector only)</td>
</tr>
<tr>
<td>Voice and accountability (Source: WGI)</td>
</tr>
</tbody>
</table>
The FRET is guided by the GAC Policy on Fiduciary Risk. The FRET “toolbox” consists of detailed Guidelines on Fiduciary Risk Management, spreadsheet templates for completing the risk assessment and several “tips and tricks” guides that help staff with tasks such as choosing and justifying specific rating levels on various risk factors and understanding the different components of the risk assessment template. All the tools focus on the importance of the identification and implementation of risk response measures.

As illustrated in Figure 1.9, the spreadsheets have pre-defined definitions for each element of a risk rating, as well as space to document the evidence and justifications for each rating. Definitions are drawn from international benchmarks, indicators, and data sets, where possible, and overall ratings for each element are calculated based on the weights given to each sub-element.

**Figure 1.9. Rating elements of corruption risk: Example from Global Affairs Canada’s FRET**

A key objective of the FRET is to allow for a risk-based approach to financial monitoring and oversight. As illustrated in Table 1.6., different levels of assessed risk are associated with different funding modalities and management and oversight practices, with the purpose of reducing administrative burden and “[move] the government away from a one-size-fits-all, risk-averse approach (Bélanger, 2015).”

### Table 1.6. Management implications of risk ratings: Example from Global Affair Canada’s FRET

<table>
<thead>
<tr>
<th>FRET Assessment</th>
<th>Low - 1</th>
<th>Medium Low - 2</th>
<th>Medium High - 3</th>
<th>High - 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial instrument</strong></td>
<td>Grant or contribution</td>
<td>Grant or contribution</td>
<td>contribution</td>
<td>Contribution</td>
</tr>
<tr>
<td><strong>Advances</strong></td>
<td>One annual payment</td>
<td>Semi-annual payments</td>
<td>Quarterly payments</td>
<td>No advances or monthly advances</td>
</tr>
<tr>
<td><strong>Financial reporting</strong></td>
<td>Grants: N/A</td>
<td>Grants: N/A</td>
<td>Quarterly financial project reports and accounting for advances</td>
<td>Monthly financial project reports/monthly substantiation of expenses incurred</td>
</tr>
<tr>
<td><strong>Narrative reporting</strong></td>
<td>Grant: One annual report</td>
<td>Grant: Semi-annual report</td>
<td>Quarterly reports</td>
<td>Monthly reports?</td>
</tr>
<tr>
<td></td>
<td>Contribution: Annual project financial report</td>
<td>Contribution: Semi-annual project financial report</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>One annual Report</td>
<td>Semi-annual report</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Source: Bélanger 2015.*

Global Affairs Canada cites the following benefits from this approach to addressing fiduciary risk management:

- Produces a consistent and systematic assessment of fiduciary risk to improve the quality of risk management across programs
- Allows for flexibility to include considerations that are unique and contextual
- Provides an evidence base for all risk assessments
- Documents and tracks risk responses overtime
- Helps determine appropriate financial instrument, based on sound risk analysis

**USAID** uses the Public Financial Management Risk Assessment Framework (PFMRAF) for evaluating the risks of government-to-government funding. The framework examines public financial management capacities and orientations for managing funds accountably, which is clearly related to corruption, though the framework is not a corruption risk assessment *per se*. Rather, the way that governments respond to corruption and corruption vulnerabilities, and the broader environment of transparency and accountability, is considered as a key aspect of the PFM environment, as illustrated in Error! Reference source not found..
The PFMRAF (USAID, 2014) is a tool for risk identification and assessment, and it is also used to identify mitigation measures. The PFMRAF is conducted in three phases:

- a rapid appraisal (Stage 1) intended to broadly assess the country-level PFM environment and associated risk factors, to establish whether public accountability institutions in the country are sufficiently viable to support government-to-government support and whether a full risk assessment (Stage 2) is justified.
- a risk assessment (Stage 2), “designed to identify, evaluate, and propose measures to mitigate transactional level fiduciary risks of target partner government institution’s PFM systems at the country, sector, or sub-national government.”
- the integration of the risk assessment into project design and monitoring and evaluation (M&E) plans.

The PFMRAF guidance provides a checklist for Stage 1, a detailed questionnaire for Stage 2, and a number of other tables and charts to assist with risk identification and assessment.

Systemic opportunities for corruption are mainly addressed in Stage 1, with guidance questions covering the following issues:

- Country commitment to development;
- Country commitment to transparency and accountability in the use of public funds;
- Country commitment to effective and efficient use of public resources;
• Existence and quality of policies, legal and institutional framework, and systems supporting transparency, accountability and control, especially in the use of donor funds;
• Background information on PFM in the sectors and institutions of interest, where relevant;
• Opportunities for corruption;
• Governance systems and practices; and
• Political or security factors that exacerbate fiduciary risk.\(^{39}\)

Stage 2 involves detailed analysis of financial management systems, including testing of various processes,\(^{40}\) and identification of risk areas. Here, the details of corruption problems identified in the first phase may be explored, to identify more precisely the political, policy and institutional weaknesses that may need to be addressed to mitigate the identified risks. Figure 1.11 illustrates USAID’s guidance for rating the seriousness of individual risks, which are then translated into a traditional red-yellow-orange-green (critical-high-medium-low) risk matrix (see Error! Reference source not found.). Several other agencies use similar formats and frameworks.
Figure 1.11. USAID Public Financial Management Risk Assessment Framework - guidance for assessing risk impact and probability

<table>
<thead>
<tr>
<th>Impact</th>
<th>International Practice</th>
<th>Development Objective</th>
<th>Commitment</th>
<th>Compliance</th>
<th>Accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catastrophic</td>
<td>There are obvious and material divergences from good international PFM practice.</td>
<td>Realization of an adverse event associated with this risk factor would permit attainment of less than 40 percent of expected project outcomes. Expected effects include failure of the project, widespread and severe dissatisfaction by stakeholders, major financial losses, and extensive loss of reputation.</td>
<td>Political and management commitment to attainment of a state of compliance with good international practice is the exception or entirely absent.</td>
<td>Non-compliance with the internal control framework is expected to occur widely.</td>
<td>Vertical and horizontal accountability institutions have major gaps, or one or the other is severely under-developed. Opposition to accountability is organized or widespread and therefore expected.</td>
</tr>
<tr>
<td>Serious</td>
<td>Significant elements of the PFM system do not reflect good international practice.</td>
<td>Attainment of 40 to 70 percent of the expected outcomes associated with the development objective can reasonably be expected. Expected effects could include major delays, limited dissatisfaction by stakeholders, and a material financial impact.</td>
<td>Political or management commitment to attaining a state of compliance with good international practice is inconsistent or questionable.</td>
<td>Non-compliance with the internal control framework is likely to occur.</td>
<td>Weaknesses in the horizontal and vertical accountability institutions are evident or one or the other shows significant gaps. Opposition to accountability is evident by some elements within the society.</td>
</tr>
<tr>
<td>Marginal</td>
<td>PFM broadly reflects good international practice with some gaps or inefficiency present.</td>
<td>Seventy to 95 percent of the development objective can be reasonably assumed to be attained. Expected effects could include minor delays in attainment, minor dissatisfaction by stakeholders, or a non-material financial impact.</td>
<td>Political or management commitment to closing the gaps and eliminating inefficiencies is present.</td>
<td>Non-compliance with the internal control framework is the exception, rather than the rule.</td>
<td>Weaknesses in the horizontal and vertical accountability institutions may be present or such institutions may be in an early and undefined stage of development. Opposition to those institutions not a “given” but may be detected.</td>
</tr>
<tr>
<td>Negligible</td>
<td>PFM broadly reflects good international practice.</td>
<td>The development objective, in the 95 to 100 percent range of expected project outcomes, can reasonably be assumed to be attained if conditions do not change.</td>
<td>Strong political and management commitment to democratic values and sound PFM practice is evident.</td>
<td>Routine compliance with internal controls is observed and expected.</td>
<td>Both horizontal and vertical democratic accountability institutions are mature, function routinely, and are not under threat.</td>
</tr>
</tbody>
</table>

**Chart 1**

**Impact and Probability Determinations**

<table>
<thead>
<tr>
<th>Probability</th>
<th>Numerical Range</th>
<th>Adverse Event Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequent</td>
<td>This number reflects a conclusion that the probability lies between .76 and .99</td>
<td>An adverse event associated with the risk is expected to occur. There near certainty of occurrence because the controls do not exist or are ineffective</td>
</tr>
<tr>
<td>Probable</td>
<td>This number reflects a conclusion that the probability lies between .51 and .75</td>
<td>An adverse event associated with the risk likely will occur because the controls are inadequate or are applied inconsistently</td>
</tr>
<tr>
<td>Occasional</td>
<td>This number reflects a conclusion that the probability lies between .26 and .50</td>
<td>An adverse event associated with the risk might occur because the conditions for it exist, but controls exist and are effective.</td>
</tr>
<tr>
<td>Remote</td>
<td>This number reflects the conclusion that there is less than a .25 probability.</td>
<td>An adverse event associated with the risk is rare or would only occur in exceptional circumstances. There is little or no experience of a similar failure.</td>
</tr>
</tbody>
</table>

Guidance is also provided for both the nature of risk mitigation related to each risk level (Figure 1.12), along with possible risk mitigation approaches, ranging from a detailed programme agreement (time frames, results to be achieved, required prior actions, benchmarks, etc.) to varying levels of auditing, financial reviews, separate bank accounts, reimbursement-only or tranche payments arrangements, among others. Mitigation plans are to be developed and then incorporated into project design and monitoring and evaluation plans.

**Figure 1.12. USAID Public Financial Management Risk Assessment Framework - guidance on risk mitigation**

<table>
<thead>
<tr>
<th>Score</th>
<th>Mitigation Response</th>
<th>Detail</th>
<th>Sample Mitigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical</td>
<td>Terminate exposure or subject to stringent mitigating measures.</td>
<td>Critical requires stringent mitigating measures only if these have a high probability of success. Otherwise, we will terminate our exposure by delivering the assistance through other means. In rare cases where an effective transfer of risk mechanism exists and is deemed effective, we will consider transfer of the risk, albeit with a risk assessment of the ability of the transferor to deliver on its obligation.</td>
<td>Mitigating measures are likely to include concurrent audit, reimbursement-only mechanisms, incremental funding, affirmative transaction approval, and co-signature requirements on disbursements, physical verification of payroll, and other active and continuous control features.</td>
</tr>
<tr>
<td>High</td>
<td>Serious mitigating measures</td>
<td>High requires serious mitigating measures to treat the risk, but we will utilize GIG assistance.</td>
<td>Treatment may include a wide variety of risk mitigation measures that are likely to be constantly in place. These measures may be drawn from the Critical or Medium classifications.</td>
</tr>
<tr>
<td>Medium</td>
<td>Mitigating measures</td>
<td>Medium requires mitigating measures but these may be periodic.</td>
<td>Treatments include semi-annual audits or no objection processes for procurement approval. Third party oversight, such as an arrangement with the national procurement oversight body, could be considered.</td>
</tr>
<tr>
<td>Low</td>
<td>Monitoring</td>
<td>Low requires monitoring and audit, but treatment of specific risks, such as payroll controls, will not be an asset requirement for GIG assistance, as they might be under Medium risk conditions.</td>
<td>Routine controls and oversight are appropriate. A separate risk mitigation plan is not required. In some cases, terms and conditions in the agreement may be sufficient provided that performance of the terms and conditions is monitored.</td>
</tr>
</tbody>
</table>


In practice, USAID indicates that in some cases the rapid appraisal requirement may be waived if specific criteria are met, but this is not a common practice. After the PFMRAF is completed, decision-making with regard to whether to take on higher levels of risk remains with country Mission Directors, though a headquarters-level Government-to-Government Risk Management Team reviews and approves Stage 1 and Stage 2 reports. With regard to ongoing risk management, current USAID policies and reporting requirements require neither revisiting the risk analysis intermittently, nor following up on whether risk mitigation activities are completed as planned, though this may take place in some cases. With regard to planning, a review by the US Government Accountability
Office indicates that the timing of PFMRAFs did not always align with the objective of integrating the findings into project design.\(^4\) In one case, the reason appeared to be the need to move ahead with an element of the project that did not involve government-to-government funding while the PFMRAF was completed. In another case, the reason appeared to be that a new project was a continuation of previous government-to-government work.

USAID reports that it does not currently use similar risk assessment frameworks for projects that do not involve government-to-government financing. A comprehensive Enterprise Risk Management framework is under development that may provide the opportunity to develop such approaches in the future.\(^4\)

**Approval and mitigation procedures, escalation, and flexibility and proportionality, and escalation**

The Recommendation calls for risk management systems to include methods for informing relevant hierarchical levels about risks and risk management approaches (element 5i). Risk escalation is increasingly a concern for some contributing agencies as they try to track and manage critical risks. As part of a larger effort to strengthen strategic risk management in DFID, for example, directors and other senior managers must meet monthly with their teams to track critical risks. Potential fraud and corruption resulting in losses to the agency rank among such critical risks. Such tracking would look for signals of a significant change in a partner government’s commitment to key principles such as transparency and fighting corruption, for instance, or other signals such as a major corruption scandal in a sector in which DFID works.\(^5\)

Contributing agencies also provided information as to whether they required higher-level approval for higher risks.\(^6\) Similar to the USAID PFMRAF example above, few contributed examples required that different assessed levels of risk should receive different levels of approval. Rather, the assigned decision maker is tasked with taking various risk assessments into account and, typically, documenting the reason for approving projects with higher levels of risk. Such a decision is reported by interviewees to be based on a combination of planned mitigation measures and the expected benefits of the project. Expected benefits may include not only the project’s specific expected outcomes and impact, but other considerations such as diplomatic/political relationships, domestic policy commitments (e.g. to address conflicts or humanitarian needs), or broader international undertakings (e.g. Paris/Busan commitments to promote domestic ownership).

Rather than requiring different levels of approvals for different levels of risk, some contributing agencies instead require greater scrutiny of risks when financial commitments are higher. Some contributing agencies apply different rules for corruption risk assessment based on the financial size of the project, or expect more extensive mitigation efforts when risks are rated higher, as demonstrated by Global Affairs Canada’s FRET. In the Norwegian MFA, for example, approval procedures for grants do not vary based on the level of corruption risk. However, rules require managers to seek expert guidance and/or external appraisals for some types of grants, above certain thresholds.\(^7\)

MFA grant rules also provide an example of flexibility and proportionality in monitoring and follow-up measures, based on the level of risk and the size of the investment. MFA guidance is explicit on this issue and provides some suggestions on how risk management can be gauged (Box 1.10).
Box 1.10. Flexibility and proportionality in risk management: Example from Norway MFA

“The costs of activities set out to mitigate identified risks, must not exceed the benefits of those activities. Grant recipients must not be subject to unreasonable and costly risk-handling requirements, when the risk of the grant/project is considered low.”

“It is therefore important to adjust the efforts spent on risk management to each grant:

- Use and refer to risk assessments on country/sector level, other donor’s risk assessments, etc. The risk assessment on individual grant level should focus on local risks and local mitigation efforts.
- For grants under grant schemes classified as having low or very low risk the programme officer should primarily rely on the applicant’s documentation for risk handling. Exceptions are made when specific risks are identified, e.g. risks related to the grant recipient organisation.
- There should be a correlation between the amount granted and the number of risks assessed. For low or moderate amounts, only (potential) critical risks should be considered. For grants of higher amounts and/or of long-term support, also moderate/high risks must be addressed and monitored, as these risks can turn out to be critical risks if not handled properly.”


Likewise, while Sida does not differentiate the levels of required approval based on corruption risk, the degree of risk mitigation and assurance activities will depend on the assessed level of corruption risk. Indeed, Sida cites this as one notable result of the new approach to risk management through TRAC: with project managers more engaged with questions of risk and response, projects with high assessed risks are starting to receive more targeted and tailored monitoring, including more tailored audits based on the weaknesses identified, for example, in previous audits.

USAID similarly does not necessarily require different levels of personnel to approve higher risks, but requires mitigation procedures for certain funds recipients that do not receive positive risk assessments based on their past history with USAID funds, management capacities and policies, previous audit deficiencies, or other factors. Mitigation measures that can be invoked at the time of agreement include the following:

- Requiring payments as reimbursements rather than advance payments;
- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
- Requiring additional, more detailed financial reports;
- Requiring additional project monitoring;
- Establishing additional prior approvals; or
- Requiring the recipient to obtain technical or management assistance.

To assure the needed level of oversight, USAID procurement officers may issue a contract to a third party to provide technical assistance to the recipient, require the
recipient to contract for technical assistance, or have USAID staff provide technical assistance directly to the recipient.49

**Interaction between control and programme functions**

The Recommendation calls for Adherents’ agencies to strengthen interactions between control functions and programme functions to improve corruption risk assessment and management. One way of doing this, as revealed in the examples received, is to cycle the findings of audits and investigations back into project design and management functions. For example, findings from corruption cases are directed into programme management through the **Norwegian MFA**’s grant management IT system. A notation is made in the system when a recipient of funds is under investigation for corruption problems, and if there is a negative conclusion, this is also noted. Beyond this, however, the MFA reports that there is a limited practice of directing the findings of corruption investigations or audits back into programme design and management.

Examples of more extensive interaction among control and programme functions were not common. More typically among contributing agencies, investigators and (financial) auditors and controllers (notwithstanding exceptions related to nomenclature of functions discussed in Section 1.4 above) are concerned with different elements of the project cycle than programmers, and rarely are involved in planning and design activities. A few examples exist, however, where agencies are beginning to create spaces for this kind of collaboration.

For example, the Technical Quality Support Department of the **Danish Ministry of Foreign Affairs** was reorganised in early 2016 to include financial control officers as well as development specialists responsible for a range of thematic areas (e.g. governance, fragility, environment, growth, health), along with results and performance experts and others. The department is experimenting with ways to bring development specialists and financial management officers together to create more integrated plans for monitoring partners and value for money in programmes. For the development of a recent large country programme, for instance, the department established a “peer group” of performance management, financial, and development specialists to provide feedback for relevant project documents and strategies. In addition, ways to further integrate programme officers and financial officers in joint monitoring visits are being explored.

Collaboration between the **Norwegian MFA**’s audit function and grant management takes place through management reviews. These reviews, conducted by Norad for embassies with Norad programmes and by the Foreign Service Control Unit for sections of the Ministry that manage development funds, give ratings to the reviewed units and identify ways to support those that are found to require upgrades in their grant management practices. One lesson from these reviews is the need for greater financial management competence among grant managers.
1.6. Measures to prevent and detect corruption enshrined in ODA contracts

Paragraph III of the Recommendation further refers to **measures to prevent and detect corruption that are enshrined in ODA contracts**, which should:

1. Ensure that funding for projects financed by ODA are accompanied by adequate anti-corruption measures and that implementing partners, including other government agencies, government of developing countries, NGOs and companies that have been convicted of engaging in corruption are denied such funding as appropriate;
2. Ensure that persons applying for ODA contracts be required to declare that they have not been convicted of corruption offences;
3. Establish mechanisms to verify the accuracy of information provided by applicants and ensure that due diligence is carried out prior to the granting of ODA contracts, including consideration of applicant’s corruption risk management system, such as companies’ internal controls, ethics and compliance programmes and measures, in particular where international business transactions are concerned;
4. Verify publicly available debarment lists of national and multilateral financial institutions during the applicant’s selection process; include such lists as a possible basis of exclusion from application to ODA funded contracts;
5. Ensure that ODA contracts specifically prohibit implementing partners (whether from the international development agency’s own country, local agents in developing countries or from third countries) and their possible sub-contractors from engaging in corruption.

This element of the Recommendation includes a number of steps that Adherents’ development agencies are encouraged to take to enshrine measures to prevent and detect corruption in official development assistance (ODA) contracts. The Recommendation calls on Adherents’ agencies to insert anti-corruption clauses in all ODA-funded contracts and specifies additional measures to assure anti-corruption commitment among funds recipients and to make use of expanded information resources to conduct background checks.

Practices among contributing agencies are quite similar in some areas, including:

- **Anti-corruption clauses in funding agreements**: Following the 1996 Recommendation, most agencies include clauses in funding agreements that prohibit engagement in corruption. Some examples are provided below.\(^{50}\)
- **Review of partner/recipient practices and procedures prior to funding agreement**: Most contributing agencies conduct some sort of “due diligence” before funding an organisation or contracting with a firm or individual. Some go beyond reviews of financial management and related practices to seek information on anti-corruption strategies and risk management approaches within the receiving agencies. Examples are provided below.
No examples were provided with regard to the requirement that recipients must declare themselves not to have been convicted of corruption, though Camões, IP indicates that it reviews the criminal record of individual consultants and cooperation agents before signing cooperation contracts and requires organisations seeking funding to provide a criminal record certification with any application for funds.

Contributing agencies generally encourage the review of debarment lists that are available from multilateral financial institutions and from other sources. A common practice is not evident with regard to whether a debarment from a multilateral organisation would be a sufficient basis for debarment by a bilateral donor, as would be expected given the differences among national legal systems. Some agencies, such as DFID and KfW, use these lists as inputs into a broader due diligence and risk assessment of possible funds recipients. If organisations or individuals appear on debarment lists, agencies typically take this as a signal to do more follow-up rather than to automatically debar the organisation or individual (JICA is an exception). Bilateral agencies may have more nuanced and detailed tools available to require and promote mitigation measures than, for example, multi-lateral funding institutions, which must channel such agreements through partner governments.

1.6.1. Examples

Anti-corruption clauses in funding agreements

Australia’s Department of Foreign Affairs and Trade (DFAT), like most agencies, includes standard fraud clauses in agreements with its implementing partners. These clauses “place the obligation on implementing partners to prevent and investigate allegations and suspected fraud cases in the Australian aid program.” They also require commercial and NGO partners to repay funds or replace assets lost to fraud if the fraud was committed by the organisation, employee(s) of the organisation, or an implementing partner or subcontractor of the organisation or their employee(s) (Australia DFAT, 2017). Implementing partners that deliver major aid procurements or grants are also required to conduct a fraud risk assessment and develop a fraud control strategy within a month of the project start date (Australia DFAT, 2017:18). DFAT conveys expectations to its suppliers/implementers in a brief but comprehensive “Fraud and Anti-Corruption Guidance for DFAT Partners” document.

Camões, IP includes a clause about transparency in all its grant contracts, including co-financing of civil society initiatives. The agency uses a standard contract/protocol document which includes this specific clause: “The [executing entity] and [beneficiary entity] shall take the necessary measures to prevent irregularities, fraud, corruption or other illegal activities in the management of the Project, and shall immediately notify Camões, IP of all cases, proven or suspected, irregularity, fraud and corruption associated with this contract, as well as the corresponding reaction measures taken and to be taken.”

Although not a clause in a contract, JICA publishes anti-corruption guidance for companies, individuals, NGOs and partner governments involved in ODA projects (JICA, 2014:4). The expectations are summarised in Figure 1.13, which is taken from a brochure prepared by the agency in several languages and intended to be a portable reference guide for all participants in ODA projects. The guidance document provides
significantly more detail regarding types of “affirmative steps to prevent and combat fraud and corruption” that are expected. Each company participating in ODA projects “is expected to develop its own comprehensive compliance program in order to achieve the ‘highest ethical standards.’” (JICA, 2014:17) Expected elements of such programmes include compliance with anti-corruption legislation of relevant countries, strong management leadership on anti-corruption compliance, structures for monitoring compliance and mechanisms for whistleblowing, risk assessment and periodic review, training for officers and employees, and robust internal rules governing a number of risk areas. A different set of steps is requested of partner governments, to “increase their officials’ awareness of corruption and set up a regulatory framework for preventing corruption.” These include raising awareness, reviewing and possibly upgrading the existing regulatory framework for preventing corruption, protecting whistle blowers, and sharing information on corruption with JICA, among others (JICA, 2014:14-16).

Figure 1.13. Excerpt from JICA’s Anti-Corruption Policy Brochure

Source: JICA (2014), Anti-Corruption Brochure

**KfW** uses various clauses (depending on the type of contract) requiring that recipients do not participate in corruption and specifying some of the penalties or sanctions that may result from violations. In addition, the contracting partner is obliged to declare in a separate “declaration of undertaking” or “covenant of integrity,” that they are/were not sanctioned and are/were not involved in a suspicion of corruption. In case of current or previous involvement in criminal cases, this must be stated. This information is verified as part of KfW’s Know Your Customer (KYC) process and Customer Due Diligence (CDD). For this process, KfW imports sanctions lists from the EU and United Nations, debarment lists from multilateral financial institutions (e.g., the World Bank), and risk lists from commercial sources such as Dow Jones Watch List and World-Check (including information about politically exposed persons [PEPs], involvement in fraud/corruption cases) into its IT system and uses these to screen all new potential business partners or funds recipients. Such reviews are also done cyclically on existing partners. Project managers are required to notify KfW’s compliance department if any negative information appears, and a determination is made whether the project can go forward, and if so, what risk mitigation measures will be required.

The **Norway** Ministry of Foreign Affairs uses templates for various types of grants and recipients that include required standards for audits and other compliance issues. In addition to stating clearly that recipients of funds must adhere to a zero tolerance policy with regard to financial irregularities, agreements specify the responsibility to report any irregularities (Figure 1.16). Further, all grant agreements must include a clause on control measures that may be imposed, including “a review clause that ensures access for the grant manager and the Norwegian Auditor General to all documents, goods and sites relating to the project in order to verify that the Norwegian funds have been used for the intended purposes.” (Norway MFA, 2016.:121). New agreement templates include stronger provisions than previously about zero tolerance for financial irregularities, the agreement partner’s obligations to prevent, detect, report and handle such irregularities, and the donor’s rights to suspend payment, reclaim funds and apply other sanctions.
Box 1.11. Anti-corruption clauses in agreements: Example from the Norwegian MFA

15 FINANCIAL IRREGULARITIES

15.1 The Grant Recipient is required to practise zero tolerance against corruption and other financial irregularities within and related to the Project. The zero tolerance policy applies to all staff members, consultants and other non-staff personnel and to cooperating partners and beneficiaries of the Grant.

15.2 Financial irregularities refers to all kinds of:
   a) corruption, including bribery, nepotism and illegal gratuities;
   b) misappropriation of cash, inventory and all other kinds of assets;
   c) financial and non-financial fraudulent statements;
   d) all other use of project funds which is not in accordance with the implementation plan and budget.

15.3 In order to fulfil the zero tolerance requirement, the Grant Recipient shall:
   a) organise its operations and internal control systems in a way that financial irregularities are prevented and detected;
   b) do its utmost to prevent and stop financial irregularities within and related to the Project;
   c) require that all staff involved in, and any consultants, suppliers and contractors financed under the Project refrain from financial irregularities.

15.4 The Grant Recipient shall inform MFA immediately of any indication of financial irregularities in or related to the Project. The Grant Recipient shall provide MFA with an account of all the known facts and an assessment of how the matter should be followed up, including whether criminal prosecution or other sanctions are considered appropriate.

15.5 The matter will be handled by MFA in accordance with MFA’s guidelines for handling suspicion of financial irregularities. The Grant Recipient shall cooperate fully with MFA’s investigation and follow-up. If requested by MFA, the Grant Recipient shall initiate prosecution and/or apply other sanctions against persons or entities suspected of financial irregularities.

15.6 MFA may claim repayment of all or parts of the Grant in accordance with article 17 of the General Conditions if it finds that any financial irregularities have taken place in or related to the Project. The repayment claim may also include any interest, investment income or any other financial gain obtained as a result of the financial irregularity.


Norway has also undertaken to strengthen anti-corruption provisions in agreements with international organisations, which have their own anti-corruption rules, reporting mechanisms and investigative procedures. A recent agreement with UNICEF, for
example, is cited as a positive example, with extensive provisions for the interaction between Norwegian authorities and UNICEF internal audit and investigation officials. The agreement provides for each party to inform the other of any credible allegations of fraud, corruption or other related practices or financial irregularities, for the international organisation to suspend payments to operations in some cases while the investigation is ongoing, and for the organisation to use reasonable efforts to recover and return Norwegian contributions that are determined to have been lost as the result of a proscribed act. The agreement also allows for Norway to request direct, senior-level consultations when it believes appropriate action has not been taken in response to allegations, and the agreement assures confidential treatment of information (Government of Norway and UNICEF, 2015:14-15).

Sida includes clauses in all agreements. These require action to prevent corruption, stop it if it is discovered, and inform of any instances or suspicions of corruption. Agreements also allow for termination of the agreement if corruption is found, as well as reimbursement of funds that may have been affected by corruption (Box 1.12).
Box 1.12. Contract clauses on corruption: Example from Sida

Article 11 – Corruption

11.1 The Parties will co-operate on preventing fraud and corruption in connection with the Project, and shall require that staff involved in, and consultants/suppliers/contractors financed under the Project refrain from offering to third parties, or seeking, accepting or being promised by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.

11.2 The Parties shall promptly inform each other of any instances or suspicions of fraud and corruption as referred to in this article and of the measures taken as referred to in the following sub-paragraph.

11.3 Each Party shall take swift action to stop, initiate investigations and if relevant take actions in order to initiate prosecution against and/or apply sanction in accordance with applicable laws and policies towards any person suspected of misuse of resources, fraud or corruption in connection with the Project.

Article 12 – Termination for cause

…

12.2 Sida may terminate the Agreement, without giving notice and without paying compensation of any kind:

…

d) where Sida has evidence on the Cooperation Partner, or any related entity or person, of fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to Sida’s financial interests;

…

12.4 … in the event of termination of the Agreement by Sida under the cases specified points d), e) and g) of Article 12.2 in these General Conditions, Sida may request full or partial repayment of sums already paid from the grant, in proportion to the gravity of the failings in question and after allowing the Cooperation Partner to submit its observations.


Due diligence for implementing/recipient organisations (companies, NGOs)

Due diligence processes of contributing agencies tend to differ depending on whether the receiving organisation is a government body or a private organisation (company, NGO), and on whether funds are allocated through a competitive tendering process or a direct/non-competitive agreement. In the case of competitive tendering, for instance, prospective recipients may be required to provide declarations and documentation substantiating their qualifications and capacities as part of their initial proposals, while
direct review of organisations may be more common in cases of non-competitive funding. Some contributing agencies also conduct reviews of international/multilateral organisations before funding. The Nordic countries, for example, have agreed a framework for evaluating multilateral institutions’ systems for preventing and responding to financial irregularities (Norway MFA, n.d.:6), and DFID undertakes Central Assurance Assessments, due diligence-type reviews of multilateral organisations (DFID, n.d.:28-33). Other examples of due diligence requirements are provided here.

As part of a comprehensive and structured Due Diligence Framework, Australia’s DFAT requires suppliers to present a code of conduct, fraud control policy and anti-corruption/bribery policy (Australia, DFAT, 2017:16), thus going beyond frameworks that focus only on financial management and implementation capacity.

NGOs that receive funding from Camões, IP must demonstrate that they are legally constituted and that they have organised financial and accounting systems, a sustainable/balanced economic and financial position, among others (Camões, n.d.). Further, the Portuguese Code of Public Procurement prohibits funding of individuals or organisations with officers who have been convicted of corruption or money laundering. The individuals or entities have to present a criminal record certificate for each public tender they apply for, in order to prove they haven’t been convicted of any crime. Camões, IP notes that consulting debarment lists from multilaterals and/or from the European Union is also another instrument at their disposal.

When Camões, I.P. administers EU funds through delegated co-operation, for instance, it takes on the obligation to inform the European Commission on a) any persons having powers of representation, decision-making or control over the funds who have been the subject of a final judgement or administrative decision for fraud, corruption, involvement in a criminal organisation, money laundering, terrorist-related offences, child labour or trafficking in human beings; b) persons having such powers over funds who have been the subject of a final judgement or administrative decision for an irregularity affecting the EU’s financial interest; and c) persons who are guilty of misrepresentation in supplying information required as a condition of participation, or if they fail to supply this information. The European Commission will then introduce this information in the EU Early Detection and Exclusion System (EDES) and ultimately exclude the targeted economic operators from obtaining EU funds through, for example, EU procurement or grant procedures.

DFID uses different approaches to due diligence depending on the type of agreement and funds recipient. These generally fall in three categories: budget support agreements with partner governments, investments made through competitive tenders, and non-competitive Accountable Grants and Memoranda of Understanding. DFID is currently revising its guidance on budget support. This discussion mainly covers the frameworks and templates that DFID uses for non-competitive grants; similar information is required in the offer documents for competitive tenders.

DFID’s due diligence framework includes four pillars: Governance and Internal Control, Ability to Deliver, Financial Stability, and Downstream Activity. Corruption considerations are covered under the first category, with some relevant factors also under Financial Stability and Downstream Activity. The results of this review must be taken account of in the Financial Case element of the Business Case and may inform the overall risk assessment and management approaches. Box 1.13 summarises some of the relevant questions under each topic; the full set of guiding questions, as well as the template for the final evaluation, is provided in Technical Annex 9.
Elements of corruption risk are assessed in several ways in DFID’s due diligence framework. The most relevant factors are summarised here.

**Governance and internal control pillar:**

- Governance: legal status of the organisation; skills/experience of senior management; process for recruiting & training staff; evidence of transparency & accountability in senior-level decision making; evidence of independent external scrutiny, e.g., audit
- Fraud, bribery, corruption, money laundering: Evidence of compliance assurance processes; reporting/whistleblowing mechanisms and procedures for responding; training for staff; evidence of a strong zero tolerance approach
- Internal control: segregation of duties; clear delegations of responsibilities; procedures that assure alignment of policies to the organisation’s objectives and effective conveyance of policies throughout the organisation
- Risk management: level of appetite for risk; senior management monitoring of risk profiles to maintain alignment with organisational; risk identification and management policies & frequency of review; processes to assure changes in risk profile are conveyed up to senior management and board
- Safeguards: processes for monitoring and controlling for the possibility of unintended harm; training about organisational safeguards; review and reporting mechanisms
- Transparency: transparency and disclosure policies (e.g., IATI requirements); quality of the data/information released;
- Ethics: assessment of organisational culture; how it is established and communicated by the board and senior management; checks to assess possible reputational or fiscal risk due to an organisation’s ethics and actions.

**Financial stability pillar:**

- Financial management systems and the strength of audits are assessed, among other factors

**Downstream activity pillar:**

- Due diligence of sub-contractors or sub-grantees, including how the primary recipient assesses and monitors weaknesses and helps to develop capacity where needed
- Delivery chain risk management: ability of primary recipient to map and monitor financial flows down its delivery chain; evidence of risk mapping, mitigation and monitoring down the chain; reporting mechanisms for identifying and/or escalating risks when they are identified
- Management frameworks/contracts: existence of clear agreements with sub-partners, including audit requirements and sanctions for non-delivery
- Monitoring and management: how does the recipient organisation ensure good management, transparency, and compliance with sub-partners; ability to provide necessary capacity building to sub-partners

Source: Summarised and excerpted from DFID, (n.d.) “Sample Due Diligence Questions,”
**Sida** requires that project managers conduct extensive due diligence as part of project appraisal before entering into funding agreements, though it does not have specific requirements for recipients to declare they have not been involved in corruption. The agency’s Contribution Management System (TRAC) requires assessment of a recipient organisation’s management and control functions, procurement plans and capacities, and anti-corruption orientation (among other factors) at the appraisal stage. Some of this is done by hands-on observation, but much emphasis is placed on reviewing past audits or commissioning a review of internal management and control conducted by an audit firm. Extensive advice and assistance is given in the TRAC guidance as to the types of audit information that should be sought, what types of “red flags” to look for, how to confirm the credentials of the auditor, and other steps to assure that the information provided is credible.

If a review of internal management and control is required, a terms of reference template is provided that indicates the functions and policies that must be reviewed. Issues to be reviewed include the prospective recipient’s management and organisation, risk management processes, anti-corruption stance and processes (Box 1.14), and audit, procurement and financial management arrangements. The review should also examine a prospective recipient’s risk analysis and management processes with regard to any funds it will forward on to other implementing partners. Sida reports that as TRAC is updated, they expect to increase flexibility in the extent and focus of reviews at the appraisal stage, based on the materiality of the risk in a given project.

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**Box 1.14. Examining the anti-corruption standards of a recipient organisation:**

**Example from Sida’s due diligence**

*SIDA’s due diligence questions do not explicitly ask about whether the prospective recipient has been involved in corruption, as stated in the Recommendation, but some questions on the organization’s anti-corruption orientation lead in that direction:*

- Is there an anti-corruption policy* or has the organization in other ways manifested that they work proactively against corruption? Are there satisfactory routines and systems for preventing, detecting and taking measures on fraud and corruption? Does the organization have documented ethical guidelines/code of conduct policy?**
- [Have corruption cases occurred,] according to the organization … and if so, how has it been handled by the organization?
- What eventual corruption risks have been identified during the assignment by the consultant that Sida has procured for this review?

*Note that it is not a requirement from Sida that the organization must have a separate documented anti-corruption policy or ethical guidelines/code of conduct policy. However, Sida greatly emphasize the importance that the organization as a whole have an adequate system for preventing, detect and taking measures on fraud and corruption.

**See previous note.

USAID uses a “pre-award survey” for non-US organisations seeking funding. The Non-US Organization Pre-Award Survey (NUPAS) aims to assess financial and managerial capacity to manage funds in accordance with US Government and USAID regulations, to determine the most appropriate method of financing, and to determine the degree of support and oversight needed to assure appropriate accountability (USAID, 2012). The NUPAS focuses mainly on financial management and implementation capacity and does not inquire directly about whether the organisation or its officers have been convicted or suspected of corruption and does not call for review of the organisation or officers against any debarment or other lists. However, other USAID regulations require that any contractor or grantee (or sub-contractor or grantee), whether US- or non-US-based, must not appear on exclusion lists maintained by the US government and the United Nations.

The NUPAS review framework includes questions about governance arrangements, including clearly defined roles and responsibilities for Board members, ethical expectations of Board members, and the presence of fiduciary risk control covering Board members, officers and employees.

Tools for using the NUPAS framework include a detailed scorecard template that includes standards for rating each element and an extensive list of guiding questions. USAID also provides a guide for applicants which explains the NUPAS process and what the organisation should have in place to prepare for a review. If an organisation does not meet minimum requirements but is otherwise found to be a promising partner, USAID allows for the use of special award conditions - e.g., requirements for specific remedial management actions, extra reporting or monitoring, or technical assistance to the organisation - that are intended to assure the organisation can meet the minimum requirements during the award period.
1.7. Reporting/whistle-blowing mechanism

Paragraph III of the Recommendation goes on to refer to the reporting/whistle-blowing mechanism as another element to be included in systems aimed at managing the risks of and respond to actual instances of corrupt practices in development co-operation. In particular, such mechanisms should:

1. Be applicable for all public officials involved in development co-operation and implementing partners who report in good faith and on reasonable grounds suspicion of acts of corruption;
2. Remind public officials involved in the disbursement of aid, including implementing partners, of their obligation to report corruption including foreign bribery;
3. Issue clear instructions on how to recognise indications of corruption and on the concrete steps to be taken if suspicions or indications of corruption should arise, including reporting the matter as appropriate to law enforcement authorities in the beneficiary country and/or the international development agency’s home country;
4. Assure broad accessibility of secure reporting mechanisms, beyond the staff of the international development agency to include implementing partners to the extent possible;
5. Communicate clearly about how confidential reports can be made, including providing training if necessary, and streamlining channels to reduce confusion if different reporting mechanisms exist for different stakeholders;
6. Provide alternatives to the normal chain of management or advice services such as independent advisors, ombudsperson and, where relevant, access to law enforcement authorities;
7. Ensure protection for whistle-blowers, including protection from retaliation when reporting suspicion of corruption, including allegations of bribery paid by the donors’ own staff or implementing partners;
8. Follow up on reported incidents of suspected corruption in a timely manner;
9. Communicate clearly and frequently about the processes and outcomes of corruption reporting, to build trust and reduce any perception of opacity around corruption reports and investigations.

Reporting mechanisms allow public officials involved in development co-operation as well as implementing partners to provide information to aid agencies when problems, including apparent corruption, appear. Reporting mechanisms augment other detection procedures such as auditing, and some contributing agencies have indicated that most of their documented corruption cases result from internal reporting rather than from other sources.

Practices of contributing agencies with regard to reporting mechanisms demonstrate several common elements:

- While most contributing agencies encourage staff to report corruption concerns through the normal management structure, many provide separate reporting mechanisms outside of normal management chains.
- Specialised anti-corruption advisory services, when they are offered, are often combined with reporting mechanisms, such as the BTC Integrity Desk. (See Section 1.2) Similarly, the GIZ Integrity Advisors may receive reports about
corruption, but GIZ also provides access to an independent Ombudsperson who can receive reports.

- Information about how to make a report is provided through web sites and other materials such as posters.

Contributing agency practices differ, but some of the recurring approaches include the following:

- **Taking measures to clarify what types of issue are valid subjects for reporting.** For instance, some contributing agencies state on the reporting web site that concerns about employment conditions or dissatisfaction with performance evaluations should be directed to the human resources department rather than the reporting mechanism.

- Where different constituencies (e.g., employees, partner organisations, beneficiaries) must use different reporting channels, a number of contributing agencies seek to clearly explain these differences in any location (online, print media, etc.) where more than one constituency may encounter a given reporting channel to minimise confusion. For example, if a publicly accessible website is used for reporting, but it can only be used by employees, this should be made clear, and non-employees should be directed to the correct site for their report.

- **Being clear about what information is needed in a report.** Contributing agencies noted that they tell potential informants what basic information is needed in order for an effective investigation to be conducted.

- Providing clear, step-by-step information on what will take place once a report is made.

- Being clear that whistle blowers will be protected, and assure that policies support this commitment.

- Making sure that promotional material is clear about the purpose of the reporting mechanism. For example, a message such as, “Does something not seem right? Report it.” may not convey the message that the mechanism seeks reports of suspected fraud or corruption.

- As much as possible, reporting back on the processes and outcomes resulting from internal reporting in order to assure staff that reports can make a difference and can result in positive outcomes for themselves and the agency. Contributed examples of reporting practices range from public disclosure of all corruption cases, to annual reports of lessons learned or actions taken, to quarterly summaries of closed cases, to reporting back on a case-by-case basis only to the specific units involved.

### 1.7.1. Examples

All employees of Australia’s **DFAT** are obliged to report cases of suspected or alleged fraud or corruption immediately. Programme partners (implementers and recipients of funds) must report fraudulent activity or suspicions of such activity in writing, within five business days. Policy statements and guidance clearly and consistently state that “all cases of fraud and corruption are handled in a confidential, prompt and professional manner,” but do not further describe the process, how the information provided will be used, or protections for whistle blowers. Policy statements call for reports to be made to the DFAT Fraud Control Section, and a “Suspected or Detected Fraud - What to report” form is available that clarifies the types of information to be provided.
Unclassified reports can be sent by post or email, but a dedicated system to field anonymous reports, with associated anonymous follow-up capacities, is not available.

**GIZ** staff may report concerns related to the agency’s Code of Conduct to the Integrity Advisors (discussed in Section 1.2), but they can also contact an independent ombudsperson if they are not comfortable with reporting through their own chain of management or the internal Integrity Advisors. The first external ombudsperson was appointed in 2006. The GIZ website explains that an ombudsperson was appointed to address “cases [in which] a company's own employees or persons in business relationships with the company are aware of indications of potentially criminal behaviour, but do not report their suspicions to company representatives designated to receive such information, often for fear of reprisals or even bullying.”

The ombudsperson’s “central role is in investigating and preventing economic crime such as corruption, fraud and fraudulent breach of trust, but also other company-related crimes that could cause particular damage to GIZ.” A “frequently asked questions” section of the ombudsperson website clarifies the differences between her functions and other reporting channels. She does not provide ethics advice or handle other forms of conflict or potential violations of the Code of Conduct, such as bullying or harassment. These should be directed to employee’s managers or other “persons of trust,” or to the GIZ Integrity Advisors.

The ombudsperson can be contacted by any GIZ employee or by outside parties such as contractors, suppliers or tender participants. The ombudsperson has an obligation to protect the identity of anyone contacting her, so reports may not be anonymous to her, but they are functionally anonymous to GIZ. She is mandated to investigate any complaints she receives, determine their relevance to GIZ, and if found relevant, forward the concern for further investigation without divulging the identity of the person reporting (unless the person agrees to be identified). The protection of anonymity by both the ombudsperson and the Integrity Advisors also provides protection of whistle blowers.

GIZ works within German law and the laws of host countries where they work, but it has a discretionary approach to whether corruption cases will be taken to local law enforcement. This is mainly due to differences in law enforcement standards and practices around the world.

GIZ reports annually about the number and types of integrity cases received and the number and types of resulting actions (persons fired or disciplined, restitution of funds required, etc.). Only managers of relevant units and/or supervisors of individuals receive reports on the specific facts and outcomes of individual cases, due in part to strict German secrecy protections.

**JICA**’s Consultation Desk on Anti-Corruption takes reports on corruption via a web-based form or a phone call/visit to JICA Headquarters and Overseas Offices. The site briefly describes the investigation process. It assures that all information submitted will be protected and personal information will “never be disclosed in public,” though information will be shared with necessary parts of the agency and the Japanese government as necessary to investigate the report. The reporting form requires an e-mail address for the reporting individual in order to communicate further. Other information requested includes the nature of the fraud/corruption (bribery, procurement, etc.) and requests description of the fraud/corruption, any supporting documents and/or witnesses, and any actions taken in response. The site indicates that JICA will report back to the informant about outcomes and any actions taken as a result of the report.
KfW employees are legally obliged to report any suspicions of fraud and corruption directly to KfW’s compliance department. KfW reports that the majority of cases are reported through these normal management channels. Staff may report concerns to compliance officers by email, phone, or through a complaint form on KfW’s web site. The on-line form is also available to affected third parties.

For persons who want to report anonymously on any compliance violations, including corruption, KfW also has an independent ombudsperson. This option is open to all KfW staff and any third parties. The ombudsperson is an experienced lawyer who works through a contract with KfW. He can be contacted independently through email, web site, post or telephone. The ombudsman evaluates the report and related information and makes a determination whether the information should be forwarded to KfW for response.

The terms of the contract and his status as lawyer require him to protect the identity of any person who submits a report, thus creating an effectively anonymous reporting system. KfW reports that one of the main benefits of this arrangement is that it allows for gathering additional information on anonymous reports. If such reports came anonymously directly to compliance officers, for example via a written letter or an untraceable email, they would not be able to follow up and gather further information. But since the ombudsman is required to protect a whistle blower’s anonymity when forwarding information to KfW, the reports he receives include contact information that allows him to follow up.

KfW reports back on corruption and related instances on a case-by-case basis. Typically, a report on final outcomes is provided to affected units/departments. If it is determined that larger audiences could benefit from learning about a particular case, KfW’s compliance department may provide information more broadly. In parallel, the findings are (depending on the case) reported to its governing board on an ad-hoc, monthly or quarterly basis.

The New Zealand MFAT’s Code of Conduct obliges employees to report wrongdoing to their manager, but the Ministry also provides an “Integrity Plus” reporting option outside of the regular management chain. It is available for staff to make anonymous reports through a web site accessible on the Ministry’s intranet, or they may also report by phone. Reports are forwarded from a separate reporting centre to the Ministry’s Divisional Manager Audit and Risk, who decides what action to take. Third parties may go to the Ministry’s external web site for a link to an email address for reporting suspected fraud.

The Ministry reports that a key lesson learned in the operation of the reporting mechanism is the need for greater awareness of the reporting mechanism as well as clarity about its purpose (the types of issues that can be brought to it). Internal guidance and documentation clarifies the types of issues that should and should not be reported through the Integrity Plus mechanism, but the Ministry learned that other publicity documents (posters, etc.) did not result in a high awareness of the channel or give enough information about the specific types of issues that should be reported through the mechanism. Staff who knew to look for further information on how to report a problem could find it, but broader publicity efforts did not necessarily bring significantly more people to the mechanism.

The Audit and Risk Division of the Ministry prepares an annual “lessons learned” report based on the audits and investigations conducted that year. This is available to staff through the Ministry’s intranet. Trends in both the types of cases and the weaknesses they
reveal are identified—for instance, several cases related to misuse or loss of petty cash would lead to a recommendation for Ministry units to secure cash and control its use more effectively.

All employees of the **Norwegian MFA** and related agencies such as Norad are obligated to report irregularities or suspicions of corruption. Employees are encouraged to bring concerns in the first instance to a supervisor or a higher-level manager. Staff may also contact the Foreign Service Control Unit (see Section 1.4.1) directly, or use an external, anonymous whistleblowing mechanism that is directed to a private accounting and law firm (Norway MFA, 2014). Whistleblowing in the MFA system is not solely for corruption-related concerns. The Ministry’s whistleblowing website and other promotional material state a range of concerns that may be reported - from health and safety violations, to bullying and harassment, to drug misuse - along with corruption and financial irregularities. Experience in the Norwegian MFA is that most reports come through normal channels from embassies and also Norwegian NGOs reporting on irregularities they have discovered themselves. Only a small proportion comes through the external channel.

The MFA and related agencies do not have special guidelines for protection of whistle blowers beyond those already included in Norwegian law. Anonymity of the whistle blower is protected when requested, and special procedures are used for archiving documents related to irregularity cases to protect the whistle blower as well as those who are under suspicion for wrongdoing.

The FSCU of the Norwegian MFA publishes quarterly reports of closed cases where the suspicion of financial irregularities has been substantiated. These reports contain information about the agreement partner, country, the essence of the irregularity and the applied sanctions. Additionally, any findings requiring reimbursement of funds, or other findings against a recipient of funds, are entered into the grant management IT system (used by both MFA and Norad).

Similarly, **Sida** publishes reports on all corruption cases on [www.openaid.se](http://www.openaid.se). Reports are currently only available in Swedish, but Box 1.15 is an unofficial translation of one report and gives an indication of the type of material that is included.

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**Box 1.15. Public reporting of corruption cases: Example from Sida (openaid.se)**

**Clearance Memorandum**

Name: Lotta Sandö (memo written by Charlotte Thörner)

Role: Corruption investigator

Organisational Unit: Director Generals Office

Case number: 15/001080, X-2015-63

**Action Contre la Faim (ACF), Kongo**

**Background**
Contribution ID: 52040469
Date when report was received: 2015-09-08
Date when investigation was completed: 2016-03-09
Responsible Department/Embassy: DRC

Sida has an agreement with ACF regarding project support for "Humanitarian Support to Action Contre la Faim, ACF, for nutrition and food security activities 2014-2016".

ACF in Congo informed the Swedish Embassy in Congo that health products were considered to have been embezzled by government officials who worked in a number of project areas. The suspicion arose when the health centre ordered an unusually high number of health products in relation to the number of registered patients.

Actions taken
Test sampling in households was undertaken by ACF in early February 2016. A sample of only 10 households showed a misappropriation of 1475 packages, 90 and 12 capsules respectively of two different medications. ACF began an investigation. Suspicion also arose that the responsible nurse in the project area forewarned the households that they should not accuse him of anything, but this suspicion could not be confirmed.

Of the nine households in the sample, eight had deviations between the individual patient's medical record and the actual treatment received.

The responsible nurse in the project area was interviewed about the matter, who denied the allegations.

ACF assessed that the responsible nurse could not provide a reasonable explanation for what had occurred. ACF decided to permanently suspend the ACF's assistance for three months. They also decided to suspend the responsible nurse for three months.

Analysis, conclusions and lessons learned
ACF informed Sida about of a number of risk reduction measures that were planned as a result of the incident, for example methods to ensure that new health products are only sent when needed, a review of how the health products are stored and the arrangement of regular meetings between the leaders of the sixteen health regions in the zone with the aim of exchanging experiences and lessons learned.

The case is concluded.

Source: Unofficial translation provided by Sida
1.8. Sanctioning regime

Paragraph III of the Recommendation further refers to the sanctioning regime, which should

1. Include, within ODA contracts, termination, suspension or reimbursement clauses or other civil and criminal actions, where applicable, in the event of the discovery by international development agencies that information provided by applicants to ODA funds was false, or that the implementing partner subsequently engaged in corruption during the course of the contract;

2. Respond to all cases of corruption;

3. Put in place a sanctioning regime that is effective, proportionate and dissuasive;

4. Include clear and impartial processes and criteria for sanctioning, with checks and balances in decision making to reduce the possibility of bias;

5. Allow sharing information on corruption events, investigations, findings and/or sanctions, such as debarment lists, within the limits of confidentiality and/or other legal requirements, to help other international development agencies and other actors implementing aid to identify and manage corruption risks.

Details of contributing agency processes for investigating possible fraud and corruption and determining whether sanctions will be imposed were not widely available for this document, similar to information on investigatory processes and capabilities in general. Many contributing agencies have zero tolerance-based policies that require that all reports and suspicions of corruption must be responded to, but levels of discretion to determine the nature and extent of sanctions appear fairly wide.

Contributing agencies usually include sanction stipulations in contracts and grant agreements, or they may refer to other policy statements, as exemplified below. Practices with regard to publishing or sharing information about sanctions differ significantly, from publication of ongoing investigations, to publication of final negative findings only, to little or no publication of cases or findings.

Some agencies share information on a case-by-case basis with other agencies that may be involved in the same country and sector or working with an organisation. For example, DFAT’s Fraud Control and Anti-Corruption Plan states that “DFAT actively works with other major international donors to combat fraud and corruption. As part of this process DFAT maintains memoranda of understanding with key aid partners to assist in combating fraud and corruption through sharing information, including on specific fraud cases.” Similarly, Norway’s MFA reports it has individual Memoranda of Understanding with some agencies and one country to share information. Differences in national laws, particularly with regard to confidentiality, explain some of the variations in information-sharing practices. Thus, aligning practice with regard to sanctions, and particularly to sharing information, may be more difficult than in some other areas.
1.8.1. Examples

Denmark evaluates each case of corruption on its own merits in order to determine the most effective reaction. Reactions can vary, depending on the severity and the subject matter of the case, from strengthening control mechanisms and demanding disciplinary actions toward specific individuals, to terminating a partnership with an organisation, demanding reimbursement of funds or involving law enforcement authorities. Often the response can be a combination of these.

Danish law does not allow for publication of debarment lists. However, Denmark has a proactive approach to sharing and publicizing information about suspected corruption in its development aid. With few exceptions, e.g. due to sensitive information or security reasons, the majority of cases are reported on a public web site, by publishing the notification of the case from the Ministry to the National Audit Office (NAO). These reports must be made as soon as the Ministry can confirm that a reasonable suspicion exists, so publication in many cases takes place well before the final determination is reached. Six months after a case has been sent to the NAO, the responsible unit must assess whether new developments warrant a follow-up report to the NAO, which would also be published. After an additional six months, even with no new developments, an update must be submitted and published. Denmark also frequently shares its findings with other involved donors, as indicated in several of the case files on the web site.

JICA is one of the only contributing agencies that stated they have a policy of enforcing debarments of multilateral development banks in their own aid funding. The policy is also clear that proposals or contractors will be debarred if any evidence of corrupt or fraudulent practices is found in bidding for projects funded with Japanese ODA, or if a contractor was previously found to have been involved in such practices in Japanese ODA-funded projects (Box 1.16). JICA policy includes a detailed set of measures to be taken against any entity that is found to be involved in fraudulent or corrupt practices under ODA-funded projects, along with detailed parameters for the length of debarment. According to a published list of cases from fiscal years 2012 to 2015, of 14 cases, penalties ranged from one month (five cases) to 36 months (one case), with an average length of 7.5 months. Companies may be exempt from these measures or may shorten the period of debarment if they volunteer information about corrupt or fraudulent acts (JICA, 2014:11).
Box 1.16. Sanctioning and cross-sanctioning: Example from JICA

1. It is JICA’s policy to require that bidders and Contractors, as well as Borrowers, under contracts funded with Japanese ODA Loans and other Japanese ODA, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, JICA:
   a. will reject a proposal for award if it determines that the bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the contract in question;
   b. will recognize a Contractor as ineligible, for a period determined by JICA, to be awarded a contract funded with Japanese ODA Loans if it at any time determines that the Contractor has engaged in corrupt or fraudulent practices in competing for, or in executing, another contract funded with Japanese ODA Loans or other Japanese ODA;
   c. will recognize a Contractor as ineligible to be awarded a contract funded with Japanese ODA Loans if the Contractor or sub-contractor, who has a direct contract with the Contractor, is debarred under the cross debarment decisions by the Multilateral Development Banks. Such period of ineligibility shall not exceed three (3) years from (and including) the date on which the cross debarment is imposed. The Borrower shall confirm the eligibility of bidders from this point of view.

2. This provision shall be stated in the bidding documents.


The Norwegian MFA’s zero tolerance policy requires that all reports of corruption and other financial irregularities be responded to. After initial investigation, a case is either dismissed, or if further investigation is recommended, then the funds earmarked for that specific activity/project will normally be frozen until a final decision is made. After a negative finding, sanctions are determined on a case-by-case basis. Ministry guidelines allow for a range of sanctions, or combinations of them, in response to financial irregularities including corruption. These include reimbursement of funds, civil action, criminal proceedings, disciplinary measures, requiring risk-reducing measures and action plans for improving financial management and control, and termination of co-operation (Norway MFA, 2011). A review of several cases by the Ministry indicates that law enforcement referrals or legal actions in partner countries are not frequently pursued because of doubts about the likelihood of achieving resolutions through local legal structures (Norway MFA, 2012). Questions may also include whether the legal system in question respects principles of due process and whether it allows penalties (such as the death penalty) that are not allowed under Norwegian law (Norway MFA, 2010).
1.9. Joint responses to corruption

Joint responses to corruption are another element referred to in paragraph III of the Recommendation as an element to include in systems aimed at managing the risks of, and responding to actual instances of, corrupt practices in development co-operation.

Joint responses to corruption aim to enhance the effectiveness of anti-corruption efforts, which would be achieved through:

1. Preparing in advance for responding to cases of corruption involving aid when they arise, agreeing in advance on a graduated joint response to be implemented proportionally and progressively if performance stagnates or deteriorates;
2. Following the partner government lead where this exists;
3. Promoting and enhancing transparency, accountability and donor coordination where this lead is absent;
4. Encouraging other donors to respond collectively to the extent possible, but allowing flexibility for individual donors and making use of comparative advantage;
5. Fostering accountability and transparency domestically and internationally, including publicising the rationale for and nature of responses to corruption cases;
6. Acting internationally, including working to influence their own peer government agencies in upholding anti-corruption obligations undertaken at the international level, but support implementing partners and field staff to link international efforts to anti-corruption actions in partner countries.

This element of the Recommendation is drawn from the DAC’s long-standing work on promoting more coherent and co-ordinated responses to corruption among donors. In a previous background study, a number of agencies reported having a policy in place to coordinate responses to corruption with other donors. However, no specific examples of such policies emerged in the research for this compendium report. Further, while models exist for joint responses to corruption situations, especially drawing on the efforts of donors in Uganda to press for more active pursuit of anti-corruption efforts and better outcomes from such actions (de Vibe, 2012), no examples of specific policies or tools to implement such an approach were provided for this compendium. Rather, contributing agencies appear to implement joined-up approaches mainly on a case-by-case basis, without broader policies, frameworks or tools for doing so.

1.9.1. Examples

Though joint responses to corruption in an aid programme in a given country appear not to have been systematised into policy frameworks or tools, some contributing agencies have taken specific joint approaches for other settings. One example is the joint Nordic framework for assessing oversight related to financial irregularities in multilateral organisations discussed in Section 1.6.1.

At the country level, in Cambodia, the European Union development partners and Switzerland are working from a joint strategy for development co-operation. The strategy was developed in part based on a joint political economy analysis that identified corruption as a key constraint to achieving development objectives. The strategy is now the basis for annual progress reporting and dialogue with government, and initial reporting indicates that the joint strategy and related processes have facilitated...
formulation of joint positions on corruption and other issues. An anti-corruption working group meets under the leadership of Sida. One significant outcome of this coordination has been the development of joint policy briefs that are shared among members, providing updates on the current situation and specific issues or concerns that the partners seek to raise (with a unified voice and position) with the government.
1.10. Take into consideration the risks posed by the environment of operation

Finally, paragraph III of the Recommendation refers to the need to take into consideration the risks posed by the environment of operation, which would be achieved through:

1. Adapting to the fact that some corruption risks are outside the direct control of international development agencies relating to the corruption risk management systems put in place by aid recipients and grantees;
2. Performing in-depth political economy analysis where context allows, in order to have adequate understanding of the environment where the development intervention will be implemented, so that it is designed in such a way that development co-operation has adequate anti-corruption measures and does not inadvertently reinforce or support corruption;
3. Working collaboratively, providing resources and/or technical assistance, with recipients and grantees in the home country of the international development agency or in developing countries to improve their own corruption risk management systems;
4. Working collaboratively with key relevant government departments responsible for trade, export credit, international legal co-operation and diplomatic representation headquartered in the country of origin of the international development agency to improve joint efforts to fight corrupt practices, including bribe payments by companies;
5. Raising awareness and foster responsible business behaviour of other relevant actors, private as well as public, active in developing countries, discouraging facilitation payments and where relevant highlighting the illegality of such payments pursuant to the legislation of the donor country.

The final element of the Recommendation covers a range of areas in which development agencies can reinforce their own efforts to manage corruption risks through better understanding of their work environment, along with marshalling the resources and inputs of additional partners including the private sector and other institutions and policies of their own governments. At the same time, it calls on Adherents’ agencies to recognise that some corruption risk is simply beyond the control of risk management systems.

Practice in these areas is mixed. While many contributing agencies are employing clearer corruption risk management strategies, as this document demonstrates, there is a lack of examples of clear policy about risk appetite, which might be a way of recognising that not all risks are within an agency’s control. Political economy analysis is increasingly used to inform development cooperation activities, but contributing agencies offered few examples of specific methodologies or guidance for how to translate PEA into anti-corruption strategies and programming. Examples of intra-governmental coordination were equally few. On the other hand, building the capacity of partner organisations to manage corruption risks themselves is an important new area of work, as is galvanising private sector action and support toward the same goals.
1.10.1. Examples

Using political economy analysis to inform corruption risk management

Development practitioners typically have difficulty translating the findings of broad PEA into the detailed analysis of corruption risk that is required to design appropriate mitigation measures, but PEA gives important starting points by describing the political, economic and social dynamics that animate elite policy choices, bureaucratic behaviour and citizen action, shaping the possibilities and challenges for managing corruption risks. More detailed PEA approaches at the sector or issue level (sometimes called “applied” or “problem-driven” PEA), can be more helpful for clarifying specific opportunities and challenges relevant to anti-corruption programming, as indicated in Figure 1.14.91

Figure 1.14. Levels of political economy analysis


 Contributing agencies did not provide specific methodologies for PEA or for translating the findings of PEAs into anti-corruption programme design, though some frameworks do exist. DFID’s “How-To Note” on political economy analysis92 highlights, among other things, the added value of PEA in illuminating factors outside the country context - global drivers and facilitators - that are particularly important for practitioners working on corruption and anti-corruption efforts. USAID has more recently developed a specific framework for applied political economy analysis that also emphasises the importance of PEA as a learning process involving staff who will be involved with the ongoing programme to define key questions and sources of information.93 GIZ’s AC WORKS also workshop draws on PEA approaches.

Building corruption risk management capacity among partners

While due diligence and corruption risk analyses typically assess the corruption control and risk management approaches of partners (see Section 1.5) it is also important for agencies to consider whether these capacities need to be strengthened as part of their
programming. As noted in the cited sections here, some due diligence and risk analysis frameworks include steps for working with implementing partners to address identified weaknesses. Other approaches include working more directly with partners in a process of identifying weaknesses, then defining and implementing solutions. Two examples are provided here. One focuses more on participation and problem/solution identification as a learning tool, while the other is a more detailed methodology for extended engagement in corruption risk identification, assessment and mitigation.

GIZ’s AC Works, as already mentioned (see Section 1.5.1), is a two-day participatory workshop methodology for identifying corruption risks in programmes. Its multi-stakeholder approach is aimed at project partners as well as GIZ staff, and in some cases has been used specifically as a capacity building tool for partners. GIZ reports that it helps build awareness of corruption risks in partners’ particular country and sector and involves them in developing feasible, tailor-made anti-corruption measures that can be integrated into on-going activities or assist in planning new projects.

An example of a more extended approach is in Box 1.17, which describes a partnering approach used by the United Nations Office on Drugs and Crime that is intended to build capacity for risk assessment and management in partnering organisations.
Box 1.17. Partnering to build risk analysis and management capacity: Example from UNODC

As part of its programme to combat corruption linked to wildlife and forestry crime, the United Nations Office on Drugs and Crime (UNODC) works with specific agencies in partner countries to conduct risk assessments and develop mitigation plans. The UNODC approach starts from the assumption that organisations themselves must identify and manage corruption risks and emphasises that reforms should consist of practical and achievable steps. UNODC works with organisations and their stakeholders to determine the most potentially damaging corruption scenarios, where corruption actually happens, or where there is strong consensus among stakeholders that corruption is likely to be happening.

Once a corruption risk is identified and management agrees to take action, further analysis is done to determine what is causing the risk, which provides the starting point a mitigation strategy. The strategy focuses on reforms of specific systems or changes in human resources procedures to ensure that loopholes are closed and staff are more motivated to adhere to systems. In the case of one partner that identified a weakness in procurement, for example, the overall reform process covers four categories:

- Strategic - i.e., creating annual procurement plans and linking them to annual work plans and managers’ performance contracts;
- Strengthening human capacity;
- Strengthening processes;
- Implementing e-procurement systems.

The table below provides an example, extracted from a high-level mitigation plan on strengthening risk-prone processes in the same agency, of UNODC’s approach.

Because some reforms will take a long time to implement, interim mitigation measures may be taken in high-risk areas. For instance, in one recent case UNODC retained an accountant to assess every large request for goods and services before it is published. This short-term measure will remain in place while the entire supply chain management system, from the initial identification of the need through to the payment of the supplier, is strengthened.

<table>
<thead>
<tr>
<th>Process based: Enhance the procurement process from planning to delivery</th>
<th>Review and update procurement policy and procedures manuals which shall include:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Aligning procurement policies and procedures to the Procurement Act</td>
</tr>
<tr>
<td></td>
<td>2. Adopting good procurement practice including recommendations in this report</td>
</tr>
<tr>
<td></td>
<td>3. Updating existing procurement template documents including tender documents</td>
</tr>
</tbody>
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<thead>
<tr>
<th>Process based: Enhance contract management</th>
<th>Preliminary review and update of procedures and manual to national standard</th>
<th>6/2017</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>- Additional staff in the section</td>
<td>7/2017</td>
</tr>
<tr>
<td></td>
<td>- Procure and install a project monitoring software for the contracts</td>
<td>7/2017</td>
</tr>
<tr>
<td></td>
<td>- Train 2-4 users of the software</td>
<td>8/2017</td>
</tr>
<tr>
<td></td>
<td>- Train 2-4 users of the software</td>
<td>9/2017</td>
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Working with private sector stakeholders

This final element of the Recommendation also calls on Adherents’ agencies to work with private and public stakeholders active in developing countries to promote awareness and foster responsible business practices.

The private sector has an important role in promoting good business practices among companies headquartered in donor countries as well as companies in developing countries that may want to participate in supply chains, investment opportunities and joint ventures. Initiatives to mobilise private sector participation in development and specifically anti-corruption efforts have been gaining ground, notably with the launch of the United Nations Global Compact in 2000. Specific reference should also be made, in this field, to the Annex of the 2009 Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions: Good Practice Guidance on Internal Controls, Ethics, and Compliance.

Recognising the fact that businesses can be disadvantaged at least as much as they may find advantage in corrupt practices, many private sector-oriented anti-corruption initiatives seek to leverage the market power of private companies and help them to overcome collective action problems to promote fair market conditions through transparency and integrity practices. Some international development agencies have begun to support similar initiatives, as demonstrated by the examples that follow.

Since 2015, GIZ has been implementing the Alliance for Integrity on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). It is a business-driven, multi-stakeholder initiative seeking to promote transparency and integrity in the global economic system. To achieve this goal, the Alliance for Integrity facilitates collective action of all relevant actors from the private sector, the public sector, international organisations and civil society. The Alliance for Integrity is a platform that offers practical solutions to strengthen the compliance capacities of companies and their supply chains. In addition, the Alliance for Integrity contributes to the improvement of framework conditions by fostering dialogue between the public and private sector. During the German G20 Presidency in 2017, the Alliance contributes to global policy dialogues as a concept partner of the Business 20 (B20) Cross-Thematic Group on Responsible Business Conduct & Anti-Corruption. Regional hub offices in Brazil, Germany, Ghana, India and Indonesia implement activities in their respective regions.

A key activity of the Alliance is a practice-oriented training programme that seeks to strengthen compliance capacities among small and medium-sized enterprises (SMEs) and in global supply chains. Major companies with established compliance management systems become trainers and support companies with little or no experience in countering corruption by sharing their knowledge and experience. An online support desk provides...
additional information and answers implementation-oriented questions after the training. The Alliance for Integrity’s training programme is currently implemented in Argentina, Brazil, Chile, Colombia, Ghana, India, Indonesia, Mexico, Paraguay and Uruguay and has been recognized as a good practice example in the 2017 Policy Paper of the B20 Cross-Thematic Group on Responsible Business Conduct & Anti-Corruption.

Sida has helped develop and facilitate a network of private sector actors and others that help promote international development objectives, particularly the Sustainable Development Goals (SDGs). The Swedish Leadership for Sustainable Development (SLSD) initiative is a network of more than 20 leading companies with Swedish connections, selected expert organisations, and a development finance institution. (Box 1.18 Error! Reference source not found.) Originally convened by Sida in 2013 in recognition of the critical role that the private sector plays in a number of elements of sustainable development, the SLSD was active in promoting the inclusion of anti-corruption in the SDGs. The SLSD is a forum for sharing information and increasing knowledge among the members. Fighting corruption is one of three main objectives of partnership, though to date most activities have focused on other issues such as industrial relations/social dialogue, vocational training, and water conservation. The network is coordinated by Sida, which requires, among other things, resources and specialised understanding of how to translate between the objectives of a development agency, on the one hand, and private companies, on the other. The latter has been gained by “doing,” and the activity is continuing beyond its initial three-year mandate.

Box 1.18. Membership of Swedish Leadership for Sustainable Development


Source: SIDA www.sida.se/swedishleadership

16 November 2016

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement [DCD/DAC(96)11/FINAL], which this Recommendation replaces;


HAVING REGARD to the OECD Policy Paper on Anti-Corruption Setting an Agenda for Collective Action [DCD/DAC/GOVNET(2006)3/REV2] and the Development Assistance Committee’s study Working Towards More Effective Donor Responses to Corruption which calls for more effective coordinated and collective responses from international development agencies to cases of corruption involving aid;

RECOGNISING the important work on anti-corruption developed within the framework of the United Nations (UN) notably the United Nations Convention against Corruption (UNCAC) and the UN Sustainable Development Goals, in particular the target in goal 16 to substantially reduce corruption and bribery in all their forms;

RECOGNISING that corruption poses serious threats to development goals and that international development agencies have a common interest in managing and reducing, to the extent possible, the internal and external risks to which aid activities are exposed, in order to obtain effective use of aid resources;

RECOGNISING that corruption can be an ongoing and tenacious condition of the operating context for development activities and that aid can be another resource that ends up being exploited for corruption purposes;

RECOGNISING the role that development co-operation agencies may play in tackling the supply side of corruption including the bribery of foreign public officials;
RECOGNISING that, following good practices, international development agencies should seek to better understand the political economy of the countries and contexts in which they operate;

CONSIDERING that corruption risks are not easily managed with short-term or technical approaches, but rather require comprehensive and ongoing internal and external risk management approaches applied in full coordination with activities carried out by key relevant actors responsible for trade, export credit, international co-operation and diplomatic representations as well as the private sector;

CONSIDERING that international development agencies have an interest and a role to play in influencing peer government agencies as well as other actors operating in developing countries to effectively comply with anti-corruption obligations, such as anti-bribery commitments, in order to improve standards of operation within developing countries;

CONSIDERING that the staff employed by an international development agency (civil servants or contractual) is the first line of defence in preventing corruption and managing corruption risks in the disbursement of aid, but many other actors are also involved;

RECOGNISING that there are a number of good practices among donor agencies and standards already developed by the OECD and others, on which this Recommendation seeks to build and that aid donors have developed an array of policies and practices to address the associated risks as documented through the 2015 OECD study “Building Donors’ Integrity Systems: Background Study on Development Practice” [DCD/DAC/GOVNET/RD(2015)2/RD10];

On the proposal of the Development Assistance Committee and the Working Group on Bribery in International Business Transactions:

I. AGREES that the purpose of this Recommendation is to promote a broad vision of how international development agencies can work to address corruption as defined in articles 15-25 of UNCAC, including the bribery of foreign public officials, and to support these agencies in meeting their international and regional commitments in the area of anti-corruption;

II. AGREES that, for the purpose of the present Recommendation, the following definitions are used:

- Corruption risk management refers to the elements of an institution’s (public or private) policy and practice that identify, assess, and seek to mitigate the internal and external risks of corruption for its activities;
- Implementing partners refers to government’s line ministries or other public agencies, as well as partners of international development agencies such as developing countries’ governments, non-governmental organisations, multilateral organisations and suppliers of goods and services involved in implementing aid projects or programmes or private sector organisations recipient of aid funds;
- Internal integrity and anti-corruption system refers to those elements of an agency’s ethics, control, and risk management systems (laws, regulations and policies) that relate to corruption risk, including both prevention and enforcement elements;
International development agency (also referred to as donor) refers to government line ministries or other public or private agencies entrusted with the responsibility of disbursing public funds that are accounted for as Official Development Assistance (ODA);

Public Official refers to any person who performs a public function or provides a public service, i.e. any person holding a legislative, administrative or judicial office, whether appointed or elected; exercising a public function, including for a public agency or public enterprise; and any official or agent of a public international organisation.

III. RECOMMENDS that Members and non-Members adhering to this Recommendation (hereafter the “Adherents”) set up or revise their system to manage risks of and respond to actual instances of corrupt practices in development co-operation. Such a system should be implemented by the Adherent’s international development agencies and their implementing partners when they are involved in the disbursement and/or management of aid and should include, as appropriate:

1. **Code of Conduct (or equivalent), which should:**
   i) Be applicable to public officials engaged in any aspect of development co-operation work and the management of aid funds;
   ii) Be decided on and endorsed by the highest authority within the international development agency, disseminated to all staff and communicated on an ongoing basis;
   iii) Clearly establish what practices should be avoided and embraced with regard to corruption and anti-corruption, using specific examples of corrupt practices to reduce possible differences in understanding across social, cultural and institutional settings.

2. **Ethics or anti-corruption assistance/advisory services, which should:**
   i) Assure human and financial resources are available to provide ethics and anti-corruption advice, guidance and support to staff in a safe, confidential, independent and timely manner;
   ii) Ensure that staff providing such advisory services are trained and prepared to discuss sensitive matters (i.e. such as how to respond to evidence or suspicions of corruption, and related issues) in a safe and non-threatening environment in order to build a strong, shared understanding of acceptable and unacceptable behaviours;
   iii) Build trust between staff responsible to providing advice in anti-corruption with the rest of personnel, in particular when reporting channels are also responsible for investigation.

3. **Training and awareness raising on anti-corruption, which should:**
   i) Include ethics and anti-corruption training, including for locally-engaged staff in partner countries. Opportunities for interactive training, including discussions of scenarios and exploration of possible responses, should be put in place for making codes of conduct and other anti-corruption rules practically applicable and meaningful across different social, cultural, and institutional settings;
ii) Clarify the roles and responsibilities of different staff and tailor the extent and specialisation of training according to the exposure to corruption risk of each role, particularly in face of resource constraints;

iii) Assure that training of all staff involved in posts that are more directly involved in dealing with corruption risks (such as programme design, management, procurement and oversight) goes beyond the internal ethics and reporting regime, to include corruption risk identification, assessment and mitigation approaches as well as main international obligations to which their country has committed to.

4. High level of auditing and internal investigation in order to ensure a proper use of resources and prevent, detect and remedy corruption risks, with the following functions provided for:

i) Internal audit services. Detailed standards for internal auditors are available through relevant international professional associations and should serve as guidance as appropriate;

ii) External audit, including of the agencies as well as of the projects/activities the agencies fund, conducted by relevant authorities (i.e. Supreme Audit Institutions, independent external audits). Detailed standards for external auditors are available through relevant international professional associations and should serve as guidance as appropriate;

iii) Access to investigatory capacity, within or outside the agency, to respond to audit findings;

iv) Systematic and timely follow-up of internal audit findings as well as findings from independent external audits to assure that weaknesses have been addressed and any sanctions implemented;

v) Communication to staff about audit and investigation processes and outcomes, within confidentiality limits, to build trust, reduce perceptions of opacity and take into account lessons learned.

5. Active and systematic assessment and management of corruption risks in an ongoing way and at multiple levels of decision making, which should:

i) Integrate corruption risk assessment into all programme planning and management cycles in formalised ways, informing relevant hierarchical levels within the international development agency, assuring analysis and review of corruption risk throughout the project cycle and not as a stand-alone exercise at the project design phase;

ii) Provide guidance or frameworks appropriate for different levels of corruption risk analysis with a view to help programme managers identify how corruption might directly affect the desired outcomes of the activity, including more detailed assessment than a broad political economy analysis, such as a careful examination of assumptions regarding obstacles and opportunities for anti-corruption and identifying adequate anti-corruption measures;

iii) Use tools like risk registers or matrices at the outset of a development intervention, and update them regularly throughout implementation, with necessary adjustments to anti-corruption measures;
iv) Strengthen integration between agency control functions, including auditors and controllers, and programme management functions and other relevant stakeholders for the purposes of more effective corruption risk assessment and management;

v) Build an evidence base for corruption risk management by sharing experience internally and among other international development agencies about the content and form of corruption risk assessments and management tools, ways that risk management is built into the project cycle, and the impact of these processes.

6. **Measures to prevent and detect corruption enshrined in ODA contracts**, which should:

i) Ensure that funding for projects financed by ODA are accompanied by adequate measures to prevent and detect corruption and that implementing partners, including other government agencies, government of developing countries, NGOs and companies that have been convicted of engaging in corruption are denied such funding as appropriate;

ii) Ensure that persons applying for ODA contracts be required to declare that they have not been convicted of corruption offences;

iii) Establish mechanisms to verify the accuracy of information provided by applicants and ensure that due diligence is carried out prior to the granting of ODA contracts, including consideration of applicant’s corruption risk management system, such as companies’ internal controls, ethics and compliance programmes and measures, in particular where international business transactions are concerned;

iv) Verify publicly available debarment lists of national and multilateral financial institutions during the applicant’s selection process; include such lists as a possible basis of exclusion from application to ODA funded contracts;

v) Ensure that ODA contracts specifically prohibit implementing partners (whether from the international development agency’s own country, local agents in developing countries or from third countries) and their possible sub-contractors from engaging in corruption.

7. **Reporting/whistle-blowing mechanism**, which should:

i) Be applicable for all public officials involved in development co-operation and implementing partners who report in good faith and on reasonable grounds suspicion of acts of corruption;

ii) Remind public officials involved in the disbursement of aid, including implementing partners, of their obligation to report corruption including foreign bribery;

iii) Issue clear instructions on how to recognise indications of corruption and on the concrete steps to be taken if suspicions or indications of corruption should arise, including reporting the matter as appropriate to law enforcement authorities in the beneficiary country and/or the international development agency’s home country;

iv) Assure broad accessibility of secure reporting mechanisms, beyond the staff of the international development agency to include implementing partners to the extent possible;

v) Communicate clearly about how confidential reports can be made, including providing training if necessary, and streamlining channels to reduce confusion if different reporting mechanisms exist for different stakeholders;
vi) Provide alternatives to the normal chain of management or advice services such as independent advisors, ombudsperson and, where relevant, access to law enforcement authorities;

vii) Ensure protection for whistle-blowers, including protection from retaliation when reporting suspicion of corruption, including allegations of bribery paid by the donors’ own staff or implementing partners;

viii) Follow up on reported incidents of suspected corruption in a timely manner;

ix) Communicate clearly and frequently about the processes and outcomes of corruption reporting, to build trust and reduce any perception of opacity around corruption reports and investigations.

8. **Sanctioning regime**, which should:

i) Include, within ODA contracts, termination, suspension or reimbursement clauses or other civil and criminal actions, where applicable, in the event of the discovery by international development agencies that information provided by applicants to ODA funds was false, or that the implementing partner subsequently engaged in corruption during the course of the contract;

ii) Respond to all cases of corruption;

iii) Put in place a sanctioning regime that is effective, proportionate and dissuasive;

iv) Include clear and impartial processes and criteria for sanctioning, with checks and balances in decision making to reduce the possibility of bias;

v) Allow sharing information on corruption events, investigations, findings and/or sanctions, such as debarment lists, within the limits of confidentiality and/or other legal requirements, to help other international development agencies and other actors implementing aid to identify and manage corruption risks.

9. **Joint responses to corruption** to enhance the effectiveness of anti-corruption efforts, which would be achieved through:

i) Preparing in advance for responding to cases of corruption involving aid when they arise, agreeing in advance on a graduated joint response to be implemented proportionally and progressively if performance stagnates or deteriorates;

ii) Following the partner government lead where this exists;

iii) Promoting and enhancing transparency, accountability and donor coordination where this lead is absent;

iv) Encouraging other donors to respond collectively to the extent possible, but allowing flexibility for individual donors and making use of comparative advantage;

v) Fostering accountability and transparency domestically and internationally, including publicising the rationale for and nature of responses to corruption cases;

vi) Acting internationally, including working to influence their own peer government agencies in upholding anti-corruption obligations undertaken at the international level, but support implementing partners and field staff to link international efforts to anti-corruption actions in partner countries.
10. Take into consideration the risks posed by the environment of operation, which would be achieved through:

i) Adapting to the fact that some corruption risks are outside the direct control of international development agencies relating to the corruption risk management systems put in place by aid recipients and grantees;

ii) Performing in-depth political economy analysis where context allows, in order to have adequate understanding of the environment where the development intervention will be implemented, so that it is designed in such a way that development co-operation has adequate anti-corruption measures and does not inadvertently reinforce or support corruption;

iii) Working collaboratively, providing resources and/or technical assistance, with recipients and grantees in the home country of the international development agency or in developing countries to improve their own corruption risk management systems;

iv) Working collaboratively with key relevant government departments responsible for trade, export credit, international legal co-operation and diplomatic representation headquartered in the country of origin of the international development agency to improve joint efforts to fight corrupt practices, including bribe payments by companies;

v) Raising awareness and foster responsible business behaviour of other relevant actors, private as well as public, active in developing countries, discouraging facilitation payments and where relevant highlighting the illegality of such payments pursuant to the legislation of the donor country;

IV. INVITES the Secretary-General to disseminate this Recommendation;

V. INVITES Adherents and their relevant government agencies such as international development agencies to disseminate this Recommendation among staff and throughout partners;

VI. ENCOURAGES relevant government partners, contractors and grantees to disseminate and follow this Recommendation;

VII. INVITES non-Adherents to take account of and adhere to this Recommendation;

VIII. INSTRUCTS the Development Assistance Committee and the Working Group on Bribery in International Business Transactions to:

i) Establish a mechanism to monitor regularly the implementation of the Recommendation, within or outside of their respective peer review mechanisms, and in line with their mandates and programme of work and budget;

ii) Report to the Council no later than five years following the adoption of the Recommendation and regularly thereafter, notably to review its relevance and applicability and whether it requires amendments in the light of experience gained by Adherents.
Annex B. Potential inputs for monitoring and reporting on the implementation of the Recommendation and next steps

It will be important for Adherents’ agencies and their partners to continue the process started by this report. Two ways forward should be considered: further gathering of examples of how agencies manage the risks of corruption in development cooperation and, more importantly feed into the monitoring and reporting mechanism, investing in learning about the effects of these efforts.

1.11. Continued collection of examples of contributing agencies’ practices

This compendium report constitutes an important start in gathering examples that can serve as inspiration and insight when seeking to implement the Recommendation. As noted at the beginning, however, the selection process did not necessarily create a comprehensive inventory of current resources and initiatives. At the same time, Adherents’ agencies are constantly innovating –indeed, a number of examples could not be used in this report as they were under revision.

To supplement this document and keep this initiative current, therefore, the ACTT should consider the possibility of creating an online resource where agencies can post policies, management tools, and guidance that support implementation of the Recommendation.

A self-service platform would be especially practical for areas where the range of options and the factors contributing to effectives are fairly well established and understood, which may include the following:

- Codes of conduct and ethics.
- Training and awareness-raising methods, including online training materials. These could be sub-divided among approaches that focus only on internal ethics and anti-corruption/anti-fraud policies, and those that include broader information on corruption causes, consequences, analytical tools and risk management approaches.
- Structures and processes for anti-corruption advisory services.
- Uses of internal and external audit for corruption detection.
- Management tools for integrating corruption risk assessment and mitigation in programme management processes.
- Due diligence frameworks and other anti-corruption approaches in aid procurement.
- Reporting mechanisms and whistle blower protection practices.
- Policies and mechanisms for reporting back on the outcomes of reports and investigations.
- Use of debarment lists and other sanctioning approaches.
- Examples of joint responses to corruption, particularly examples of advance planning among donors to respond to corruption problems when it emerges. (The good practice in this area is well established, but examples of implementation are few.)

1.12. Addressing the need for further learning

In some areas covered by the Recommendation, while examples exist, experience is limited. In these areas, supplying examples to a platform should be encouraged, but more active learning opportunities, including additional research and targeted information sharing, would help clarify effective practice and what is workable within the context of development co-operation.
Notes

1. The United Nations Office on Drugs and Crime also contributed a risk analysis tool.

2. In a few cases, agencies agreed to share parts of documents that are otherwise internal and not available for publication. These are not available in the Technical Annexes, nor are some cited documents that were deemed useful for citation but left out of the Annexes due to concerns about length. The Technical Annexes DCD/DAC(2017)46 can be accessed at oe.cd/TACEP.


4. The KfW code of conduct is an internal document and not available publicly. KfW’s Conflict of Interest policy is available at www.kfw.de/PDF/Unternehmen/Verantwortung-und-Corporate-Governance/Integrit%C3%A4t-Compliance/Interessenkonflikt-Policy-EN.pdf

5. SIDA also has a separate guidance document, “Ethical Guidelines for SIDA Employees,” only available in Swedish.

6. This guidance is also highly relevant to reporting and whistleblowing mechanisms.

7. See www.btcctbintegrity.be/


10. Interview with GIZ Integrity Advisor, 13 October 2016.


12. This list does not include specialised training on financial monitoring, audit, corruption investigations, procurement integrity, and other subjects that agencies may deliver to employees carrying out these specific functions.

13. This document provides examples from the first and second types. The third type of training is not specifically called for in the Recommendation. Several agencies rely on the on-line anti-corruption training provided by the U4 Anti-Corruption Resource Centre (www.u4.no) for this last function.

14. Not available for public access.
15. Interview and email communications with FSCU, November-December 2016.

16. SIGIR ended operations in 2013. The archived website is at https://cybercemetery.unt.edu/archive/sigir/20131001083050/http://www.sigir.mil/index.html. Information on SIGAR can be found at https://www.sigar.mil/. Both SIGIR and SIGAR conducted a range of activities that included, but were not limited to, financial audit, project reviews, policy reviews and developing learning products based on their experience.

17. Risk management may be broadly described in terms of risk identification, risk assessment and risk mitigation, as was done in the Background Study (Hart, 2015). Alternatively, the five- (or seven)-phase ISO 31000 framework (establishing the context, risk identification, risk analysis, risk evaluation, and risk treatment; with communications and consultations and monitoring and review as continuous feedback functions) is used by some contributing agencies and can be roughly mapped to the three-phase framework. Though monitoring and review is not as clearly identified as a critical function in the three-phase approach, it is clearly highlighted in the Recommendation and in this discussion.

18. Due to lack of initiatives on learning from corruption risk management, this sub-element is not further discussed in the paper.

19. DFID, for instance, drawing on the OECD INCAF, uses a variant that breaks down institutional risks into fiduciary, operational, reputational and safeguarding categories and substitutes the concept of “delivery risk” for programmatic risk. Source: DFID (n.d.b), Internal Risk Management Framework.

20. A Council for the Prevention of Corruption, an independent administrative entity that works with the Court of Auditors, was established to develop a national activity in the field of corruption prevention and related offenses (Article 1 of Law 54 / 2008). One of its recommendations (of July 1, 2009) calls on public entities that manage public funds and assets to prepare plans for corruption risks management and related offenses. These plans should be forwarded to this Commission, as well as to the respective oversight and control bodies. The recommendation of November 7, 2012 on Management of Conflict of Interest in the Public Sector, refers the need to identify and characterise areas of risk, namely those resulting from the accumulation of duties (public duties), and treat them under the same terms as the Corruption Risk Management Plan and related offenses.

21. Camões, IP experienced a major reorganisation and reduction in staff in recent years and is undertaking a significant process of policy and management reform. It expects to develop project management tools with more extensive risk management approaches as this process goes forward.

22. USAID’s Anti-Corruption Assessment Framework (USAID, 2009) is an example of a broad, political-economy analysis of corruption conditions in a country. While it aims to identify areas for possible anti-corruption programming, it was not specifically designed as a risk assessment tool, e.g., to assess the risks that corruption might pose to a development activity regardless of its sector or specific focus.

23. Due diligence guidance is discussed in Section 1.6.1.

24. The guidance for managers is similar to that for programme officers, but framed in terms of overseeing the assessments and actions of programme officers.

25. The business case considers a number of other types of risks as well. As such, it reflects practices of other agencies that incorporate a range of risk types in their risk management processes.

26. The business case is completed at the inception of any project, but DFID reports that it is not always possible to complete the full delivery chain analysis at this stage, if all implementing
organisations or modalities are not fully contracted or known beyond the primary implementing partner. In this case, the delivery chain analysis, with its identification and assessment of risks at lower levels, may be completed after project approval. This must be completed before any funds are dispersed, however. Managers often do this analysis jointly with implementing partners or request delivery chain mapping from the implementing partner.

27. DFID internal on-line guidance on risk registers.
28. DFID internal on-line guidance on risk registers.
29. DFID internal on-line guidance on risk registers.
30. The methodology for the AC WORKS workshop provides examples of how to conduct these assessments and other tools for facilitating the workshop. It is not a public document.
31. As of the publication of this Companion Document, the GIZ guidelines are not publicly available, but GIZ hopes to transform them to a web-based tool that is publicly accessible and could be adjusted to specific needs.
32. These questions are quite general and refer the user to well-known sources of information such as the Transparency International Corruption Perceptions Index, Global Corruption Barometer, and Bribe Payers Index.
33. Use of the Decision Document template is not mandatory for all grant schemes. Norwegian legislation requires some form of assessment and justification, but for some schemes other forms are used, e.g. a note to file, a common document for many grants, etc. The Grant Management section of the Ministry does however recommend that the template is always used, even if some parts will be less relevant for all.
34. The analytical framework and tools are integrated under one logic and administrative umbrella, but the templates and guidance differ for each category of organisation.
35. The complete list of sub-factors for each recipient category is not publicly available.
36. DFID has a similar process, the Fiduciary Risk Assessment. See DFID (2011),
38. See DFID (2011:15).
39. See DFID (2011:9). See also Annex A of the referenced Manual, which is a checklist of questions regarding each of these areas. The DFID Fiduciary Risk Assessment (FRA) framework focuses a bit more clearly on corruption, with a chapter of the FRA report devoted to it. Guiding questions on corruption can be found on p. 22 of the DFID FRA How-To Note.
42. Approval must be granted at the Assistant Administrator level, after consultation with relevant legal officers and the Government to Government Risk Management Team. Criteria for waiving elements of the PFMRAF are laid out in section 220.3.3.1 of USAID’s Automated Directives System (ADS). Available at https://www.usaid.gov/sites/default/files/documents/1868/220.pdf
43. “Of the 29 planning documents we reviewed, 20 included no discussion of identified risks, and 17 of the planning documents did not address measures for mitigating risks.

44. Interview, 6 January 2017. Similar to some other agencies, USAID includes a range of financial management and related considerations in the procurement requirements for most contract- and grant-based programming.

45. Interview, DFID, 19 December 2016.

46. Although this issue was not included in the final Recommendation, clear policy on levels of approval required for different levels of risk was shown to be a gap in the survey that informed the Background Study. See Hart 2015, p. 44.

47. For example, rules for grants under regional allocations for Africa, Asia and Latin America currently require expert quality assurance of results frameworks and budgets to be considered for grants of NOK15 million or more. Expert guidance or external appraisal is required for grants of NOK 50 million or more, with the choice between the two dependent on “the risk and significance of each project.” Norway MFA (2016), Grant Scheme Rules template, January 2016, p. 4.

48. This applies to non-governmental organisations rather than the governments covered by the PFMRAF. USAID, Automated Directives System (ADS) Chapter 303, “Grants and Cooperative Agreements to Non-Governmental Organisations” 3 April 2017, section 303.3.9 (Pre-Award Risk Assessment), pp. 41-46.


51. KfW specifies that these lists are one input among others, including negative information from publicly-available sources about involvement in criminal offences.

52. Further information on aid agencies’ implementation of this element of the Recommendation can be found in the Working Group on Bribery’s Country Reports on Enforcement of the Anti-Bribery Convention (http://www.oecd.org/daf/anti-bribery/countryreportsontheimplementationoftheoecdanti-briberyconvention.htm).


54. Regarding the audience for the guidance: “This Guidance is primarily targeted to persons who will enter into contracts with JICA and persons who will enter into contracts with executing agencies of partner countries which are recipients of ODA implemented
by JICA; however, certain provisions of this Guidance are directed to the governments of those partner countries and their executing agencies.

55. Requirements for Know Your Customer and Customer Due Diligence are greater - sometimes significantly so - for banks than for non-credit institutions in Germany and elsewhere.

56. System set up by Regulation (EU, Euratom) No 2015/1929 of 28 October 2015 on the financial rules applicable to the general budget of the Union (OJ L 286/1, 30.10.2015) which includes information on the early detection of risks threatening the EU financial interests, on the cases of exclusion from EU funding of legal and natural persons and on the cases of imposition of financial penalties.

57. For US-based organisations, due diligence is completed through a different process, often as part of competitive tendering and involving provision of information on past performance, management capacity, etc.

58. These include the List of Specially Designated Nationals (SDN) and Blocked Persons list of the US Treasury Office of Foreign Asset Control (www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx), a list of entities suspended or debarred from receiving contracts or other funding from the US government (www.sam.gov), the Federal Awardee Performance and Integrity Information System (www.fapiis.gov) and the United Nations ISIL (Da'esh) & Al-Qaida Sanctions List (https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list).


62. Implementing partners refer to governmental line ministries or other public agencies, as well as partners of international development agencies such as developing countries’ governments, non-governmental organisations, multilateral organisations and suppliers of good and services involved in implementing aid projects or programmes or private sector organisations recipient of aid funds.


66. The GIZ code of conduct states that Integrity Advisors “act autonomously and independently, are neutral, maintain confidentiality, and are sworn to secrecy.” It also
states that “GIZ ensures that there are no negative consequences for people who provide information in justified cases (whistle blowers).”


70. [www.kfw.de/KfW-Group/About-KfW/Verantwortung-und-Corporate-Governance/Integrit%C3%A4t-Compliance/Korruptionspr%C3%A4vention/](http://www.kfw.de/KfW-Group/About-KfW/Verantwortung-und-Corporate-Governance/Integrit%C3%A4t-Compliance/Korruptionspr%C3%A4vention/)


72. [www.kfw.de/KfW-Group/About-KfW/Verantwortung-und-Corporate-Governance/Integrit%C3%A4t-Compliance/Hinweisgebersystem/](http://www.kfw.de/KfW-Group/About-KfW/Verantwortung-und-Corporate-Governance/Integrit%C3%A4t-Compliance/Hinweisgebersystem/)


75. [www.regjeringen.no/en/topics/foreign-affairs/international-law/mfa_whistleblowing/id495009/](http://www.regjeringen.no/en/topics/foreign-affairs/international-law/mfa_whistleblowing/id495009/)

76. See the MFA’s Whistleblowing Poster at [www.regjeringen.no/globalassets/upload/ud/vedlegg/varslin/whistleblowing2014.pdf](http://www.regjeringen.no/globalassets/upload/ud/vedlegg/varslin/whistleblowing2014.pdf)

77. The case folders in the electronic archive are only available to the FSCU. In the public journal for all archived documents, the case documents are listed with limited information that the public cannot identify its content, addressee or sender.

78. [www.regjeringen.no/no/dokumenter/rapporter_oversikt/id2395346/](http://www.regjeringen.no/no/dokumenter/rapporter_oversikt/id2395346/)

79. Interview, Norway MFA, November 2016.


81. This is different from the practices of other countries that only publish final cases.


83. See JICA, “JICA Rules on Measures Against Persons Engaged in Fraudulent Practices, etc. in Projects of ODA Loan and Grant Aid (Provisional Translation)” [www.jica.go.jp/english/our_work/types_of_assistance/rule01.html](http://www.jica.go.jp/english/our_work/types_of_assistance/rule01.html), and “JICA Rules on Measures to Suspend Eligibility for Participation in Tenders for Contracts (Provisional Translation)” [https://www.jica.go.jp/english/our_work/types_of_assistance/rule02.html#exhibit](https://www.jica.go.jp/english/our_work/types_of_assistance/rule02.html#exhibit). The “Exhibit” links lead to the specific parameters of debarment for each type of offence.

84. JICA, “List of cases to which the Rules on Measures were applied between FY2012 and FY2015,” [https://www.jica.go.jp/english/our_work/compliance/c8h0vm00009ulml-att/list_cases.pdf](https://www.jica.go.jp/english/our_work/compliance/c8h0vm00009ulml-att/list_cases.pdf).
85. Assets in other projects managed by the same organisation will only be frozen in exceptional circumstances where it appears the management practices of a partner cause a significant risk of similar irregularities in more than one project. Norway MFA, “How the Ministry of Foreign Affairs Deals with Financial Irregularities.”

86. This work was initiated with the OECD’s 2006 endorsement of the “Principles for Donor Action on Anti-Corruption” http://www.oecd.org/dac/accountable-effective-institutions/principlesfordonoractiononanti-corruption.htm. The specific sub-elements are taken from the OECD study, “Working Towards more Effective Donor Responses to Corruption: Background study of how donors have responded to corruption in practice,” 2009. https://www.oecd.org/dac/governance-peace/governance/docs/45019669.pdf

87. In the survey conducted for the Background Study for the Recommendation, 10 of 15 responding agencies reported having a stated policy in place. See Hart, p. 48.


90. Similarly, in Mozambique, donors requested reports from the U4 Anti-Corruption Resource Centre to help them define alternatives in the wake of a major scandal involving secret state-backed debts. See Williams, A. and Isaksen, J., “Corruption and State-Backed Debts in Mozambique: What can external actors do?” 2016, U4 Anti-Corruption Resource Centre.


94. See https://wwwunglobalcompactorg/what-is-gc/our-work/governance/anti-corruption

95. See https://wwwallianceforintegrityorg/

96. Project Report 2014-2016, Swedish Leadership for Sustainable Development: Practical experience in how to partner with the private sector (Sida). Draft shared with author, no date. See also wwwsidase/swedishleadership.
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