



FAFPI

Fight Against Facilitation
Payments Initiative

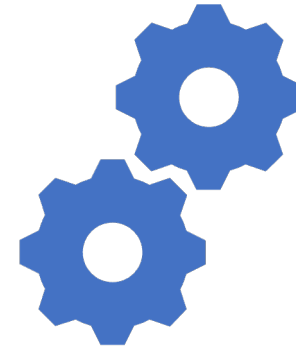
Risk Assessment Tool

Facilitation Payments

What is the Risk Assessment tool?



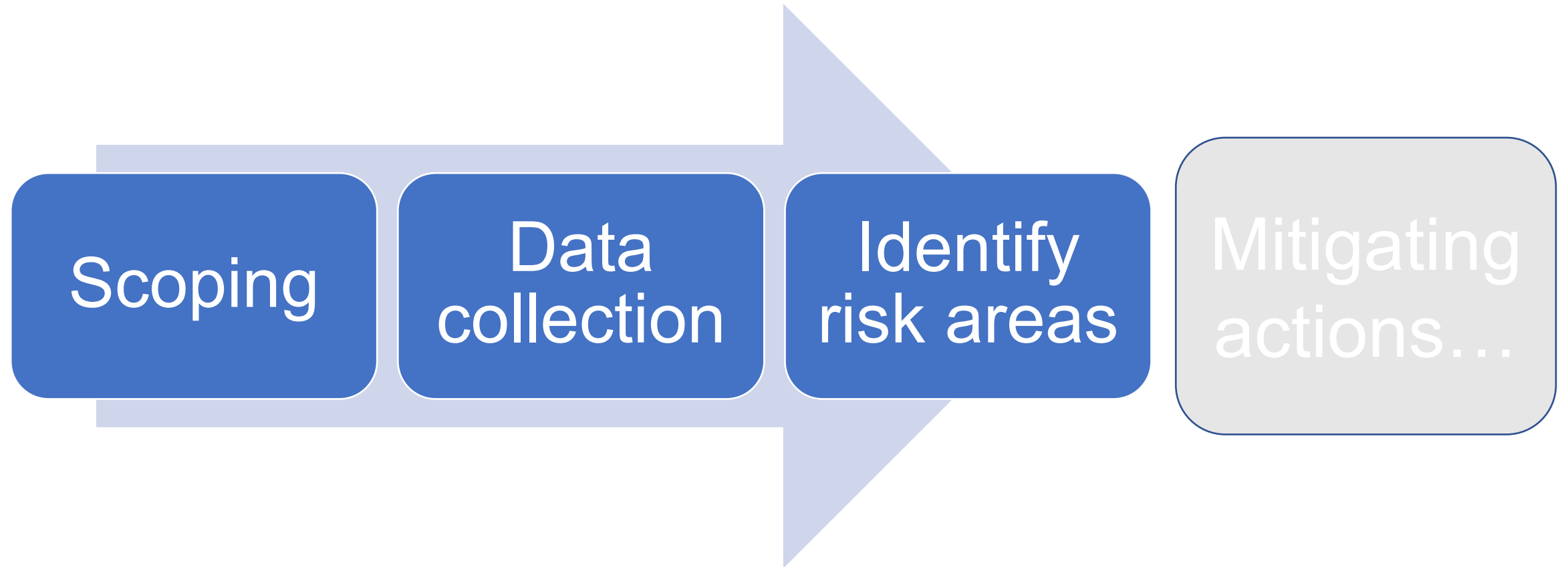
In order to identify the risks of your company experiencing challenges regarding facilitation payments, FAFPI developed a Risk Assessment tool that is easy to use.



For this purpose, the tool has a three-step approach: Scoping, Data collection and Identifying Risk Areas.

Three step approach to Risk Assessment

To conduct your risk assessment on facilitation payments you should first define the scope of your risk assessment, then decide on your data collection methodology incl. target group, and thirdly map out the identified risk areas for further prioritization as part of you internal mitigating actions.



1. Scoping

Indicators to select the countries or type of activity for your risk assessment

You need data from your organisation to be able to scope your risk assessment. The following indicators/data points can be used to define the scoping of your risk assessment. Select the focus area(s) where you expect you'll find the highest risk for facilitation payments or where you know your organization is ready to act

✓ **Country**
Does the organization have offices or operations in countries with a high score on the CPI or where you have experienced challenges with facilitation payments previously?

Risk: Some countries might be more prone to the risk of facilitation payments than other countries

✓ **Business unit/operations**
Are you operating in markets/ industries/sectors previously known to be high risk of corruption or where employees have experienced challenges with facilitation payments?

Risk: Some markets/industries/sectors might be more prone to the risk of facilitation payments than others

✓ **Type of payment methods**
Do employees pay with cash or credit cards? Can you easily identify who receives payments and for what service?

Risk: (Petty) cash can easily exchange hands and is more difficult to track than payments with credit cards

✓ **Office set-up**
How many are employed in the office? Does the turn-over deviate from other offices? Does the employee type differ from other offices (engineers, back-office/administration, production, R&D etc.)

Risk: A site where licenses or approval is regular needed might face larger risks than e.g. a back-office. Construction, development work etc. might also be more prone to facilitation payment risks.

✓ **Level of engagement with public officials**
Do employees have regular interaction with public officials such as need for business license/renewal, authorization, visa requirement, permits etc.

Risk: Engagement with public officials increases the risk for request for facilitation payments

✓ **Level of travel and transportation**
Do employees travel locally? How do they pay for their travel cost? How are they remunerated? Is there a risk of being stopped by the local police or other public officials who request an informal fee?

Risk: Travelling from one destination to another might increase the risk of being met with requests for facilitation payment when buying train, bus or flight tickets or at roadblocks

✓ **Third parties**
Do third parties facilitate services on behalf of the company with risk of facilitation payment? Are third parties representing the company towards clients, external parties or have direct contact with public officials? Is there a price structure and remuneration of third parties in place which could indicate risk of facilitation payments?

Risk: Third parties might be facilitating facilitation payments on behalf of the company without you knowing so

2. Data Collection (1/2)

Survey methodology to identify high risk areas

To conduct the risk assessment, define the target group and consider the methodology for collecting data which suits the scoping best

1. Define the target group

1.1. In general, it would be useful to discuss previous experience, industry/sector and country practice with **support functions** such as:

- Regional Finance
- Facility Management
- Procurement
- Legal
- Local compliance
- HR

1.2. Based on input from support functions, next step would be to identify the operational risk through engagement with the **management** such as:

- Country Managers
- Project Managers
- Site and Factory Managers

1.3. Thirdly, include your **third parties** to understand the risk landscape. This would be relevant for visa/permits, facilities, transport, construction, etc.

2. Conduct interviews

How to collect data highly depends on accessibility, time, language barriers and cultural differences. The most ideal would be face-to-face interviews, or as an alternative video meeting, with as few attendees as possible (preferable the interviewer and the interviewee only) in order to create the right level of confidence.

Being on-site makes it possible to meet interviewee in a more informal setting while it also allows the interviewer to observe the day-to-day operation more closely to get a better understanding of the various interactions and exposure.

All examples/exposures should be included in the Risk Assessment Documentation Table & Risk Matrix (see slide 6).

Make it clear from the start with examples, what facilitation payments are, why you are mapping this exposure and that there are no retaliation in any form by participating.

3. Consider need for survey

If the countries or business operations/sectors in the scoping covers a larger geographical area or group of employees, it may be useful to conduct a survey in addition to the interview. This can be done pre-interview to qualify and provide background data to the interviews or post-interview to measure the overall exposure to facilitation payments.

A survey should aim at:

- Qualifying the likelihood i.e. highest risk of facilitation payments being demanded/ requested/expected in specific instances such as transport/licensing/visa/travel/ authentication/land development, construction etc.

The survey should not consist of more than 5-10 questions with a rating 1-5 (low to high).

Here the target group would be operational employees. Clearly stress if the survey is purely looking for cases related to their professional work or also covers their private experience and exposure.

The data should be included in the Risk Assessment Documentation Table & Risk Matrix (see slide 6)

2. Data Collection (2/2)

Selection of topics to be covered during the data collection

Use the topics as inspiration for your interview guide adjusted based on your selected scoping and target groups

Introduction

For both the interview and survey methodology, it makes good sense to introduce the respondent to the purpose of the interview/survey. An example could be:

We know that there is a common risk of facilitation payments within this country/industry/market/sector. We are interested in mapping our exposure to facilitation payments in order to help mitigating the risk [consider to include: and look at the consequence for not paying].

Topics to be covered during data collection

- Where would employees typically experience the risk to be met with the demand or expectation to pay facilitation payments? In which situations? What is generally speaking the highest risk areas in the country/industry/market/sector from your perspective?
- How would the demand or expectation occur? Directly demanded, indirectly through i.e. delay, burdensome bureaucracy/red tape, arguing for lacking documents or stamps etc.?
- Do the third parties pose a risk when acting on behalf of the company? Are there specific services where a third party is needed to get the job done?
- How are demands for facilitation payments managed and reported internally? How are the expenses reimbursed? Is there a petty cash box available?
- Which words would usually describe the practice locally within the country/industry/market/sector i.e. co-ordination charges, liasoning charges, tea money, red tape, etc.
- Include specific examples on situations where facilitation payments could occur to score likelihood and consequence for not paying. Include options to add other types of facilitation payments or situations where facilitation payments could also occur

3. Identify risk areas

Identify risk areas and determine mitigating actions

Fill in the Risk Matrix

All examples/exposures mentioned during the data collection should be mapped in the Risk Matrix (see to the right) preferable with both a rating on the likelihood of the demand taking place and consequence for not paying.

It is recommended to be as precise as possible on each situation by using a Risk Assessment Documentation Table (see below). A 5th column can be added for mitigating actions to address the risk of facilitation payments in each situation. Here compliance and the organization need to work together to mitigate this risk.

Use the Risk Matrix to prioritise your effort to fight facilitation payments. The more often and the larger consequences the higher priority mitigation should have. All cases should be reported in the FAFPI reporting system.

Risk Assessment Documentation Table template

| # | Heading | Issue | Risk |
|---|--------------------------|--|--|
| 1 | Transportation (EXAMPLE) | Road-blocks are common when travelling from Diordjy to Miaverte. Requests are made approx. 3 out of 4 times. We take this route twice each week for client site inspection | No other route easily available. Not paying means 1-2 hours delay each time. |
| 2 | [INSERT TEXT] | [INSERT TEXT] | [INSERT TEXT] |
| 3 | [INSERT TEXT] | [INSERT TEXT] | [INSERT TEXT] |
| 4 | [INSERT TEXT] | [INSERT TEXT] | [INSERT TEXT] |
| 5 | [INSERT TEXT] | [INSERT TEXT] | [INSERT TEXT] |

Risk Matrix template examples

Select the risk matrix complexity adjusted to your organisation. Better more simple than too complex

| | | Consequence for not paying | | |
|-----------------------------------|---------------------|----------------------------|---------------|-------------------|
| | | Negligible 1 | Moderate 2 | Catastrophic 3 |
| Likelihood of demand taking place | 3 Almost certain | | | |
| | 2 Possible | | | |
| | 1 Rare | | | |

| | | Consequence | | | | |
|------------|---------------------|-----------------|---------------|---------------|---------------|-------------------|
| | | Negligible 1 | Minor 2 | Moderate 3 | Major 4 | Catastrophic 5 |
| Likelihood | 5 Almost certain | Moderate 5 | High 10 | Extreme 15 | Extreme 20 | Extreme 25 |
| | 4 Likely | Moderate 4 | High 8 | High 12 | Extreme 16 | Extreme 20 |
| | 3 Possible | Low 3 | Moderate 6 | High 9 | High 12 | Extreme 15 |
| | 2 Unlikely | Low 2 | Moderate 4 | Moderate 6 | High 8 | High 10 |
| | 1 Rare | Low 1 | Low 2 | Low 3 | Moderate 4 | Moderate 5 |

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