

EXECUTIVE SUMMARY

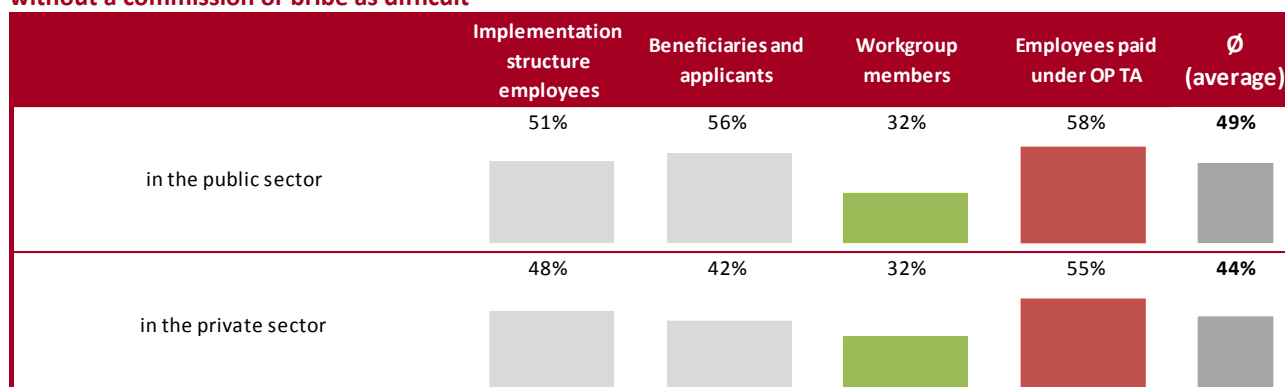
The objective of research in 2016 was to collect data on the matter of **perception of corruption in the ESIF** and compare the perception between the various stakeholders as part of ESI funds (i.e., employees of the implementation structure, applicants, workgroup members and persons involved in the management). Research results allow for indirect verification of the functionality of the established anti-corruption measures through identifying risk areas in terms of occurrence of corruption as part of implementation of the ESI funds.

Combating corruption is one of the government’s priorities included in the Programme Declaration of the Czech Government from 2014. The brief for the area of ESI funds based on the task contained in the Anti-corruption Action Plan for 2015 was collecting the data to evaluate the *Strategy for combating fraud and corruption in disbursement of Common Strategic Framework in the years 2014 - 2020*, containing the evaluation of the method and efficiency in satisfying its objectives and observing the defined principles (the evaluation itself is to be submitted in 2017).

In the survey, respondents were interviewed on four groups of questions. The first group was focused on the perception of corruption in general, specifically on how the respondents understand the term ‘corruption’ since the term is currently not clearly defined in the Czech Republic, and to what extent they believe corruption is present in the individual areas.

- The misuse of entrusted power is considered to be corruption most frequently (95%), although the other reviewed phenomena can be regarded as corruption according to 9 out of 10 respondents. The reviewed phenomena can also be assessed in terms of to what extent the respondents are certain that they constitute corruption. About one-half of respondents are sure, that reciprocal services (“quid pro quo”) and preferring certain suppliers is corruption and one-third of respondents tend to believe that these phenomena are corruption. Giving and accepting bribes is a corruption for sure according to almost three quarters of respondents (71 %), about one-fifth of respondents see this phenomenon more likely as a corruption.
- According to respondents in all target groups, the highest rate of corruption was in the 1990s.
- Respondents believe that winning a contract without a commission or bribe in the private sector (56%) is easier than in the public sector (51%).
- The assessment of how easy winning a contract without a commission or bribe is in the public or private sectors differed by the respondent target group. On average, the most positive perception of the possibility of winning a contract without a commission or bribe prevails among the members of the workgroups established by the MRD-NCA; of those, two-thirds believe that winning a contract without a commission or bribe is easy. In turn, the least positive perception of this possibility is frequent among the employees paid under the OP TA – 58% of those believe that winning a contract without a commission or bribe is difficult.

Graph 1: Percentage of respondents who find the possibility of winning a contract in the Czech Republic without a commission or bribe as difficult



Note: Red lettering indicates the highest value (with precision of two decimal places), green lettering indicates the lowest value (with precision of two decimal places); the “Ø” symbol denotes the average value for all target groups.

Source: INESAN

- According to the respondents, the highest occurrence of corruption affects political positions in the government, regional governments and state-owned companies. Workgroup members rated the reviewed areas the best while people paid under OP TA rated them the worst.
- It can be said that the members of workgroups are the most optimistic in terms of perceiving corruption while the respondents paid by the OP TA are the most sceptical.

The first group of questions included questions regarding the perception of corruption in ESI funds.

- Out of ten reviewed areas, respondents on average perceive the least corruption to be in the education sector (average 4.16), private sector (average 5.24) and ESI funds (average 5.34).
- The areas of implementation structure (ESI funds, managing authority staff, external evaluators, auditors and inspectors) are rated on average much better than other public administration areas.
- The respondents believe corruption is the most prone to occur among external evaluators and the least prone among auditors and inspectors.

Graph 2: Perceived possibility of corruption within ESI funds' implementation structure

	Implementation structure employees	Beneficiaries and applicants	Workgroup members	Employees paid under OP TA	Ø (average)
among external evaluators	3,77	4,42	3,77	4,57	4,13
among managing authority employees	3,39	4,67	3,04	4,17	3,82
among auditors	2,95	3,84	2,69	3,26	3,19
among inspectors	2,87	3,71	2,79	3,42	3,20

Note: The figures express the average rating on a scale of 1 to 10 where 1 = corruption is absent and 10 = corruption is widespread;

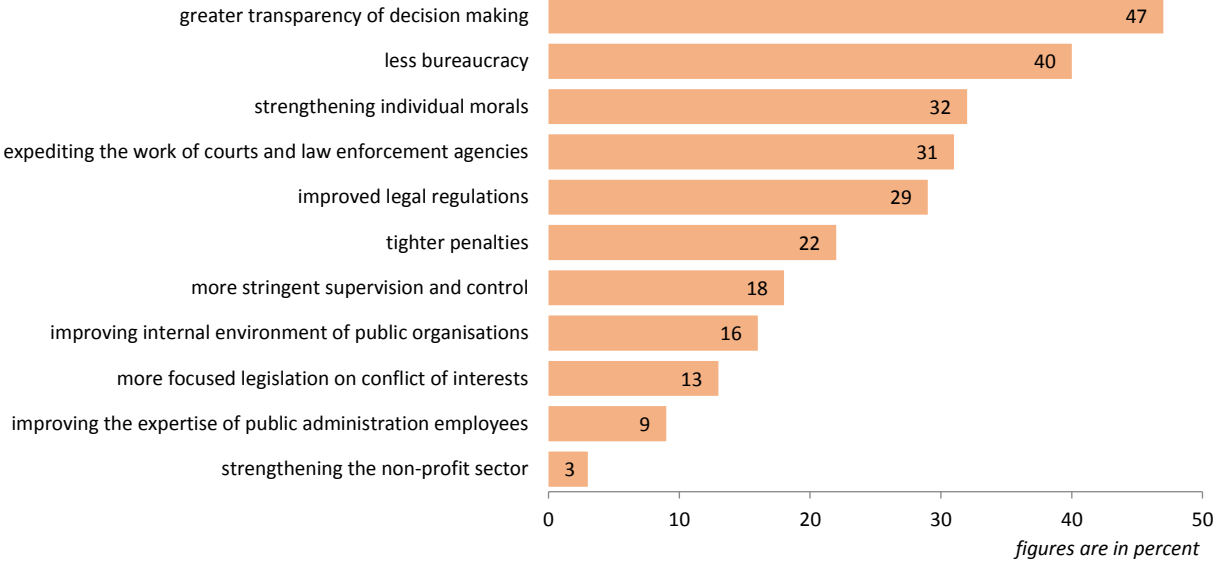
Note: Red lettering indicates the highest value (with precision of two decimal places), green lettering indicates the lowest value (with precision of two decimal places); the "Ø" symbol denotes the average value for all target groups.

Source: INESAN

In the second group of questions, respondents rated the measures aimed at reducing the rate of corruption in the Czech Republic. At first, the efficiency of the existing legal measures was reviewed, and then the respondents indicated additional measures that could lead to reducing the corruption.

- The probability of uncovering corruption is low according to most respondents. This means that, from the respondents' viewpoint, the rules in their current setting and/or the effort towards uncovering corruption may be insufficient.
- In addition, most respondents believe that the penalties for demonstrable corruption are currently too low.
- According to the respondents, the most efficient means of combating corruption is measures aimed at improving transparency – almost one-half of respondents (47 %) consider them to be efficient. The respondents further perceive as efficient reducing bureaucracy (40%) and improving individual morals (32%). The fewest respondents see efficiency in improving the expertise of public administration employees (9%) and in strengthening the non-profit sector (3%).

Graph 3: The most efficient measures for reducing corruption in the Czech Republic

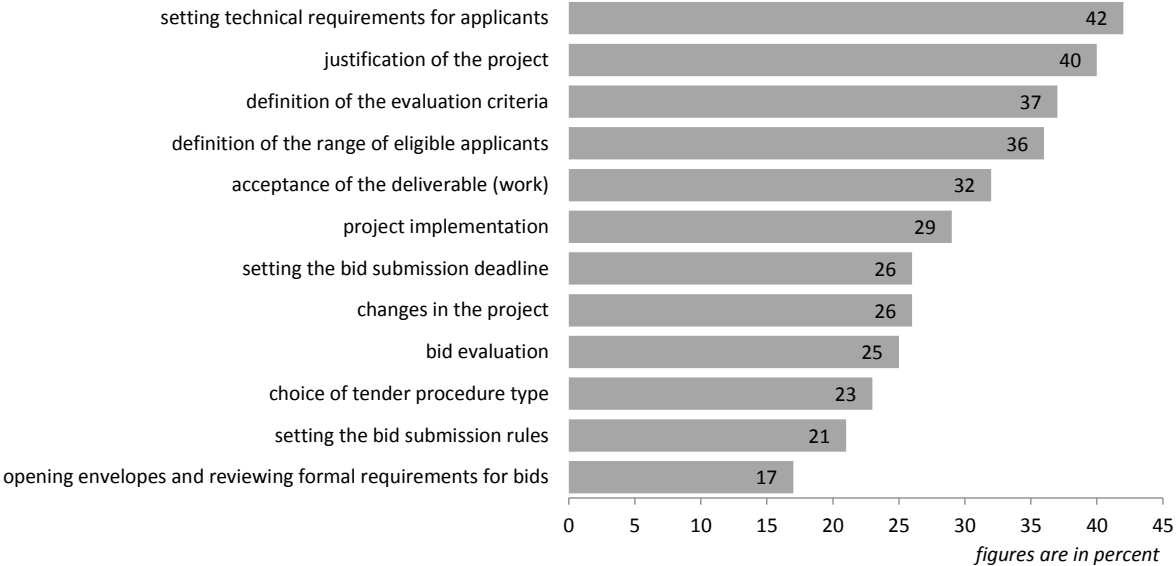


Note: Respondents were limited to three answers maximum.
Source: INESAN

The third group of questions focused on assessing the probability of occurrence of corruption behaviour (in particular, the occurrence of phenomena that may indicate corruption) within the managing authorities (applicants and beneficiaries rated the probabilities of occurrence of such phenomena as part of rating the projects they submitted). Respondents rated the likelihood of corruption regardless of whether or not they had actually encountered the phenomenon. The objective of this group of questions was to point out the potential gaps in the rules for announcing and awarding public contracts and the functioning of the MA.

- In the field of public procurement, the transparency of the procurement process is rated the best on average while the consistency of review of project implementation and delivery is rated the worst.
- In public procurement, respondents see the biggest probability of corruption (the biggest gap) in the definition of the technical requirements for applicants and in the justification of the projects. According to the respondents, the process of opening the envelopes and reviewing the formal requirements present the smallest opportunity for exerting undue influence.

Graph 4: Gaps in public procurement rules – the percentage of the respondents who rate the possibility of influencing the selected activities on the contracting authority’s part as high/easy



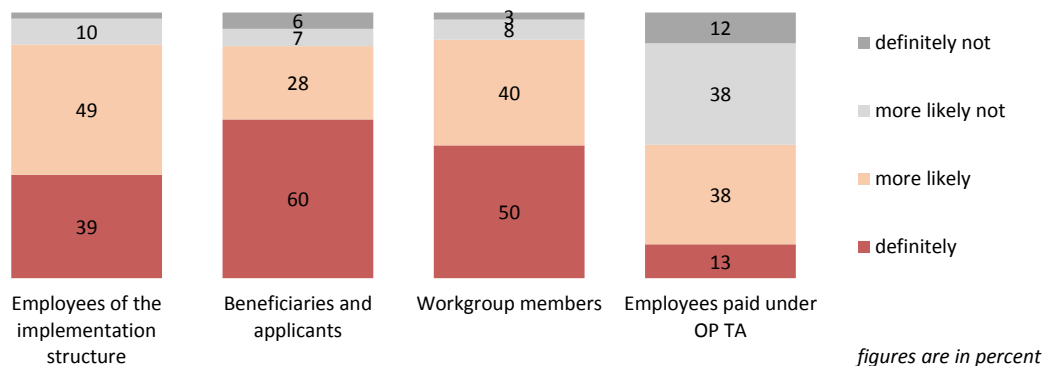
Source: INESAN

- 46% of employees of the implementation structure believe there is the possibility that applicants will submit untrue solemn declarations. 38% of applicants and beneficiaries believe that favouring one specific bidder is probable. More than one-third of respondents from both groups believe that possibilities include a leak of confidential information and a breach of contract terms during project implementation is possible.

The fourth group of questions examined the specific anti-corruption measures in the respondents' organisations as well as their efficiency, sufficiency and type.

- Most respondents perceive the potential impact of corruption on the functioning of their organisations as very harmful; it can be said that corruption is understood as a serious risk.
- Most respondents believe they have the opportunity to speak openly about corruption, at least to a certain degree. The respondents paid under the OP TA perceive this opportunity as the smallest.

Graph 5: Corruption environment in the organisation – possibility of speaking openly about the corruption



Source: INESAN

- When rating the degree to which the existing rules protect managing authority employees from applicants soliciting any benefits from them, there was a major difference between the beneficiaries and applicants and the other groups. Only 46% of beneficiaries and applicants believe that these rules are efficient, though many more respondents from the other groups perceived such rules as efficient (86% on average).
- Employees paid under OP TA most frequently declare that their organisations have anti-corruption measures in place.

The topics that were examined across the individual groups of questions concerned systemic corruption and the sense of being endangered by corruption.

- Since the respondents perceive corruption primarily in connection with political positions in state administration, it can be said they perceive primarily large-scale (systemic) corruption, which may also be the result of the presentation of corruption in the media.
- The perception of systemic corruption may also stem from the high percentage of the respondents who believe that winning a contract in the public or private sector without a commission or bribe is difficult.
- Many respondents trust the rules set for ESI funds (compared with other areas of public administration).
- It can be said that a great percentage of the respondents can feel endangered by corruption because they perceive the probability of it being uncovered as low and, if it is indeed uncovered, they perceive the existing penalties for it to be low. This also suggests the possibility of occurrence of systemic corruption, since one of its traits is that corrupters feel safe and they are not punished adequately if uncovered.

Recommendations stemming from the research results

Considering the results of the survey, it can be said that the respondents believe that measures suitable for reducing corruption in general include primarily measures that involve **increasing transparency** as opposed to measures that involve tightening of penalties or prevention.

In order to reduce the probability of occurrence of corruption in ESI funds, it would be suitable to **define the precise definition of the term “corruption”**. Considering the fact that respondents were not certain about the definition in connection with certain phenomena, they might commit or tolerate corruption without being aware of it. Also, an unequivocal definition of the term may increase the probability of detecting and convicting corruption. A clear definition is a suitable step preceding the introduction of anti-corruption measures, as it makes it clear what phenomena the measures target.

Considering the problematic understanding of the meaning of the word “corruption”, the possible solution could be **to avoid referring to anti-corruption measures as such during their introduction** – at least in their title. This is also confirmed by the findings from the pilot interviews, which show that many respondents understand the topic of corruption as sensitive or unclear.

While many respondents claim having the majority of anti-corruption measures in place and being sufficiently instructed on how to combat corruption, they do admit that there is certain room for corruption to occur in certain areas of public procurement. This allows for the conclusion that the **measures currently in place are not sufficient** even though the respondents feel the opposite is true. This is also confirmed by the disparity between the implementation structure employees’ perception that the existing measures are efficient enough to protect them from the potential pressure on the part of contractors and the beneficiaries’ and applicants’ perception who, on average, rate such measures as significantly less efficient.

Since the respondents tend to assess the areas and activities that concern them personally more positively than ones that concern other respondent groups, this allows for the assumption that the individual groups interviewed do not trust each other much. In this sense, **improving the transparency of the processes executed by the individual groups** could be a suitable step to take. Certain areas of public procurement elicit little trust on the part of employees as well as applicants and beneficiaries. These include primarily **setting technical requirements for applicants, justification of the project, definition of the evaluation criteria**, and the **possibility of leaking of confidential information**. Hence, **the newly introduced measures should primarily cover these areas**.

In addition, the verification of established anti-corruption measures showed that not all employees of the implementation structure, workgroup members or employees paid under the OP TA are aware of such measures. For example, only 77% of workgroup members are aware of the existence of measures to protect whistleblowers, so should those unaware of the measure encounter corruption, there is a lower degree of probability of them reporting the corruption. It is desirable to ensure that **all stakeholders are instructed on the existing anti-corruption measures to the maximum possible extent**.