# CSIS Red Flags Checklist

*Instructions and Methodology*
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## Overview

CSIS developed the "Red Flags" checklist as a tool to objectively evaluate transport, energy, and information and communications technology (ICT) projects in the Western Balkans in three categories: corruption and governance, environmental impacts, and digital security. The questions (or indicators) in the checklist are designed to evaluate whether project activities and processes reflect best practices identified by scholars, industry, governments, multilateral institutions, and NGOs. It is designed to use publicly available information. Reponses to the questions are evaluated holistically to flag projects that require further scrutiny.

## Methodology

Reviewers answer a series of questions to evaluate project indicators in three categories: corruption and governance, environmental impacts, and digital security. Indicators were determined following extensive literature reviews and initial research and were further refined by compiling the most common indicators across sources and ranking them according to their utility, availability, and ease of measurement. Further adjustments were made by testing various iterations of the checklist against a sample of projects in the Western Balkans in various countries, sectors, and project stages. A detailed explanation of each indicator can be found here.

Not every question in the checklist will apply to every project: some will not be applicable to projects in their earlier stages or those that do not involve the storage, transfer, or processing of data. In these instances, filter questions are used to identify which follow-up questions are most appropriate or to exclude follow-up questions that are not applicable. Questions that fulfill this role are excluded from

score calculations. Other questions require reviewing the track record or policies of project actors (e.g., contractors, suppliers, or funders) to determine trust worthiness or ethical corporate governance based on past behavior.

A number of questions include supplemental instructions that provide likely scenarios a user may encounter and clarify the answer response that best fits those circumstance. As an example:

| 1 | Corruption Question Number | Corruption Questions and Evaluation Instructions | Positive answer | Somewhat | No Data/Non-Transparency | Negative Answer | Score |
|---|---|---|---|---|---|---|---|
| 2 | C1 Instructions | For an example of a centralized national infrastructure development planning process in W. Balkans countries, check for Single Project Pipelines (SPP) which are developed as part of the EU's Western Balkans Investment Framework. Ministries of transport, energy, and communications may also have sector-specific project pipelines (which should reflect the SPPs in the case of the W. Balkans.) | Yes. | Only part of the project is included or the scope of the project is dramatically different than what is listed in the planning documents. | A national planning document is not publicly available. | No. | C1 Score |
| 3 | C1 | Is the project included in the relevant, centralized national infrastructure development plan or comparable planning documents? Enter an X in the cell below the correct response in columns C-F. | | | | | TBD |

This is meant to make question interpretation and answer selection more intuitive and consistent across users. The instructions for some questions explicitly direct users to treat a lack of information as a positive sign, rather than a sign of low transparency, to avoid unfairly penalizing projects. These cases include, for example, when no information is available to indicate a disputed tender process or that a company has engaged in unethical corporate behaviors. In addition, the "somewhat" and "no data available" answer fields may be grayed out in some instances to indicate they are not viable responses to a question. For example:

| 1 | Corruption Question Number | Corruption Questions and Evaluation Instructions | Positive answer | Somewhat | No Data/Non-Transparency | Negative Answer | Score |
|---|---|---|---|---|---|---|---|
| 28 | C8 Instructions | International Financial Reporting Standards can be found here (https://www.pwc.com/gx/en/audit-services/ifrs/publications/ifrs-19/pwc-ifrs--overview-2019.pdf). Look at the companies' annual reports for accounting and financial reporting information. If a contractor and/or supplier have not yet been announced, check to see if likely candidates have been announced (e.g., during signing ceremonies). | Yes. (Assume this is the case if a contractor/supplier have not yet been announced.) | - | It is unclear, or a contractor/supplier exists but cannot be identified. | No. | C8 Score |
| 29 | C8 | Does the primary contractor (and in the case of ICT projects, supplier) use international accounting standards? | | | | | TBD |

In this way, scores are designed to give projects the benefit of the doubt when there is no clear evidence that a best practice has been violated. In other cases, such as when an environmental or feasibility study is not made publicly available, this is assumed to be a sign of low transparency and will negatively impact the project's overall score by directing users to select the "no data available" response.

**Scoring:** Each indicator response is assigned a numerical value (described below). Then the set of indicators for each dimension is averaged to assign it a "green," "yellow," or "red" flag, depending on the score range. Questions are framed as yes or no questions, where a response of "yes" is considered to have a positive impact and a response of "no" is considered to have a negative impact. Some questions also allow for a response of "somewhat" or "no data available," which are scored in between a positive and a negative score.

Responses are scored as follows:

1. Yes = 0

2. Somewhat = 1

3. No data available (low transparency) = 2

4. No = 3

A final score is assigned for each dimension (corruption, environmental impact, and digital security) by calculating the average score of all questions in that section. Scores greater than 2 are assigned a "red flag," scores between 1 and 2 are assigned a "yellow flag," and scores less than 1 are assigned a "green flag."

In the case of multi-part questions, the scores for all dependent questions in the series are first averaged together, and then that number is used when calculating the section score. For example, the corruption section includes multiple questions about a project's tendering process. If a contractor has not yet been selected for the project or if a competitive bidding process did not occur, questions about the tender process are skipped (no additional questions will populate in the Excel file). If a tender was conducted, several follow-up questions about the tender will be asked (these questions will appear automatically), and the scores for each response will be averaged together to generate a single score for tendering.

The overall project score is calculated using the average score of all questions across all categories. As with each section score, a single score is used for all multi-part questions. Finally, a transparency score is calculated using the percentage of indicators that received a response of "no data available." Questions that were deemed non-applicable to the project or that do not allow for a response of "no data available" are excluded from the calculation.

To evaluate transparency, scores below 33 percent are considered a "green flag," scores between 33 percent and 65 percent are considered a "yellow flag," and scores 66 percent or above are considered a "red flag." This score is designed to reflect the amount of publicly available information on a given project, and therefore a "red flag" for transparency does not necessarily indicate that a project poses a higher level of risk. However, it does indicate that searching for information outside of public sources is likely warranted to conduct a more accurate assessment.

| Summary of Final Scores for Risk Categories | | |
|---|---|---|
| **Flag** | **Score Range** | **Description** |
| Green Flag | <1 | The project most likely complies with best practices and is being carried out in a transparent way. A green flag does not guarantee the project will be successful. |
| Yellow Flag | 1-2 | The project likely requires a closer look at individual categories. Most projects will likely fall into this category. |
| Red Flag | >2 | There is a serious need for further scrutiny. This does not mean the project will fail, but a red flag should alert stakeholders and civil society. |

| Summary of Final Scores for Transparency | | |
|---|---|---|
| **Flag** | **Score Range** | **Description** |
| Green Flag | <33% | Mostly transparent. |
| Yellow Flag | 33%-65% | Somewhat transparent. Requesting more information from project actors may be warranted for some categories. |
| Red Flag | >65% | Not transparent. Stakeholders should reach out to project actors to request additional information. |

# Limitations

As with many assessments, the scoring system for this checklist has limitations. First, this assessment was designed to be conducted using only publicly available information. In practice, users may find it difficult or even impossible to answer some questions in the checklist using only open-source research. The transparency score is intended to partially mitigate this challenge in two ways: (1) by helping users assess the extent to which a project received a "red flag" due to a lack of information versus overtly risky indicators and (2) by acting as an indicator of when consulting proprietary sources of information is likely warranted. As indicated in the table above, flags should be interpreted as a measure of how much additional scrutiny a project likely requires rather than as a final judgment.

Second, the assessment relies on averages to determine overall scores and is therefore most accurately described as a tool for triaging projects rather than passing a final judgement about project outcomes.

Third, this tool does not "weight" some indicators over others. All indicators are treated equally in terms of their impact on a project's score. This means that, while some projects may receive a green or yellow score overall, further scrutiny should not be automatically ruled out if responses to one or a few questions were deemed particularly concerning. Further descriptions of each flag color can be found here.

# Instructions

1. For the checklist to function, select to enable macros from the banner at the top of Excel when opening the files.

2. Start by entering your project's name and reading the instructions on the sheet labeled "Summary" in the Excel file.

| Summary | | | | Instructions |
|---|---|---|---|---|
| | | | | You will be asked a series of questions about a project. To answer, fill the box under the correct choice with any character. "X" is recommended. Other boxes on that line should remain empty, and never enter anything into gray boxes. |
| **Project Name:** | | | | |
| | | | | 1. After inputting a response, new boxes may appear that prompt a request for evidence or additional questions about that indicator. |
| **Scoring** | | **Rating** | | |
| Corruption Score | #DIV/0! | #DIV/0! | | |
| Environmental Score | #DIV/0! | #DIV/0! | | 2. If evidence is requested, populate the cell with one or more links to evidence. |
| Digital Insecurity Score | #DIV/0! | #DIV/0! | | 3. A score for that indicator and category averages will be calculated automatically. All calculations are performed on Excel's end, and all required from you is filling the requisite boxes. |
| **Overall Score** | #DIV/0! | #DIV/0! | | |
| **Overall Non-Transparency Score** | | 0% | Green | |
| | | | | 4. Some questions will have instructions past the answer choices, including links on where to find data. This information is relayed **above** the question, but we recommend you read the question first. |
| | | | | 5. It is recommended that you read the methodology first. |

3. Move to the sheet labeled "Corruption" and answer the first question (C1) by entering an "X" in one of the four answer cells to the right of the question and below the row containing C1 instructions. Selecting a response will populate the score for C1 and will affect the total corruption score and the overall score. However, all #DIV/0! answers have to be fulfilled before overall scores can be produced.

| No. | Corruption Questions and Evaluation Instructions | Positive answer | Somewhat | No Data/Non-Transparency | Negative Answer | Score |
|---|---|---|---|---|---|---|
| C1 Instructions | For an example of a centralized national infrastructure development planning process in W. Balkans countries, check for Single Project Pipelines (SPP) which are developed as part of the EU's Western Balkans Investment Framework. Ministries of transport, energy, and communications may also have sector-specific project pipelines (which should reflect the SPPs in the case of the W. Balkans.) | Yes. | Only part of the project is included or the scope of the project is dramatically different than what is listed in the planning documents. | A national planning document is not publicly available. | No. | C1 Score |
| C1 | Is the project included in the relevant, centralized national infrastructure development plan or comparable planning documents? Enter an X in the cell below the correct response in columns C-F. | | | | | TBD |

4. Some questions will populate new rows with follow-up questions depending on the response entered. For example, responding "no" to whether a contractor has been announced will prompt a question about whether a transparent and competitive bidding process will be required.

| No. | Corruption Questions and Evaluation Instructions | Positive answer | Somewhat | No Data/Non-Transparency | Negative Answer | Score |
|---|---|---|---|---|---|---|
| | | Yes. | - | | No. | |
| C5 | Has a contractor for the project been announced? | | | | x | |
| | | Yes. | - | It is unclear. | No. | C5.1 Score |
| C5.1 (contractor = no) | Will an open, transparent, and competitive bidding process be required by the project implementer and/or funder? | | | | | TBD |

5. Users should repeat the process for each question that appears in sequential order to generate a score for all sections and for the project overall. Changing scores retroactively could impede the Excel file's ability to calculate the score, and therefore users should not change answers that have already been input.