



**MILLENNIUM  
FOUNDATION  
KOSOVO**

**ACTION PLAN  
FOR  
PREVENTING, DETECTING,  
AND  
REMEDATING FRAUD AND  
CORRUPTION**

**MILLENNIUM FOUNDATION KOSOVO  
THRESHOLD PROGRAM**

**June, 2020**

**Millennium Foundation Kosovo - Action Plan for Prevention, Detection, And Remediation of Fraud and Corruption**

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# Millennium Foundation Kosovo - Action Plan for Prevention, Detection, And Remediation of Fraud and Corruption

## 2 INTRODUCTION

The Government of Kosovo has established the Millennium Foundation Kosovo (MFK) as an autonomous entity with independent legal authority to oversee, manage, and implement a Threshold Program funded by the Millennium Challenge Corporation (“MCC”). MCC is a U.S. government agency, founded by the U.S. Congress in 2004, focused on assisting countries dedicated to good governance, economic freedom, and investments in people.

One of MCC’s guiding principles is country-led implementation: when a country is awarded a Threshold or a Compact program, it sets up its own local Millennium Challenge Account (MCA) as an implementing entity to manage and oversee all aspects of implementation. The MCC Threshold Program with Republic of Kosovo is a \$49 million aid grant aimed to support significant policy reforms in improve electricity supply through promoting energy efficiency and renewable energy generation, as well as promote transparent and responsive governance. The Threshold Program will run for up to four (4) years after signing of the Threshold Program Grant Agreement in early September 2017. This timeframe includes up to six (6) months for program start up and wind down.

MFK’s main programs consist of two projects: Reliable Energy Landscape Project (RELP) and Transparent and Accountable Governance Project (TAGP). The objective of RELP is to reduce the current gap between energy demand and supply by lowering energy use through piloting household investments in energy efficiency, switching to cost-effective non-electricity sources of heating and reducing barriers to independent power producer (“IPP”) entrants to the market. The objective of the TAGP is to improve the public availability and analytical use of judicial, environmental and labor force data by civil society, business and the Government, thus promoting data driven decision making.

## 3 PURPOSE

MCC has mechanisms and policies in place to monitor funds implemented by accountable entities in a rigorous and transparent manner, often through independent fiscal agents. The *Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations* applies to MCC employees and all other recipients of MCC funding and requires MCA’s to develop an Anti-Fraud & Corruption Action Plan (AFC AP).

The purpose of the Anti-Fraud & Corruption Action Plan is to establish an appropriate framework that defines how the staff and management of MFK will join with its Implementing Entities (IEs) towards effective prevention, detection and remediation of fraud and corruption of any description within MFK.

## 4 SCOPE

The MFK’s AFC AP is meant to address all stakeholders involved in the implementation of the Threshold Program and includes MFK Board and staff, Implementing Entities, as well as MFK contractors/consultants engage to provide works, goods and services.

## 5 MCC POLICIES TARGETED AT FRAUD AND CORRUPTION

In an effort to prevent fraud and corruption during implementation of Threshold Program activities, MCC developed various Policies and Procedures targeted at addressing such instances. Some of these policies are described below:

- Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC's Operations (MCC AFC Policy).
- Guidelines for Accountable Entities and Implementing Structures.

### 5.1 Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC's Operations (MCC AFC Policy)

In March 2009, MCC developed a policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC's operation that requires all MCAs to complete a Threshold Program specific Anti-Fraud and Corruption Risk Assessment and to develop and implement a related Action Plan.

Research made by MCC revealed that corruption retards economic growth by:

- Increasing costs;
- Lowering productivity;
- Discouraging investment;
- Reducing confidence in public institutions;
- Limiting the development of small and medium sized enterprises;
- Weakening systems of public financial management; and
- Undermining investments in health and education.

Corruption also increases poverty by:

- Slowing economic growth;
- Skewing government expenditure in favour of the rich and well-connected;
- Concentrating public investment in unproductive projects; and
- Promoting a more regressive tax system.

MCC's AFC Policy recognizes six (6) types of fraud and corruption:

- i. **Coercion:** Impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of any party, to influence improperly the actions of a party in connection with the implementation of any contract supported, in whole or in part, with MCC funding, including such actions taken in connection with a procurement process or the execution of a contract.
- ii. **Collusion:** A tacit or explicit agreement between two or more parties to engage in a coercive, corrupt, fraudulent, obstructive or prohibited practice, including any such agreement designed to fix, stabilize, or manipulate prices or to otherwise deprive the Accountable Entity of the benefits of free and open competition.
- iii. **Corruption:** The offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of a public official, Accountable Entity staff, MCC staff, consultants, or employees of other entities engaged in work

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- supported, in whole or in part, with MCC funding, including such work involving taking or reviewing selection decisions, otherwise advancing the selection process or contract execution, or the making of any payment to any third party in connection with or in furtherance of a contract.
- iv. **Fraud:** Any act or omission, including any misrepresentation, that knowingly or recklessly misleads or attempts to mislead a party in order to obtain a financial or other benefit in connection with the implementation of any contract supported, in whole or in part, with MCC funding, including any act or omission designed to influence (or attempt to influence) a selection process or the execution of a contract, or to avoid (or attempt to avoid) an obligation.
  - v. **Obstruction of investigation into allegations of fraudulent or corrupt practice:** Any act taken in connection with the implementation of any contract supported, in whole or in part, with MCC funding: (a) that results in the deliberate destroying, falsifying, altering or concealing of evidence or making false statement(s) to investigators or any official in order to impede an investigation into allegations of a coercive, collusive, corrupt, fraudulent, or prohibited practice; or (b) that threatens, harasses, or intimidates any party to prevent him or her from either disclosing his or her knowledge of matters relevant to an investigation or from pursuing the investigation; or (c) that is intended to impede the conduct of an inspection and/or the exercise of audit rights of MCC and/or the Office of the Inspector General (OIG) responsible for MCC provided under a threshold program agreement, or related agreements.
  - vi. **Prohibited practice:** Any action that violates Section E (Compliance with Anti-Corruption, Anti-Money Laundering, Terrorist Financing, and Trafficking in Persons Statutes and Other Restrictions) of the Annex of General Provisions that will be made a part of MCC-funded contracts and may be found as part of the Standard Bidding Document templates (there referred to as “Annex A: Additional Provisions”) on the MCC website at <http://www.mcc.gov>.

Conflicts of interest should be openly and duly managed, as they can open the door to fraud and corruption.

### 6 ANTI-FRAUD AND CORRUPTION ACTION PLAN TO COMBAT FRAUD AND CORRUPTION

In compliance with MCC policy directives, MFK developed this AFC AP to address the highest priority risks listed in the Anti-Fraud and Corruption Risk Assessment Matrix. The AFC AP will describe both the process and results of the AFC Risk Assessment and provide a detailed pathway for implementing additional measures to mitigate risks identified in the assessment.

The AFC AP complements an array of internal policies adopted by MFK, in conjunction with MCC, to assure the orderly operation of the Management Unit. The policies discussed below aim to promote good governance, strengthen internal controls and to deter fraudulent and corrupt schemes in MFK operations.

## **7 MFK POLICIES TARGETING FRAUD AND CORRUPTION**

Apart from the Threshold Program Agreement which governs the MFK operations, MFK has developed its bylaws and subject related policies which govern the operations of MFK in a more specific way. Moreover, MFK applies directly certain MCC policies for specific areas.

Notwithstanding the ownership of the governing policies either developed by MFK or MCC, in its daily operations MFK applies the following legal framework:

1. MFK Statute;
2. MFK Fiscal Accountability Plan;
3. MCC Program Procurement Guidelines and Standard Bidding Documents;
4. MFK Interim Bid Challenge System;
5. MFK Conflict of Interest Policy;
6. MFK Confidentiality Policy;
7. MCC Human Resources Manual for MCAs & Standard Employment Contract;
8. Performance Management System; and
9. Grants Management Manual.

### **7.1 MFK Statute**

MFK Board of Directors, consisted of the Government representatives, civil society, and the private sector, in its inaugural meeting held on December 22, 2017 adopted the MFK Statute which constitutes the legal basis for the organization and functioning of the MFK including the powers and duties of the Management Unit and the Board of Directors. MFK Statute also sets out procedural requirements for Board meetings, frequency, quorum for decision-making, minutes of the meetings and other aspects of proper functioning of the organization's meetings. The MFK considers the Statute as an important mechanism that enhances good governance within the organization which is a paramount in addressing and mitigating the fraud and corruption.

### **7.2 Fiscal Accountability Plan**

MFK adopted its Fiscal Accountability Plan (FAP) in February 2019 which was duly approved by the MCC and MFK Board and serves as a set of treasury rules for all financial and procurement actions undertaken by the Management Unit. To remain relevant to the operational requirements of MFK, the FAP has been reviewed. In August, 2018 the MFK engaged the Fiscal Agent ("FA") to support and assist MFK management with financial management to assure appropriate fiscal accountability of MCC Grant funding and in the development of policies and procedures to maximize the efficiency of the use of MFK funds and ensure compliance with the Grant Agreement and all MFK/MCC other relevant regulations. Whereas, in November 2019 MFK engaged an independent auditor to conduct an audit of all MCC Disbursements and Re-Disbursements as approved by the Office of Inspector General and in accordance with MCC Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities ("MCC Audit Guidelines"). The Independent Auditor conducts audits on a

semi-annual basis, generally for the six-month periods ending June 30 and December 31 of each calendar year.

### **7.3 MFK Threshold Program Procurement Guidelines (“PPGs”)**

The MFK applies MCC Program Procurement Guidelines as well as the MCC Procurement Guidance Book which, served and continues to serve, as a pillar of good governance bringing the following main attributes to MFK procurement activities:

- Detailed Procurement Processes and Guidelines;
- Clear delegation of staff roles involved in procurement;
- Guidance on treatment of actual and potential conflicts of interest;
- Demarcating the joint approval system between MCC and the MFK Board in procurement activities; and
- Promotion of transparency through publication of procurements and contract awards on the MFK Website and international procurement sites.

### **7.4 MFK Interim Bid Challenge System (“IBCS”)**

In January, 2018 the MFK adopted the Interim Bid Challenge System (“IBCS”)<sup>1</sup> which governs the review of all challenged MFK procurement actions and decisions, and which has been incorporated in all solicitation documents distributed to Potential Bidders.

The effective application of the Procurement Rules has been tried and tested via the MFK Interim Bid Challenge System, counting at the beginning of the 3<sup>rd</sup> year of Threshold Program, six Bid Challenges, two to the level of appeal. A good number of MFK staff members had the opportunity to experience the enquiries of a Bid Challenge Level 1 Authority and MCC Independent Appeal’s Panel. This experiential knowledge raised an acute awareness to stay clear of procurement fraud and corruption. After every Bid Challenge, MFK made a concerted effort to improve and refine internal processes to prevent a similar challenge in future. By the 3<sup>rd</sup> year of Threshold Program it is fair to say that the IBCS instilled confidence in the MFK procurement system, both internally and externally. It played and will continue to play a valuable role to promote transparency, anchoring MFK as an organization with an open and internationally acceptable transparent procurement system.

### **7.5 MFK Conflict of Interest Policy**

In 2019, MFK adopted a policy to provide for the treatment of conflicts of interest involving staff and board members. Since then, the staff are obliged to provide annual declarations on possible conflicting situations. The policy has provided valuable guidance in treatment of *ad hoc* situations of conflicting interests emerging during implementation of the Threshold Program. Once a staff member declares a conflicting interest, the MFK CEO and MCC Resident Country Director make a ruling in terms of the policy whether the conflict can be duly mitigated or is too grave to be mitigated and the situation must be avoided. Declarations and rulings are fully

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<sup>1</sup> MFK Interim Bid Challenge System accessible at:  
<https://millenniumkosovo.org/work-with-us/procurement/interim-bid-challenge-system/>

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documented in a record kept under the control of the Legal Advisor and Secretary to the Board. Conflicts declared regarding the activities of the MFK Board are also covered by the policy and the Chairperson of the Board effects the policy requirements at each MFK Board Meeting.

### **7.6 MFK Confidentiality Policy**

In 2019, the MFK Board of Directors approved the Confidentiality Policy that aims to protect the confidential information of MFK and guides members of the Board of Directors, officers, staff and agents of MFK in the handling and treatment of confidential information.

### **7.7 MCA Human Resources Manual adopted by MCC and Standard Employment Contract**

MFK applies MCA's Human Resources Manual and Standard Employment Contract to ensure consistency and equity in human resources specific issues, maintaining a conducive and enabling working environment.

Typical ways in which these management tools target or aim to combat fraud and corruption is by providing clear rules regarding:

- Basic Conditions of Employment to prevent favouritism and nepotism;
- Clear rules on Leave and Compensation Administration;
- Housekeeping rules regarding Telephone costs and Accountability for MFK Assets;
- Ethical conduct including guidance on dealing with hawkers, vendors and family members; and
- Acceptance of gifts and favours in the employment situation.

### **7.8 MFK Performance Management System**

In 2018 MFK adopted the evaluation system for employee's performance to manage and incentivize staff performance. The MFK procedure for performance evaluation is based on the MCA's HR Manual. Although the MFK performance evaluation system aims to recognize the efforts, impact and dedication of staff as well as identify those areas the employee needs improvement to be more effective and efficient in his/her job. From administration point of view, the MFK performance evaluation is a tool used for contract extension purposes and annual rewards.

### **7.9 MFK Grants Management Manual**

In July 2019, MFK adopted the Grants Management Manual for Dig Data Challenge Activity which aims to provide direction from the phase of identifying potential grantees through the close out process, as well as provide responsibility assigned to MFK towards the precise management of grant funds received from MCC and precise management of MFK grantees. The purpose of this manual is to provide policies and guidelines (including the policies, procedures and operational management) with regards to the grants to be implemented under the Dig Data Challenge, as well as codify various sets of standard operating procedures (SOPs) to guide the MFK and its sub-grantees in managing the grant funds effectively, efficiently, and in accordance with the best practices.

## 8 MFK METHODOLOGY FOR AFC AP

The methodology used in developing the AFC Action Plan towards effective prevention, detection and remediation of fraud and corruption of any description within MFK involved the following:

- AFC training provided by MCC on December 11-13, 2018 in Prishtina – Kosovo to MFK personnel, consultants, and stakeholder representatives.
- Establishment of MFK AFC Risk Assessment Core Team. The MFK Core Team is led by the Legal Advisor and includes the Environmental and Social Performance Specialist, Private Sector Development Specialist and Executive Secretary of the MFK CEO (hereinafter “the MFK AFC Core Team”).
- Kick Off meetings at MCC Headquarters in Washington DC during the week of May 20-24, 2019 to discuss the AFC Risk Assessment Matrix with risk registers developed by MCC THP Country Team and MFK AFC Team.
- MCC field study to MFK during the week of December 16-19, 2019 to meet with key staff, key contractors, Board members, beneficiaries and other stakeholders
- Development of MFK AFC AP.

The process is described in more detail in Annex A.

## 9 MFK AFC ACTION PLAN

After careful deliberation of the AFC risk assessment matrix, the MCC/MFK Joint Working Group was in agreement that the fraud and corruption risk in most areas of the MFK Threshold Program implementation is duly mitigated. They agreed that the MFK AFC Action Plan would focus on the risks rated with a high likelihood and/or high impact risk. Such risks are concentrated in Procurement, Administration and Finance, District Heating Metering Activity, Governance Project and in the Monitoring and Evaluation component of the Threshold Program and are detailed in the Table below.

### 9.1 Conflicts of Interest

Sector Risk	Procurement
Description of Risk	Use of Technical Evaluation Panel (TEP) members and contract administrators that have Conflict of Interests (Col) to favour a particular bidder/contractor.
Factors in Mitigation	- MFK vetting all TEP members and ensuring that their contracts contain legal provisions on disclosing conflicts of interest and termination clauses on non-disclosure of Col.

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	- MFK Legal Advisor to brief TEP members on the Col, confidentiality and duty to report pressure.
Timing	With every bid evaluation
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Procurement Manager/Legal Advisor

**9.2 Collusion amongst TEP members**

Sector Risk	Procurement
Description of Risk	TEP members not being objective during the evaluation or bids and not using the evaluation criteria set under the bidding documents in order to favour a particular bidder
Factors in Mitigation	<ul style="list-style-type: none"> <li>- Procurement Manager to provide training and orientation to TEP members that they must use only official evaluation criteria and use them consistently; using observers to monitor the evaluation process;</li> <li>- Engaging external TEP members.</li> </ul>
Timing	With every bid evaluation
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Procurement Manager

**9.3 Release of confidential information**

Sector Risk	Procurement
Description of Risk	Disclosing confidential/inside information to certain bidders before and during the procurement process.
Factors in Mitigation	<ul style="list-style-type: none"> <li>- All clarifications to the questions from potential bidders as provided by MFK are shared publicly in the MFK website;</li> <li>- Confidentiality clauses included in all MFK employees/consultant agreements to ensure non-disclosure of confidential information during the preparation of terms of references, tender specifications as well as the</li> </ul>

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	<p>estimated budgets for procurement processes;</p> <ul style="list-style-type: none"> <li>- Confidentiality agreements signed by all TEP members to ensure non-disclosure of confidential data during and after the evaluation of procurement bids; MFK ensures the evaluation process of procurement bids is conducted in a strictly confidential environment; Close supervision of TEPs and safekeeping of documents;</li> <li>- Training TEPs and other staff, MFK Legal Advisor to brief TEP members on the duty of confidentiality and ensuring that confidentiality agreement are duly signed by TEP members before conducting the evaluation of bids;</li> <li>- Restricting the use of external drives, phones or personal computers during evaluations;</li> </ul>
Timing	With every bid evaluation
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Procurement Manager/Legal Advisor

**9.4 Fraudulent reporting on deliverables (pre-implementation phase)**

<b>Sector Risk</b>	<b>Contract Management – District Heating Metering Activity</b>
Description of Risks	<ul style="list-style-type: none"> <li>- False reporting by the Implementing Consultant on the existing situation to meet the targets; False reporting on Behaviour Change &amp; Outreach implementation costs (campaigns, events, media formats and targeted audience);</li> <li>- Non-compliance with bill of quantities and technical specification of the Contract; non-compliance with Environment Health and Safety Standards (EHS), Gender and Social</li> </ul>

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	Inclusion (GSI) and Monitoring & Evaluation (M&E) indicator requirements.
Factors in Mitigation	<ul style="list-style-type: none"> <li>- MFK responsible team and Supervisory Engineer will provide their trained personnel to inspect deliverables against contractual requirements;</li> <li>- Perform unannounced visits at the construction sites, monitor the progress of works regularly, conduct independent audits, and review all the reports and deliverables of the Contractors to ensure their compliance with EHS, GSI requirements and M&amp;E indicator tracking table;</li> <li>- Regular oversight and visits by MCC personnel and consultants;</li> </ul>
Timing	With every contract deliverable
Additional Cost (if any)	Not applicable
Staff Member/Office Responsible	Energy Director – Contract Manager

**9.5 Fraudulent practices in the implementation/installation phase**

Sector Risk	Contract Management – District Heating Metering Activity
Description of Risk	Collusion among work contractors and the Implementing Consultant regarding the quality of installed goods.
Factors in Mitigation	<ul style="list-style-type: none"> <li>- Review of Activity Work Plan, and M&amp;E Plan. MFK responsible team together with MCC representative to make unannounced visits and spot checking, review and certification of quantities and qualities to be used to detect overbilling or product substitution;</li> <li>- Acceptance of goods to be done in the presence of MFK, Termokos and Implementing Consultant.</li> <li>- MFK to use posters and/or public outreach to inform beneficiaries on the</li> </ul>

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	ways how to report complaints regarding any irregularity, including fraud and corruption.
Timing	As and when needed.
Additional Cost (if any)	Not applicable
Staff Member/Office Responsible	Energy Director – Contract Manager

**9.6 Fraudulent reporting on deliverables (implementation phase)**

Sector Risk	Contract Management – Pilot Incentives for Household Investment in Energy Efficiency (PIEE) activity.
Description of Risks	<ul style="list-style-type: none"> <li>- False reporting by the Implementing Consultant on the existing situation to meet the targets;</li> <li>- Non-compliance with bill of quantities and technical specifications;</li> <li>- False reporting on the BC&amp;O implementation costs (campaigns, events, media formats and targeted audience) non-compliance with EHS, GSI and M&amp;E indicator requirements;</li> <li>- Collusion between the Implementing Consultant and the Work Contractor in the deliverables;</li> <li>- Financial completion and project completion are inconsistent with the contractual requirements and it lacks warranties.</li> </ul>
Factors in Mitigation	<ul style="list-style-type: none"> <li>- MFK responsible team, as well as the Supervisory Engineer’s trained personnel to inspect deliverables. MFK responsible team conducts random on-site visits;</li> <li>- Performance of independent audits and media monitoring;</li> <li>- Regular reporting on the compliance with EHS, GSI requirements;</li> <li>- Checking M&amp;E indicator tracking table;</li> <li>- Regular oversight visits by MCC personnel and consultants;</li> </ul>
Timing	As and when needed

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Additional Cost (if any)	Depends on change order
Staff Member/Office Responsible	Energy Director - Contract Manager

**9.7 Biased selection of the grantees based on conflict of interest and false information provided by the grantees in the application process (preparation phase)**

Sector Risk	PIEE Sub-Activity – Ensuring Equal Economic Opportunities in the Energy Sector
Description of Risks	<ul style="list-style-type: none"> <li>- Undisclosed conflict of interest by the selection committee;</li> <li>- The grantees are not women entrepreneurs but are listed as such to meet the criteria for the grant.</li> </ul>
Factors in Mitigation	<ul style="list-style-type: none"> <li>- MFK ensures that Conflict of Interest declaration forms are signed by all panel members, including recusal if they know applicants;</li> <li>- Explanation of the Conflicts of Interest as well as duty to report pressure will be provided by MFK Legal Advisor, as well as the introduction and elaboration of the technical evaluation criteria by the Procurement Manager is mandatory;</li> <li>- The criteria for eligible women owned businesses to apply includes specifics on the maturity of the enterprise is run by the women entrepreneurs applying for grants;</li> <li>- MFK staff to participate in the selection panels;</li> <li>- Percentage of business ownership to be included in the selection criteria and confirmed by checking business registration agency within Ministry of Trade and Industry, including the dates of business activity in order to avoid any potential changes in the meantime;</li> <li>- Incorporation of statements in grant applications that MFK does not tolerate fraud and corruption and providing the link where they can report fraud and corruption;</li> </ul>

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	<ul style="list-style-type: none"> <li>- MFK to explain grant requirements and Anti-Fraud and Corruption policy requirements.</li> </ul>
Timing	Early in the process
Additional Cost (if any)	Not applicable
Staff Member/Office Responsible	Energy Director - Contract Manager

**9.8 Fraudulent reporting on deliverables (implementation phase)**

Sector Risk	Public Access to Judicial Information Activity (Case Management Information System)
Description of Risks	<ul style="list-style-type: none"> <li>- The Implementing Consultant (IC) does not comply with the Terms of References specifications and timelines for deliverables;</li> <li>- The IC does not deliver the services in accordance with the technical specifications and potential failure of MFK to identify gaps due to lack of internal capacities to assess the technical specifications.</li> </ul>
Factors in Mitigation	<ul style="list-style-type: none"> <li>- Engaging independent technical expert to oversee the deliverables;</li> <li>- Work closely with Kosovo Judicial Council to ensure proper coordination on monitoring and evaluating the quality of deliverables in order to meet the timelines of implementation;</li> <li>- Ensuring clear definition of deliverables, including protection of personally identifiable information;</li> <li>- Perform unannounced spot checks, photos of participants for training sessions.</li> </ul>
Timing	Early in the process
Additional Cost (if any)	Not applicable
Staff Member/Office Responsible	Judicial & Open Data Manager - Contract Manager

**9.9 “Gold plating” or Featherbedding”<sup>2</sup>**

Sector Risk	Public Access to Judicial Information Activity (Case Management Information System)
Description of Risks	Creation of unnecessary complicated or expensive components to the Management Information System (MIS) or related IT equipment, or overly complicating requirements in order to create unnecessary job positions.
Factors in Mitigation	MFK and MCC review of technical specifications and any proposed process changes. MFK or MCC to hire an independent consultant to review IT requirements, cybersecurity arrangements, etc.
Timing	Early in the process
Additional Cost (if any)	Not applicable
Staff Member/Office Responsible	Judicial & Open Data Manager - Contract Manager

**9.10 Fraudulent reporting on deliverables or funds not used for intended purposes (implementation phase)**

Sector Risk	Environmental Data Collection Activity
Description of Risks	<ul style="list-style-type: none"> <li>- The IC does not comply with ToR's specifications and timelines for deliverables;</li> <li>- The IC does not deliver services in accordance with the technical specifications and potential failure of MFK to identify gaps due to lack of internal capacity to assess the technical specifications.</li> </ul>
Factors in Mitigation	<ul style="list-style-type: none"> <li>- MFK engages an independent technical expert to inspect the deliverables;</li> <li>- MFK cooperates with the Ministry of Environment/Kosovo Environmental Protection Agency and Kosovo</li> </ul>

<sup>2</sup> Gold plating” or Featherbedding” in project management usually refers to the process or concept of adding functionality beyond what is covered by the requirements - possibly even beyond what is practical or reasonable for the effort.

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	<p>Hydrometeorological Institute to develop the M&amp;E plan for activities of the IC.</p> <ul style="list-style-type: none"> <li>- MFK requests from the IC to collect photos as well as signature lists for training sessions and stakeholder meetings, obtain phone numbers of and evaluations from participants, either attend or open a phone line to sessions that are not attended so they can be monitored remotely.</li> </ul>
Timing	Early in the process
Additional Cost (if any)	Not applicable Depends on change order
Staff Member/Office Responsible	Environmental Data Manager - Contract Manager

**9.11 Implementing Consultant (IC) falsifies results so the project looks better**

Sector Risk	Monitoring and Evaluation (M&E)
Description of Risks	Each IC will report on monthly or quarterly basis, and could falsify data, especially since some deliverables are linked to results.
Factors in Mitigation	<ul style="list-style-type: none"> <li>- Monitoring and validation through scheduled and spot site visits (MFK to inform IC at kick-off that spot checks will happen);</li> <li>- Supervisory Engineer (SE) will conduct checks in some cases;</li> <li>- MFK project teams to conduct own checks even where SC does checks;</li> <li>- Regular oversight visits by MCC staff or consultants and the MFK M&amp;E Specialists;</li> </ul>
Timing	Early in the process
Additional Cost (if any)	Not applicable
Staff Member/Office Responsible	Project Manager in close consultation with the Monitoring and Evaluation Specialist.

**9.12 Additional Proposed AFC Actions**

In addition to the above-mentioned mechanisms to raise awareness on the risks of fraud and corruption and proposed mitigants, MFK has developed posters with clear message that MFK and

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MCC have zero tolerance to fraud and corruption and provided reporting lines where to report fraud and corruption in relation to the MCC grant funding. Moreover, MFK provided all contractors and beneficiaries with a copy of the AFC Posters and requested them to put these posters in a visible place within their offices. Also, the MFK website has a prominent red button “Report Fraud and Corruption”<sup>3</sup> where all MFK employees, consultants, agent, beneficiaries and the general public can report suspected incidents of fraudulent or corrupt practices or other fraud and corruption concerns regarding the MCC Grant funding to the USAID Office of Inspector General (“OIG”) which serves as the Inspector General also for MCC.

### **9.13 Role of MFK Board And MCC**

- The AFC AP shall be submitted to the MFK Board and to MCC for approval.
- The Risks recorded in the AFC Action Plan shall be reported on a semi-annual basis to the Board in information session to provide feedback on implementation of mitigation measures.

## **10 REVISION AND MONITORING**

- MFK Management Unit shall at semi-annual intervals (or upon significant changes to the AFC context) update the AFC AP, before Board meetings.
- An AFC Action Plan progress report shall be posted semi-annually on MFK’s website after approval by MCC.

Effective risk management requires flexible, responsive, continuous learning of best practices and skills. Lessons learned will contribute to refined oversight strategy in relation to the AFC Action Plan. With this commitment in mind, MFK AFC risk assessment matrix and this Action Plan will be revised and improved regularly during their implementation.

The revisions will include different actions, depending the scope and purpose which include but are not limited to:

- eliminating some risks and mitigants and amending/adding new ones;
- adopting new actions, which will facilitate prevention and detection of fraud and corruptions;
- improving the system for responding to fraud and corruption;
- improving the system for prompt and proportional remediation;
- other actions.

Revisions to the AFC Action Plan may also be initiated by MFK management, MFK Project Directors, MFK Board, MCC technical staff, and/or MCC Resident Country Director as needed. MFK will prepare the final draft for the Board’s and MCC’s final approval. The final versions of revised AFC Action Plan will be made available on the MFK website.

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<sup>3</sup> <https://millenniumkosovo.org/>

## **11 Annex A: MFK Methodology for Developing the AFC Action Plan**

### **11.1 Organization-wide Anti-Fraud and Corruption Training**

A three-day training intervention on fraud and corruption took place in December 2018 with objective to create awareness amongst all staff members regardless of status and designation in MFK. The training covered fraud and corruption risks related to the Threshold Program Start-up (Project design/Beneficiary selection), Threshold Program Implementation (Procurement, Contract Management, Financial/Administrative Management) and Threshold Program Closeout. The participants were presented with case studies to expose them to real life occurrences of fraud and corruption related to their specific daily tasks. They also discussed measures which might be taken to reduce the risk and occurrence of fraud and corruption, and the standard mitigants that have been developed by MCC.

### **11.2 Joint MCC/MFK Working Group on Anti-Fraud and Corruption**

In May 2019, a joint MCC and MFK working group was formed to develop and review the Anti-Fraud and Corruption risk assessment matrix. The working group consisted of a core team that worked with MCC and MFK Legal Advisor and staff as necessary.

#### **AFC Core Team**

MFK AFC Team composed of:

- Arta Krasniqi - MFK Legal Advisor – AFC Team Leader;
- Agron Bektashi - MFK Environmental and Social Performance Specialist;
- Rozafa Ramadani Mavriqi - MFK Private Sector Development Specialist; and
- Kastriot Orana - Executive Secretary of the MFK CEO

MCC AFC Team composed of:

- Christopher P. Williams - Senior Director on AFC, MCC;
- Richard E. Messick - Senior AFC Advisor, MCC;
- Shqipe Neziri Vela - Development Assistance Specialist, MCC Resident Country Mission in Kosovo.

### **11.3 Kick-Off Activities and Development of AFC Risk Assessment Matrix**

In May 2019, as the initial stage in the AFC risk assessment process, the Joint Working Group conducted “kick-off” meetings at MCC Headquarters in Washington DC to discuss and combine the identified sector-based AFC risks by MFK and MCC independently. The sector matrices were developed by MFK AFC Team after internal discussions with project directors, cross-cutting staff and relevant team from the administration. The draft matrix identified possible activities of fraud and corruption that may occur in the MFK Threshold Program per sector, showing the impact and likelihood of the risks on the Threshold Program. It also proposed the appropriate mitigation

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measures to prevent or limit the impact and likelihood of these risks. MCC Directors and staff independently developed their own version of the AFC risk assessment matrix to encourage creative and wide-ranging consideration of the context relevant to the specific Threshold Program as well as their professional experience. The consolidated draft matrices were shared between MFK and MCC, and then reviewed by the Joint Working Group with the relevant MFK and MCC staff. The matrix was then updated to reflect the discussions and input from representatives of MCC's AFC Team. Directors focused to identify risks which they saw unfolding during the two years of Threshold Program Implementation, using their experience in the field to suggest mitigation measures.

### **11.4 Field Visit to MFK**

In December 2019, Mr. Chris Williams, MCC Senior Director for Anti-Fraud and Corruption, and Richard E. Messick, MCC Senior AFC Advisor, travelled to Kosovo for a week-long field visit.

### **11.5 Individual Interviews with MFK Staff and MFK Board Members**

The MCC delegates, joined by MFK Core Team Members, met with MFK staff members and Board members. Each section of the AFC risk assessment matrix as compiled by individual members and refined in kick-off meetings in DC was reviewed and discussed in these sessions. The team members agreed on the final description of risks, the mitigation measures most practical at this stage of the MFK Threshold Program implementation, and the likelihood and impact of the risks identified. The MCC delegates also advised the MFK AFC team members regarding the risks to be addressed in the AFC AP for MFK.

### **11.6 Interviews with MFK Contractors, Threshold Program Beneficiaries and the Kosovo's Anti-Corruption Agency**

During their visit, the MCC AFC Team and the MFK AFC Team also met with MFK implementing consultants (contractors) selected to be representative of all MFK projects, and secondly depending on the availability of the contractors during the MCC field visit. The purpose of these discussions was to sensitize contractors about the MFK stance on corruption and the pro-active measures in place to create an anti-corruption culture in the organization, through training, the development and on-going management of an AFC risk assessment matrix, and the AFC AP. The contractors were also given an opportunity to share their experience and ideas about possible windows of opportunity for fraud and corruption. The contractors were interviewed in small delegations of two or three persons. They generally welcomed the initiative and actively contributed to the discussions pointing to fraud and corruption risks, proposing prevention measures.

In addition, the MCC AFC Team and the MFK AFC Team met with representatives of the project beneficiaries (Termokos and KCGF) as well as the Kosovo Anti-Corruption Agency (KAA) to discuss the risks of fraud and corruption in donor funded projects, how do they handle and what

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organizational measures they have in place to prevent and mitigate such risks as well as the overall experience of KACA in preventing and mitigating the risks of fraud and corruption in the public sector.

The following contractors were interviewed:

	Contractor/Beneficiary/KACA	Interaction with Joint Team	Contract Name and Number
1	GFA & HPC JV	Interview at Contractor's Office in Prishtina	RFP / MFK /2018/ QCBS / No. 020 Procurement of Implementer for Pilot Incentives for Energy Efficiency
2	Decon international GmbH in joint venture with IC consulenten Ziviltechniker GesmbH, CES clean energy solutions GesmbH and Optima Energy Consulting LLC	Interview at MFK's Offices in Prishtina	RFP / MFK /2018/ QCBS / No. 020 Procurement for Implementer of District Heating Metering
3	NIRAS IC Sp. Z o.o. in association with Umweltbundesamt GmbH and ATMOTERM S.A.	Interview at Contractor's Office in Prishtina	RFP / MFK /2019/QCBS/ No. 006 Procurement for Supply of project management, air quality information management, behaviour change and communication services.
4	ACA – Audit and Consulting Associates	Interview at MFK Offices in Prishtina	RFP/MFK/QCBS//No.2019/013 Financial Audit Services
5	Public Enterprise for District Heating in Prishtina "Termokos"	Interview at Termokos Offices in Prishtina	N/A Termokos is the beneficiary of the District Heating Metering Activity.
6	Kosovo Credit Guarantee Fund	Interview at KCGF Offices in Prishtina	Implementing Entity Agreement with the Kosovo Credit Guarantee Fund on the Independent Power Producer Finance Facilitation Activity
7	Kosovo Anti-Corruption Agency	Interview at KACA Offices in Prishtina	N/A

### 11.7 Conclusions and Outcomes of Field Study

- MCC delegates gained valuable insights into progress of the MFK Threshold Program Implementation and the realities on the ground.

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- The mission embedded the importance of actively driving an anti-fraud and corruption culture with MFK leadership, providing tangible measures to develop and implement such culture.
- The MCC/MFK Joint Working Group reached final agreement on the high impact risks to be addressed in the AFC AP.