



**ACTION PLAN  
FOR  
THE PREVENTION, DETECTION, AND REMEDIATION OF FRAUD  
AND CORRUPTION  
IN  
MILLENNIUM CHALLENGE ACCOUNT- KOSOVO  
FOR THE  
COMPACT PROGRAM  
BETWEEN THE  
GOVERNMENT OF KOSOVO AND THE UNITED STATES OF  
AMERICA**

**April, 2025**

**Millennium Challenge Account - Kosovo**  
**Action Plan for Prevention, Detection, And Remediation of Fraud and Corruption in MCC**  
**Compact program in Kosovo**

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## **1. INTRODUCTION**

The Republic of Kosovo (the “Government”) and the United States of America, acting through the Millennium Challenge Corporation (“MCC”), entered into a Millennium Challenge Compact (the “Compact”) and Program Implementation Agreement (the “PIA”) on July 15, 2022, providing for a grant of up to Two Hundred and Two million United States Dollars (US \$202,000,000) and a corresponding contribution from the Government of no less than Thirty-Four Million Six Hundred Seventy Thousand Six Hundred United States Dollars (US \$34,670,600) to advance economic growth and reduce poverty in Kosovo, ratified with the Law No. 08/L-159 for the Ratification of the Millennium Challenge Compact and the Program Implementation Agreement between the Republic of Kosovo and the United States of America acting through the Millennium Challenge Corporation to facilitate implementation of the Compact.

The Millennium Challenge Account – Kosovo (herein referred to as "MCA-Kosovo") serves as the Accountable Entity under the Compact, tasked with overseeing and implementing the Compact program in accordance with its terms. The Compact focuses on three key projects designed to enhance Kosovo’s energy security, promote sustainable development, and stimulate private sector investment:

### **1. Energy Storage Project**

The objective of the Battery Energy Storage System (“BESS”) project is to support Kosovo’s energy security and transition to a cleaner energy future through usage of energy storage systems for reserves, availability of the storage systems, and reduced cost of securing adequate electricity for Kosovo. BESS will provide flexibility necessary for Kosovo to enable integration of renewable energy sources.

### **2. JETA Project**

To ensure security in the energy sector and opportunities that benefit men, women and youth, while also complementing and supporting the Energy Storage Project, the JETA Project aims to address an existing education and training system unable to respond to the current or future skill gaps in the energy and adjacent sectors and women’s low level of participation in this comparatively high- paying sector.

### **3. American Catalyst Facility for Development (ACFD) Project**

The objective of the ACFD Project is to promote additional private-sector investments in Kosovo’s energy sector in collaboration with the U.S. International Development Finance Corporation (DFC) by complementing MCC’s funding and leveraging private sector participation to scale a successful energy storage public entity launch and catalyzing complementary renewable energy investments that bolster renewable energy generation capacity.

MCA-Kosovo will implement the Compact program in partnership with MCC. MCA-Kosovo recognizes that any funds lost to fraud or corruption will compromise the Compact program’s objective, which is to reduce poverty through fostering economic growth. MCA-Kosovo further acknowledges that the Compact program requires the Government of Kosovo to return any Compact program funds lost due to fraud or corruption.

## **2. PURPOSE**

This Anti-Fraud & Corruption (“AFC”) Action Plan is an Implementation Plan Document pursuant to Section 2.1 of the PIA, and adopted by MCA-Kosovo as required by Section 2.1(i) of the PIA “to articulate how MCA-Kosovo shall supplement MCC-mandated controls to prevent fraud and corruption specific to its operating environment.”

MCC has established mechanisms and policies to rigorously and transparently monitor funds administered by Accountable Entities, often through independent fiscal agents. The **MCC Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations** dated January 18, 2018, applies to MCC employees, as well as all other recipients of MCC funding. This policy, in addition to the PIA, requires Accountable Entities, including MCA-Kosovo, to develop an AFC Action Plan.

This AFC Action Plan outlines the policies and practices implemented by MCA-Kosovo to identify, address and mitigate the highest risks of fraud or corruption in the use of MCC funding. Additionally, it provides critical information to MCA-Kosovo’s Board of Directors, MCC, and the intended beneficiaries of the MCC-funded program, enabling them to assess the extent to which MCA-Kosovo has implemented the AFC Action Plan through semi-annual updates.

## **3. SCOPE**

This AFC Action Plan applies to all recipients of funding from and beneficiaries of the Compact program. This includes the MCA-Kosovo’s Board of Directors and its staff, any government entity that by contract or grant implements any part of the program (referred to as “Implementing Entities”) and all consultants to, contractors hired by, or grantees receiving funds from MCA-Kosovo.

## **4. CONTENT**

The policies of MCC and MCA-Kosovo, listed and explained below, aim to prevent fraud or corruption in Compact program and its operations. This AFC Action Plan identifies 15 high-risk fraud and corruption scenarios that MCA-Kosovo and MCC staff have determined warrant additional preventive measures beyond current policies. Section Six outlines these 15 high-risk scenarios and details the extra mitigation measures that MCA-Kosovo will implement.

## **5. ROLE OF MCA-KOSOVO BOARD OF DIRECTORS AND MCC**

The AFC Action Plan was submitted to MCC for review and received written No-Objection on 10 April 2025. Following this, the MCA-Kosovo Board of Directors (the “Board”) reviewed and approved the plan in April, 2025. Henceforth, the Board will conduct semi-annual reviews and approvals of AFC Action Plan implementation reports. Once approved, these reports will be published on MCA-Kosovo’s website to ensure transparency and accountability.

## **6. HIGH RISK AREAS/ADDITIONAL PREVENTIVE MEASURES**

An MCA-Kosovo/MCC joint working group examined each program activity for fraud and corruption risks using the type of process that the Organization for Economic Cooperation and Development (OECD), the United Nations, and the World Bank recommend private sector companies use to develop a corruption prevention plan.

The working group identified over one hundred risks related to fraud and corruption. Of these, existing MCA-Kosovo and MCC policies and practices effectively mitigate over seventy-five risks related to fraud and corruption. However, for the remaining risks, the joint working group determined that additional preventive measures were necessary. These -risks in both programmatic and operational areas, along with the recommended prevention measures, are listed in the table below.

### **6.1 Overspecification of the Technical Specifications or Dossier**

Project (if applicable)	Energy Storage Project, JETA
Sector Risk	Procurement
Description of Risk	The individuals or firms preparing the technical dossier or bidding documents may use specifications that unfairly benefit a specific company.
Factors in Mitigations	<ul style="list-style-type: none"><li>• Use MCC Program Procurement Guidelines (PPG), standard bidding documents, and ensure MCC No Objection (N-O) for technical dossiers.</li><li>• Analyze and review the technical dossier to ensure that specifications and criteria are flexible enough to allow competitiveness, based on best practices and market assessments.</li><li>• Engage experts from the Implementing Entity (such as KOSTT), independent experts, MCC Due Diligence Consultant, MCA-Kosovo Procurement Director and Procurement Agent.</li><li>• Report incidents to the Board and consider dismissal if any MCA-Kosovo staff are involved</li></ul>
Timing	During the preparation and review of each technical dossier.
Additional Cost (if any)	Negligible

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Staff Member/Office Responsible	Director of Procurement and Procurement Agent, and relevant Project Directors
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## **6.2 Collusion between bidders in bidding for respective lots or contracts**

Project (if applicable)	Energy Storage Project, JETA
Sector Risk	Procurement
Description of Risk	Pre-agreement between bidders on bidding for specific lots or contracts
Factors in Mitigations	<ul style="list-style-type: none"> <li>Follow MCC AFC Policy, MCC PPG, MCC Cost Principles, PRA (Price Reasonableness Analysis), and FIDIC rules.</li> <li>Review bids for unusual bidding patterns and inflated prices.</li> <li>Conduct more outreach to ensure a higher number of bidders participate in the process.</li> <li>Price reasonableness analysis (PRA) to ensure that bid prices align with market standards.</li> <li>Enforcement of contract provisions that discourage collusion and promote transparency.</li> </ul>
Timing	With every bid evaluation
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Director of Procurement and Procurement Agent

## **6.3 Undisclosed conflict of interest among evaluation panel members**

Project (if applicable)	All
Sector Risk	Procurement
Description of Risk	Evaluation panel members fail to disclose their conflict of interest (“CoI”) with bidders, potentially influencing the contract award to a bidder with whom they have a financial or familiar relationship.
Factors in Mitigations	<ul style="list-style-type: none"> <li>Follow MCC PPG and MCA-Kosovo Conflict of Interest Policy.</li> <li>Ensure compliance with the MCC PPGs, and MCA-Kosovo Conflict of Interest Policy, requiring all panel members to sign CoI</li> </ul>

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	<p>declaration forms before gaining access to bidding documents.</p> <ul style="list-style-type: none"> <li>Conduct training for panel members before the evaluation process to emphasize the legal and ethical consequences of failing to disclose conflicts of interest.</li> </ul>
Timing	With every bid evaluation
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Director of Procurement, Procurement Agent and General Counsel

#### **6.4 Collusion between Supervising Consultant and Works Contractor**

Project (if applicable)	Energy Storage Project, JETA
Sector Risk	Infrastructure
Description of Risk	Potential collusion, bribery, or coercion between the Contractor and Supervising Engineer, leading to false claims, acceptance of sub-standard designs or work, inflated prices or measurements, falsely certified work completion percentages, or unjustified Variation Orders.
Factors in Mitigations	<ul style="list-style-type: none"> <li>Enforce MCC Anti-Fraud and Corruption (AFC) Policy, Contract Agreements, and Implementing Entity Agreement (IEA) with KOSTT.</li> <li>Conduct unannounced site visits by MCA project staff.</li> <li>Schedule periodic MCC oversight trips to review project progress.</li> <li>Maintain accurate and up-to-date records of meetings with the contractor and supervisor to identify anomalies in behavior.</li> <li>Implement quality assurance and quality control (QA/QC) processes on-site, including weekly audits, performance monitoring, and compliance with organizational standards</li> <li>Require review of deliverables by MCC independent advisors to ensure impartial evaluation.</li> <li>Consider involvement of Dispute Adjudication Board (“DAB”)</li> </ul>

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Timing	Oversight should be ongoing
Additional Cost (if any)	Yes, if additional quality assurance and quality control is hired to perform audits.
Staff Member/Office Responsible	Contract Manager

## 6.5 Use of Substandard Goods in Construction

Project	Energy Storage Project
Sector Risk	Infrastructure
Description of Risk	Contractor substitutes goods that are substandard to those specified in the bidding documents
Factors in Mitigations	<ul style="list-style-type: none"> <li>• Contractual requirements clearly specify quality standards for all goods.</li> <li>• The Design and Supervision Consultant verifies compliance with quality standards for all goods before acceptance.</li> <li>• Conduct periodic MCC oversight TDYs (Temporary Duty Assignments).</li> <li>• Maintain a record of meetings with the contractor and supervisor to identify behavior anomalies.</li> <li>• Ensure MCC independent advisor reviews deliverables to verify compliance with specifications.</li> <li>• Provide training to MCA-Kosovo staff to enhance detection and mitigation of such issues.</li> </ul>
Timing	Oversight should be ongoing
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Contract Manager

## 6.6 Biased Recruitment of ESCorp Board of Directors (BoD), CEO, and Staff

Project	Energy Storage Project
Sector Risk	Finance and Administration
Description of Risk	<ul style="list-style-type: none"> <li>• Selection criteria are purposefully tailored to favor specific individuals, compromising the fairness and integrity of the recruitment process.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Board selection of ESCorp CEO based upon <b>political considerations</b> rather than <b>qualifications</b></li> <li>• Leakage of interview/test questions and other confidential information by the recruitment company, ESCorp, or MCA-Kosovo staff.</li> </ul>
Factors in Mitigation	<ul style="list-style-type: none"> <li>• Comply with Implementing Entity Agreement with the Ministry of Economy on MFES Activity, emphasizing transparent and merit-based recruitment principles.</li> <li>• Adherence to Law on Publicly Owned Enterprises (POEs) that stipulates requirements for the selection of members of BoD and of staff.</li> <li>• Adherence to MCC Implementation Letter sent to GoK regarding the eligibility and selection criteria for the ESCorp BoD.</li> <li>• Participation of MCA-Kosovo staff in the recruitment process as observers or panel members.</li> <li>• Drafting interview/test questions by MCA-Kosovo to ensure objectivity.</li> <li>• Ensure that vacancy notices and calls for applications are clear, with reasonable deadlines, and do not contain any unnecessary or onerous application requirements.</li> <li>• Seek MCC No Objection through various stages of the recruitment process.</li> <li>• MCA-Kosovo to draft vacancy letters and review panel membership to maintain clarity</li> <li>• MCC to serve as observer during recruitment stages for BOD.</li> <li>• Delegate reference verification responsibility to MCA-Kosovo Board of Directors civil society member to ensure impartiality.</li> <li>• Publish the notification of intent to hire</li> <li>• MCA-Kosovo Recruitment Firm for the hiring of ESCorp employees, including the CEO, ensures compliance with recruitment standards, which includes impartiality and unbiased selection.</li> </ul>

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Timing	Throughout the recruitment process, from initial vacancy announcement to final selection.
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	MCA-Kosovo CEO and Director of Finance and Administration

## 6.7 ESCorp Board of Directors Fraud and Corruption

Project	Energy Storage Project
Sector Risk	Finance and Administration
Description of Risk	Directing corporate profits to politically connected individuals or those with conflicts of interest.
Factors in Mitigation	<ul style="list-style-type: none"> <li>Seek MCC No Objection on ESCorp Charter to ensure strong governance structures.</li> <li>Conduct Comprehensive Due Diligence Process for Board members, including conflict-of-interest disclosures and background checks.</li> <li>Administer mandatory corporate governance and ethics training focused on code of conduct and ethics for ESCorp Board members to reinforce fiduciary duties.</li> <li>MCA-Kosovo oversight &amp; audits of ESCorp (as the Implementing Entity) to ensure compliance with legal and financial regulations.</li> </ul>
Timing	During the Compact term and throughout Board members' tenure
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	MCA-Kosovo CEO and the Government of Kosovo (as the Shareholder of ESCorp).

## 6.8 Misuse of profits arising from MCC-funded assets

Project	Energy Storage Project
Sector Risk	Finance and Administration
Description of Risk	Misuse of ESCorp's BESS profits intended for battery disposal and replacement, including possible corrupt use.

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Factors in Mitigation	<ul style="list-style-type: none"> <li>• Adhere to MCC PPGs, Cost Principles, FIDIC Rules, Guidelines on Accountable Entities</li> <li>• Ensure that provisions are included under IEA with ESCorp on profit administration and allocation (for duration of the Compact program);</li> <li>• Ensure that ESCorp's Charter and other bylaws, including provisions (which will be approved by MCC through No Objection) clearly define the allocation and use of profits, including dividend treatment.</li> </ul>
Timing	During the Compact term and throughout Board members' tenure
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	MCA-Kosovo CEO and the Government of Kosovo (as the Shareholder of ESCorp).

## 6.9 Mismanagement of Grants

Project (if applicable)	Energy Storage Project, JETA
Sector Risk	Grants Management
Description of Risk	Grant funds may be misappropriated through unauthorized redirection or fraudulent reporting, including improper use or falsified expenditure reports, or claiming payment for incorrect, unnecessary, or incomplete work or deliverable, in violation of the grant agreement's terms.
Factors in Mitigation	<ul style="list-style-type: none"> <li>• Adherence to the Grant Agreement, Grants Operations Manual, MCC Program Grant Guidelines, AFC Policy, and MCC Cost Principles.</li> <li>• Ensure grant agreements clearly define acceptable use of funds and consequences for non-compliance.</li> <li>• Implement controls on budget revisions and reallocations, requiring prior approval from MCA-Kosovo or MCC.</li> </ul>

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	<ul style="list-style-type: none"> <li>Provide targeted training for grantees on financial management, compliance, and reporting.</li> <li>Conduct background checks on grantees, including criminal history certificates, before signing grant agreements.</li> <li>Implement regular site visits and detailed reporting by consultants.</li> <li>Supplement with periodic visits from MCA-Kosovo and MCC staff to ensure proper grant usage.</li> <li>Most of the value of the grants will be delivered in-kind, with MCA-Kosovo rather than the grantees making the procurements.</li> </ul>
Timing	Throughout the grant implementation
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Grants Director / Implementation Consultant

## 6.10 Manipulation of Contract Variation Orders

Project (if applicable)	Energy Storage Project, JETA
Sector Risk	Procurement and Finance and Administration
Description of Risk	Unjustified or inflated contract variation orders may be approved due to collusion between the contract manager and the contractor, leading to cost overruns and unnecessary project extensions.
Factors in Mitigation	<ul style="list-style-type: none"> <li>Draft clear contract terms specifying procedures for contract variation orders.</li> <li>Define supervising consultant role in review and approval of variation orders</li> <li>Ensure mandatory multi-level approval process for all variation orders.</li> <li>Administer training in contract management to MCA-Kosovo staff to easily recognize red flags in contract variation orders.</li> <li>Ensure MCA-Kosovo staff receive training on FIDIC rules.</li> <li>Provide Integrated Project Management training.</li> </ul>
Timing	Oversight is ongoing
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Contract Manager and Supervising Consultant

## 6.11 Grantee performance

Project (if applicable)	JETA
Sector Risk	Grants Management
Description of Risk	The grantee may falsify data to qualify for grant eligibility or to receive grant payments.
Factors in Mitigation	<ul style="list-style-type: none"> <li>• Ensure adherence to MCC Program Grant Guidelines, Grants Operation Manual, Eligibility Criteria for selection of Grantees.</li> <li>• Ensure Grant Agreements contain provisions to control and mitigate such risks.</li> <li>• Conduct ongoing monitoring and oversight by the Grant Director to track grantee performance and compliance.</li> <li>• Conduct independent audits and randomized data verification to detect discrepancies and ensure accuracy.</li> <li>• Define clear reporting requirements and on-site reviews to validate data and ensure proper documentation.</li> <li>• Conduct background checks on grantees, including criminal history certificates, before signing grant agreements.</li> </ul>
Timing	Before and throughout grant implementation
Additional Cost (if any)	Negligible

## 6.12 Kickbacks during Procurement and Implementation

Project (if applicable)	All procurements
Sector Risk	Procurement and Administration and Finance
Description of Risk	Use of incentives for offer preparation, bonuses, and performance-based payments that are unwarranted and serve as a mechanism for illicit financial transactions, such as accepting subpar, incomplete, or unsatisfactory work to make payment for kickbacks.
Factors in Mitigation	<ul style="list-style-type: none"> <li>• Use of PPG (Procurement Guidelines) and Handbook.</li> <li>• Use of RFIs (Requests for Information) to evaluate the need for bonuses.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Outline clear justification and validation for the use of bonuses.</li> <li>• Define clear standards of performance for obtaining the bonus.</li> <li>• Limit the use of bonuses to exceptional cases and only as necessary.</li> <li>• Obtain MCC and MCA-Kosovo Board of Directors clearance.</li> </ul>
Timing	During the procurement process
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Director of Procurement and Procurement Agent

### 6.13 Leak of Confidential Information

Project (if applicable)	All procurements
Sector Risk	Procurement
Description of Risk	Having an excessive and unnecessary number of participants in the procurement process increases the risk of confidential information leaks and creates an unfair competitive advantage.
Factors in Mitigation	<ul style="list-style-type: none"> <li>• Use of MCC PPG (Procurement Guidelines).</li> <li>• Require NDAs (Non-Disclosure Agreement) to be signed by all parties involved.</li> <li>• Limit the team working on developing procurement documents</li> <li>• Include strict confidentiality clauses in contracts with Procurement Agent.</li> <li>• Provide training for procurement staff on the importance of confidentiality and the consequences of breaches.</li> <li>• Require Technical Evaluation Panel (TEP) members to take training on and sign pledges of confidentiality.</li> <li>• Use of independent TEP members.</li> </ul>
Timing	During the procurement process
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Director of Procurement / Procurement Agent

### 6.14 Misrepresentation of Information

Project (if applicable)	All procurements
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Sector Risk	Procurement
Description of Risk	Offerors falsifying information to pass as non-GOEs (government-owned enterprises).
Factors in Mitigation	<ul style="list-style-type: none"> <li>• Use of PPG (Procurement Guidelines).</li> <li>• Use Lexis Nexis for verification.</li> <li>• Conduct outreach events and pre-conferences to communicate the applicability of the GOE policy to potential bidders.</li> </ul>
Timing	Before evaluation
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Director of Procurement and Procurement Agent

### **6.15 Coercion and Unfair Influence in the Procurement Process**

Project (if applicable)	All procurements
Sector Risk	Procurement
Description of Risk	Technical Evaluation Panel (TEP) members, Directors, Managers, Government officials, MCA-Kosovo Board members, or other stakeholders may attempt to coerce or unduly influence MCA-Kosovo to favor specific bidders, compromising the fairness of the procurement process.
Factors in Mitigation	<ul style="list-style-type: none"> <li>• Use of MCC PPG, POM (Procurement Operations Manual), Standard Bidding Documents, and MCC Policy on UBO (Ultimate Beneficial Ownership).</li> <li>• Ensure clear separation of roles in procurement to prevent undue influence.</li> <li>• Educate MCA-Kosovo Board of Directors members and stakeholders on procurement policies and impartiality.</li> <li>• Use independent Technical Evaluation Panel (“TEP”) members for added impartiality.</li> <li>• Procurement Agent to train TEP members on CoI, confidentiality, and reporting pressure.</li> </ul>
Timing	Throughout the procurement process, particularly during bid evaluation and award stages
Additional Cost (if any)	Negligible
Staff Member/Office Responsible	Director of Procurement and Procurement Agent

## **7. ADDITIONAL PROGRAM-WIDE PREVENTION MEASURES**

Besides the activity-specific measures listed in Section 6, the joint MCA-Kosovo/MCC working group determined additional program-wide measures would further the prevention of fraud and corruption. Each is listed below along with the date or dates on which they will be implemented.

<b>Measure</b>	<b>Implementation Date</b>
AFC posters posted at all job sites	May 2025
AFC training with program grantees	After each tranche of grant awards
AFC training for new MCA-Kosovo staff	As determined by MCC and MCA-Kosovo

## **8. REVISIONS AND MONITORING**

Revisions to the AFC Action Plan can be initiated by MCA-Kosovo management, staff, and members of Board of Directors, by MCC technical staff and the MCC Resident Country Director. MCA-Kosovo will prepare the final draft for approval by the Board and No-Objection by MCC. The final version of the revised AFC Action Plan will be made available on the MCA-Kosovo website.

## **9. DEVELOPMENT OF THE AFC ACTION PLAN**

This AFC Action Plan was developed using a method similar to that described in the *Anti-Corruption Ethics and Compliance Handbook for Business*, jointly authored by the Organization for Economic Cooperation and Development (OECD), the United Nations Office on Drugs and Crime (UNODC), and the World Bank. A growing number of governments are requiring private companies that are subject to their jurisdiction to implement an anticorruption prevention program following this type of method.

Training on preventing fraud and corruption in the program and how to develop the AFC Action Plan was delivered by MCC Anti-Fraud and Corruption team to MCA-Kosovo staff in June 2024, whereas similar training will be delivered to MCA-Kosovo consultants, and contractors in May 2025. A joint MCA-Kosovo/MCC AFC Working Group was then established to work with MCA-Kosovo and MCC technical staff to develop a list of specific potential risks of fraud or corruption that could be encountered during the implementation of the MCC-funded program. After risks were identified, the AFC Working Group identified ways to leverage existing MCA-Kosovo and MCC policies in reducing and potentially eliminating these risks.

For each risk, the AFC Working Group worked with technical staff to assess whether existing policies sufficiently reduced or mitigated the risk, and if they did not, what additional measures could be taken. The AFC Working Group and technical staff rated the probability each risk would occur and its impact if it did use a three-level classification: “high,” “medium,” or “low.”

The resulting AFC risk register was reviewed and discussed in extended consultations between MCA-Kosovo, MCC personnel, and MCC AFC personnel.

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Based on the AFC Working Group's analysis and the review of the AFC risk register, MCA-Kosovo and MCC staff agreed on the risks shown in Section Six and the mitigants required to prevent them. The process is described in more detail in Annex A.

## **10. MCC POLICIES TARGETED AT PREVENTING FRAUD AND CORRUPTION**

Following U.S. government law, MCC's Policy on Preventing, Detecting and Remediating Fraud and Corruption requires all MCC staff, MCA-Kosovo staff, consultants, contractors, and grantees "to promptly report suspected incidents of fraudulent or corrupt practices" to MCC or the Inspector General of the U.S. Agency for International Development. Fraudulent or corrupt practices are defined to include not only bribery and fraud but any act that covers up or obstructs their investigation. MCA-Kosovo staff are also required to disclose any potential conflict between their personal interests and those of MCA-Kosovo. More details on the policy are detailed under Annex B.

MCC has required MCA-Kosovo to establish policies governing personnel and financial management, the procurement of goods, services, and works, and to publish an employee handbook outlining standards of conduct required of all employees. These mechanisms, described below, contribute to the prevention of corruption.

## **11. MCA-KOSOVO AND MCC POLICIES THAT HELP PREVENT FRAUD AND CORRUPTION**

In addition to MCC policies and guidelines stemming from the Compact and Program Implementation Agreement which govern MCA-Kosovo operations, MCA-Kosovo has developed a comprehensive set of bylaws and subject-specific policies that provide detailed guidance for its operations and reinforce its commitment to integrity, transparency, and accountability. These policies not only align with the Compact program's requirements but also strengthen MCA-Kosovo's ability to manage funds and resources effectively while safeguarding against potential risks associated with fraud and corruption.

To reinforce its commitment to preventing fraud and corruption MCA-Kosovo has adopted the following key policies, along with MCC policies and guidelines that are directly applicable to its operations.

### **MCA-Kosovo Policies**

- MCA-Kosovo Statute;
- MCA-Kosovo Fiscal Accountability Plan;
- MCA-Kosovo Conflict of Interest Policy;
- MCA-Kosovo Confidentiality Policy;
- MCA-Kosovo Human Resources Manual; and
- Performance Management System.
- MCA-Kosovo Bid Challenge System;
- MCA-Kosovo Procurement Operations Manual;
- MCA-Kosovo Grants Operations Manual

### **MCC Guidelines Applicable to MCA-Kosovo:**

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- MCC Program Procurement Guidelines and Standard Bidding Documents;
- MCC Program Grants Guidelines.

#### **11.1 MCA-Kosovo Statute**

The MCA-Kosovo Board of Directors, composed of representatives from the Government, civil society, and the private sector, convened its inaugural meeting on July 25, 2023. During this meeting, the Board adopted the MCA-Kosovo Statute, which serves as the foundational legal framework for the organization's structure and operations. The Statute defines the roles and responsibilities of the Operations Unit and the Board of Directors, ensuring clarity and accountability in their respective functions.

Additionally, the Statute outlines key procedural requirements for the Board's operations, including the frequency of meetings, quorum for decision-making, recording of minutes, and other essential aspects that support the organization's effective governance.

MCA-Kosovo views the Statute as a cornerstone for promoting good governance within the organization. By fostering transparency, accountability, and structured decision-making processes, the Statute plays a critical role in addressing and mitigating risks of fraud and corruption, reinforcing MCA-Kosovo's commitment to integrity and ethical practices.

#### **11.2 Fiscal Accountability Plan**

MCA-Kosovo adopted its Fiscal Accountability Plan ("FAP") on July 25, 2023, following its formal approval by both the MCC and the MCA-Kosovo Board of Directors. The FAP serves as a comprehensive set of treasury rules governing all financial and procurement activities carried out by the Operations Unit. Recognizing the need to adapt to evolving operational requirements, the FAP was subsequently amended and approved by the Board of Directors on April 12, 2024, and September 25, 2024.

The FAP establishes clear and robust guidelines for recording and verifying expenditures while instituting strong internal controls. These measures are integral to ensuring transparency, accountability, and efficiency in financial operations, playing a critical role in preventing corruption and safeguarding the integrity of MCA-Kosovo's activities. The FAP reflects MCA-Kosovo's commitment to maintaining the highest standards of fiscal responsibility and operational excellence.

#### **11.3 MCA-Kosovo Conflict of Interest Policy**

On July 25, 2023, MCA-Kosovo adopted a comprehensive Conflict of Interest Policy to effectively identify, address, and manage potential conflicts of interest involving its staff and Board members. The policy is designed to ensure that all MCA-Kosovo directors, officers, employees, agents, representatives, volunteers, and stakeholder committee members ("covered persons") act exclusively in the best interests of MCA-Kosovo, safeguarding the intended benefits of the Compact program. It aims to prevent financial, commercial, familial, private, or other conflicting interests from interfering with MCA-Kosovo's operations and decision-making processes.

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Under the policy, staff members who believe their personal financial interests may conflict with MCA-Kosovo's objectives are required to consult the General Counsel of MCA-Kosovo for guidance. Similarly, if a staff or Board member feels they cannot act impartially due to a personal relationship or other connection, they must notify the legal team. Upon receiving a report, MCA-Kosovo's legal advisors review the matter in consultation with MCC's legal advisors and provide recommendations for resolving or mitigating the conflict. In most cases, MCC and MCA-Kosovo collaborate to implement measures that prevent actual conflicts and mitigate any potential harm caused by perceived conflicts, ensuring the integrity of MCA-Kosovo's operations.

Additionally, the Conflict of Interest Policy includes provisions regulating the acceptance of gifts by MCA-Kosovo staff and Board members to avoid undue influence or the appearance of favoritism.

Since the policy's adoption, all MCA-Kosovo staff and Board members have been required to submit annual declarations of conflicts of interest. These declarations reinforce MCA-Kosovo's commitment to transparency, accountability, and good governance in the implementation of the Compact program.

#### **11.4 MCA-Kosovo Confidentiality Policy**

On July 25, 2023, MCA-Kosovo adopted a Confidentiality Policy to protect privileged and sensitive information while maintaining transparency in Compact implementation. The policy requires all directors, officers, employees, agents, and stakeholders to safeguard confidential information, ensuring it is not misused or disclosed without authorization.

Covered persons must maintain confidentiality during and after their engagement with MCA-Kosovo, with unauthorized disclosure subject to disciplinary action. Upon departure, individuals must return all confidential materials, and their obligation to protect such information continues for two years. Any questions regarding disclosure must be directed to the General Counsel.

Since its adoption, all covered persons have been required to acknowledge the policy, which remains binding regardless of acknowledgment. These measures reinforce MCA-Kosovo's commitment to responsible information management and institutional integrity.

#### **11.5 MCA-Kosovo Human Resources Manual**

On July 2, 2024, MCA-Kosovo formally adopted its Human Resources Manual ("HR Manual"), a comprehensive document that established transparent and equitable human resource practices. As part of this manual, the Standard Employment Contract is included as an annex, further emphasizing uniformity in employment terms and conditions.

The HR Manual is integral to MCA-Kosovo's operations, achieving the following objectives:

##### **1. Standardization of Policies and Procedures**

The manual provides clear and consistent guidelines for key aspects of human resource management, including recruitment, hiring, performance evaluations, compensation, benefits, and employee

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relations. By standardizing these processes, MCA-Kosovo ensures transparency and fairness, fostering trust and reducing the potential for bias or favoritism.

**2. Comprehensive Orientation and Development**

It serves as a vital resource for onboarding new employees, offering essential insights into MCA-Kosovo's organizational culture, policies, and expectations. Additionally, it supports ongoing training and professional development initiatives, promoting a skilled and engaged workforce while maintaining balanced representation of men and women across all levels of the organization.

**3. The Code of Business Ethics and Standards of Conduct**

The Code of Business Ethics and Standards of Conduct, integrated into the HR Manual, serves as a key mechanism for preventing and mitigating fraud and corruption risks. As a stand-alone document, it ensures that all covered persons uphold the highest standards of integrity and professionalism, aligning with MCC's Anti-Fraud and Corruption (AFC) Policy and national anti-bribery laws to reinforce MCA-Kosovo's commitment to ethical business practices. The Code strictly prohibits fraudulent and corrupt activities, including bribery, kickbacks, and improper financial transactions, with violations resulting in immediate disciplinary action, including contract termination.

**11.6 MCA-Kosovo Performance Management System**

MCA-Kosovo's Performance Management System, adopted in July 2024 as part of the HR Manual, ensures transparency, accountability, and fairness in staff evaluations. By aligning performance assessments with the job evaluation framework, the system minimizes the risk of favoritism and unethical decision-making, reinforcing integrity in personnel management.

A key anti-fraud measure within the system is its structured approach to performance-based rewards, including one-time bonuses and salary adjustments. These incentives are tied to objective, measurable criteria and require approval from MCA-Kosovo management, MCC No Objection, and the Board of Directors, ensuring compliance with MCC HR Guidelines and preventing manipulation or abuse.

By integrating this system into its anti-fraud framework, MCA-Kosovo strengthens its commitment to ethical conduct, reducing risks of corruption by ensuring that performance recognition and incentives are based on merit and transparent evaluation processes

**11.7 MCA-Kosovo Bid Challenge System**

Under the MCC funded program, MCA-Kosovo must procure all goods, works and services to implement the program in accordance with the MCC PPG. The PPG requires MCA-Kosovo to establish and publish a Bid Challenge System that provides bidders on MCA-Kosovo procurements with the ability to challenge and seek review of MCA-Kosovo procurement actions and decisions.

To meet this requirement, MCA-Kosovo formally established its Bid Challenge System ("BCS") on March 27, 2024. The system provides clear rules and procedures for reviewing all procurement-related challenges. The BCS plays a vital role in ensuring integrity and accountability in procurement

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processes. By offering bidders the opportunity to challenge procurement decisions, the system deters corruption and enhances transparency. Furthermore, in cases where procurement activities are improperly conducted, the BCS serves as a critical mechanism for identifying and addressing any irregularities. Through the implementation of the BCS, MCA-Kosovo reinforces its commitment to upholding transparency, fairness, and trust in its procurement operations.

#### 11.8 MCC Procurement Guidelines and Standard Bidding Documents

MCA-Kosovo conducts its procurements in full compliance with the Accountable Entity Procurement Policy & Guidelines (“PPG”) and with MCA-Kosovo’s **Program Implementation Agreement** signed with MCC. To further ensure adherence to best practices, MCA-Kosovo has engaged **DT Global**, an international firm, to serve as its Procurement Agent (PA). In collaboration with the Procurement Agent, MCA-Kosovo developed a **Procurement Operations Manual**, on February 26, 2024.

MCA-Kosovo also uses Standard Bidding Documents, prepared by MCC, to improve the quality of its procurement efforts. Together, these documents provide:

- Detailed procurement processes and guideline,
- 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 MCA-Kosovo Board in procurement activities, and
- Promotion of transparency through publication of procurements and contract awards on the MCA-Kosovo website and international procurement sites is a critical corruption prevention measure.

By adhering to these stringent policies and practices, MCA-Kosovo promotes accountability, efficiency, and integrity, reinforcing its commitment to preventing corruption and ensuring responsible management of Compact program funds.

### **ANNEX A: METHOD USED TO DEVELOP MCA-KOSOVO AFC ACTION PLAN**

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

A three-day training intervention on fraud and corruption took place in June 2024 to create awareness amongst all staff members regardless of status and designation in MCA-Kosovo. The training covered fraud and corruption risks related to program start-up (project design and beneficiary selection), program implementation (procurement, contract management, and financial/administrative management) and program closeout. The participants were presented with case studies and concrete examples 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.

#### **Joint MCC/MCA-Kosovo AFC Working Group**

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In June 2024, a joint MCC and MCA- Kosovo working group was formed to develop and review program-specific AFC risk registers. The AFC Working Group consisted of a core team that worked with MCC and MCA-Kosovo technical directors and staff as necessary

### **AFC Core Team**

MCA-Kosovo AFC Team composed of:

- Arta Krasniqi - General Counsel - AFC Team Leader;
- Burim Hashani - Deputy Executive Director for Programs - member
- Dritëro Jashari - Deputy Executive Director for Operations - member
- Elmedina Bajgora - Legal Specialist - member; and
- Fijona Kurshumliu<sup>1</sup> - Monitoring and Evaluation Specialist - member.

MCC AFC Team composed of:

- Christopher P. Williams - Senior Director on AFC, MCC;
- Charles Sanchez - Senior AFC Advisor, MCC;
- Bridgette Springer and Elkin Arroyo - Program Officers, MCC; and
- Shpresa Kusari - Program Assistant, MCC Resident Country Mission in Kosovo.

### **Development of Anti-Fraud and Corruption Risk Register**

It was agreed that MCA-Kosovo would draft sector-based AFC risk registers with close involvement of the MCA-Kosovo technical staff. The sector risk registers were developed by MCA-Kosovo directors after an internal discussion on methodology and development of a template for the AFC risk register. The draft register identified possible risks of fraud and corruption that may occur in Kosovo Compact program per sector and assessed the probability and impact of the risks on the program. It also proposed the appropriate mitigation measures to prevent or limit the probability and impact of such risks.

MCC directors and staff independently developed their own version of the AFC risk register to encourage creative and wide-ranging consideration of the context relevant to the specific program as well as their professional experience.

In August 2024 the consolidated draft AFC risk register was shared between MCA-Kosovo and MCC and then reviewed by the AFC Working Group with the relevant MCA-Kosovo and MCC staff in subsequent AFC workshop sessions via teleconference. The AFC risk register was then updated to reflect the discussions and input from MCC's AFC Team.

### **ANNEX B. MCC'S ANTI-FRAUD AND CORRUPTION (AFC) POLICY**

MCC's Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations (also known as MCC's AFC Policy), issued in 2009 and revised in 2018, requires all MCAs to complete a program-specific Anti-Fraud and Corruption Risk Assessment and to develop and implement a related Action Plan. Research indicates that corruption retards economic growth by:

- Increasing costs;

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<sup>1</sup> Served as a temporary member during August-November 2024, then replaced by Elmedina Bajgora.

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- 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 favor 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 types of fraudulent and corrupt practices:

**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.

**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.

**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 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.

**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.

**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

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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 compact, threshold program agreement, or related agreements.

**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 on the MCC website at <http://www.mcc.gov>.

**Conflict of interest:** A situation in which an employee's private interest (primarily of an economic nature) conflicts with the full, fair, and impartial performance of their employment-related duties and responsibilities. Conflicts of interest are not themselves fraudulent or corrupt, but they should be disclosed and properly managed, as they can open the door to fraud and corruption.