



MILLENNIUM
CHALLENGE ACCOUNT - JORDAN
Partners in Development

Preventing, Detecting and Remediating Fraud and Corruption in MCC Compact Operations

Action Plan for MCA-Jordan

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Amman, Jordan



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Section I. Introduction/Overview

One of the key selection criteria for eligibility for Compacts used by the Millennium Challenge Corporation (“MCC”) is the control of corruption.

In 2010, MCC started the implementation of its *Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations* (“**Policy**”) to prevent, detect and remediate fraud and corruption in MCC-funded activities. The Policy communicates that fraud risk management requires an objective risk assessment to identify potential risks and vulnerabilities in the design and implementation of each Compact and further defines that the control of fraud and corruption is a shared responsibility of every Program’s Board of Directors, MCA staff, and Implementing Partners.

Even though Jordan meets eligibility criteria for Compact selection, MCA-Jordan still has to complete a fraud and corruption risk assessment and prepare an action plan to prevent, detect, and remediate the potential for fraud and corruption practices in implementing the Program.

The process of conducting a risk assessment and completing an action plan was not carried out in response to allegations of fraud, corruption, or other improprieties. Instead, the fraud and corruption risk assessment was conducted in order to comply with MCC’s global policy on anti-fraud and anti-corruption, and as a way to strengthen oversight, ownership, and accountability of MCA-Jordan’s risk management efforts, which are the direct responsibility of the MCAs and their Boards of Directors. The purpose of this exercise is to configure an action plan which constitutes a management tool for MCA-Jordan and its Board of Directors to prevent, detect, and remediate fraud and corruption in MCC’s operations in Jordan.

This Action Plan is based on the findings of a comprehensive, collaborative fraud and corruption risk assessment by MCA-Jordan and MCC, and details project-appropriate methods and mechanisms which MCA-Jordan will adopt and enact in order to reduce potential risks of fraud and corruption in its implementation of the Compact.

MCA-Jordan already has some existing control measures in place to reduce the risks of fraud and corruption, including the use of sector-specific Fiscal and Procurement Agents, special Implementing Entity Agreements, and compliance with pre-existing laws and regulations regarding government liability for unallowable expenditures, etc. In addition, MCA-Jordan has adopted MCC best-practice policies and procedures, including the use of Supplemental Agreements, Program Procurement Guidelines, Standard Bidding Documents, and Compact-specific Implementation Documents based on standard MCC templates for the MCA-Jordan Fiscal Accountability Plan, Procurement Plan, M&E Plan, and Work Plan.

The existence and adherence to vetted policies and procedures reduce the likelihood of impropriety, but this Action Plan is designed to address those risks of fraud and corruption that persist after the appropriate application of processes at MCC and MCA-Jordan already in place to mitigate those risks. The actions described in this document enhance but do not replace existing control measures and procedures.



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Consistent with MCC's Policy, MCA-Jordan management will provide leadership to prevent fraud and corruption during the implementation of the Compact. Many of the tools and techniques in this document will be implemented in coordination with MCA management and the Board, implementing entities and of all construction contractors and service providers involved in implementation of the Program.

This Action Plan will make use of existing resources at MCA-Jordan and will contribute to reducing the risks of fraud and corruption at MCA-Jordan. Further revisions of this Action Plan may require additional resources; however, the expectation is that most mitigation actions would be minimal, at little to no additional cost, and would be financed as a part of existing MCA implementation oversight tools within project and Compact budgets.

This Action Plan was developed by MCA-Jordan Management, though its Board of Directors has ultimate responsibility to see that the actions identified in this Action Plan are completed and upheld. This Action Plan will give both MCA-Jordan and its Board of Directors enhanced tools to prevent, detect, and remediate the risks of fraud and corruption at MCA-Jordan, and to ensure that the Compact objectives are met with little loss or damage due to fraud and corruption. Moreover, the Board of Directors will be involved in monitoring the execution of this Action Plan and in securing the appropriate resources for MCA-Jordan Management to implement this Plan.

This Action Plan includes a detailed timetable and monitoring strategy that outlines the mitigation measures tailored to the specific risks per activity.

Once approved by MCA-Jordan's CEO and MCC, the Action Plan will be made public in accordance with MCC's policy of transparency and accountability.

Section II. Methodology

The methodology used in composing this Action Plan included four different steps, a comprehensive review of the operations of MCA-Jordan, and a thorough understanding of the guiding MCC principles for preventing, detecting, and remediating fraud and corruption.

Initially a core team was assembled to work on the preparation of necessary steps and the coordination of activities. The team consisted of:

- MCC Fiscal Accountability Associate Director;
- MCC Senior Program Officer;
- Two MCA Senior Staff Members (*in both Amman and Washington, D.C.*):
 - Deputy Chief Executive Officer, Project Management;
 - Finance Director;
- Two MCA Staff Members (*in Amman only*):
 - Coordination Officer;
 - Human Resources and Administration Manager; and
- One MCC Senior Advisor with experience at MCC and anti-fraud and anticorruption measures in foreign aid operations.



The four steps followed according to the methodology described above were:

A. Anti-Fraud and Corruption Training in Amman, Jordan

The training was conducted by MCC in July 2012 for all MCA-Jordan staff, as well as its Fiscal Agent, Procurement Agent, Program Management Consultant, and other contractors. During that training, definitions and examples of fraud and corruption were explained in detail. MCA-Jordan learned what the adverse effect of fraud and corruption is; steps that could be taken to prevent, detect and remediate the risks of fraud and corruption that may exist in its operations; and how to report cases of fraud and corruption to the USAID Office of Inspector General and/or MCC.

All of the personnel who attended the training took a test at the end and received certificates of completion to attest to their knowledge on the above mentioned topics. Shortly after that the MCA-Jordan Core Team started discussions on the Risk Assessment process with MCA-Jordan sector and project directors and all the stakeholders and partner, and began to fill out a draft of the Risk Assessment Matrix.

B. Kick-Off Activities at MCC Headquarters in Washington, DC

The MCA-Jordan Risk Assessment Core Team travelled to MCC Headquarters in February 2013 for a Kick-Off session where they participated jointly with MCC counterparts in the discussions/brainstorming about program and management vulnerabilities and possible ways to mitigate the remaining risks of fraud and corruption. At the same time of this visit, discussions continued on the development of the Risk Assessment Matrix. At the conclusion of the Kick-Off, MCC and MCA-Jordan planned the Field Study component of the Risk Assessment.

Returning to Jordan, the Core Team briefed the Executive Director and the Board on the Risk Assessment exercise (including the goals, process, accomplishments, and next steps) continued to work on the Risk Assessment Matrix, and prepared for the Field Study with MCC (including the interviews with MCA personnel, contractors, implementers and stakeholders, logistics, sequence of meetings, etc.).

C. Field Study in Amman, Jordan

In April 2013, MCC joined the MCA-Jordan Core Team for a Field Study in Jordan and conducted interviews in Amman and Zarqa with key MCA staff, implementers, contractors and other stakeholders in a joint effort to analyze and review situations where fraud or corruption could occur, or is likely to occur, during implementation, oversight, and closeout of the Program.

The purpose of the interviews was for the Core Team to verify and expand upon risks already identified in the Risk Matrix during the Kick-Off Activities, to raise awareness about the risks of fraud and corruption in MCA-Jordan activities, and to gather ideas from Jordanian stakeholders and implementing partners on how to improve ways of managing and remediating those risks.



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Following continued interaction and consultation with MCC technical staff, the remaining risks were prioritized by the Core Team. In addition, the Core Team identified Compact-specific measures to minimize the highest priority risks, and at the conclusion of the Field Study the Matrix was finalized.

D. Completion of an Action Plan

This stage was completed solely by MCA-Jordan staff members, even though MCC support continued in terms of technical review, policy clarifications, and general assistance. The resulting Action Plan was drawn from the results of the Compact-Specific Fraud and Corruption Risk Assessment and the associated Matrix. It contains risks of fraud and corruption which the Core Team ranked high for probability of occurrence and negative impact on the Compact, MCC, and/or MCA-Jordan, and paired each risk identified with measures to mitigate those risks.

This Action Plan has been reviewed by MCA-Jordan Senior Management and the MCA-Jordan Board with emphasis on the high priority risks and proposed measures to address them (including any funding or resource issues).

Section III. Transparency

The MCC *Policy* recognizes the critical role MCAs play in the prevention, detection, and remediation of fraud and corruption in MCA operations.

The MCA-Jordan Board and MCC will review drafts of the Action Plan, and any comments and concerns will be addressed through direct dialogue.

The final draft of the Action Plan will be submitted to MCC and the MCA-Jordan CEO for approval. Once approved by MCA-Jordan's CEO and MCC, the Action Plan (and any updates or revisions) and period Progress Reports will be made public through the MCA Jordan website at <http://www.mca-jordan.gov.jo/>.

Section IV. Specific Actions Identified through this Fraud and Corruption Risk Assessment

MCA-Jordan management realizes that responsiveness to risks and red flags of fraud and corruption are the hallmark of timely prevention, detection, and remediation. In this section of the Action Plan we have outlined only those risks which are ranked as high/high, medium/high and high/medium in MCA-Jordan *Fraud and Corruption Risk Assessment Matrix*. This section communicates how MCA-Jordan management will define the roles and responsibilities and provide adequate resources to implement the Action Plan.

1. Category: Procurement Risks

Risk 1	Activity or sub-activity risk	Procurement		
	Description of activity or sub-activity risk	Coercion and/or collusion in developing RFPs for Infrastructure and Consultancy projects: 1. Tailoring RFPs including scope, specifications, eligibility and qualification criteria, conditions, evaluation criteria, etc. 2. Providing confidential information and / or collaborate with a contractor in preparing the proposal due to a collusion activity		
	Standard MCC mitigants	1. Program Procurement Guidelines 2. Standard Bidding Documents		
	Custom MCA-Jordan mitigants	1. Involving many counterparts in reviewing RFPs (i.e., MCC, MCC's Independent Engineer(s), design consultant, WAJ, GTD). 2. Message to the consultant that disclosure of confidential information will lead to blacklisting for future procurements with MCA-Jordan and potential criminal liability.		
	Reference	1, 17		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Introduce bid challenges system and clarify the key requirements of the RFP during the Pre-meeting to create awareness.	For each future tender	GTD	None
2. Nominate a Procurement Agent team member for each bid to participate in developing the TOR.	One for each bid	GTD	None	

Risk 2	Activity or sub-activity risk	Procurement		
	Description of activity or sub-activity risk	Corruption and prohibited practices by TEP and other parties involved in the tendering and evaluation process in Infrastructure and Consultancy projects:		
		<ol style="list-style-type: none"> 1. TEP is not objective in their evaluation and/or does not provide justified evaluation of bidder offers due to favoritism of a bidder 2. A party involved in the evaluation process disseminates confidential / inside information during the procurement process 3. A party involved in tendering process responds to specific bidder inquiries through informal channels that violate the rules 4. A panel member does not disclose a conflict of interest 		
	Standard MCC mitigants	<ol style="list-style-type: none"> 1. Program Procurement Guidelines 2. Bid Challenge System 3. Procurement Operations Manual 4. Procurement Implementation Plan 		
	Custom MCA-Jordan mitigants	<ol style="list-style-type: none"> 1. Selecting qualified members from various organizations with good and ethical working history. 2. Research background of TEP members to ensure no criminal history. 3. Require TEP members to sign confidentiality statements and disclose conflicts of interest prior to commencing evaluation. 4. PA and MCA -J are experienced in the water sector projects and know the working history for the most of the panel members that assist in identifying potential conflict of interest. 		
	Reference	5, 6, 10, 16		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Conduct training and create awareness for TEP and other parties involved in tendering process on policies and procedures of bid evaluation and information dissemination	Immediately	GTD	None

Risk 3	Activity or sub-activity risk	Procurement		
	Description of activity or sub-activity risk	Collusion practice by the contractors in Infrastructure and Consultancy projects: 1. Contractors collaborate and pre-agree in submitting offers in a way that may eliminate or reduce competition		
	Standard MCC mitigants	None		
	Custom MCA-Jordan mitigants	1. Price analysis, 2. Observing a successful contractor using competitors as subcontractor, etc.		
	Reference	15		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Carry out more promotion for the tender to increase competition where MCA-Jordan feels it is necessary.	Immediately	GTD/MCA-J	None

Risk 4	Activity or sub-activity risk	Procurement		
	Description of activity or sub-activity risk	Collusion practices in contract amendments/additional work: 1. Informal negotiations and price negotiations particularly when contract amendment is needed		
	Standard MCC mitigants	1. Program Procurement Guidelines. 2. Procurement Operations Manual.		
	Custom MCA-Jordan mitigants	1. Specific instructions on contract Management. 2. Segregation of duties. 3. Locate a GTD person at MCA. 4. Hire a Contract Management Specialist. 5. Involving many counterparts in negotiation process and result (MCC, WAJ,GTD)		
	Reference	25		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Use of Minutes of meetings	Immediately	GTD	None
2. Clear guidance of do's and don'ts in negotiations.	Immediately	GTD	None	
3. Contract Administration Manual to be developed.	January 2014	Procurement Director	None	

Risk 5	Activity or sub-activity risk	Procurement		
	Description of activity or sub-activity risk	Coercive practices by the Board and/or CEO: 1. The MCA-Jordan's board and/or the CEO influence and interfere with the evaluation process		
	Standard MCC mitigants	1. Accountable Entity Guidelines 2. Procurement Operations Manual 3. Program Procurement Guidelines 4. Fiscal Accountability Plan		
	Custom MCA-Jordan mitigants	1. Specific instructions on independence of Panel 2. Segregation of duties 3. Locate a GTD person at MCA-Jordan		
	Reference	26		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	None	N/A	N/A	N/A

3. Category: Project/Contract Management Risks

Risk 6	Activity or sub-activity risk	Water & WW projects		
	Description of activity or sub-activity risk	<p>Fraudulent and collusion in infrastructure water and WW projects:</p> <ol style="list-style-type: none"> 1. Fraudulent practices by the contractors lead to poor material, failure of installation, and/or falsifying quantities 2. Collusion between contractor and the laboratory which checks materials and installation quality 3. Collusion between PMC and contractor leads to accepting poor material, improper installation and/or inaccurate BoQs 4. Collusion between the PMC and MCA-J resulting in accepting poor works or deliverables by the contractor 5. Collusion between contractor and MCA-J that result in ordering the PMC to accept near incompliance work 		
	Standard MCC mitigants	<ol style="list-style-type: none"> 1. Program Procurement Guidelines 2. FIDIC 3. Quality control is done by contractors, while quality assurance is the responsibility of supervising engineers. 4. Regular oversight by MCC and MCC's IE 		
	Custom MCA-Jordan mitigants	<ol style="list-style-type: none"> 1. Clear procedures for completing, reviewing, and accepting construction. 2. MCA-J makes visits and spot checks 3. MCA-J is requiring a two-year defects and liability period. 4. MCA-J has hired a well reputable firm to serve as program manager and supervising engineer. 5. Project leads do not have formal direct contact with contractor 		
	Reference	31, 32, 35, 36, 37		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Holding kick-off meetings to set the tone from the beginning and to clearly communicate to contractors the expectations.	For future contracts	MCA-J	None
	2. Institutionalize spot check visit by MCA-Jordan to project site			
	a. Formulate teams for spot checks	Immediately	MCA-Jordan	None
	b. Develop Procedures for conducting spot checks and reporting	Immediately	Project Directors.	None
3. Carry out additional training for MCA-Jordan and PMC on preventing F&C	Quarterly	AF&C Team	None	
4. MCA-Jordan to hire project engineers to support project management	Aug 2013	MCA-J	None	

Risk 7	Activity or sub-activity risk	As-Samra WWTP expansion project		
	Description of activity or sub-activity risk	<p>Fraudulent and collusion in As-Samra WWTP expansion project</p> <ol style="list-style-type: none"> 1. Fraudulent practices by the EPC contractor lead to not adhering to minimum technical requirements. 2. Collusion by SPC and EPC contractor to falsify invoicing requirements as stipulated in Appendix 44. 3. Collusion between Authority Engineer and SPC and/or EPC contractor to falsify invoicing requirements as stipulated in Appendix 44. 		
	Standard MCC mitigants	None		
	Custom MCA-Jordan mitigants	<ol style="list-style-type: none"> 1. Quality control is done by SPC while quality assurance is the responsibility of Authority Engineer. 2. Authority Engineer to follow processes and procedures for monitoring work and carries out careful inspection and review 3. Regular oversight by MCA-Jordan and MWI site team 4. Site team of MCA-Jordan to make visits and spot checks 5. Variation order over a certain threshold to be approved by MCA-Jordan. 6. Any variation order that result in increasing project cost shall be paid by MWI 		
	Reference	28, 29		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
1. MCA-Jordan to request financial and technical audit for SPC	If needed	MCA-Jordan	\$70,000 USD/audit	

Risk 8	Activity or sub-activity risk	Consultancy, infrastructure and M&E		
	Description of activity or sub-activity risk	Collusion between project lead and consultant: 1. Acceptance of poor quality deliverable or noncompliance to requirements		
	Standard MCC mitigants	1. Contract Administration Manual 2. Periodic financial audits 3. For M&E works, field work (i.e., survey) to be overseen by MCA-Jordan and Independent Evaluator (Social Impact), with deliverables to be accepted by MCA-Jordan and MCC.		
	Custom MCA-Jordan mitigants	1. Many parties involved in reviewing the deliverable such as MCC, WAJ, IE of MCC 2. For M&E works, the Independent Evaluator will be involved in review and acceptance of deliverables.		
	Reference	53, 54		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Develop internal review and approval procedure	July 2013	MCA-Jordan	None
2. Developing clear and specific requirements for deliverables during the RFP preparation	For each future bid	MCA-Jordan	None	

4. Category: Reputational Risks

Risk 9	Activity or sub-activity risk	Perception of fraud and corruption		
	Description of activity or sub-activity risk	General perception of high F&C in procurements		
	Standard MCC mitigants	1. Accountable Entity Guidelines 2. Program Procurement Guidelines		
	Custom MCA-Jordan mitigants	1. Communicate effectively the public activities of MCA-Jordan/GTD's tendering process to ensure transparency to the greatest degree possible.		
	Reference	25, 75		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Developing Anti-Fraud and Corruption action plan	June 2013	MCA-Jordan	None
2. Conduct public awareness and outreach campaigns about Anti-F&C measures and the MCC guidelines	Before each procurement	MCA-Jordan	None	
3. Publish to the public proven F&C events and actions taken	Immediately	MCA-Jordan	None	

5. Category: Financial Management Risks

Risk 10	Activity or sub-activity risk	Finance		
	Description of activity or sub-activity risk	Infrastructure and consultancies: 1. Submitting inaccurate invoices that do not reflect the work progress in the field		
	Standard MCC mitigants	1. Fiscal Accountability Plan 2. External Fiscal Agent		
	Custom MCA-Jordan mitigants	1. Invoices are not processed unless deliverables or works are approved by project lead, supervisor and other relevant stakeholders		
	Reference	56		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Develop MCA-Jordan internal review process	July 2013	MCA-Jordan	None

Risk 11	Activity or sub-activity risk	Finance		
	Description of activity or sub-activity risk	Infrastructure and consultancy: 1. Falsifying bank guarantee		
	Standard MCC mitigants	1. Program Procurement Guidelines 2. Standard bidding document		
	Custom MCA-Jordan mitigants	1. Guarantee issued by local bank only 2. If the guarantee is issued by a foreign bank must be ratified by a local bank		
	Reference	58		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Add step for MCA to confirm/validate bank guarantees	Immediately for all contracts	Finance Director	None

Risk 12	Activity or sub-activity risk	Finance		
	Description of activity or sub-activity risk	Obstructive practices in accounting management 1. Intentional manipulation on the financial system or the database 2. Falsifying financial information on the Oracle financial system		
	Standard MCC mitigants	1. Fiscal Accountability Plan 2. External audit 3. Monthly reconsolidations		
	Custom MCA-Jordan mitigants	1. Fiscal Agent Corrective Action Plan 2. Fiscal Agent Policies and Procedures 3. Disaster Recovery Plan 4. Monthly reconciliation between MCA and Fiscal Agent books		
	Reference	63, 65		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	1. Completion of Fiscal Agent Corrective Action Plan	June 30, 2013	Fiscal Agent, monitored by MCA-Jordan	None

6. Category: Administrative Risks

Risk 13	Activity or sub-activity risk	Administration		
	Description of activity or sub-activity risk	Prohibited act by disseminating confidential information: 1. Board member disseminates confidential information outside MCA-Jordan		
	Standard MCC mitigants	1. Accountable Entity guidelines		
	Custom MCA-Jordan mitigants	1. Confidentiality Disclosure Training 2. Conflicts of Interest Training 3. Limiting the confidential information presented to the board		
	Reference	62		
	Additional Measures and Corrective Actions	Timeline	Responsibility	Additional cost
	None	N/A	N/A	N/A

Section V. Timetable, Monitoring and Reporting

The MCA-Jordan Core Team will monitor progress against the Action Plan through periodic written reports to the CEO and MCC. Additionally, the anti-fraud and corruption team members will be available for any consultation on any issue pertaining to the implementation of the Action Plan and can present specific area/item reports as requested by the Board of Directors and MCC.

As noted above, quarterly Progress Reports will be posted on MCA-Jordan's website.

Section VI. Revisions and Updates to the Action Plan

Effective risk management requires flexible, responsive, continuous application of best practices and skills. Lessons learned will contribute to refined oversight strategy in relation to the Action Plan. With this commitment in mind, the underlying Risk Assessment Matrix and resulting *MCA-Jordan Action Plan to Prevent, Detect, and Remediate Fraud and Corruption in MCA-Jordan Operations* will be revised and updated as necessary.

The revisions could include new or supplemental actions depending on the outcome and effectiveness of measures presented in this Action Plan in order to further reduce or eliminate those risks of fraud and corruption that persist. To achieve this, MCA-Jordan may:



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- Adopt new actions, which will facilitate detection of fraud and corruptions;
- Improve the system for responding to fraud and corruption;
- Improve the mechanism for reporting allegations of fraud and corruption;
- Improve the system for prompt and proportional remediation; and/or
- Other actions to be determined.

Proposed revisions to the Action Plan may be initiated by the Core Team, or MCA-Jordan management and Project Directors, but each revision to the Risk Matrix and the Action Plan will be communicated to the CEO and MCC for review, comments, and approval. Any approved revisions to the revised Risk Matrix and Action Plan will be made available on MCA-Jordan website.