



TRANSPARENCY INTERNATIONAL | USA

Nancy Z. Boswell
President & CEO

Rodney Bent
Deputy Chief Executive Officer for the MCC
Millennium Challenge Corporation
875 Fifteenth Street NW
Washington DC, 20005

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Dear Rodney:

We appreciated the opportunity to meet with MCC Management regarding the *MCC Policy on Preventing, Detecting, and Remediating Fraud and Corruption in MCC Operations* in advance of the launch and to share our views on ways to strengthen it.

We have appended to this letter our key recommendations, which we discussed at the meeting. They include:

- (i) setting a clear 'tone at the top' committing the institution to operational integrity,
- (ii) making clear Board and senior management responsibilities,
- (iii) ensuring appropriate staff incentives,
- (iv) assessing and mitigating risks at the country, sector, and project levels and
- (v) recommitting the institution to transparency and civil society engagement.

We welcomed the MCC's leadership in the development assistance community in making a commitment to anti-corruption an explicit requirement to qualify for assistance. The new MCC Policy is another example, explicitly addressing "operational integrity"—the management of corruption risk in MCC grants—through a publicly available policy and implementation tools.

We look forward to seeing the final Policy and to contributing to the tools that will support Policy implementation.

Kind regards,

Nancy Boswell
President &

Attachment 1

Recommendations for Strengthening MCC Operational Integrity Policy

- **Tone from the Top**

The Policy should make clear that the MCC has a fiduciary responsibility to ensure that US taxpayer funds are used for their intended purpose and is willing to suspend disbursement of funds if corruption risks are not addressed.

Addressing corruption risk is a matter of effective risk assessment and management, rather than risk aversion. The Policy should communicate that corruption risk management requires flexible, responsive continuous learning and updating of internal controls, incentives, skill, and processes. The Policy should make clear that this process is the responsibility of every Board, management and staff member.

- **Responsibilities of MCC Leadership**

The Policy should make clear that MCC leadership, both executive and Board-level, is responsible for: (i) communicating clearly and continuously the MCC's commitment to operational integrity; (ii) supporting staff, soliciting its input and developing solutions; and (iii) ensuring that the MCC's systems and controls are continuously responsive to emerging corruption risks. The Policy should also provide for leadership training.

- **MCC Staff Incentives**

Staff should understand that, being on the front lines, it has primary responsibility for prevention, detection, and reporting fraud and corruption. The Policy should: (i) clarify Staff responsibilities; (ii) commit to empowering staff through appropriate training, funding, tools, management support, and access to expertise; (iii) communicate that staff will be evaluated on and held accountable for performance under this policy.

- **Three Pillars of Controls: Prevention, Detection, and Remediation**

We appreciate that the MCC has adopted our recommended framework of preventing, detecting and remediating corruption. While this framework will be elaborated in the anticipated implementation tools, the Policy should communicate that responsiveness to risks and red flags are the hallmark of robust prevention, detection, and remediation. Assessing risk is a critical prerequisite to prevention, and it should be performed at the country, sector, and project/activity levels. Both the Accountable Entity and the MCC staff should adopt action plans that outline the mitigation measures tailored to the specific risks.

- **Transparency & Citizen Participation**

The Policy should recognize the critical role of transparency of MCC information and information produced by the compact country to anti-corruption efforts. We commend the MCC for including civil society as a source of expertise and oversight for MCC's operations.