



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you of the plan to negotiate and sign a threshold program agreement with the Government of Timor-Leste. In addition to the enclosed notification, we have included a summary description of Timor-Leste's threshold program.

The attached notification is being sent to the Congress on May 28, 2010. Members of MCC's staff are available to meet with you to discuss the planned program. If you or your staff would like to arrange a meeting, please contact Ellona Fritschie or Erin Kolodjeski at (202) 521-3850.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Charles Cooper".

T. Charles Cooper
Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

May 28, 2010

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| PROGRAM: | Threshold |
| APPROPRIATIONS CATEGORY: | FY 2004 and 2009 Program Funds |
| OBLIGATION AMOUNT: | \$2,006,320 (FY 2004) \$8,489,680 (FY 2009) |

In accordance with section 7057(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009 (Pub. L. 111-8), this is to advise that the United States Agency for International Development, using up to \$10,496,000 in funds allocated by the Millennium Challenge Corporation, intends to negotiate and sign an agreement with the Government of Timor-Leste for a program authorized under section 616 of the Millennium Challenge Act of 2003, as amended (the "Threshold Program"). Threshold Program assistance will be given to help Timor-Leste to improve its performance in the policy areas measured by MCC's *Control of Corruption* and *Immunization Rates* eligibility indicators.

Supplemental information on Timor-Leste's threshold program follows.

SUPPLEMENTAL INFORMATION

Threshold Program Summary

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| <u>Country:</u> | Timor-Leste |
| <u>Budget:</u> | \$10,496,000 |
| <u>Fiscal Year Funding:</u> | 2004 and 2009 |
| <u>Estimated Program Duration:</u> | 3 years |
| <u>Indicator Focus:</u> | <u>Ruling Justly: Control of Corruption</u> <u>Investing In People: Immunization Rates</u> |

Principal Objectives:

The principal objective of the Timor-Leste threshold program is to improve performance in the policy areas measured by MCC's *Control of Corruption* and *Immunization Rates* indicators.

Component 1 aims to reduce corruption by building a network of functioning and effective anti-corruption institutions and actors by strengthening their capacity, increasing coordination, and improving processes and procedures to deter and detect instances of corruption.

Component 2 aims to improve access to immunization services and create a more capable and effective community health system in Timor-Leste by strengthening the integrated community health services units (SISCa), improving immunization management and vaccine-preventable disease surveillance capacity, strengthening service delivery, and increasing the number of qualified health service providers.

A summary of the activities under each of the two components is included below.

Background:

After three and a half centuries as a Portuguese colony, followed by 24 years of Indonesian occupation, during which 100,000 to 250,000 Timorese lost their lives, the Timorese voted overwhelmingly for independence in a United Nations supervised referendum in 1999. After a transitional United Nations administration, Timor-Leste became an independent republic in 2002. Timor-Leste now faces the challenge of standing up its nascent democracy. Fortunately, the Government of Timor-Leste has been focused and committed to rebuilding its infrastructure and institutions, as well as public confidence. With the help of a permanent UN peacekeeping force and international advisors supporting the majority of government ministries and institutions, Timor-Leste has made significant progress in its short history. In 2007, Timor-Leste held presidential and parliamentary elections that were described by international observers as relatively free and fair. In addition, with the help of international advisors, the Government of Timor-Leste has established a fund to transparently and sustainably manage its petroleum revenue.

Program Components – Objectives and Proposed Activities:

Component 1: Strengthen Anti-Corruption Efforts

Component 1 is designed to tackle corruption through an integrated approach that will engage a number of key institutions and actors. The program will emphasize building human capacity and developing linkages among the various institutions and actors to create a coordinated approach to fighting corruption. The activities listed below are not exhaustive, and USAID and MCC will encourage innovation in the design of the activities with a focus on results. In combination, these activities are intended to constitute a comprehensive system to prevent, detect, and punish the misuse of government funds.

A. Support the Anti-Corruption Commission (ACC)

Objective: Establish the ACC as the lead agency for anti-corruption education, prevention, and investigation. By the program's completion, Timor-Leste will have a functioning ACC that has successfully completed investigations of cases of alleged corruption and, if warranted, referred its findings to the Office of the Prosecutor General (OPG).

Some of the Proposed Activities:

1. Assist and train the ACC and its staff in carrying out corruption prevention, education, and investigation activities, as well as the administration and management of cases.
2. Coordinate and collaborate with relevant threshold program actors, including the OPG, as well as with the audit, procurement, and civil society-related activities. Activities may include joint training seminars, an exchange of information, collaboration on corruption cases, and other interventions to promote a unified focus on reducing corruption.
3. Provide other interventions that will build the ACC's capacity to process and consider corruption-related issues, including its investigative capacity.

B. Support the Office of Prosecutor General

Objective: Build OPG's investigative and prosecutorial skills, particularly for corruption cases and economic crimes. By the program's end, the OPG will show an improved capacity to prosecute cases of economic crime and corruption.

Some of the Proposed Activities:

1. Train and otherwise assist the OPG to develop a capacity to investigate and prosecute corruption cases, including training on key investigative concepts and prosecutorial techniques.
2. Coordinate and collaborate with relevant threshold program actors, including the ACC, as well as with the audit, procurement, and civil society-related activities. Activities may include joint training seminars, an exchange of information, collaboration on corruption cases, and other interventions to promote a single focus on reducing corruption.
3. Support the Government of Timor-Leste's adoption of a working protocol or memorandum of understanding specifying investigative levels of authority and responsibilities with respect to economic crimes among the OPG, ACC, the National Police, the Banking Payment Authority, the Office of the Inspector General, and other relevant stakeholders.

4. Provide other interventions to build the OPG's investigative and prosecutorial capacity on corruption issues.

C. Support the Establishment of an External Audit Authority

Objective: Strengthen the auditing capabilities of internal government audit entities and establish an external audit authority to improve the Government of Timor-Leste's ability to prevent and detect instances of corruption. By the program's end, the external audit authority will be operational, and trained auditors will have audited alleged misuses of public funds using techniques that meet international standards. Audits in which fraud or corruption is detected will have resulted in criminal indictment by the OPG and will have been brought to trial.

Some of the Proposed Activities:

1. Facilitate independent audits of at least three large ministries and publicize the results.
2. Establish an independent external audit authority and provide institution-building support.
3. Train external auditors and inspectors general on modern audit techniques and assist in developing institutional capacity to carry out large volume of audits.
4. Coordinate and collaborate with relevant threshold program actors. Activities may include sharing information on completed audits, assisting with investigations and prosecutions of economic and corruption-related crimes, participating in joint training sessions, disseminating results to non-governmental actors, including the media, and other interventions that increase synergies on fighting corruption.
5. Support the Government of Timor-Leste in defining roles and levels of responsibility with respect to internal audit authority between the Office of the Inspector General and relevant inspector general offices within line ministries.
6. Provide other interventions that will increase internal and external auditing skills.

D. Improve Procurement Policies, Regulations and Practices

Objective: Increase the knowledge and use of internationally-accepted procurement standards in relevant line ministries and support the establishment and operations of an independent procurement review commission. By the program's end, the Government of Timor-Leste's contracting authorities will have trained procurement officers and an in-service training system for contract officers. An independent Procurement Review Commission will adjudicate procurement complaints in accord with its legal mandate.

Some of the Proposed Activities:

1. Coordinate and collaborate with relevant threshold program actors, including the ACC and the OPG, as well as across the audit, civil society and parliament-related activities. Activities may include an exchange of information on questionable procurements, requests for audits, joint training sessions and other interventions that increase synergies among the threshold program's Government of Timor-Leste partners.

2. Provide training on internationally-accepted procurement standards to staff with procurement responsibilities within the Ministry of Finance and other relevant ministries.
3. Develop a train-the-trainer program to increase the sustainability of these efforts.
4. Support the establishment of an independent procurement review commission and provide institutional support for this commission.
5. Provide other interventions that improve procurement policies, regulations and practices to reduce opportunities for corruption in public procurements.

E. Enhance Fiscal Oversight Skills of National Parliament

Objective: Strengthen parliament's role as a check on corruption and collusion through increased oversight of the government's fiscal management practices. By the end of the program, parliament will have used its legislative oversight authority to probe alleged corruption or misuse of funds, or followed up on recommendations of independent agencies.

Some of the Proposed Activities:

1. Train and assist parliament and staff on exercise of fiscal oversight authorities.
2. Provide technical expertise to drafting of new anti-corruption legislation working through legislative committees and with advocacy groups.
3. Coordinate parliamentary oversight activities with other threshold program activities, including audit, procurement, and civil society-related activities through joint trainings, information sharing and collaboration on legal reform initiatives.
4. Provide other interventions that increase parliament's ability to exercise effective management and oversight over the executive branch, particularly focused on fiscal policies.

F. Enhance Watchdog Capacity and Public Advocacy of Non-State Actors

Objective: Increase the capacity and public advocacy skills of civil society organizations, media, academia, and private sector associations in order to improve their effectiveness in monitoring, advocating, and disseminating information on corruption-related issues. By the program's end, non-governmental groups will have carried out anti-corruption-themed public advocacy campaigns and watchdog activities, as well as three iterations of a national survey of corruption.

Some of the Proposed Activities:

1. Support targeted and sustained campaigns and coalition building activities that will advocate for reformed policies or practices supported by the threshold program.
2. Provide training and support to selected organizations to carry out three corruption surveys and disseminate findings to the public.
3. Provide training and technical assistance to non-state actors including civil society organizations, the media, academia, the private sector, and others. Training may include topics such as fact-based targeted advocacy campaigns, investigative journalism, public complaints handling, government budget procedures, public service report cards, data gathering, and other relevant topics.

4. Coordinate with all actors in the threshold program to advocate for reforms, disseminate information and results, and provide other interventions to support the program's coordinated approach to fighting corruption.
5. Provide other interventions that increase non-state actors' ability to effectively monitor corruption and advocate for reform.

Component 2: Improve Access to Immunization Services

A. Strengthen Service Delivery and Identification of Unimmunized Children

Objective: Identify underserved areas, develop long-term solutions to improve, maintain higher coverage rates, and immunize chronically low-coverage areas.

Proposed Activities:

1. Identify all communities and villages with low coverage and large numbers of unimmunized children in order to determine target service areas.
2. In consultation with community representatives, update each community's community health center operational plans, which include basic surveillance information, logistical requirements, responsible staff, and monthly schedules to improve the management, efficiency, and prioritization of limited resources.
3. Facilitate community health center local area monitoring meetings, improve management and planning of resources and implementation schedules, and continually evaluate current efforts to respond to challenges or difficulties in a timely manner.
4. Execute local "catch-up" rounds in chronically low-performing villages in coordination with local community health centers.

B. Institutionalize Integrated Community Health Services Units (SISCa)

Objective: Institutionalize SISCa as functional healthcare service units in all project supported districts.

Proposed Activities:

1. Establish quarterly meetings with SISCa, village chiefs, and volunteers to review community operational plans and immunization coverage, and to create a platform for advocacy and social mobilization efforts.
2. Provide an orientation to SISCa volunteers to cover immunizations procedures, as well as other administrative and technical functions.
3. Engage with district level policy makers including mayors, assembly members, religious leaders, and local non-governmental organizations to inform them of the current health situation, particularly the role of SISCa in providing health services, to ensure community ownership and support for health services in the future.
4. Develop and update communication tools and materials for use by SISCa volunteers to increase awareness and demand for immunization services.

C. Strengthen Surveillance and Reporting

Objective: Improve surveillance and reporting of vaccine-preventable diseases in order to monitor the effectiveness of immunization efforts and allow for timely detection and response to disease outbreaks.

Proposed Activities:

1. Improve surveillance of hospital records and achieve certification standards of detecting, investigating, and reporting on vaccine-preventable diseases by assigning a Ministry of Health staff member to review targeted hospital records on a weekly basis.

D. Strengthen Management Capacity of Relevant Health staff

Objective: Increase capacity of district and community health center staff to effectively manage, plan, and supervise basic health care operations.

Proposed Activities:

1. Deliver a management training workshop to improve trends analysis, identification of problem areas, increase capacity to execute micro-planning exercises and community mobilization efforts, and other skills.
2. Provide training for select district and community health center staff on cold chain repair and maintenance in order to increase effective use and repair of equipment.
3. Deliver training on effective vaccines, supplies and cold chain management to improve planning and management of resources.
4. Deliver training for nurses and midwives on best practices for safe immunization practices, screening and counseling, and community mobilization efforts in order to increase the number of well-qualified field staff.

Implementing Partner:

The United States Agency for International Development will be the lead U.S. government agency administering the Timor-Leste threshold program.