



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

COURTESY NOTIFICATION

We wish to provide you a courtesy notification that the Board of Directors of the Millennium Challenge Corporation (MCC) has approved Threshold Program assistance for the Republic of Peru of up to \$35,585,000 in fiscal year 2007 MCC program funds. In addition, up to \$2,490,950 will be made available to USAID for administrative expenses associated with Peru's program.

MCC's Threshold Program is designed to assist countries that are committed to undertaking the reforms necessary to improve their policy performance and potentially qualify for Millennium Challenge Account Compact assistance.

The attached summary outlines Peru's program. 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 Jennifer Key at (202) 521-3850. The attached summary is being sent to the Congress on December 3, 2007.

Sincerely,

Matthew K. McLean
Vice President
Congressional and Public Affairs

Enclosure:

As stated

Threshold Program Summary

<u>Country:</u>	Peru
<u>Budget:</u>	\$35,585,000
<u>Fiscal Year Funding:</u>	2007
<u>Estimated Program Duration:</u>	2 years
<u>Indicator Focus:</u>	<u>Ruling Justly:</u> <i>Control of Corruption</i> <u>Investing In People:</u> <i>Immunization Rates</i>

Principal Objectives:

The objective of the program is to improve performance on the *Control of Corruption* and *Immunization Rates* indicators, which Peru failed when it was selected as a Threshold country in FY 2007. Although Peru passes both of these indicators in FY 2008, activities addressing these indicators are still necessary and will support ongoing reform efforts that will help sustain and institutionalize the reforms in these policy areas.

Component 1 of the program aims to combat corruption by improving administrative systems and procedures, strengthening enforcement, and increasing public awareness about corruption and ways they can help combat it. The program targets activities within the judicial branch, the Ministry of Internal Affairs, the Office of the Comptroller General, the Office of the Ombudsman, and civil society organizations, to reduce instances of bribery, raise awareness of anticorruption efforts, and increase public accountability.

Component 2 of the program is focused on increasing immunization rates by improving administrative and supply chain systems at the Ministry of Health. This component of the program will improve immunization of rural children, strengthen immunization management and logistical systems, and upgrade information systems at national and local levels.

Background:

Peru is among the most impoverished countries in the South America. President Garcia won his second (nonconsecutive) term as President in June 2006 on a platform of deepening economic stability and increasing social services. Recently Peru has focused its reforms on improving public administration, bolstering social services, improving U.S.-Peru trade relations through a bilateral Free Trade Agreement, and fighting corruption. Reforms currently underway are significant in continuing to tackle the legacy of serious human rights abuses and pervasive corruption during Alberto Fujimori's three-term tenure in the 1990s. While under Fujimori's successor, Alejandro Toledo (2001 to 2006), Peru worked to consolidate democracy and form closer trade relations with the United States, the challenges for economic, democratic and social reform remain.

In the public health arena, several factors, including lack of funding and a challenging decentralization process, have led to a decline in immunization rates since 2003. Peru, which was among the best performing countries in Latin America in immunization rates

in the 1990s, has seen its performance on the *Immunization Rates* indicator slip. The government of Peru has stated its priority to reduce childhood malnutrition, and improve its immunization regime. This has already been reflected by increased spending on health care, including provision of supplemental government funds for children's immunization. A targeted measles campaign in 2006 was instrumental in Peru's FY 2008 passing indicator score; however, systemic changes supported by the program are still needed to sustain these improvements.

Program Components -- Objectives and Proposed Activities:

Component 1: Reduce Corruption in Public Administration

A. The Judiciary

Objective: Reduce the prevalence of bribes paid by citizens and lawyers to the judiciary.

Proposed Activities:

1. Strengthen the judiciary's internal affairs offices at the central (Chief of Internal Affairs Office, or OCMA) and decentralized (ODICMA) level through revising and standardizing complaint intake, investigation and disciplinary procedures; and providing information technology support to the new system.
2. Educate the general public about internal control mechanisms in the judiciary through surveys, training, and information dissemination on the judiciary's control mechanisms and complaint processes.

B. Ministry of Internal Affairs

Objective: Reduce the prevalence of bribes paid by citizens to the police.

Proposed Activities:

1. Streamline norms and processes for police procedures for complaint intake, investigation, and disciplinary procedures; strengthen the Ministry of Interior offices charged with receiving, investigating and sanctioning corruption reports, including training and the provision of information technology to support the revised system; provide ethics training for police.
2. Improve the transparency and conduct of interactions between citizens and the police by conducting an assessment to identify key areas of corruption in police/public interaction and publicize the results; and revising and publishing the protocols for traffic police, including those for alcohol-related offenses.

3. Educate the general public on Ministry of Interior mechanisms for fighting corruption through surveys, development and implementation of an outreach plan.

C. Office of the Comptroller General

Objective: Reduce the prevalence of bribes paid by citizens and businesses in their interaction with public servants.

Proposed Activities:

1. Reinforce the prevention of corruption in government procurement processes and the provision of business licenses, and strengthen internal control within state institutions through revising procedures and providing information technology for receiving and investigating corruption reports; improving the capacity of the Office of the Comptroller General's central report unit; and revising and auditing internal control procedures within the judiciary, Ministry of Internal Affairs, Ministry of Health and 250 priority regional governments.
2. Improve the interaction of citizens and public service providers through surveying and assessing services most demanded by citizens and private firms; mapping processes in these services and proposing revisions to reduce corruption; training public servants; and educating the public on revised procedures.
3. Educate the general public about government policies and procedures to prevent corruption through an analysis of corruption within government entities with high levels of contact with the public and information campaigns about Office of the Comptroller General's anticorruption preventive strategy.

D. Ombudsman Office

Objective: Increase the public's awareness regarding corruption and the government's actions taken to fight against it.

Proposed Activities:

1. Strengthen the ability of the Office of the Ombudsman's new anticorruption unit to monitor anticorruption initiatives, analyze the government's anticorruption efforts, and disseminate results through technical assistance, including information technology.
2. Conduct surveys of citizens' perceptions and assist the Office of the Ombudsman to develop and disseminate reports analyzing government anticorruption efforts.
3. Support information campaigns to promote ethics and transparency.

E. Civil Society Organizations

Objective: Increase the capacity of citizens to use public information to effectively assess and monitor the government's transparency and accountability.

Proposed Activities: Strengthen the capacity of civil society organizations (CSOs) to assess and monitor transparency and accountability in public administration through surveys of current capacity of CSOs; training and technical assistance to CSOs to improve their access to and use of public information; public meetings between citizens and government to foster transparency; and information dissemination to improve citizen participation with government.

Component 2: Increase Immunization Rates

Objective: Improve immunization coverage for measles and diphtheria, pertussis, tetanus immunization series (DPT3) above 95 percent in eight targeted regions and improve the Ministry of Health's ability to obtain quality, timely information regarding vaccine delivery.

Proposed Activities:

1. Ensure the immunization of rural children through the provision of equipment to 145 itinerant brigades that are responsible for providing health services in hard to reach areas; training to all 17 regional health offices on children's health issues; and a communications campaign in targeted districts and communities on the importance of childhood immunization.
2. Strengthen immunization management and logistics systems through designing an improved logistics and vaccine management system, following a diagnostic study of the current immunization system, and training for health workers on immunization and cold chain management.
3. Strengthen the information system within the Ministry of Health at the central and decentralized levels through analysis of the current information system; design, implement, and audit a new immunization information system; and provide training and equipment to regional health centers and itinerant brigades to implement this new Ministry of Health information management system.

Highlights of Expected Results of the Program:

Component 1: Reduce Corruption in Public Administration

1. A 30 percent increase in the proportion of OCMA decisions where a sanction is recommended and is executed by the National Judicial Council (with respect to the total number of OCMA decisions where a sanction is advised). (Baseline: 42.5 percent).

2. A 20 percent reduction in the time required by OCMA and OCDIMAS to process a corruption report from filing to a final decision.
3. A reduction to 7 days in the time required by the OCMA to determine and inform the complainant (with proper justification) if a corruption report has been submitted for investigation.
4. A reduction of 50 percent in the time required for the Office of the Comptroller General to investigate an allegation of corruption. (Baseline: 4.5 months).

Component 2: Increase Immunization Rates

1. An increase in measles and DPT3 immunization coverage to 95 percent in the following regions: Amazonas, Apurimac, Ayacucho, Cusco, Huanacavelica, Huanuco, Ica and Puno. (Baselines: measles - 80 percent and DPT3 – 84 percent).
2. A reduction in the time required for regional health centers to receive immunization information from itinerant brigades to one week. (Baseline: 30 days).

Implementing Partners

The United States Agency for International Development will be the U.S. government agency responsible for administering the program.