



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

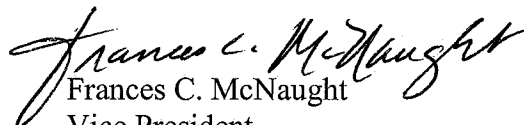
FRANCES C. MCNAUGHT
VICE PRESIDENT, CONGRESSIONAL AND PUBLIC AFFAIRS

We wish to provide a courtesy notification that the Board of Directors of the Millennium Challenge Corporation (MCC) has approved Threshold Program assistance for Uganda of up to \$10,446,180 in FY 2004 MCC program funds. In addition, up to \$731,233 will be made available to USAID for administrative expenses associated with the Threshold Program.

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

The attached summary outlines Uganda'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 Mackenzie Coon at (202) 521-3719. The attached summary is being sent to the Congress on February 16, 2007.

Sincerely,


Frances C. McNaught
Vice President
Congressional and Public Affairs

Enclosure:
As stated



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Threshold Program Summary

Country	Uganda
Budget	\$10,446,180
Fiscal Year Funding	2004
Estimated Program Duration	2 years
Indicator Focus	Corruption
Principal Objectives	Fight Public Sector Corruption

Background

The MCC Board of Directors has approved a two-year, \$10.4 million Threshold Program with Uganda. Uganda's Threshold Program focuses on decreasing public-sector corruption, particularly in public procurement. While the government of Uganda has already made significant progress towards creating a legal and institutional framework required to reduce corruption, public-sector corruption remains pervasive. The Threshold program seeks to combat corruption by improving public procurement, audit and financial management practices. Additionally, the program will help build capacity to allow for more effective follow-up of reported malpractice and strengthen the role of civil society in monitoring corruption.

Program Components

Reduce Corruption Related to Public Procurement: More than 90 percent of the complaints sent to Uganda's Inspector General's office are procurement related. This is especially significant because 65 percent of Uganda's total budget passes through the public procurement system each year. The Office of the Auditor General (OAG) and the Public Procurement and Disposal of Public Assets Authority (PPDA) are both legally independent and autonomous, yet, because they lack capacity, their directives often go unheeded. Through the following activities, the program aims to reduce procurement-related corruption by building capacity within the OAG and PPDA.

1. Build capacity within the PPDA by improving procurement systems. Specifically, this activity seeks to improve financial management systems; increase the frequency of central government and local government audits; more effectively follow-up on procurement audit findings; develop a national system for certification of procurement professionals; and establish a procurement providers' registry.
2. Improve audit systems by addressing a lack of human and logistical capacity at the OAG so that technical findings and recommendations will be better understood by recipients. The program will fund training seminars for audit recipient agencies, the training of OAG staff to conduct audits, and the provision of coordination and logistical support in the form of equipment and technology.

3. Convene quarterly meetings of the Inter-Agency Forum where five anti-corruption agencies and two civil society organizations will share key information.
4. Offer technical support to anti-corruption agencies to reform and streamline the handling of corruption cases to remove administrative bottlenecks.

Increase the Rate of Successful Prosecutions: The key organizations that form the enforcement chain, from detection to prosecution, suffer from critical gaps in human and technological capacity. As a result, the Inspector General has only completed investigations for 30 percent of the complaints it has received since 2002; meanwhile, the number of prosecuted corruption cases as a share of those that were investigated fell from 43 percent in 2003 to only 18 percent in 2005. This component of the program aims to enhance the ability of four key anti-corruption agencies to investigate, prosecute, and adjudicate corruption cases quickly and successfully through the following activities.

1. Support and train investigators; provide necessary equipment and logistical support; provide for the outsourcing of certain investigative and forensic services; and create a whistleblower and witness protection program.
2. Support and train prosecutors; provide necessary equipment and logistical support; develop online legal resources; and provide for the outsourcing of legal services.
3. Support the establishment and decentralization of the Anti-Corruption Court; and provide legal aid for complainants and victims of corruption.

Strengthen the Role of Civil Society in the Fight Against Corruption: A majority of Ugandans are unaware of the existing legal framework to prosecute corrupt public officials and believe that they have limited access to government and other sources of anti-corruption information. With this in mind, this component seeks to enable civil society organizations to better identify, monitor, expose, and secure public redress against corruption.

1. Involve civil society organizations in the Inter-Agency Forum and provide technological, equipment and logistical support to the Inter-Agency Forum.
2. Build human and technological capacity for civil society organizations.
3. Support the Directorate of Ethics and Integrity's public information campaign and support national awareness campaigns and the dissemination of critical public information by civil society organizations.
4. Provide legal aid for public complainants and victims of corruption and support branding materials, notably the National Book of Shame and the annual anti-corruption awards.

Highlights of Expected Results:

1. Reduce losses due to procurement-related corruption by \$10 million from a baseline estimate of between \$64 and \$85 million.
2. Decrease by 33 percent the amount of unaccounted-for central government expenditures.
3. Increase the number of procurement audit findings that lead to investigations, legal or administrative actions or referrals to other agencies, from 3 to 10 per year.
4. Increase the number of criminal cases investigated and prosecuted to completion as a share of cases reported from 1 to 10 percent.
5. Increase the number of National Fraud Squad criminal cases that reach prosecution as a share of cases investigated from 18 to 40 percent.

6. Increase the number of convictions as a percentage of all corruption cases investigated from 30 to 50 percent.
7. Through the work of civil society organizations, expose at least 10 corruption cases, with three public institutions, five private companies, and two high-profile individuals subject to in-depth inquiry.

Implementing Partner: The United States Agency for International Development will oversee implementation of the Uganda Threshold Program on behalf of MCC.