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ZAMBIA THRESHOLD PROJECT
PROMOTING GOOD GOVERNANCE



USAID
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Second Quarterly Report

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PROJECT SUMMARY

The Zambia Threshold Project¹ (ZTP) is a US\$22.7 million agreement between the Government of the Republic of Zambia (GRZ) and USAID, on behalf of the Millennium Challenge Corporation, to assist Zambia in rapidly reducing administrative corruption and improving the effectiveness of selected GRZ institutions with the active involvement of selected civil society organizations in a 24-month period, commencing July 2006. The Zambia Threshold Project has two components.

Assistance under Component One will help the GRZ reduce opportunities for administrative corruption in the Ministry of Lands, Zambia Revenue Authority, and the Immigration Department as well as build the capacity of the Anti Corruption Commission (ACC) to prevent corruption in these pilot agencies and in other GRZ agencies. In particular, pilot agencies will establish integrity committees (ICs) to lead internal reform efforts, including institution-specific regulatory reforms to simplify processes, reduce opportunities for corruption, and establish citizen's charters and codes of ethics. They will also create efficient public monitoring and reporting mechanisms to expose corruption and monitor the effectiveness of reforms.

With Component Two assistance, the GRZ will reduce the barriers to doing business and reduce the time required for importing and exporting goods. In particular, the Zambia Threshold Project will: 1) assist the GRZ in establishing the Zambia Development Agency (ZDA) as a one-stop shop for investors; 2) assist the Patents and Companies Registration Office (PACRO) to more speedily process applications to register businesses and open 3 provincial offices; 3) unify border management into a one-stop shop at Chirundu; 4) improve sanitary and phytosanitary services for local and export trade; and 5) upgrade standardization, certification, and inspection capabilities of the Zambia Bureau of Standards (ZABS).

Project results focus on *reductions* in the number of days from: 1) 70 days to 35 to register a property sale with Ministry of Lands; 2) from 35 days to 10 to register a business; 3) from 60 days to 30 to export goods; and 4) from 62 days to 30 to import goods. It will also reduce the percentage of household reporting paying bribes to ZRA customs from 14 to 7 percent.

Delivery of these results will help Zambia accede to Compact status with the MCC and thus make Zambia eligible for a large host country managed development fund from the Millennium Challenge Account.

¹ Following project naming guidelines of the Millennium Challenge Corporation the project will be henceforth referred to in project official documents as the Zambia Threshold Project.

EXECUTIVE SUMMARY AND QUARTERLY HIGHLIGHTS

During the second quarter of the Zambia Threshold Project significant progress was made toward the achievement of objectives set forth in the project work plan finalized during the first quarter. Continued and heightened leadership of GRZ partners has ensured progress on a number of activities across both components. The addition of key project staff during the second quarter as well as the contribution of significant short-term expertise has also helped GRZ partners achieve key project milestones during the second quarter. This quarterly report covers these accomplishments and lays-out key objectives for the third quarter (January-March) and also introduces ZTP's agenda for working with the GRZ to achieve MCC compact status in 2007.

Progress under Component One focused on consolidation and support of Integrity Committees (ICs) in the four pilot GRZ Agencies receiving support from ZTP. With project support the ACC has been able to work with the ICs to refine and draft specific and tailored work plans with detailed objectives and targets for the third quarter. Through targeted short-term expertise ZTP also helped in the development of codes of ethics for the pilot agencies through the ICs. Equally as important, at Ministry of Lands (MOL) and Immigration Department (ID) staff with the assistance of ZTP consultants concluded critical mapping of business and transaction processes as part of the service delivery reforms the project will support. Key recommendations emerging from this analysis will be reviewed and endorsed during Q3. The arrival of Component One Team Leader Dr. Gabriella Quimson has been critical in solidifying and facilitating ZTP support to senior staff in the implementation agencies and with non GRZ partner Transparency International Zambia (TIZ). TIZ's grant proposal was received during Q2 and agreement on the architecture of the anti-corruption hotline to be established with ACC saw significant refinement during Q2.

Impressive results under Component Two are reflected in the official launching of the new PACRO Customer Service Center and automated service delivery system in November by the acting Minister of Commerce, Trade, and Industry with the US Ambassador to Zambia. This new facility and processes effectively reduce the time required to start a business in Zambia to one day. ZTP also made significant progress toward increased border efficiency with enhanced representation on the Border Management Task Force (BMTF) and the successful completion of key mapping processes at a number of key locations. Progress toward improved inspection processes at ZABS and Plant Quarantine Phytosanitary Services (PQPS) will be facilitated by the process and data flow mapping recently concluded. With 5 new agencies joining, the BMTF now has representation from 8 of the 10 government agencies targeted for engagement. Challenges to providing project support in the establishment of ZDA continued in Q2 due to delays in government's resolving the retrenchment challenge. However, ZTP did engage auditing firms and human resource consultants to produce the financial and legal analysis required for the formal establishment of the ZDA during Q3. At the close of the quarter, GRZ had resolved the retrenchment issue and had renewed

requests for ZTP support to get ZDA up and running in early 2007. The Zambia Business Forum's (ZBF) grant proposal was also received in late December.

Interventions for both components were complemented through cross-cutting support of ZTP communications, strategic fund activities and monitoring and evaluation support. Critical procurements emerging from IT recommendations at ZRA, Immigration, PQPS, MOL, ZABS, and the ACC were initiated during Q2 and SAF funds also supported targeted interventions for training and outreach. Establishment of key subcontracts for IT, communications and reforms at MOL were also concluded. During Q2, communications support to partner agencies continued through development of communications strategies at PACRO and the ACC and the creation of internal communications products to increase project awareness at the participating GRZ Agencies. As part of its mandate the project worked with the Project Coordinating Unit of the PSD to establish clear and common baseline indicators through a two day workshop attended by the PCU working groups and led by ZTP consultants. Also progress toward the definition of a Performance Management Plan continued with ST consultants preparing MOUs outlining M&E responsibilities for each GRZ agency which will be signed in January. The baseline assessment, to be implemented by a Zambian organization with TIZ, has been delayed until the next quarter.

For the next quarter, significant progress is projected. In Component One, all 4 project-supported Ministries, Departments and Agencies (MDAs) with Integrity Committees, and potentially all 8 supported by the ACC, should have completed formulation of codes of ethics and Citizen's Charters. Importantly, MOL and ID will have made significant definitions of reengineered systems to decrease corruption perceptions and vulnerabilities as well as significantly improve services to citizens. Both TIZ and ZBF will have become more active partners, each with a grant, project-supported staff, and have begun implementing important complementary activities. TIZ will set up an Advisory and Legal Advocacy Centre to work with the ACC in identifying and channeling complaints. TIZ will also participate in completing the project's baseline of corruption perception and incidence. ZBF will begin to promote corruption prevention among the private sector.

Under Component Two, in the next quarter, PACRO will open one provincial office. Improvements in the VAT registry process, ZABS and PQPS inspections will be defined and implementation begun as well the single window for border operations. Reengineering of facilities at Chirundu will be approved and refurbishment will be initiated. ZDA mission and structure will also be determined with office make ready commenced. ZBF will begin policy studies to orient GRZ activities.

In summary, Zambia continues to make significant progress toward achieving the goals set forth in its Threshold Country Program. The GRZ has established achieving compact status as a critical target for 2007 and the project will focus on preparing Zambia for MCC review in September of 2007 by working closely with the GRZ to push forward reforms and prepare a convincing demonstration of Zambia's readiness for Compact status this year. Key challenges remain for GRZ and project attention: public perception

of corruption, the identification of the two remaining ACC Commissioners, and the establishment of the ZDA which requires continued high level intervention.

SECTION I

INTRODUCTION

This report describes accomplishments and ongoing activities of the recently ended quarter (October – December, 2006) as well as projected activities and milestones for the following quarter. The Zambia Threshold Project is helping the GRZ achieve specific targets under the Threshold Program and working with the Government to demonstrate its de facto Compact Status to the Millennium Challenge Account in September 2007. The official launch of the Zambia Threshold Project is currently projected for March 2007.

A. Component One — Objectives, Activities, Accomplishments, and Projections

A1. Objectives



Vice President Banda at the ZTP supported Anti-Corruption Day Commemoration

The main objective of Component 1 for the Government of Zambia is to promote greater transparency and minimize opportunities for corruption. Component One activities are grouped into two Key Results Areas. As a result of KRA 1.1, ACC capacity will be built and through KRA 1.2 opportunities for corruption at targeted institutions will be reduced. Through these activities, public perception of corruption

will be improved and citizen participation in holding government agencies accountable enhanced.

ACC capacity to lead GRZ efforts to prevent administrative corruption and implement the National Corruption Prevention Plan (NCPP) will be built. Opportunities for corruption at targeted institutions will be reduced by working with three government institutions—the Ministry of Lands, the Immigration Department, and the Zambia Revenue Authority—to reduce opportunities for administrative corruption, institutionalizing internal integrity, corruption prevention, and monitoring functions within ministries, departments, and agencies (MDAs).

As noted, the objective of ZTP assistance is to improve the ACC’s capacity to lead corruption prevention, coordinate corruption prevention practices at the ministry, department, and agency (MDA) level, strengthen ICs in the three pilot MDA and assist other MDAs implement Integrity Committees and prevent corruption. The initial nexus of these reform efforts is the establishment or strengthening of Integrity Committees in the Ministry of Lands (MOL), Immigration Department, and the Zambia Revenue Authority (ZRA) as well as the ACC itself. In order to bring down perceptions of corruption, the capacities of Integrity Committees will be developed to promote ethical operating practices, increase citizen and civil society participation, and execute public education efforts. Each MDA is also undertaking individualized reforms aimed at improving customer service, in particular streamlining and making its services more transparent for clients. As a result of these efforts, there will be decreased incidence and perceptions of corruption.

A2. Activities and Accomplishments for October - December (Q2)

Table 1. Summary of Q2 Intervention Areas and Results for Component One (Ruling Justly)

Organization	Intervention Area	Results and Status
ACC	Codes of Ethics (COE)	COE developed and adopted*
	Integrity Committees	Established and work plan formulated and approved by ACC (DCPCE)
	Staff Training	Preliminary training needs formulated
ZRA	Code of Ethics	Reviewed and revisions drafted
	Integrity Committees	Established; work plan formulated and approved by ACC
	Internal Affairs Unit	IT support requirements defined and procurement initiated
MOL	Code of Ethics	Work plan drafted to develop own COE
	Integrity Committees	Established; work plan formulated and being reviewed by ZTP and ACC
	Computer training center	Site identified, procurement and refurbishment plan formulated
	Business Process Analysis and Reengineering (Lands transactions and land allocation)	Mapping concluded of both lands allocations and lands transactions with MDD; initial reform recommendations under review
ID	Integrity Committees	Established; work plan formulated and being reviewed by ZTP and ACC
	Business Process Analysis and Reengineering (entry/exit at pilot borders, work and self employment permits, and visa authorizations)	Mapping concluded of entry/exit and work/self employment permits; initial reform recommendations under review
TIZ	Grant formulation and authorization	Submitted and under review; ZTP authorized by USAID to second project manager and hotline

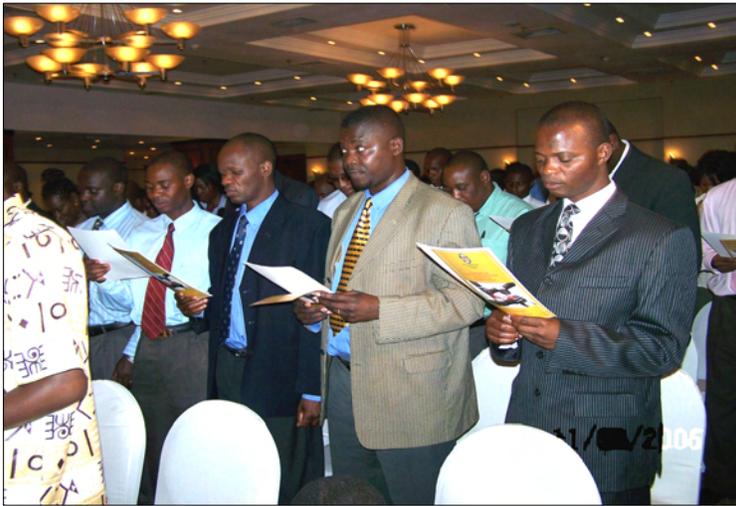
		manager to TIZ
ZBF**	Grant formulation and authorization	Submitted and under review; ZTP authorized by USAID to second policy analyst and position to be defined to ZBF
ALL	Communications (internal and external) Program	Internal communications plan formulated; explanatory materials on ZTP distributed to MOL, ID and ACC; individual public service announcements contracted and under development
ALL	Monitoring and Evaluation system functioning effectively	Project operational and impact indicators were identified and are in review with each MDA; baseline implementation plan defined; request for proposal issued to IDASA whose proposal was set aside for cost and implementation issues

Notes:

* Without assistance from ZTP

** For more information on ZBF, see detailed report under Component Two

KRA 1.1 Building of ACC Capacity



ACC Officers read the COE Public Affirmation during the COE launch.

This quarter was a busy time for the ACC, highlighted by the conclusion of its participatory national review of the National Corruption Prevention Policy (NCP) and the launch of its own code of ethics. While these achievements did not require project assistance, they lay the groundwork for orientation of the Integrity Committees, charged with leading internally the implementation of the NCP and in developing agency-

specific codes of ethics. The ZTP through Component 1 supports corruption prevention strategies and practices at the ACC through the roll out of ICs to three pilot MDAs as well as indirect support to four additional ICs.² In this last quarter, the ACC with the support of ZTP has begun strengthening the capacity for the ACC Board of Directors through training sessions on responsibilities, in particular oversight, and leadership.

² Given ACC's commitment to support, as equably as possible, the parallel strengthening of 4 additional Integrity Committees established simultaneously by the ACC in the Lusaka and Ndola City Councils as well as the Police and National Pensions Board, USAID has agreed that members of those Integrity Committees may attend ZTP-sponsored training by that all out-of-pocket participant costs, including travel and per diem, be financed by other sources, to be identified by the ACC. ZTP is not allowed to provide direct assistance to those Integrity Committees nor their organizations.

As Chair of the Anti-Corruption Working Group, the ACC has provided guidance and assistance to the start-up and consolidation of ICs with project support. The ACC organized code of ethics work shops, which included all eight pilot ICs to draft, develop and adapt individually tailored code of ethics. In addition, with the help of ZTP, the ACC implemented a work shop to refine IC work plans and has submitted a preliminary version of its staff training and equipment needs, including IT equipment. The ACC is also in the process of assessing training needs for pilot organizations' ICs to coordinate corruption prevention programs in each institution. A preliminary assessment was also made of the ACC hotline. The ACC additionally celebrated the launch of its Code of Ethics and UN Anticorruption Day with project assistance. Finally, two senior staff members of the ACC attended 2-week Integrity in Governance work shop in London, with the intention of replicating the training among ACC staff and the eight ICs.

The Anticorruption Working Group met once this quarter to review and approve the project's first quarterly report.

KRA 1.2 Reduction of opportunities for corruption at targeted institutions

Ministry of Lands

The Ministry of Lands has begun to increase transparency in its operations and its institutional framework by striving to simplify the Ministry's technical and administrative procedures associated with land transactions and land allocation. In order to implement this, it has moved forward in supporting business process analysis and reengineering to improve service to clients and to provide greater security and integrity of land records and spatial data, with initial and continuing assistance from the Management Development Division (MDD) at Cabinet Office. Building on initial analytical work of the MDD, the ZTP finalized mapping of the lands allocations and transactions systems and presented some general recommendations for improvements including the establishment of a customer service area with controlled customer access to back offices. ZTP also advised the adoption of sample rather than 100% review of surveys, earlier submission of documents and payments, and, of course, the development of new state-of-the-art lands registration and title management system. MOL is also working towards the establishment of mechanisms for internal and external identification, monitoring, reporting and prevention of possible fraud and corruption in its operations.

The Ministry has welcomed and has been enthusiastic about formulating and implementing external and internal communications programs with the ZTP Communications Manager including mechanisms to receive and process customer feedback and to improve operational efficiency and reduce corruption. It is keen to project a cleaner image to the public to decrease perceptions of corruption and has requested for assistance from ZTP to set up a client service centre in 2007. It has also established an internal IC, which has presented its work plan, currently under review with the ACC and ZTP. MOL was not able to attend the COE workshop but participated in the establishment of success indicators for the PSD Lands Subcommittee with the PCU with support from ZTP consultants and staff.

Immigration Department

As part of its goal to tackle administrative corruption and its perception among its national and foreign clients, the Immigration Department (ID) has been energetic in leading the review of the timing and efficiency of the processes for entry/exit and the approval of work and self-employment permits. It has reviewed state-of-the art systems in Malaysia, with PSD support and has requested assistance in improving processes to receive and approve visas. ID organized an internal team to lead this activity in coordination with the ZTP Anticorruption Team Leader and the Institutional Change Manager and provided work space in ID for the international immigration expert. The internal team is working with ZTP staff to streamline processes and regulations to reduce opportunities for corruption and to develop the ID's capacity to maintain a high standard of customer service and manage public outreach while decreasing perceptions of corruption.

ID now has detailed process maps for entry/exit and work permits in Lusaka HQ, LIA and Chirundu border post. ID senior management is currently reviewing these initial maps and recommendations for improvement of the entry/exit processes and the processing of work and self employment permits requests. ID is currently going through an analysis of IT needs based on the process mapping exercise and an IT plan is being formulated to build on and strengthen the existing system to include hardware and software at headquarters, Chirundu, and Livingstone. As part of this plan ZTP has initiated procurement of workstations and servers. ID, in recognition of the need for extensive training in computer skills for most of its staff, has set aside an area in its headquarters for a computer training center. The SAF Manager prepared a refurbishment plan with ID to establish the computer training center before the end of February. In all of these agency specific reforms, ID has requested expansion of pilot assistance to other sites, in particular Livingstone.

To decrease corruption perceptions at ID an Integrity Committee has been established and a draft work plan submitted to ACC. While the IC was unable to attend the codes of ethics workshop, this remains an important component of the ID integrity work plan.

ID staff, including the Chief Immigration Officer, also participated in the establishment of success indicators for the PSD Immigration Subcommittee with the PCU and the support of ZTP consultants and staff. Finally, the Immigration Department has launched an internal communications program to help staff understand its activities to prevent corruption and improve services with project assistance.

Project support to the Immigration Department is coordinated with the MDD as well as the PSD Working Group on Immigration issues, and in the future, through USAID, will include coordination with State Department assistance to the Immigration Department in the implementation of an improved system to assess risks associated with entry of foreigners into Zambia.

Zambia Revenue Authority

ZRA is deeply committed to improving its efficiency with a customer service oriented focus, to enhance efforts to reduce corruption and to reduce inefficiencies that facilitate administrative corruption. ZRA's Integrity Committee was the first to complete and gain ACC approval of its work plan.



ZRA Staff at the COE Review Workshop

ZRA enthusiastically utilized project assistance to hold a workshop for approximately 60 staff members, including staff from other regions, to review its code of ethics. That participatory 2-day review was facilitated by the ZTP ethics consultant and resulted in important revisions to the ZRA code of ethics. The revised code of ethics will be submitted to the ZRA Board of Directors in January. ZRA has completed assessments to refine the scope and timing of institutional strengthening activities and has defined required ZTP assistance. ZTP has also engaged ZRA's Internal Affairs Unit in discussions on the Unit's IT requirements and how ZTP can offer assistance.

TIZ

TIZ has developed a program for support of ZTP with USAID, which included assistance in training journalists on corruption, implementation of baseline evaluations, implementation of its own hotline, and dissemination of public service information. USAID also agreed to allow the ZTP to second a project manager as well as a hotline manager to TIZ. In this quarter, TIZ was invited to present a grant proposal describing its implementation plans and requirements, which was presented and reviewed by ZTP in December.

ZBF

There was little involvement of ZBF with the TCP last quarter as the ZBF was fully involved in defining its mission and core funding with other donors. ZBF did participate in the meetings of the Anticorruption Working Group and the Zambia Threshold Project Steering Committee. Its December grant proposal to ZTP, described more fully under

Component Two, did not include any support or involvement with GRZ anticorruption initiatives.

A3. Expected Results for Next Quarter (January – March 2007)

The vision for September 2007 includes significant progress in each MDA in reducing corruption and improving customer services well as reinforcement of GRZ commitment to implement its approved National Corruption Prevention Policy. Reengineered customer services will be defined in four MDAs with significant progress in their implementation anticipated. Public outreach emanating from the ICs will include the development of citizen charters which should be adopted and disseminated by all four anticorruption partners. Improved management information systems using baseline information and monitoring key results indicators will be in place in all MDAs. ICs will be reinforced as effective and committed to corruption prevention with complementary communications campaigns for internal staff as well as public dissemination. Staff members in all organizations, including 4 non-ZTP supported MDAs, will have implemented corruption prevention initiatives. TIZ will have established an Advisory and Legal Advocacy Centre (ALAC) and hotline which will complement the ACC. ZBF will be active in the campaign to reduce corruption by private sector firms.

KRA 1.1 Building of ACC Capacity

In the January-March 2007 period, ACC will continue to develop its leadership as Zambia's corruption prevention leader, in particular leading and mentoring all pilot institutions as exemplars of corruption prevention. All ICs will be formally launched with some assistance from ZTP. Work plans for the ICs in MOL and the Immigration Department will be approved, including potential budgetary support from ZTP (January). Civil society involvement and public dialogue will be encouraged as part of the ZTP communications support to the agencies with the objective of a strengthened coalition against corruption encompassing the government, NGOs and the private sector, with active participation of both TIZ and ZBF (February). The ACC Code of Ethics will be disseminated and institutionalized to all provincial and regional offices (January). Communications to support the work of the ICs will include internal awareness and public information on the purpose and objectives of the ICs and the commitment of the participating agencies to fight corruption (January). Public information detailing the government's efforts in this regard will help to reduce perceptions of corruption and create awareness of the reforms aimed at curtailing corruption.

Strengthening the Board of Commissioners of the ACC will continue. ZTP will support the board in a tour of ACC offices outside Lusaka to review their effectiveness and public perceptions of the ACC (January). A training plan for the ACC anticorruption staff and all Component One partners will be developed, including a results-based training plan for the eight ICs (February). In March, an improved management information system, including improved investigations case management will be designed with testing to be initiated in the following quarter

The ACC will further coalesce and strengthen its partnership with civil society through TI-Z by collaborating on the establishment of a citizen’s complaint mechanism (Advisory and Legal Advocacy Centre and coordinated hotlines). ACC will participate in a study tour to other ALACs (February). An assessment of the ACC hotline will conclude in February, with strengthening to begin soon thereafter. To facilitate information sharing, ACC will link with relevant databases of other agencies. To further implement corruption prevention the ACC will develop and implement a monitoring and evaluation system to support the National Corruption Prevention Policy.

Together with a local firm conducting the baseline, and TIZ, ACC -with support from ZTP specialists- will develop new corruption perception and prevention indicators to assess the effectiveness of corruption prevention at the pilot MDAs (January). ACC will also make improvements in its monitoring and evaluation system. Finally it will undertake an external communications program, complemented by TIZ, to promote corruption reporting and increase public awareness of its leadership in corruption prevention (February). ZTP will continue to support the appointment of the two remaining ACC Commissioners to reinforce ACC capacity to prevent corruption.

KRA 1.2 Reduction of opportunities for corruption at targeted institutions

The Integrity Committees will serve as focal points in corruption prevention and ethical behavior in all MDAs. ICs will spearhead and facilitate the process of corruption prevention by producing an Institutional Corruption Prevention Action Plan with implementation quarterly reports submitted to the Secretary to Cabinet through the ACC. Each IC will also receive, consider and provide timely redress to all complaints emanating internally and externally throughout the organization relating to ethical issues and maladministration. They will also lead participatory training for all staff on citizen’s charters, ethics and integrity and measures of transparency and integrity. For purposes of monitoring and evaluation, each IC will also review the baseline corruption assessment and make recommendations to reduce corruption vulnerabilities (February). Finally each will recommend administrative actions to the management of the Ministry or Organization as a response to complaints which are verified for appropriate action.

Ministry of Lands

ZTP recommendations endorsed by MOL
✓ Specifications to be developed for the Zambian Lands Registry System
✓ Regulatory review to be completed related to proposed Business Process Re-engineering Recommendations with simplified forms
✓ Customer Service Area to be established along with the implementation of a comprehensive customer management system
✓ Data File management system to be streamlined
✓ Cadastral Index Mapping System to be developed including improvements to current Survey Department Methodology

MOL will finalize reengineering design for both lands transactions and land allocations with ZTP and MDD assistance. The reengineering of the lands transactions should reduce processing time to 35 days (February). The resulting action plan will include training plans, facilities refurbishment, infrastructure, and modern IT systems that provide increased

security and integrity of land records and spatial data. The reengineering will also contribute to increased operational efficiency and reduced opportunities for administrative corruption. A customer service area will be designated and a refurbishment plan finalized to increase transparency of operations and decrease perceptions of corruption (March). The functional, hardware, network and system requirement specifications for an improved electronic Zambia Lands Administration System will be concluded (March). The MOL IC will formulate and adopt a Code of Ethics to disseminate to staff and will create a citizen's charter to increase perception of government commitment to fight corruption. (March). An internal and external communications strategy will be formulated with ZTP assistance to improve the image of the Ministry as corruption-tainted and indifferent to customer demands (January). A regulatory review will be implemented to identify procedural and regulatory bottlenecks to complete a comprehensive business process mapping exercise (March).

Immigration Department

The IC will be formulating, adopting and publicizing a Code of Ethics to improve the perceptions of administrative corruption at ID (March). The Department will approve a modernization plan to re-engineer business processes for entry and exit for testing at Chirundu, Livingstone, and LIA as well as streamlined processing of work and self employment permit applications (February). A Computer Training Centre will be refurbished and opened to assist Immigration with IT requirements and training (March). The ACC, with ZTP assistance, will continue to support the strengthening of Immigration's IC which will participate in the implementation of process mapping to include current cases of corruption and institute an initial regulatory review (March). The IC and senior management will also develop a citizen's charter so that clients' feel confident that there is a transparent and open system within the Department and that Immigration Officers treat them in a professional, friendly and efficient manner (March). Immigration Department will design and begin implementation of an outreach program around the citizen's charter to inform the public on immigration services, regulations, and the rights of the individual to receive efficient, friendly and unbiased service (February).

Zambia Revenue Authority

Through its Integrity Committee, which is separate from its Internal Affairs Unit, ZRA will gain Board approval, disseminate, and institutionalize a revised Code of Ethics (February). It will also review and implement a modified employee disclosure regulation for the establishment of the citizen's charter to be published and disseminated (February). This will be the foundation for a more extensive public outreach effort addressing the behavior that constitutes corruption, how to report to bribe demands, how to devise strategies to prevent corruption, and whistleblower protection (March). In addition, ZRA will develop and implement a program with project assistance to educate citizens on the importance of paying taxes (February). The IC will participate in all training and technical assistance to improve ethical standards in ZRA and reduce corruption vulnerabilities (January – March). ZTP will strengthen the Internal Affairs Unit by training staff in risk management to keep them current with best practice investigative

techniques (March). This training will be coordinated through the ACC with support from the project. In addition, ZRA will strengthen with training and equipment the Internal Affairs Unit's capacity to investigate allegations of corruption among ZRA officers (January – March).

TIZ

The project grant to TIZ is expected to be formalized in January when TIZ should begin recruitment for its project manager and hotline manager. With its grant, TIZ will become a more active and proactive partner for GRZ anticorruption agencies, in particular the ACC. Importantly TIZ will develop a citizen complaints mechanism, complementary to ACC, which will incorporate an Advisory and Legal Advocacy Centre (ALAC) to screen complaints from the public about corruption within government bodies (March). These complaints will be analyzed, compiled, and communicated as feedback to the government. In order to establish an ALAC appropriate for Zambia, staff members from TIZ with ACC will visit effective ALACs in other countries, (February). In February, the project will provide assistance to TIZ to design and implement its hotline with the expectation that the hotline will become operational before March 31. This will be implemented in close collaboration with the ACC. This operational and fully functional citizen complaint mechanism will give feedback to the ACC helping it to track whistleblower complaints and allow the ACC to improve its image in the public's eye.

ZTP will also assist TIZ in formulating its communications strategy to disseminate corruption-related information to the public as well as assist in publicizing customer complaint mechanisms to be adopted by the ACC, MOL, ZRA, and the Immigration Department (February-March).

Additionally TIZ will work in collaboration with an experienced Zambian survey company to conduct baseline client and citizen surveys to assess the incidence and perceptions of corruption as well as to communicate survey results in three pilots (January). The baseline study will be completed and results disseminated in March. TIZ will also use the information gathered as a starting point to communicate to government and to the public about government reforms. To complement this, TIZ in coordination with ZTP and other project partners, will conduct workshops for journalists to help them communicate anticorruption progress and problems (February-March).

ZBF

ZBF will undertake activities to engage the private sector in the fight against corruption.

Anticorruption Working Group

The Anticorruption Working Group will meet to review and approve the project's second quarterly report, its Performance Monitoring Plan, and will review the results of the baseline assessment.

A4. Summary Project Milestones for Next Quarter

AC Working Group

- October-December 2006 ZTP Quarterly Report approved
- ZTP Performance Management Plan approved
- Baseline report reviewed

ACC:

- All Integrity Committee work plans and budgets approved
- Strengthening of ACC coalition against corruption with TIZ and the private sector
- Code of Ethics disseminated and institutionalized to all provincial and regional offices
- All staff sensitized to Integrity Committees
- ACC Citizens' Charter established
- Hotline improvement plan approved and initiated
- Communications program initiated to publicize MDA Institutional Corruption Prevention Action Plans and ACC leadership role on corruption prevention
- Provision of timely redress to public complaints

MOL:

- Institutional Corruption Prevention Action Plan formulated and approved by ACC
- Reengineered processes for lands transactions and land allocations defined
- Functional specifications for new LIMS defined
- Customer service area identified and refurbishment plan concluded
- MOL annual training defined and training initiated
- Code of Ethics formulated by Integrity Committee and adopted by MOL
- Citizen's Charter proposed by Integrity Committee
- Internal and external communications programs initiated
- Regulatory review completed, with Integrity Committee participation

ID:

- Institutional Corruption Prevention Action Plan formulated and approved by ACC
- Code of Ethics formulated by Integrity Committee and adopted by ID
- Integrity Committee to participate in the implementation of process mapping
- Regulatory review completed with Integrity Committee participation
- Citizen's Charter proposed by Integrity Committee
- Re-engineering plan for entry/exit, work/self employment permit processing, and visa processing defined
- Immigration Department annual training defined and training initiated
- Computer Training Centre refurbished and opened
- Internal and external communications programs initiated

ZRA:

- Institutional Corruption Prevention Action Plan formulated and approved by ACC
- ZRA corruption prevention annual training defined and training initiated
- Board to approve revised Code of ethics to be disseminated with active involvement of Integrity Committee
- Review and implement a modified employee disclosure regulation
- Citizen's Charter defined and disseminated
- Extensive public outreach effort addressing corrupt behavior initiated
- Integrity Committee to participate in all training and technical assistance for the improvement of ethical standards
- Integrity Committee to train staff in risk management

TIZ:

- Baseline completed by an experienced local survey company, with TIZ
- Baseline survey results in three pilots disseminated publicly
- Work shops for journalists to improve communication skills on anticorruption progress held
- Advisory and Legal Advocacy Centre (ALAC) to screen complaints from the public about corruption within government bodies designed and open to public

ZBF:

- Grant approved
- Seconded staff hired
- Communications campaign against corruption in private sector initiated

B. Component Two — Objectives, Activities, Accomplishments, and Projections

B1. Objectives

The objective of component two (Project Intermediate Result – PIR 2) is *Administrative barriers to business, investment, and border operations reduced*. Component Two activities are grouped into two Key Results Areas. As a result of KRA 2.1, investment and business expansion will be promoted. KRA 2.2 seeks to increase border management efficiency.

Business expansion and investment promotion will come from three parallel initiatives in this component: 1) improved efficiencies in business registration at PACRO and at ZRA-VAT Registry; 2) establishment of an effective Zambia Development Agency; and 3) increased capacity of the Zambian Business Forum (ZBF) to effectively represent the private sector in the development and critique of business and trade policy.

Enhanced border management efficiency will result from integrated border operations arising from business process reengineering and improved facilities to be piloted at the Chirundu border and Lusaka International Airport. It will also come from more extensive individually tailored reforms involving the Zambia Bureau of Standards (ZABS), the Plant Quarantine and Phytosanitary Service (PQPS) of the Ministry of Agriculture and Cooperatives, and the Zambia Revenue Authority (ZRA)-Customs. This will be complemented by the development of an integrated information management system to facilitate border processing of imports and exports. The Border Management Task Force (BMTF), comprised of full-time senior and mid-level managers representing all border agencies, is the key mechanism for undertaking assessments and proposing process integration opportunities.

B2. Activities and Accomplishments for October- December (Q2)

Table 2. Summary of Q2 Intervention Area and Results for Component Two (Economic Freedom)

Organization	Intervention Area	Results & Status
PACRO	Customer Service Center opened to the public	Officially launched Nov 9 by GRZ and US Ambassador Martinez
	Automation of registration process	New registration system and website are operating
	Regional offices open	Given time requirements to identify appropriate office space and prepare for office setup, proposed Livingstone launch was rescheduled;
ZRA – VAT	VAT process reengineered	Existing process has been mapped and initial improvements have been recommended
ZDA	Operational by Dec 2006	Delayed by GRZ; all project technical assistance suspended or postponed at GRZ request. Will be operational in Q3. Strategic planning assistance provided; initial support provided to calculate liabilities

Organization	Intervention Area	Results & Status
		(suspended at GRZ request)
ZBF	Grant formulation and authorization	Submitted and under review; ZTP authorized to second policy analyst and position to be defined
BMTF	Full participation by 10 GRZ agencies	Eight (8) agencies are participating
	Regulatory review of 10 leading exports	Transferred to Trade Expansion Working Group of PSD Reform Program
	Work plan approved by Border Mgmt Working Group (BMWG)	Plan approved by BMWG in Dec 2006
ZABS	Inspections process improved	Process and data flow mapped
PQPS	Inspections process improved	Process and data flow mapped
	Staff technical capabilities strengthened	Reference material procurement begun

KRA 2.1 Investment and business expansion promoted

Patent and Company Registration Office (PACRO)

The new reengineered information management system for company registration was officially launched on November 9 in a newly refurbished, state-of-the-art Customer Service Center in Lusaka. PACRO has tested and refined the software to meet the business registration requirements. The training needs assessment of staff involved in business registration processing has been completed and the training has begun. The new



Acting Minister for Commerce, Trade and Industry Hon. Felix Mutati and US Ambassador Carmen Martinez are aided by PACRO Registrar Anessie Banda Bobo at the unveiling of the new PACRO Customer Service Center in Lusaka.

information technology system includes process automation, improved records management, a website (www.pacro.org.zm) which is much easier to manage than the legacy system, and web service capabilities such as electronic payment. The system is capable of processing electronic payments but PACRO has opted not to initiate it at this time.

PACRO, with project assistance, assessed a

potential office location in Livingstone but it was not satisfactory so ZTP and PACRO are jointly continuing to search for a suitable location.

PACRO with project assistance has been developing a communications campaign to publicize its achievement. This campaign complements the communications plan developed under the Private Sector Development Reform Program and managed by the Administrative Barriers Working Group. PACRO has also reviewed the monitoring and evaluation indicators from the Performance Management Plan with project M&E staff, finalizing data collection frequency and responsibilities.

- What PACRO's new service means...**
- ✓ Business registration process reduced from 10 days to 1
 - ✓ Improved document management with centralized and automated updating of records
 - ✓ Clearer more transparent process with reduced opportunities for corruption
 - ✓ New customer friendly service center

The new Customer Service Center is located in a building that was used for storing paper records. The ZTP has procured a new, high-density file management system which is



Local headlines following the PACRO Customer Service Center Launch

currently being assembled and installed at headquarters. The new system will allow PACRO to manage the nearly 200,000 physical files that it is

required by law to maintain.

Zambia Revenue Authority (ZRA) –VAT Registry

The mapping of the VAT registration process in Lusaka has been completed including an IT assessment of equipment, software, networking, and Web interfaces. Procurement to upgrade computer equipment and peripherals as well as VAT customer service areas has been initiated. The reengineering of the VAT registration process is in progress, starting with a proposal to VAT Commissioner, and subsequently revised at his request. Before he could provide an official response ZRA underwent a major reorganization. VAT was merged with Customs and Excise in a division called Domestic Taxes and Commissioner Muyangwa is now responsible for the Customs Division. The ZTP will support reengineering of the VAT registration process in the next quarter but it is not currently clear which of recommendations will be implemented or how many days will be eliminated from the registration process. When there is agreement on the VAT process improvement and a timetable for implementation the Zambia Threshold Project will assist the ZRA in undertaking a communication campaign to publicize it. Project staff

will also review with VAT staff proposed monitoring and evaluation indicators from the Performance Management Plan and finalize data collection and frequency responsibilities.

Zambian Development Agency (ZDA)

At the beginning of this quarter the donor partner group supporting the Private Sector Development Reform Program collectively wrote a letter to the President suggesting that in the first 60 days of his new administration the first priority be the implementation of the ZDA. In October the European Union initiated its own project in support of the ZDA.

In its second quarter, the Zambia Threshold Project, as per its work plan, attempted to provide the assistance requested by the ZDA working group in the project's work plan. That assistance included: 1) an audit to determine pending liabilities and to inventory fixed assets to be transferred to the ZDA; 2) strategic planning assistance; 3) a quantification of retrenchment costs; 4) a preliminary budget for 2007 to be submitted to the GRZ; and 5) an IT equipment needs assessment for new ZDA offices.

The project contracted Grant Thornton International, an internationally recognized accounting firm, on September 18, 2006 to prepare a Statement of Account (of assets and liabilities, excluding retrenchment costs) for each of the five organizations and an independent quantification of the estimated retrenchment costs. Grant Thornton was not permitted access to the information they required so the obligation audits have not been completed. The Permanent Secretary (PS) of the Ministry of Commerce, Trade and Industry indicated that he would prefer that the donors and the GRZ determine the source of the retrenchment obligations before support from the Zambia Threshold Project for ZDA establishment continues. While the project assistance work plan had already been approved by the MCTI, the Investment and Business Working Group, and the Zambia Threshold Project Steering Committee, the PS indicated that all project activities regarding ZDA should again be approved by his office before mobilizing project technical assistance. This essentially suspended the project's support of ZDA establishment.

The retrenchment issue was not resolved by the GRZ until late December. ZTP received formal notification on December 21st, in a meeting with Acting Coordinator Andrew Chipwende, to resume project activities as the Ministry of Commerce, Trade and Industry intended to close the existing agencies on December 31st with the intention of opening ZDA offices on January 2nd. Mr. Chipwende requested assistance in orienting the staffing of ZDA as soon as possible. ZTP immediately began the process of identifying a local consultant and finalizing a Scope of Work. The consultant was hired December 29th. Andrew Chipwende also requested resumption of the accounting work begun by Grant Thornton. After revising and updating the Scope of Work a formal request to begin was sent to Grant Thornton on December 29th for work to begin on January 2nd.

Program Coordination Unit



PCU Working Groups at the Baseline Indicators Workshop

To improve monitoring and evaluation (M&E) capabilities for the Program Coordination Unit of the PSD and to assure that PCU is monitoring the progress and impact of the PSD, on *November, 2006* a workshop was held by *Zambian Threshold Project* consultant Jim Heinzen for all PSD PCU working groups. The purpose of this workshop was to assist each of the working groups in developing clear

vision statements and establishing and agreeing upon specific baseline indicators to be tracked over the course of the next four years. Upon his return to Zambia in December, Mr. Heinzen worked with the *Zambian Threshold Project* M&E staff to finalize the establishment of working group vision statements and indicators, meeting with each group and receiving a commitment to adopt them as their own.

Zambian Business Forum (ZBF)

ZBF and USAID agreed on the roles and scope of support for ZBF to mobilize private sector input in public sector reform and to help the private sector assess the effectiveness of ZTP-assisted reforms. The assessments will examine the time and costs for business to access government services and gauge ZTP impact on administrative corruption. The ZBF will undertake, with project financial assistance, targeted policy assessments, including stakeholder reviews, open a business resource center, and participate in public education campaigns to support project objectives. To fulfill these responsibilities, the *Zambia Threshold Project* will provide technical assistance to improve ZBF financial management systems, second an accountant and a policy analyst and assist in the development of a communications plan. Support to ZBF will be provided under a grant. ZBF was invited to present a grant proposal (work plan and budget) that was received by the project on December 29th. It will be reviewed in January 2007.

KRA 2.2. Border management efficiency increased

Border Management Task Force (BMTF)

Integration of border operations into a one-stop shop is best accomplished with systematic analysis and pilot testing by an integrated team representing all border agencies; this is the BMTF. Ten agencies were initially identified to assign full-time representatives to the BMTF for at least 18 months. While their salaries are paid by their home agencies, they are housed in the project's offices. ZTP provides the BMTF with

computers and other office equipment and supplies as well as transportation for visits to participating agencies and border installations, paying per diem and accommodations using the same uniform rates applicable for all project staff.



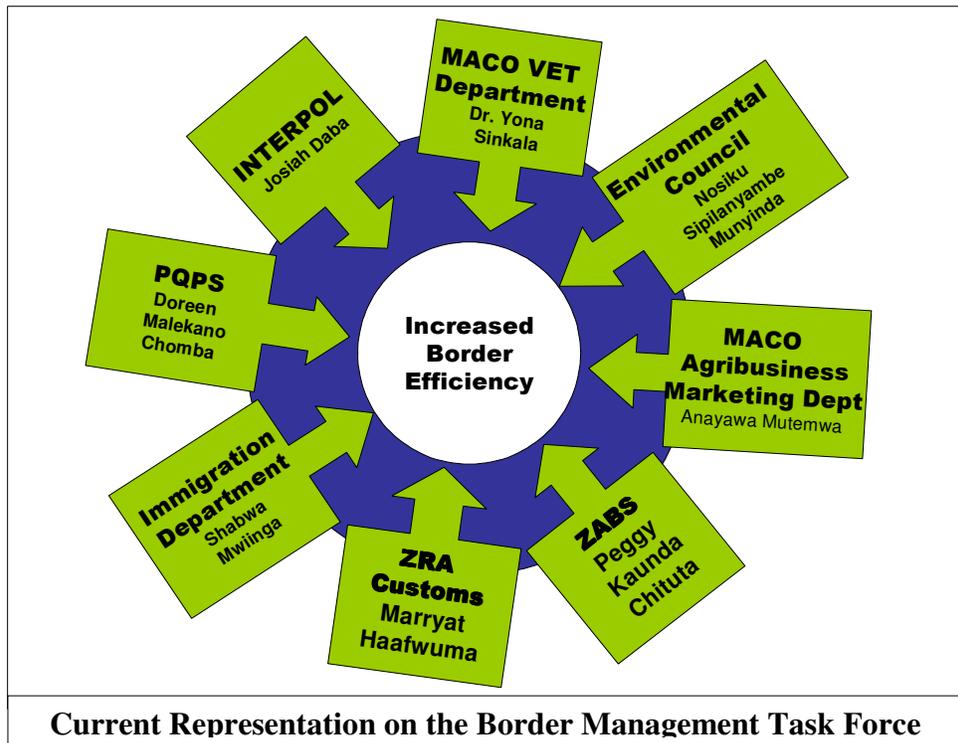
Members of the BMTF and project staff at the future Chirundu facility

In the second quarter three agencies assigned full time members to the BMTF: ZRA, PQPS, and ZABS. Also in this quarter a representative from Immigration joined the BMTF and in December we received formal commitments from five (5) additional agencies to send representatives. These include Interpol, Zambia Environmental Council, Pharmaceuticals Regulatory Authority, Dept. of Veterinary & Livestock Development and Department of Marketing and

Cooperatives. The BMTF does not require full time participation from these agencies. Their representatives will be available on a part-time, as needed basis.

The priority agencies are customs, agriculture, standards and immigration because they will generate and share the most amounts of data for each border transaction. The Zambia Threshold

Project has assigned one full-time international specialist, Sergio Riveros, to guide the activities of the BMTF. Two additional long-term international specialists arrived this quarter. Steve Cox, Risk



Management Specialist, and Rodrigo Crespo, Customs IT specialist, arrived in October and November, respectively. They are working daily with the Border Management Task Force representatives to map their processes and to assure that the data that will be exchanged among agencies in the new information system

The BMTF has mapped 15 border operations at both the Lusaka International Airport and Chirundu and started the design of the integrated border management processes. The assistance of the ZRA Customs representative, Marryat Haafwuma contributed to the success of this endeavor. The BMTF has recommended computer equipment and inspections equipment for Chirundu and the procurement process has begun. The BMTF has also made recommendations for modifications to the new installations being constructed to house most border agencies at Chirundu, which may require project funding to complete. The recommendations are currently also being reviewed by the Immigration Department. In December Sergio Riveros presented the BMTF activities and Q3 plans to the Border Management Working Group.

ZRA – Customs

In this quarter the Zambia Threshold Project has helped ZRA identify and input into a preliminary database the regulations governing imports and exports. Initial IT assessments for the operational areas of ZRA in headquarters, Lusaka, and Chirundu have been completed and procurement has begun. The project has also assisted ZRA in the redesign of its server architecture which links headquarters to each of the border posts. The new design will be more economical, be easier to maintain and reduce the time required to process border crossings. As part of the redesign the ZTP is upgrading the ZRA servers. The procurement process has already begun with delivery expected in January 2007. The Zambia Threshold Project has also started the procurement of other customs border management equipment. The project is supporting ZDA's internal communications campaign to publicize ZRA's role in the Zambia Threshold Project. Lastly, it is important to note that Project's principal champion in ZRA in 2006, the Commissioner of Customs, Kingsley Chanda, was removed from office in December. The Project has established a working relationship with the new Commissioner.

Zambian Bureau of Standards (ZABS)

ZABS seconded the head of Inspections, Peggy Chituta, to the BMTF. Ms. Chituta has produced a baseline assessment of the inspection process and data flows, including recommendations for improvements. This was a prerequisite to the subsequent development of an action plan to both improve the current process and integrate it with the other border management agencies. A proposal for an integrated process flow will be created in the next quarter and presented to ZABS for final approval.

The action plan includes an upgrade to the IT system based on a baseline assessment of the existing IT system completed by Alfa XP and project IT consultants. The workstations, servers and network equipment will be procured and installed in two phases. The first phase will focus on the hardware and networking requirements for

inspections at Chirundu and headquarters, and the second phase will focus on Standards, Product Certification and the Laboratory/Metrology processes. The first phase procurement process has begun and equipment will be delivered and installed early next quarter.

ZABS does not have a marketing manager but their Board has approved the establishment and funding of a new position. ZABS intends to fill this position in January. In December the ZTP hired a marketing consultant to assist ZABS in identifying and hiring a Marketing Manager. The consultant will also assist ZABS in developing a draft marketing plan. The Zambia Threshold Project has also helped ZABS undertake an internal communications campaign to publicize its role in the project.

In addition to the ZTP, ZABS is receiving funding and support from a 5-year European Union project. The ZTP staff has met with EU and ZABS representatives on several occasions to coordinate work plans and support. The ZTP will meet all basic computer and network requirements while the EU project will focus primarily on furnishing the laboratories and meeting the metrology requirements. The coordinated effort benefits ZABS, the ZTP and the EU project by allowing us to meet our objectives and focus on our areas of primary concern.

Plant Quarantine and Phytosanitary Service (PQPS)

PQPS seconded a technical specialist and staff member, Doreen Chomba, to the BMTF. Ms. Chomba has mapped the current inspections processes at Lusaka Internal Airport and Chirundu. In the next quarter she will work with the BMTF and an international consultant to produce recommendations for improving the existing processes and integrating them with the other border management agencies.

PQPS reviewed and finalized the list of recommended reference materials provided by ZTP consultant Ed Ayers during the initial assessment phase of the ZTP project. The procurement of the reference materials has begun and will start arriving next quarter. In addition to the reference material PQPS requested assistance from ZTP to refurbish their library/reference center at headquarters in Mt. Makulu. This refurbishment includes painting, carpeting and book shelves to be produced by local carpenters. The work began in December and will continue into next quarter. The Zambia Threshold Project also assisted PQPS with an internal communication campaign to publicize the project activities and objectives.

Border Management Working Group

The Border Management Working Group met twice in the past quarter; in the first meeting it reviewed and approved the ZTP Work Plan; in the second meeting it reviewed the BMTF work plan for the January-March period.

B3. Expected Results for Next Quarter (January – March 2007)

In order to demonstrate its eligibility for MCC Compact status, by the end of September, Zambia will have a much more business friendly environment, with fully operational PACRO offices in three provinces, a much more accelerated business registration process at PACRO and VAT, and a much improved program to promote and facilitate foreign investment, including a synergistic relationship between PACRO, ZRA, and the Immigration Department.

KRA 2.1 Investment and business expansion promoted

PACRO

By March 2007 ZTP will have completed procurements for PACRO headquarters including copiers and scanners. PACRO will have opened one regional office by March 31 which will be linked to headquarters through the new, automated company registration system. Recently identified enhancements to the business registration software will be implemented.

ZRA – VAT Registry

The ZTP does not have a specific objective with regard to the time required to register for VAT. The ZTP objective is to reduce the time requirement to *start a business*, of which VAT registration is estimated at 21 days. The VAT process improvement recommendations will be presented to the new Commissioner for review and refinement now with the new ZRA senior staff responsible for VAT operations. Current recommendations include a phased approach to process change. In Phase 1 the time required for business registration at VAT and PACRO would be reduced to 5 days and in Phase 2 it would be further reduced.

ZDA

On December 21 the ZTP received formal notification that the 5 existing agencies would cease to exist on December 31, and the new ZDA would be established on January 2. Furthermore, MCTI requested resumption of project activities. Each agency employee received one letter informing them that their position and their agency are being terminated and another letter offering them a three month position in the new ZDA. This effectively gives the ZDA (and the ZTP) three months to design and staff the organization and begin operations. The interim Board of Directors approved an initial organization chart and job titles. An HR consultant, hired by ZTP, will assist in hiring staff from the existing agencies to fill the vacant position in the new agency. The first priority will be to hire the Executive Director, followed by the executive team and their support staff.

The second activity will be to resume the financial accounting work initiated by Grant Thornton. They will develop an accounting report of the five statutory institutions as of 31 December, 2006. This information will be required to develop a budget for the ZDA.

The ZDA will operate in the building which was the former headquarters of the Zambian Privatization Agency. The building will likely require some refurbishment including painting, carpeting and furniture. A consultant will be hired to produce a renovation proposal. The Agency will require new workstations, servers and information systems. The hardware will be procured and installed this quarter. A local consultant will be hired to assist in selecting an accounting system. The installation of the new system will begin and records from the previous agencies will have to be transferred to the new agency.

The Zambia Threshold Project will help ZDA undertake a communication campaign to publicize its role as the primary development agency of the GRZ.

Project staff will review with the ZDA Working Group proposed monitoring and evaluation indicators from the Performance Management Plan and finalize data collection and frequency responsibilities.

Program Coordination Unit

The M&E system design will be concluded (January) and the prototype installed and be under testing (February).

ZBF

The grant proposal was received on December 29 and will be reviewed in early January. This quarter, under the grant, the ZTP will: Design and implement an information management system (including a website); procure and install an accounting software system; hire and second staff accountant; and enhance ZBF effectiveness as a voice of the private sector by hiring and seconding a policy analyst to develop briefs on current PSD issues. During the quarter ZBF will complete establishment of its business resource center and initiate its policy review of ZDA.

Business and Investment Working Group

The Business and Investment Working Group will meet to review and approve the project's second quarterly report, its Performance Monitoring Plan, and will review the results of the baseline assessment.

KRA 2.2. Border management efficiency increased

Border Management Task Force (BMTF)/Zambian Revenue Authority (ZRA)

In the next quarter the BMTF will deliver a proposal for the integrated border management process (February), get approval by the agencies and begin implementation. As part of this process the "Single Window" will be defined and implementation will begin. The single window is the integration of the information system among the agencies, i.e., the computer-to-computer transfer of import and export transaction data. It

compliments the process integration and it is one of the technical means by which the time required for border crossings will be reduced.

The centralization of ASYCUDA++, the customs transaction system, is another technical approach to reducing the time required for import and export. Centralizing the server architecture in this next quarter will enable Customs to process clearances faster and produce accurate bond balances faster. Bond releases can take days under the current architecture; in the new design, bonds will be balanced overnight. As part of the centralizing process the ZTP will upgrading ZRA's servers; procurement was initiated in December and the servers will be installed this quarter.

BMTF will also design and begin the implementation of a risk management program which will allow ZRA and the other border management agencies to reduce the number of physical inspections (and the time required for a shipment to cross the border) while reducing the probability of allowing unlawful or unauthorized goods to enter or leave Zambia (February-March).

Zambian Bureau of Standards (ZABS)

In this quarter the ZABS pre-clearance and inspection processes will be reengineered and the new processes will be integrated with the other border management agencies (March). A marketing manager will be hired and a draft marketing plan will be produced and approved by the Executive Director of ZABS (February). The workstations and servers will be installed and basic computer training will be provided to all professional staff (March). Lastly, Alfa XP will deliver a redesign computerized system to process inspections and pre-clearances (March). The first step in that process is the delivery by Alfa XP of a functional document which will describe the new information management system for review and approval by the Executive Director of ZABS. This document is critical for providing guidance as the system is built, tested and deployed in the following quarter. The ZTP will assist ZABS in planning for the maintenance of the new hardware and software. ZABS may find that it is more economical and easier to have a service level agreement with a local IT company rather than hiring its own IT manager.

One of the main activities of the ZTP workplan with ZABS is to assist the Bureau in raising the standards of its inspection service and then assist ZABS in becoming the main certifier of standards in Zambia. In the next quarter the ZTP will initiate the process of raising ZABS inspections to an international standards by assisting ZABS develop and initiate a plan to obtain its ISO 17025 certification which will demonstrate that the ZABS inspection process meets international industry standards (February-March). That certification process will begin this quarter but it is expected to take a year or more to complete. The project will also assist ZABS in establishing an affiliate relationship with a third-party certification company which will allow ZABS to certify the processes of other companies (March).

Plant Quarantine and Phytosanitary Service (PQPS)

The PQPS permit and inspection processes will be reengineered, and the new processes will be integrated with the other border management agencies. The procurement of the initially requested and recommended reference material will be complete (March). The renovation of the reference library at Mt. Makulu (headquarters) will be complete (March). The workstations and servers will be installed and basic computer training will be provided to all professional staff at Mt. Makulu, Chirundu and Lusaka International Airport (February-March). The requirements for the new software system will be gathered and Alfa XP will deliver a document describing the new information management system to be reviewed and approved by the head of PQPS (March). An international consultant will produce a PQPS procedure manual and deliver a training course and manuals on Pest Risk Assessment (PRA) (February). Lastly, PQPS representatives will attend an international conference sponsored by the World Trade Organization in Geneva (March).

Border Management Working Group

The Border Management Working Group will meet to review and approve the project's second quarterly report, its Performance Monitoring Plan, and it will review the results of the baseline assessment.

B4. Summary Milestones for Next Quarter

PACRO:

- Lusaka office procurement complete
- Provincial offices opened in Ndola, Livingston and Chipata

VAT:

- Process reengineered

ZDA:

- Senior staff hired
- Budget submitted to Board of Directors

ZBF:

- IT hardware procured and installed
- Information management system and website implemented by Alfa XP
- New accounting system procured and installed
- Account and Policy Analyst seconded

BMTF/ZRA:

- ASYUCUDA++ migrated to central server architecture
- Integrated border management process designed and implementation initiated
- "Single Window" defined
- Risk Management program designed and implementation initiated

ZABS:

- Integrated process and data flow review concluded
- IT hardware installed at headquarters and Chirundu
- Basic computer training provided to staff

- Functional document for the information management system signed
- Communications program on ZABS receptiveness to complaints and recommended improvements launched
- Pre-clearance and Inspection (IQMS) processes reengineered
- Marketing Manager hired
- Marketing plan approved
- ISO certification initiated
- Affiliate relationship with 3rd Party Certification Company (BSI, TUV, SGS) initiated

PQPS:

- Integrated process and data flow review concluded
- IT hardware installed at Chirundu, LIA and Mt. Makulu
- Basic computer training provided to staff
- Functional document for the information management system signed
- Reference material procurement complete
- Pest Risk Assessment (PRA) training delivered
- Procedure and training manuals delivered
- MACO representatives attend an international SPS conference

SECTION II

A. Operations, Staffing and Management

During the fourth quarter of 2006 the Zambia Threshold Project met its full staffing targets and now has its comprehensive long term team in place. To accommodate our influx of new long term staff (nine local staff and five expatriates added this quarter) and increasing short-term consultancies, the Threshold Project expanded, adding a second office approximately 500 meters from our existing office. Component Two is housed in the new building. Importantly, our new office is fully operational and fully networked to our existing systems in the original building.

Staffing additions during the second quarter

John Ames	Operations Manager
Gabriella Quimson	Component One Team Leader
Barry Scutt	IT Specialist
Moges Gebremedhin	Communications Manager
Rodrigo Crespo	IT Specialist
Angela Wainaina	Business Process Re-engineering Specialist
Fines Mukonze	M&E Specialist
David Kachepa	Human Resource Development Manager
Evaristo Mfuta	Accountant
Naomi Mwanza	Office Assistant
Mtumbaeta Mwanawina	Receptionist
Peter Mudenda:	Senior Driver
Sydney Simba:	Driver
Jonas Phiri	Driver
Christopher Phiri	Driver

Expat ST Assignments

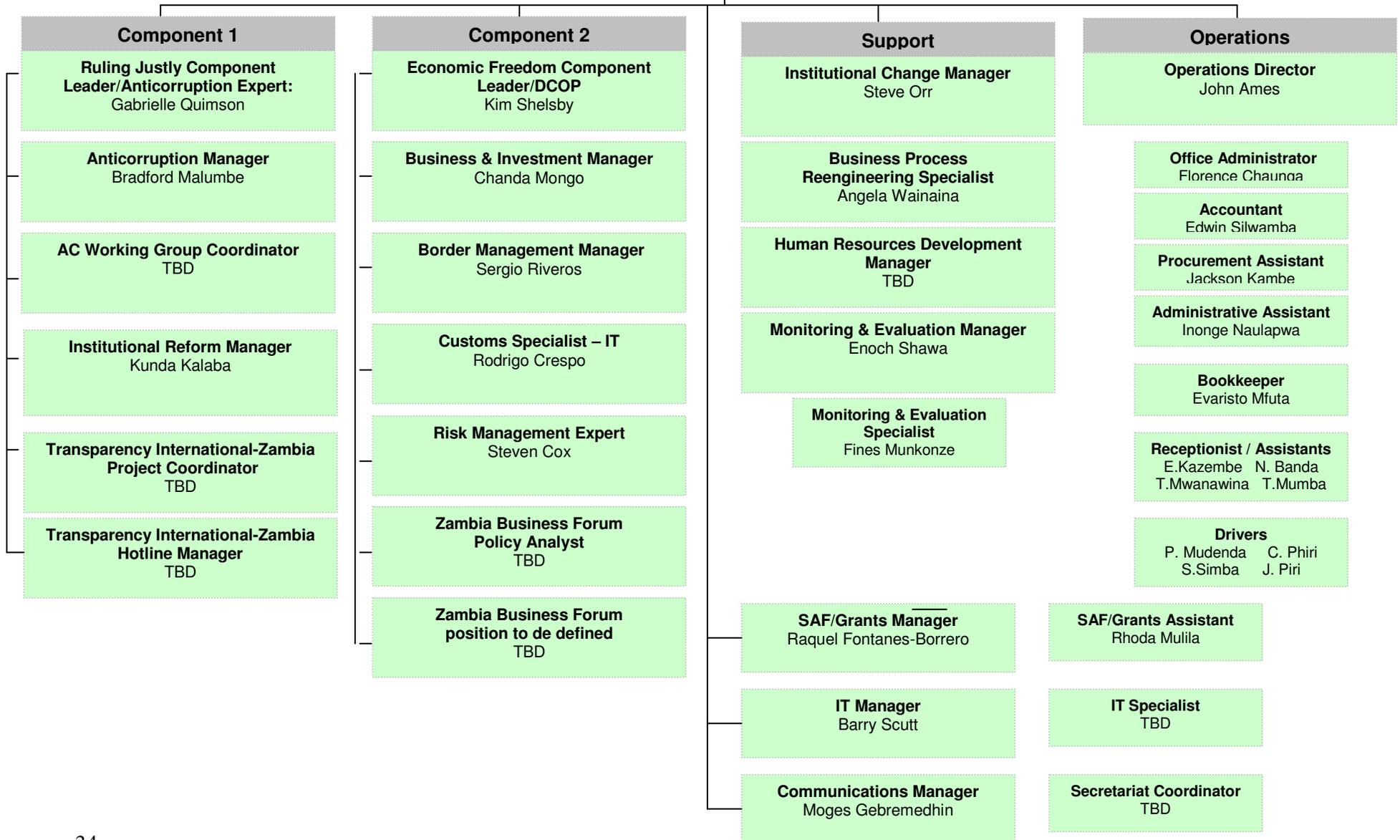
Amy Rademacher (two trips)	Ethics Specialist
Jeremy Canard	Immigration Specialist
Amy Beam	Hotline Specialist
Nidia Trujillo	Event Planning Specialist
Barbara Zadina	Communications Specialist
Jim Heinzen (two trips)	M&E Specialist
Susan Woody	IT Specialist
Noel Taylor	Lands Advisor

Zambian ST Assignments

Prudence Katongo	Event Management and Communications Asst.
Diane Njovu	Marketing Specialist
Beatrice Mutambo	Monitoring and Evaluation Specialist
Masautso Nyathando	ZDA Human Resource Specialist

Zambia Threshold Project Staffing Chart

**Chief of Party
Robert “Beto” Brunn**



B. Monitoring and Evaluation

Progress toward finalizing baseline indicators continued during the quarter despite the resignation of the Director of Monitoring and Evaluation in November and an inadequate proposal received from IDASA. Local firms able to perform the baseline assessment have been identified; proposals for implementation of the baseline assessment will be requested, with the baseline projected to be completed by March. Zambian consultant Beatrice Mutambo initiated strengthening the system for gathering and recording data for ongoing monitoring and evaluation activity. Memorandums of Understanding were drafted and will be signed by the directors of various GRZ heads to delineate areas of responsibility for collecting and recording data. A new M&E Director has been identified and will start in January.

C. Special Activities Fund

A number of project activities were supported by the Strategic Activities Fund (SAF) during this quarter. The SAF funded a workshop for ACC commissioners on roles and responsibilities, best practices on operational standards, and corporate governance. It also sponsored the participation of two ACC Officers at a conference in London on developing practical strategies for establishing, promoting and sustaining ethical standards in their own public service and to make a positive contribution to fighting corruption. Other sponsored workshops included the PSD Working Groups M&E systems, IC training in codes of ethics, as well as ZRA's review of their code of ethics. ACC launched its code of ethics and celebrated UN Anticorruption Day with SAF assistance.

Subcontracts were issued under the SAF for the following firms:

- Grant Thornton-Zambia to develop an accounting report for ZDA
- PANOS Institute Southern Africa (PSAf) to help promote the Government of Zambia (GRZ) reform objectives and in a summary fashion, disseminate the focus of selected GRZ agencies work plans through a number of media outlets
- Alfa XP and ILS Indefinite Quantity Services contracts to support several GRZ partners

Procurements were also initiated for IT equipment to support several partner agencies including ZRA, Immigration, PQPS, MOL, ZABS, and the ACC. Reference materials and a brand new reference library for PQPS was also supported under the SAF. Funds were also provided to permit the implementation of the Time Release Study for ZRA.

Grants: Although funds were not disbursed for grants, steps were taken to move the grants program forward including seeking approval for directing grants to TIZ and ZBF, as well as the receipt of these organizations official grant proposals to receive funding.

This quarter the SAF generated over \$700,000 in expenditures and is projected to expend close to \$1.5 million dollars next quarter.

Next Quarter

In the next quarter SAF funds will continue to support procurement and installation of IT hardware and equipment at Immigration Department, ZBF, ZABS, PQPS and PACRO. SAF funds will also support many training activities across both components. Key agencies such as Immigration and ZRA-VAT will likely refurbish customer service centers with support of SAF funds as well. Possible support for select study tours will also be examined in the current quarter, e.g., ACC Commissioners visiting ACC provincial offices, ACC & TIZ observing functioning ALACs, and MOL assessing state-of-the-art lands registration systems.

D. Communications

As part of the internal communication and project identity, ZTP developed and adopted a new project title and brand mark which conforms to MCC's new guidance for threshold project marking. ZTP is thought to be the first threshold project which conforms to this new guidance. The project, initially referred to as MCA Threshold Project (MCATP) is now known as the Zambia Threshold Project (ZTP). Signage, business cards and stationary for the project were all produced with this new identity.

In November, ZTP, in coordination with the US Embassy Public Affairs Office held a working breakfast for media and press professionals at the US center. The purpose of the meeting was to introduce the project to the press and to provide some background information to help ensure that media reported accurately on the project. During



Local press hear about the project at the Press Working Breakfast

the session it was reiterated that the Zambia Threshold Program was a GRZ initiative and that USAID was providing technical assistance. Also in November, the project COP and CTO participated in a live radio call-in/talk show about the project on Lusaka's popular Phoenix radio station.

In November ZTP also signed a contract with PANOS to produce a series of television and radio spots introducing the Zambia Threshold Program to the public. PANOS completed production of a 7 minute documentary on the PACRO automated system and

customer service center at the end of the month as part of this contract. The feature has been shared with PACRO which will be airing the program on broadcast television as part of their enhanced strategic outreach and communications strategy. ZTP communications team helped PACRO to develop this strategy and in Q3 will be working with PACRO to implement this strategy.

Throughout Q2 ZTP worked with partner agencies on a number of outreach activities. At the end of November the project collaborated with ACC to plan the launch of their Code of Ethics. The project designed wall mountable placards containing the public affirmation of the Code to be displayed throughout the ACC's offices. In December ZTP worked closely with ACC on public outreach and communications relating to the National Anti Corruption Day activities and developed a series of promotional and outreach products. ZTP also produced a number of passport sized information brochures describing the project and the Threshold objectives for partner agencies to distribute internally.

Next Quarter

In addition to the ongoing work with partner agencies to develop and implement communications strategies, the project will focus efforts on publicizing the role of the ICs and the development and roll-out of citizens' charters in Q3. In January and February the project will receive the remaining deliverables from PANOS including critical public service announcements which give partner agencies the opportunity to commit publicly to their reforms. The project anticipates holding a media training workshop in March to give media tools and skills to report effectively on corruption and on the government's progress toward its objectives.