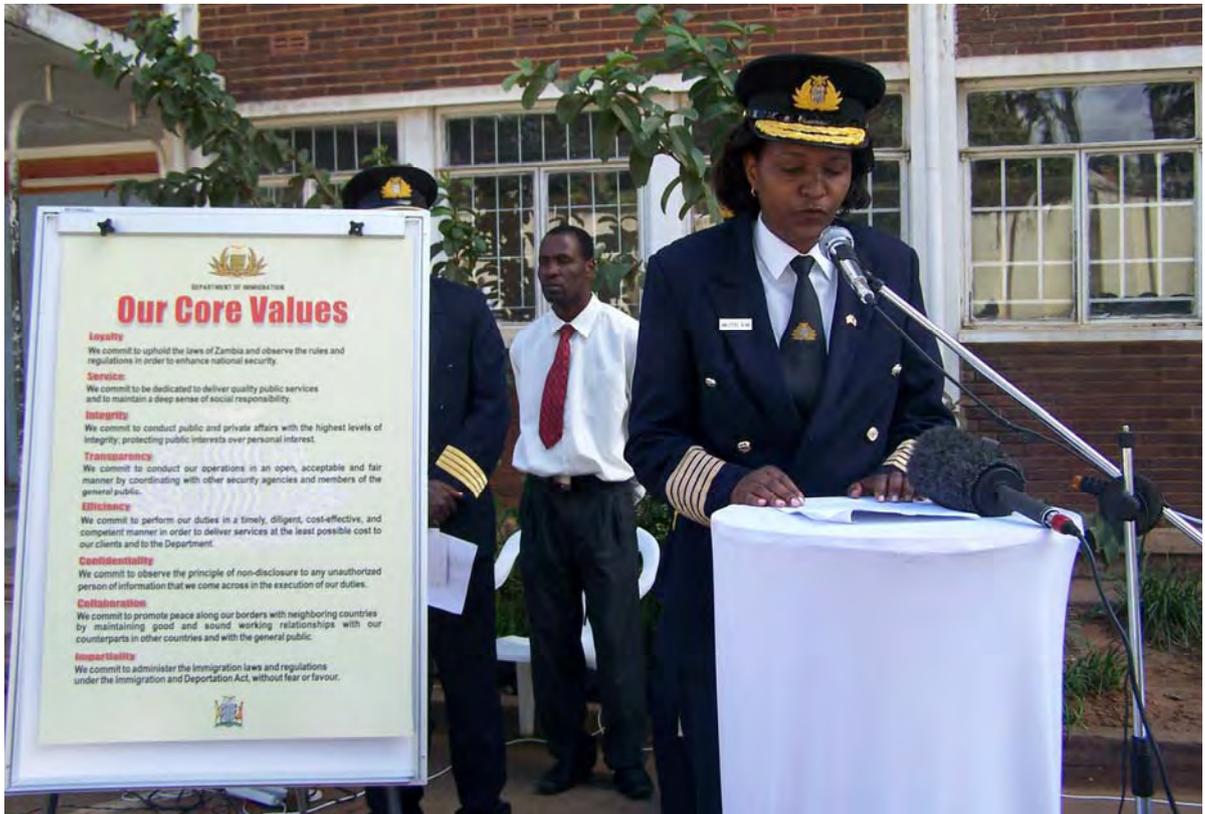




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FROM THE AMERICAN PEOPLE



# Annual Report: Zambia Threshold Project

**JULY 6, 2006 – JUNE 30, 2007**

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# Annual Report: Zambia Threshold Project

**Submitted by:**

**Chemonics International Inc.**

**with**

**The Services Group Inc.**

**International Land Systems Inc.**

**Alfa XP Software LLC.**

**Panos Southern Africa**

**Transparency International Zambia**

**Pact Zambia**

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# CONTENTS

|   |     |
|---|-----|
| Acronyms  | v   |
| Executive Summary   | vii |
| SECTION I Ruling Justly   | 1   |
| A. Building Capacity for the Anti-Corruption Commission                                       | 2   |
| B. Cross-Cutting Activities to Strengthen the Anti-Corruption Commission and Three Pilot MDAs | 5   |
| C. Individually Tailored Reforms  | 10  |
| D. Looking Forward  | 16  |
| SECTION II Economic Freedom   | 19  |
| A. Promoting Investment and Business Growth   | 20  |
| B. Increasing Efficiency at the Border  | 25  |
| C. Looking Forward  | 31  |
| SECTION III A Model for GRZ-Donor Partnership   | 33  |
| ANNEX A Information Technology Improvements   | A-1 |
| ANNEX B Strategic Activities Fund Summary   | B-1 |
| ANNEX C Success Stories   | C-1 |
| CD Newspaper Clippings, Videos  |     |



# ACRONYMS

|       |   |
|-------|---|
| ACC   | Anti-Corruption Commission                  |
| BMTF  | Border Management Task Force                |
| DOI   | Department of Immigration                   |
| GRZ   | Government of the Republic of Zambia        |
| ILS   | International Land Systems                  |
| IQS   | Indefinite Quantity Subcontract             |
| IT    | Information Technology                      |
| LIA   | Lusaka International Airport                |
| M&E   | Monitoring and evaluation                   |
| MCC   | Millennium Challenge Corporation            |
| MDA   | Ministry, Department, and Agency            |
| MOL   | Ministry of Lands                           |
| PACRO | Patents and Companies Registration Office   |
| PCU   | Program Coordination Unit                   |
| PQPS  | Plant Quarantine and Phyto-sanitary Service |
| PSD   | Private Sector Development                  |
| TIZ   | Transparency International Zambia           |
| USAID | U.S. Agency for International Development   |
| VAT   | Value Added Tax                             |
| ZABS  | Zambia Bureau of Standards                  |
| ZIMS  | Zambia Immigration Management System        |
| ZBF   | Zambia Business Forum                       |
| ZDA   | Zambia Development Agency                   |
| ZLAS  | Zambia Lands Administration System          |

|     |                          |
|-----|--------------------------|
| ZRA | Zambia Revenue Authority |
| ZTP | Zambia Threshold Project |

## EXECUTIVE SUMMARY

The Government of the Republic of Zambia (GRZ) has achieved significant progress in changing attitudes and reforming processes to prevent corruption, improve public sector service delivery, and strengthen border management. Key partners and civil society organization have played active roles in achieving these results within a short time. Local news media have lauded government successes, many accomplished with support of the U.S. Agency for International Development in collaboration with the Millennium Challenge Corporation Zambia Threshold Project.

This report describes progress government-selected institutions have achieved through June 2007 in a \$22.7 million partnership agreement with USAID, on behalf of the MCC. The partnership — the Zambia Threshold Project — is being implemented from July 2006 through June 2008.

### Strong Presidential Commitment

“We have to continue working on the improvement of our governance systems so as to ensure transparency, accountability, and integrity in the management of public affairs.”

— *President Levy Patrick Mwanawasa*,  
2<sup>nd</sup> term inaugural speech, January 2007

The Zambian government’s objective is to promote sound economic and corruption-free governance and to reduce barriers to trade and investment. The project has a presidential mandate and backing at the highest levels of government. Implementing partners are serious about making the country attractive to investors and improving service to their customers.

After a year of activities, the government has made changes that are having an immediate impact seen on two fronts: an improved enabling environment for business and the prevention of corruption. Reform of business processes is taking place at six pilot ministries, departments, and agencies (MDAs) — the Department of Immigration (DOI), Ministry of Lands (MOL), Patents and Companies Registration Office (PACRO), Plant Quarantine and Phyto-sanitary Service (PQPS), Zambia Bureau of Standards (ZABS), and Zambia Revenue Authority (ZRA). The government is streamlining services, eliminating unnecessary steps, and saving business and government both time and money. Processes are being automated so that customers can access faster and easier services. Staff are being trained to deliver better client service. Those institutions also are communicating the changes to the public and the business community using Web sites, brochures, posters, and Customer Service Centers so customers will know exactly what to expect and what is required. Communication and coordination within those MDAs have also significantly improved.

### GRZ Services are Changing

#### Before

- Unclear, lengthy procedures
- Unknown costs, timelines
- Stacks of easily lost papers
- Isolated employees, closed office doors
- Opportunities for corruption

#### After

- Shorter, simpler, transparent procedures
- Clear commitments on costs and timelines
- Automated processes, downloadable forms
- Open Customer Service Centers
- Corruption prevention systems

The Zambia Threshold Project also facilitated formation of a Border Management Task Force (BMTF) of 10 MDAs as an intra-governmental planning and coordination body. Members have been working together in an unprecedented manner to develop integrated and streamlined procedures. The task force’s goal is to develop coordinated and simplified border processes that reduce the time required for the entry and exit of cargo and people. The improved processes will be implemented as a pilot at Chirundu as soon as new government facilities there, currently significantly delayed, are ready.

Successes in improving the business enabling environment include greatly accelerated business registration processes at the Patents and Companies Registration Office and the Zambia Revenue Authority Value Added Tax (VAT) Division; development of an Accredited Client Program to facilitate customs processing for Zambia’s largest importers; improved systems for processing export permits at the Plant Quarantine and Phyto-sanitary Service; a proposal for an integrated system at Chirundu; and organizational assistance to the nascent Zambia Development Agency (ZDA). These changes are bringing dramatic improvements to the way the government does business, with a significant impact on customers and a noticeable commitment to customer satisfaction. To ensure that the business community is part of this process, the government is joining with the private sector, through the Zambia Business Forum (ZBF), a key project partner, to solicit input and feedback.

The government’s Anti-Corruption Commission (ACC) is using Zambia Threshold Project assistance to build and consolidate an institutional alliance against corruption, which includes the commission, seven MDAs, Transparency International Zambia (TIZ), and the Zambia Business Forum. Stemming corruption heads the Anti-Corruption Commission’s agenda through a variety of integrated initiatives: Zambia’s first Integrity Committees provide oversight to more transparent and streamlined processes. Government agencies are more highly committed to timeliness and publicizing costs widely to diminish the perception of corrupt practices and bribery. Management emphasizes improved client service and newly established Customer Service Centers train staff in integrity and how to serve the public to greater satisfaction. These initial efforts to making Zambia more attractive to investors will be strengthened in Year 2, complemented by community education to support corruption reporting and resistance, institution-specific corruption vulnerability assessments, and potentially an expansion of the pilot group of MDAs in the integrity in government program.

| <b>MDAs Participating in the Integrity in Government Program</b> |
|--|
| Anti-Corruption Commission                                       |
| Department of Immigration  |
| Ministry of Lands  |
| Zambia Revenue Authority   |
| Lusaka City Council  |
| Ndola City Council   |
| Public Service Pension Fund                                      |
| Zambia Police Force  |

The Anti-Corruption Commission has also used Zambia Threshold Project assistance to further strengthen its Department of Corruption Prevention and Community Education and its communications capabilities, as well as training and supporting commissioners in visits around the country. In Year 2, the commission will use assistance to further those efforts as well as to develop a computerized management

system, improve its corruption monitoring and evaluation system, and enhance its ability to provide leadership to Integrity Committees and others in government who are involved in the fight against corruption.

*Corruption prevention successes* include formation and initiation of work by the eight Integrity Committees, which include four added by the Anti-Corruption Commission after the MCC Threshold Country Plan was approved. Those MDAs, including the commission itself, are being supported by the Department of Corruption Prevention and Community Education, with assistance from the project, in developing Core Values and Codes of Ethics (with one or the other adopted by senior management in all four pilot agencies) and Customer Service Charters (to be completed in Year 2). Alliances with the Zambia Business Forum and Transparency International Zambia have become a reality. The Zambia Business Forum is planning a targeted media campaign to engage the business community in the fight against corruption and to promote the Anti-Corruption Commission's effort in that fight. Transparency International Zambia is establishing an Advocacy and Legal Advice Centre — the first in Africa — to channel corruption-related complaints to the commission and provide policy guidance after the center reviews the number and nature of complaints.

The Zambian government created the Zambia Threshold Project, with assistance from MCC/USAID, to address five targets in 24 months:

*Reduce the number of days required to start a business to 10 days from 35 days.*

After making reforms in the Patents and Companies Registration Office and the Zambia Revenue Authority Value Added Tax Division, the Year 2 target was surpassed in Lusaka in only seven months. It now takes nine days to register a business there, with fewer trips. By June 2008, the Patents and Companies Registration Office will be linked electronically to the Value Added Tax Division registration.

*Reduce the number of days to import products by half.*

The original baseline was 60 days for exports and 62 days for imports, which includes activities outside of government control, such as transportation and traders' preparation of documents outside of Zambia. Six days is the time estimated for processing steps within the government's control. The target is to reduce that time to less than three days each for imports and exports. At the end of Year 1, the government was testing an integrated single one-stop window and had upgraded the customs transaction system, enabling the Revenue Authority Customs and Excise Division to process clearances and produce accurate bond balances faster. In Year 2, the Revenue Authority's new Accredited Client Program will speed processing for high-volume importers and exporters, and improve compliance.

*Reduce the number of days to register property sales.*

The baseline was 70 days, which included 52 days for processing lease transfers in the Ministry of Lands. The goal is to cut that period to 35 days in total by reducing processing time at the ministry to less than 17 days. Systems have been mapped and analyzed, and changes have been approved. A new Zambia Lands Administration System (ZLAS) is being designed and will be rolled out by December 2007. It is expected that the time to register a property sale at the Ministry of Lands will be reduced to less than 15 days.

*Reduce the percentage of households surveyed reporting a payment of bribes to the Revenue Authority Customs and Excise Division to 7 percent from 14.5 percent*

The government's 2004 baseline refers only to customers paying bribes at Customs. The project has developed a composite baseline of the average percentage of customers paying bribes at the Department of Immigration, the Ministry of Lands, Customs, and the Patents and Companies Registration Office. The estimate as of late 2006 was less than 6 percent. The goal is less than 5 percent for these four agencies by June 2008.

In summary, by modernizing government systems through state-of-the-art business process management and e-government technology, the Zambia Threshold Project is helping the Zambian government create greater accountability, transparency, public access, and efficiency in business registration, border movement of goods and people, and land administration. The agencies identified by the government to spearhead reforms and fight corruption are enthusiastically and systematically planning and undertaking improvements that benefit Zambians with reforms projected to generate significant savings, primarily for citizens and businesses. Successes to date — those projected for September 2007 and those expected by June 2008 — clearly demonstrate Zambia's commitment to reform and its ability to undertake a sizeable compact with the MCC.

## SECTION I: RULING JUSTLY

The Government of the Republic of Zambia, under the leadership of its President, recognizes that corruption has been allowed to flourish for too long, stifling economic growth and undermining social development. Zambia ranked in the 50<sup>th</sup> percentile in 2006 on corruption among low-income countries, according to the MCC. This led the government to further empower the Anti-Corruption Commission to take a leadership role to prevent and prosecute corruption more aggressively and systematically.

In 2004, the National Baseline Survey on Corruption showed that 14.5 percent of customers reported paying bribes to Customs. The target is to reduce that to 7 percent. Accordingly, the Zambia Threshold Project has developed a composite indicator of the prevalence of corruption at Customs and three other institutions: the Department of Immigration, Ministry of Lands, and the Patents and Companies Registration Office. On average, less than 6 percent of customers reported paying bribes in late 2006 to those institutions.

The project is working with the government on two fronts under this component. It is working with the Anti-Corruption Commission to build and consolidate a growing anti-corruption alliance of government and nongovernmental organizations. Only by including the business and investment sector will the anti-corruption reforms be sustainable. Pilot government institutions are also seeking to increase transparency in business processes and introduce accountability, including strengthening the newly formed Integrity Committees.<sup>1</sup>

The principal successes under the Ruling Justly Component realized in Year 1 include:

- Integrity Committees strengthened, with work plans reviewed and approved by the Anti-Corruption Commission
- Training implemented following the 2007 plan developed with and for Integrity Committees
- Training of Anti-Corruption Commissioners initiated, supplemented by provincial tours to publicize their commitment and strategy to fight corruption
- Establishment of an operational partnership between the Anti-Corruption Commission and Transparency International Zambia, which includes outreach support and reception of corruption complaints

---

<sup>1</sup>The overall objective of the Ruling Justly Component (Project Intermediate Result 1) is *Greater transparency promoted and opportunities for corruption reduced*. Ruling Justly activities are grouped into two Key Results Areas: 1) building capacity of the Anti-Corruption Commission, and 2) reducing opportunities for corruption at targeted institutions.

- Redesign of visa, entry/exit, and permitting processes at the Department of Immigration concluded
- Redesign of land transactions and allocations processes at the Ministry of Lands in process
- Development of Core Values at the Ministry of Lands and the Department of Immigration
- Revision and dissemination of the Code of Ethics at the Revenue Authority
- Development and launch of Web sites at the Department of Immigration and the Ministry of Lands
- Extensive training in computer skills based at in-house computer training centers established in the Department of Immigration and the Ministry of Lands
- Information technology (IT) support to the Anti-Corruption Commission's Department of Corruption Prevention and Community Education
- Development of an anti-corruption campaign by the Zambia Business Forum to be launched in October 2007
- Effective donor coordination with the U.K. Department for International Development, the Private Sector Development (PSD) Reform Program, and the Management Development Division.

These and other achievements are described more fully in the following pages.

#### **A. BUILDING CAPACITY FOR THE ANTI-CORRUPTION COMMISSION**

The Anti-Corruption Commission is using the project to help build and consolidate an institutional alliance against corruption. That alliance, under the commission's leadership, includes seven other MDAs, Transparency International Zambia, and the Zambia Business Forum. Support from other donors, particularly the U.K. Department for International Development, has been crucial for the commission to hone its strategic plan and advance development of the soon-to-be-approved National Anti-Corruption Strategy.

The purpose of the alliance is to develop an integrated plan of attack — tailored to each MDA — to increase transparency; strengthen accountability at all levels, based on Customer Service Charters; assess and develop actions to prevent corruption; and educate staff and customers on the need and mechanisms for preventing and reporting corruption. One aspect of that strategy is implementation of an integrity in government program, focused on establishing Integrity Committees within each

MDA. This mechanism will soon be mandated throughout government as part of the National Anti-Corruption Strategy, now under final government review.

The Zambia Business Forum’s role in the alliance is to mobilize private sector input for public sector reform. It will serve as a link between the private sector and the government, assessing the time and cost for business to access services and the efficacy of the Anti-Corruption Commission’s program to fight administrative corruption. Transparency International Zambia’s role is to serve as a complementary link to the public, disseminating information and establishing a corruption complaints mechanism in coordination with the commission.

As the lead institution, the Anti-Corruption Commission is using assistance from the Zambia Threshold Project to strengthen the Integrity Committees in the selected MDAs, based on the formulation and implementation of individually tailored corruption prevention action plans. These included in Year 1 the creation of Codes of Ethics and Customer Service Charters on which to build service pledges to their customers. By working with the four project pilots, the commission is strengthening its own corruption prevention capacity to encompass more MDAs, enhancing its communications and monitoring and evaluation (M&E) capabilities, and making its corruption complaints systems more efficient and responsive.

**Corruption is Now Taken Seriously**

“Public corruption has become a real issue. ZTP engagement has brought it to the forefront. It was difficult to get other agencies to engage on the issue. There’s now a working relationship with other agencies. It’s very easy for us now, working through the Integrity Committees, to get support from other agencies. Those agencies now recognize that it’s an issue to be dealt with.”

— Edwin Sakala,  
*Director of ACC’s investigation unit and an Integrity Committee member*

Cognizant that the effectiveness of actions to prevent corruption is directly related to the perception that corruption is diminishing, the Anti-Corruption Commission is also using project assistance to publicize events related to its fight against corruption, such as the swearing-in of Integrity Committee members and the launch of the partnership against corruption during a visit to Zambia by the MCC’s Deputy Chief Executive Officer. In the last 12 months, the commission has developed and disseminated its own Code of Ethics, promoting behavior that incorporates its Core Values. The project has also assisted the commission in improving its oversight skills of commissioners and in facilitating their visits to three provinces to promote the fight against corruption. The commission participated in a two-day workshop on corruption reporting for journalists and government public relations officials and worked with the project to revise the Anti-Corruption Commission Web site, with a view to enhancing public outreach and reporting.

In Year 2, the Anti-Corruption Commission will use project assistance to strengthen its systems to monitor and assess corruption, improve its outreach capacity, and give citizens and the private sector the tools and techniques to report and fight corruption. By November 2007, the commission, with project support, will finalize its long-term strategy to guide internal and external communications. The strategy will guide the

commission’s outreach programs, establish regular reporting to key stakeholders, and coordinate messaging with alliance partners and the Office of the President. The rollout of this strategy will be supported by the commission’s revamped Web site. To complement this communications drive, the Zambia Business Forum is preparing a media campaign to build business groups’ awareness of the damage from corruption, support prevention of corruption in the workplace and community, and understand the nature and scope of the integrity in governance program.

The Anti-Corruption Commission will also improve its computerized management systems and its corruption reporting mechanisms, in particular, its hotline. The response to corruption complaints will be coordinated with the Advocacy and Legal Advice Centre, to be established by Transparency International Zambia. The latter is an alternative complaints channel and will screen complaints before forwarding to the commission for action. It will also provide policy guidance to the commission based on its review of the numbers and types of complaints.

Through this combination of capacity building activities, the Anti-Corruption Commission is preparing itself to lead a broader and more diverse government corruption prevention campaign after USAID/MCC assistance ends. Toward this end, it is developing an Anti-Corruption Toolkit to strengthen its role in supporting and monitoring corruption prevention programs throughout government. Currently, the commission’s corruption prevention program for MDAs consists of 10 activity areas, listed below.

**TABLE 1. PROGRESS ON ACC’S AGENDA FOR FIGHTING CORRUPTION IN MDAs**

| Milestone  | DOI                             | MOL                            | ZRA                                       | ACC                        |
|--|---------------------------------|--------------------------------|---|----------------------------|
| Develop a corruption prevention action plan                                    | Yes                             | Yes                            | Yes                                       | Yes                        |
| Implement a customer feedback system, with corruption complaints linked to ACC | Year 2                          | Year 2                         | Internal Affairs Unit being strengthened  | Year 2                     |
| Adopt automated systems to streamline key processes and improve accountability | Significantly advanced          | In development                 | Yes at VAT/ In development at the borders | Year 2                     |
| Adopt a Code of Ethics   | Core Values developed in Year 1 | Core Values launched in Year 1 | Yes                                       | Yes                        |
| Formulate and publicize a Customer Service Charter                             | In development                  | In development                 | Being finalized                           | In development             |
| Open a Customer Service Center to increase transparency                        | Year 2                          | Year 2                         | Yes at VAT                                | Not through ZTP            |
| Implement a How2 campaign with Transparency International Zambia               | To be redesigned in Year 2      | To be redesigned in Year 2     | To be redesigned in Year 2                | To be redesigned in Year 2 |
| Develop own corruption M&E system  | Year 2                          | Year 2                         | Year 2                                    | Year 2                     |

| Milestone   | DOI                                      | MOL                                      | ZRA                                      | ACC                                      |
|---|--|--|--|--|
| Communicate the program internally and engage participation in program to prevent corruption          | Initiated, to be much improved in Year 2 | Initiated, to be much improved in Year 2 | Good                                     | Initiated, to be much improved in Year 2 |
| Communicate externally reforms being implemented, service performance, and how to register complaints | Initiated, to be much improved in Year 2 | Initiated, to be much improved in Year 2 | Initiated, to be much improved in Year 2 | Initiated, to be much improved in Year 2 |

As a result of the work by the Ruling Justly partnership — the Zambian government, the Zambia Threshold Project, the MCC, and USAID — it is expected that, by June 2008, the Anti-Corruption Commission will be stronger and more widely acknowledged for its leadership in a broad and expanding corruption prevention partnership, including a sustained Advocacy and Legal Advice Centre and synergistic ties to the private sector, primarily through the Zambia Business Forum. Integrity Committees will be seen as an effective initiative on the part of the government and the commission, and, both the prevalence of corruption as well as the perception of corruption in the Ministry of Lands, the Revenue Authority, and the Department of Immigration will be reduced. In addition, the three pilot MDAs will be seen as having made significant progress providing improved customer service; in particular, a more streamlined land transfer and immigration process.

## B. CROSS-CUTTING ACTIVITIES TO STRENGTHEN THE ACC AND MDAs

The Anti-Corruption Commission is using project assistance to strengthen itself and the three pilot MDAs in five areas: Integrity Committees, Core Values, Codes of Ethics, Customer Service Centers, customer feedback and reporting mechanisms, and information technology. Activities and successes midway through the project and projections for Year 2 are described in the following sections.

### *Integrity Committees at Work*

Consistent with the National Anti-Corruption Strategy, the Secretary to the Cabinet created the four Integrity Committees identified in Zambia’s Threshold Country Plan, as well as in four other MDAs, including two city councils, before project assistance began. The eight Integrity Committees are in: the Anti-Corruption Commission, Department of Immigration, Ministry of Lands, Zambia Revenue Authority, Lusaka and Ndola City Councils, Public Service Pension Fund, and Zambia Police Service. The latter four are not part of the project’s scope of direct assistance, but are receiving capacity building support through the Integrity Committee initiative and the commission’s desk officers working with the project. The six central government pilots were chosen because they were ranked by the public as among the most corruption-prone. Visible and successful anti-corruption programs in those agencies should play a critical part in changing the public perception of corruption in government.

The Integrity Committees in the pilot MDAs are the principal actors in institutionalizing a tailored set of initiatives to systematically build values and create and sustain systems that reduce and prevent corruption. The Integrity Committees will be the focal point for prevention of corruption and unethical behavior in the MDAs. Each committee's membership consists of four senior managers, who report to the MDA Chief Executive. Each is supported by a part-time desk officer at the Anti-Corruption Commission's Department of Corruption Prevention and Community Education.

Following the Anti-Corruption Commission's development and review of each Integrity Committee's corruption prevention work plan, the project and the commission have devoted much of the last year to training and supporting the 32 Integrity Committee members and eight Anti-Corruption Commission desk officers to implement initial reforms. The training has included institution-specific development of Core Values, draft Codes of Ethics, and draft Customer Service Charters. The latter are essentially customer service agreements, making public the commitment of the institution's head to deliver services within a maximum time frame and cost.

The Anti-Corruption Commission facilitates development of the Core Values with the Integrity Committees and assists with a consultative process with employees, which enables them to revise and fine-tune the values, as necessary, before they are accepted. The Integrity Committees are helping to train their MDAs on the importance of Codes of Ethics and Customer Service Charters. This is intended to ensure that a Code of Ethics is understood by all staff members and that compliance is enforced. In Year 2, each Integrity Committee will assess corruption vulnerabilities, review proposed re-engineered customer service systems,

**Core Values at the  
Department of Immigration**

Loyalty  
Service  
Integrity  
Transparency  
Efficiency  
Confidentiality  
Collaboration  
Impartiality

"I would like to make the Core Values an integral part of all training and make sure every new employee is informed of them so that they are part of our culture."

— Mrs. Mutiti,  
Chief Immigration Officer



Chief Immigration Officer Ndiyoi Mutiti speaks at the launch of the department's Core Values.

develop an updated corruption prevention action plan, implement customer feedback mechanisms, and increase outreach to staff and customers to engage them more systematically in corruption prevention.

#### *Core Values*

The eight MDAs have developed a set of Core Values on which to base their ethical behavior and service pledges to their customers; this is a first step in reform for zero tolerance of corruption. By the end of September 2007, the Ministry of Lands, the Revenue Authority, and the Department of Immigration will have adopted Core Values, with support from the Anti-Corruption Commission.

The initiative has become so well known that other MDAs are asking to be included — for example, some staff members at the Patents and Companies Registration Office have said they would like the agency to have its own Core Values and Integrity Committee. “At this stage in the project, we need to start developing our Core Values,” Registrar A.M. Banda Bobo confirmed.

#### *Codes of Ethics*

Building on Core Values, and after the extensive consultation process noted above, each MDA is developing its own Code of Ethics, including the administrative processes by which the values will be institutionalized and enforced. The Anti-Corruption Commission and the Revenue Authority have completed this process and adopted their Codes of Ethics; the other six MDAs are still engaged in the consultation and design process. The Ministry of Lands and the Department of Immigration will adopt Codes of Ethics by December 2007.

The Revenue Authority Integrity Committee has disseminated its approved code, including to regional centers. In March, Zambia Vice President Rupiah Banda assisted the first group of Revenue Authority officers in affirming their allegiance to the Code of Ethics.

At the Department of Immigration, Mrs. Mutiti wants to reduce the investment community’s perception of corruption and to inform the public on immigration services and regulations, as well as their rights to receive efficient, friendly, and unbiased service. She acknowledges that there is still work to be done to develop a culture of customer service, but says that the internal publicity so far has made people realize the seriousness with which the Department of Immigration is taking the problem. The next step is to persuade people that the Core Values and Code of Ethics are serious statements of intentions by immigration executives and middle management of how the department wants to be perceived by the public.

#### *Customer Service Centers and Improving Transparency and Efficiency in Customer Service*

Government partners, particularly the Department of Immigration, the Ministry of Lands, the Patents and Companies Registration Office, and the Revenue Authority have embraced the government’s mandate to re-engineer their approach to servicing

customers. They are doing this by implementing customer-friendly systems which are transparent as well as reduce costs and time requirements.

These systems have been complemented by newly designed and refurbished Customer Service Centers. These centers are changing more than the way MDAs are doing business; they are changing the feel of governance for citizens and investors. Formerly, customers had to wait in innumerable lines at each step of a process often standing in crowded, shabby areas. Government staff were often curt or non-communicative about when a process would be completed, saying “come back in a couple of days.” Often, customers had to return to learn that their submissions were incomplete or not well presented. Neither customers nor government staff knew where documents were or who was currently responsible for making a decision. One result was that customers were easily enticed into paying bribes to get their applications approved. Or more commonly, customers paid fees to “agents” to process their requests.

In the Customer Service Centers, doing business with government is a more satisfying experience. Customers wait in one area where comfortable seating is available, with an easily understood queuing system and with rapid movement toward customer service personnel trained in working and assisting customers. These frontline, often explicitly titled “customer service agents” have computers to input customer requests and can access databases of forms and regulations to facilitate customer orientation. At the Patents and Companies Registration Office and the Revenue Authority Value Added Tax Division, personnel are authorized to make many decisions that formerly required officials in other offices to review stacks of paper files another day. And significantly, the separate cashier area is the only area where money is officially received. The Patents and Companies Registration Office and the Revenue Authority Customer Service Centers opened in Lusaka to much public acclaim; indeed, business registration requests have almost doubled from early 2006. In Year 2, the Department of Immigration will open a Customer Service Center at its Lusaka headquarters and will improve service via a rapid queuing system being developed for the Livingstone and Lusaka airports and Chirundu and Livingstone border posts. Similarly, the Ministry of Lands will open a Customer Service Center in Lusaka, as will the Patents and Companies Registration Office in its new regional offices. Signs will publicize key services and the required fees and time.

These new automated systems provide frontline staff with the information needed in a timely manner, rather than requiring them to locate and sift through piles of hard copy files. And they provide middle and senior management with data on efficiency, as timeliness and accountability are now a mandated focus at all levels. The significant reduction in the time to process business tax registrations at the Revenue Authority is a good example. The time required to register a business had previously not been systematically reviewed; the agency’s service commitment stopped at processing business registrations. When the senior management in the Value Added Tax Division reviewed the time data collected, with project assistance, they immediately made improvements to service delivery processes without adding automation, resulting in a

reduction in the average time to register a business from 21 to five days. Further process improvements have reduced this to three days.

#### *Customer Feedback and Reporting Mechanisms*

The adoption of the Core Values and the opening of Customer Service Centers pave the way for Customer Service Charters, which are commitments by the institution to deliver services efficiently in a corruption-free manner. The final step for the Anti-Corruption Commission and the Integrity Committees is to work with the MDAs to use the Core Values, performance indicators, and service standards explicit in the re-engineered business processes to develop those charters specifying the quality and cost of service customers will receive.

The Anti-Corruption Commission and the three pilot MDAs will publicize their Customer Service Charters so that customers are aware of the standards that will be applied. In conjunction with those charters, the MDAs will establish a customer feedback system for comments on services received.

The project has designed such a customizable customer feedback system, which the four pilot organizations will adapt and use to encourage reporting of corruption and other problems with service delivery, and to facilitate corrective action by managers and oversight bodies, like the Integrity Committees. The customer service feedback system includes a tool to classify feedback to enable MDA managers to distinguish between performance issues and corruption. Quarterly and annual reports by the pilot organizations will demonstrate to the public that their opinions are being heard.

The Anti-Corruption Commission is likely to be the first to implement a customer feedback system in Year 2, coupled with improvements to its hotline. At the Revenue Authority, which has a corruption complaints system based in its Internal Affairs Unit, the system will be expanded to include feedback on performance issues and a case management system to track investigations. At the Ministry of Lands and Department of Immigration, development of a Customer Service Charter and feedback mechanism will proceed after completion of business process re-engineering and after the Core Values and Codes of Ethics are communicated to regional offices.

The project has a grant agreement with Transparency International Zambia to establish an Advocacy and Legal Advice Centre in coordination with the Anti-Corruption Commission, which will serve as one of the public's main channels for feedback and corruption reporting. The center will help the commission and Transparency International Zambia coordinate their efforts, filtering corruption complaints to the commission and performance complaints and feedback to government partners; this will allow partners to be more responsive to customer reports and complaints. This is a critical opportunity use a credible third party to bring together government and civil society and to reduce public perceptions of corruption.

#### *Information Technology*

Information technology plays a key role in making business processes faster, more transparent, and cheaper for the customer. In the best case, it can eliminate

opportunities for corruption, in particular by making readily available customer files often “lost” or “misplaced” in traditional bureaucracies, and it can serve as a tool for detecting bottlenecks in the processes and improving the system. IT hardware, software, and systems were severely lacking in almost all of government institutions supported by the Zambia Threshold Project, and capacity building in the form of IT equipment, automation, system design, and training in IT systems was and will continue to be a major part of both component activities. The project has installed 110 workstations at the Department of Immigration, 6 at the Revenue Authority’s Internal Affairs Unit, and 20 initial workstations at the Ministry of Lands, all supported by printers and back-up systems, and scanners at the Department of Immigration to work with re-engineered business processes. Web sites at both agencies have been developed. (See Annex A for details on IT improvements.)

To complement the IT improvements and to support the reform process, the project has provided staff with extensive training on computers and on broader subjects such as change management. Some training has been conducted in refurbished in-house training rooms at the Department of Immigration and the Ministry of Lands, and has included workshops and in-service mentoring.

Many reforms are being developed in coordination with working groups for the Department of Immigration and the Ministry of Lands of the Private Sector Development Reform Program and with teams at the Management Development Division. The Private Sector Development Reform Program was initiated in 2004 as a partnership of the Zambian government, the private sector, and the donor, aimed at creating a vibrant private sector.

### *Challenges*

The chief constraint to the Anti-Corruption Commission’s attempt to strengthen the pilot organizations is staff resources: desk officers have other duties as corruption prevention or community education officers and the commission’s communications department consists of only one professional. Perhaps even more importantly, Integrity Committee members are senior managers with full-time jobs. Consequently, they sometimes lack time for strategic thought, follow-through, or leadership in the anti-corruption effort.

## **C. MDA INDIVIDUALLY TAILORED REFORMS**

This section describes the scope and achievements of reforms at each of the three pilot MDAs: the Department of Immigration, the Ministry of Lands, and the Revenue Authority, as well as the activities and achievements of the government’s civil society partners — the Zambia Business Forum and Transparency International Zambia — in implementing the Zambia Threshold Country Plan.

### *Department of Immigration*

The Department of Immigration plays a vital role in trade and investment; as a consequence, institutional reform and process streamlining at the department are

contributing to the government's anti-corruption objectives, its business/investment promotion, and its border facilitation.

Cognizant that the public rates the Department of Immigration as very corrupt, the department's objectives are to streamline processes to reduce opportunities for corruption while decreasing the perception of corruption. The department is developing its capacity and systems so it can maintain a higher standard of practice and increase public knowledge and awareness of its work.

The Department of Immigration has led the most participatory reform process of the pilot MDAs, involving staff in Lusaka, Livingstone, and Chirundu in developing improved procedures for processing the entry and exit of citizens and foreigners. It has also developed streamlined processes for reviewing visa applications and issuing visas, already reducing time processing time to three working days from 15. Finally, it has designed new, more efficient systems for processing applications for work and self-employment permits.

The department's approach models international best practices in the organization and application of technical assistance, training, and procurement. It has formed an internal project oversight committee that meets weekly with project staff. This committee, often led by the Chief Immigration Officer herself, comprises senior management, members of the Integrity Committee, the IT manager, the public relations officer, and junior staff. The Zambia Threshold Project participants include the supervisor and the business process re-engineering specialist, who is also an international immigration expert; as needed, the anti-corruption team leader, information technology specialists, communications manager, and chief of party may also participate.

A major part of the Department of Immigration's goal of improved services depends on the availability of regulations and the visibility of its services. In May, the department launched a Web site ([www.zambiaimmigration.gov.zm](http://www.zambiaimmigration.gov.zm)), to address the lack of transparency on rules, regulations, fees, and procedures for immigration. The Web site clearly displays those details, plus contact details for department headquarters and regional offices. It also contains downloadable visa and permit application forms and documents so that applications can be filed electronically. In Year 2, the project will assist the department in developing a process for managing and responding to e-mails it receives in response to the Web site and in promoting the

**Corruption in the DOI:  
A Bad Rap?**

Probably, yes. Popular impressions of corruption in Immigration stem from four causes:

- Customer service conducted behind closed doors
- The impression that service delivery is unnecessarily delayed and disorganized
- The impression that work visas are improperly processed when qualified Zambians are available
- The impression that migration facilitators are linked under the table to DOI officers
- The impression that DOI processes passport applications.

Immigration will radically change the look and feel of service delivery through its new Customer Service Center. It will also more openly share with the public, through news releases and on its Web site, summaries of visa, permit, and entry/exit statistics.

Web site to key stakeholder groups. Transparency International Zambia is expected to assist in this area through its “How2” campaigns to explain procedures and costs.

For those who either do not have access to the Internet or who have questions they would like to pose in person, the Department of Immigration is developing a Customer Service Center to manage client traffic and deliver streamlined, transparent service. The project provided a filing facility next to headquarters for relocation of little-used files from the main building, making room for the Customer Service Center. The center will be launched in September 2007.

**The Public is Seeing a Difference**

“People are beginning to have confidence in the department and the fact that we want to address the problems. I hope that we will start seeing that the perception of corruption is being reduced.”

— Mrs. Mutiti, Chief Immigration Officer

To support the re-engineered processes, the Department of Immigration is developing an automated case management system for processing applications and issuing visas and permits, maintaining records of foreign visitors crossing the border, and tracking the history of foreigners’ compliance with Zambian immigration laws and regulations. The system — the Zambia Immigration Management System (ZIMS) — will be implemented at these pilot locations: the Department of Immigration headquarters, the Lusaka Regional Office, Livingstone International Airport, Lusaka International Airport (LIA), and the border control post in Chirundu. As Year 1 ended, the system was being tested and employee training was scheduled for July 2007.

A training/conference room was refurbished, equipped, and opened at headquarters in March. Staff members from headquarters, Lusaka International Airport, and the Lusaka Regional Office have received training in basic computer skills, so that they will be able to confidently operate the new system. Immigration headquarters, Livingstone, and regional offices are now electronically linked.

*Ministry of Lands*

The government itself often identifies the Ministry of Lands as a very corrupt ministry. In May 2006, President Mwanawasa cited it as the most corrupt, and in March 2007, fired the Minister, Permanent Secretary, and Commissioner of Lands, following allegations of corruption.

On his second day in office, the new Minister, Bradford Machila, met with USAID’s Deputy Mission Director and representatives of the Zambia Threshold Project to learn about assistance available to the ministry. Previously, the Ministry of Lands had not been an enthusiastic participant in integrity training or business process re-engineering. Hon. Machila committed his ministry to rebuilding its Integrity Committee by appointing two new members, developing an ethics program focused on newly developed Core Values, launching a Web site, reviewing business process re-engineering proposals, establishing an in-house computer training center, and setting aside an area for a Customer Service Center. All of that was accomplished within 90 days.

Today, the Ministry of Lands staff is participating in an intensive in-house training program to strengthen their computer skills. Outdated networking is being replaced, refurbishment of the new Customer Service Center has been opened to tender, and the Web site is providing information on procedures and Zambia's proposed land policy. The ministry is also preparing a marketing campaign to promote the Web site.

In the meantime, the Ministry of Lands will focus on streamlining processes involved in registering direct transfer of leases. It is working to reduce the number of days required to process in-house the transfer of a lease from 52 days, as estimated by the World Bank, to no more than 17 days.

In early 2007 the Ministry of Lands conducted a legal and regulatory review with project assistance and concluded that there were no impediments in current laws to the automation of businesses process. Consultants also analyzed land allocation and transaction processes and procedures, and have recommended revisions, particularly in filing systems and registry of surveys. The ministry is now reviewing and refining those proposed revisions, which will form the blueprint for new business processes and modernization of its filing systems.

The functional, hardware, network and system requirement specifications for an improved electronic Zambia Lands Administration System will be concluded in the coming months. The system will provide a workflow-based case

management system so that documents can be electronically routed to appropriate staff for notification, review, and approval. It will also provide an integrated document management and archival solution to that documents can be scanned, automatically indexed, and attached to transaction entries. Finally, among other processes, the system will provide a secure cash-receipt module to calculate and collect fees for ground rents and property transactions.

The project is assisting the ministry in computerizing cadastral index mapping so that a parcel of land can easily be located and values of nearby parcels can be more easily referenced. The pilot cadastral index mapping has been initiated and data on more than 15,000 Lusaka land parcels have been captured.

The Customer Service Center will virtually eliminate the need and ability of customers to access back offices, by enhancing transparency and easily providing information to walk-in customers. As one ministry official said, "Right now, people are walking around the corridors and they don't know where to go." That center will be completed in the coming months.

The Minister, with U.S. Ambassador to Zambia Carmen Martinez and Deputy Assistant Secretary of State Carol Thompson, launched the Ministry of Lands Web site ([www.ministryoflands.gov.zm](http://www.ministryoflands.gov.zm)) and Core Values in June 2007, an event widely

**MOL Strives to Meet Customer Demands**

"ZTP is transforming the perception the public has towards us. We are now online, so the public has access to the ministry and they know of our mandate and the services we offer without coming to the ministry. We are now looking at the entire process and how to satisfy the demands of the customer."

— *Pola Kimena,*  
*MOL Director of Human Resources and*  
*Integrity Committee Chairperson*

reported by local media. The public can now access information about the ministry, including the new draft land policy. Information also is available on the Ministry of Lands' efforts to reduce corruption through the Integrity Committee initiative.



Minister of Lands Bradford Machila launches Core Values and Web site, June 2007

The renovated computer training center will support the ministry's efforts to introduce more transparent and streamlined processes. The center will ensure a smooth transition to the Zambia Lands Administration System. Ministry employees will gain the skills required to operate and maintain this automated system, as well as the Web site. Most Lusaka-based staff have begun their training.

#### *Zambia Revenue Authority*

Support for this agency is being conducted for two divisions: the Value Added Tax Division and the Customs Internal Affairs Unit. The project has assisted in mapping current and proposed processes at both divisions in accordance with regulations. It has provided particular support to the Revenue Authority Internal Affairs Unit, equipping it with computers and communications equipment and training staff.

Detailed reforms to both divisions are discussed in Section II, along with the reforms' contributions to reducing administrative barriers to economic growth and rationalizing import and export requirements. In addition to achieving those results, the new transparent, simpler, and quicker procedures go a long way toward reducing opportunities for corruption.

**Perceptions are Key**

"ZRA is right at the center of our economic life and if perceptions are turned around from where they are now, gains will be seen in almost every sector of our economy. Staff perceptions are also important. We want a situation where employees want to fight corruption themselves, rather than having someone from outside forcing them."

— Juba Banda,  
ZRA Integrity Committee member

The Revenue Authority Integrity Committee is one of the most active and committed, and members are already exploring obtaining government funding for after the project ends. The Revenue Authority is unique among the partners in establishing an office for its Integrity Committee, with a part-time staffer to answer staff questions, promote its services, and receive complaints. In Year 2, those services will be enhanced with the adoption of the Revenue Authority's customer feedback system. The committee expects to complete development of its Customer Service Charter, called a taxpayer charter, by October. The charter will be disseminated for feedback before being launched. An extensive public outreach campaign addressing customer rights and promoting the feedback mechanism will follow.

*Civil Society Partners: Transparency International Zambia and the Zambia Business Forum*

In Year 1, both civil society partners, Transparency International Zambia and the Zambia Business Forum, formalized their partnership agreements with the government and the Zambia Threshold Project.

The Zambia Business Forum is receiving a \$326,000 grant and has a Project Officer, seconded by the Zambia Threshold Project, to manage grant activities. The forum's activities are focused on supporting Economic Freedom initiatives, which are discussed in more detail in the following section. In support of the government integrity in governance initiative, the forum began late in Year 1 to develop an anticorruption media campaign, to be launched in Year 2. Also in Year 2, the forum will participate in coordinated corruption prevention activities with the Anti-Corruption Commission.

The primary objective of the partnership with Transparency International Zambia is to increase awareness of the government's anti-corruption efforts and assist pilot agencies to more appropriately and effectively identify and respond to cases of corruption. Transparency International Zambia formalized its participation in the partnership led by the Anti-Corruption Commission to promote integrity in governance through a subcontract signed with the project in June 2007. Under this mechanism, Transparency



Zambian journalists and government public relations officials attend a ZTP workshop conducted by ZTP in partnership with Transparency International Zambia and Panos Southern Africa. The two groups, which often view each other as adversaries, must learn to trust each other and work together to fight corruption.

International Zambia will design, in consultation with the Anti-Corruption Commission, sub-Saharan Africa's first Advisory and Legal Assistance Centre, which will become an alternative channel for public reporting of corruption. Transparency International Zambia, as the managing body of the center, will screen reports and forward them to the commission and other MDAs as appropriate for action. The commission, on behalf of the government, will periodically report on actions taken. Transparency International Zambia will communicate this information to the public and assist government partners in educating customers on how to access services and report corruption.

In summary, petty bribes thrive in an environment where customers have little certainty of receiving in a timely fashion the service for which they are paying. The government is pioneering greater transparency in cost and time to expect services the Department of Immigration, the Ministry of Lands, and the Zambia Revenue Authority. Further, the government is building transparency and accountability

systems in MDAs that allow, indeed, almost force, managers at all levels to focus on the timeliness and quality of services. This will deprive frontline staff, however poor their salaries, of opportunities to stall service delivery to exact a bribe.

### *Challenges*

The most important constraints to institutionalization of the MDAs' corruption prevention initiatives are limited staff and financial resources. The Integrity Committee members, like the Anti-Corruption Commission desk officers, have other duties as senior managers. The four Integrity Committees have been able to receive training and implement activities to externally and internally promote corruption prevention initiatives like Core Values and Web sites, thanks to project resources and technical assistance. Also, most MDAs do not have strong communications units. For example, the Ministry of Lands has no communications staff, nor the IT capacity to main new, extensively automated systems, such as ZIMS.

Further, project focus is on developing reforms in pilot, small-scope environments, such as ZIMS at six sites and the Zambia Lands Administration System in Lusaka. Each partner will have to identify other sources of support to institutionalize nationally the new systems being developed with project assistance.

## **D. LOOKING FORWARD**

In Year 2, progress is expected in broadening corruption prevention initiatives by further enhancing transparency, accountability, prevention, and education initiatives in the MDA partners. The Anti-Corruption Commission in particular will develop an Anti-Corruption Toolkit; establish corruption prevention monitoring and evaluation systems; improve and coordinate its communications with other MDAs and the Zambia Business Forum to help the public understand corruption prevention efforts; and establish at least two additional Integrity Committees. The Department of Immigration, the Ministry of Lands, and the Revenue Authority will undertake corruption vulnerability assessments and revise their corruption prevention action plans to include requests for budgetary support. The Department of Immigration and the Ministry of Lands will open Customer Service Centers in August and September, respectively. The Department of Immigration, the Ministry of Lands, and the Revenue Authority will establish Customer Service Charters, and the Department of Immigration and the Ministry of Lands will establish Codes of Ethics. The Department of Immigration will complete testing of its new automated systems to process entry/exit visas, and work permit applications; and it will launch ZIMS in September. The Ministry of Lands will streamline its processes to register lease transfers and complete testing of its new Lands Administration System by March 2008.

All MDAs will receive support in improving internal and external communications. In Year 2, the Anti-Corruption Commission, Ministry of Lands, and the Department of Immigration will develop communications strategies. The Anti-Corruption Commission will use its new strategy to refine its messaging with key partners Transparency International Zambia and the Zambia Business Forum to help

communicate its efforts and to engage all sectors of society in the fight against corruption. The Ministry of Lands, with project support, will also develop an action plan for realization of a communications and public relations unit within the ministry. For the Department of Immigration, the Revenue Authority, and Ministry of Lands, marketing of new services and products will also be undertaken in Year 2, in particular, the promotion of their Customer Service Centers and Customer Service Charters. The Revenue Authority will coordinate the efforts of its Integrity Committee and business process improvements in consolidated taxpayer education program.

Key milestones for Year 2 include:

- Africa's first Advisory and Legal Assistance Centre launched by Transparency International Zambia and the Anti-Corruption Commission – October 2007
- Zambia Business Forum anti-corruption campaign launched – October 2007
- Customer Service Centers opened at the Department of Immigration and the Ministry of Lands – September 2007 and November 2007, respectively
- ZIMS launched at the Department of Immigration headquarters – September 2007
- Mid-term assessment of corruption prevalence at Chirundu – September 2007
- Anti-Corruption Commission's M&E system launched – December 2007
- Customer feedback systems in place at the Department of Immigration, the Ministry of Lands, and the Revenue Authority – December 2007
- Customer Service Charters for the Department of Immigration, the Ministry of Lands, and the Revenue Authority established – January 2008
- Codes of Ethics established at the Department of Immigration and the Ministry of Lands – December 2007
- Automated Lands Administration System fully operational – March 2008
- Anti-Corruption Commission's model Anti-Corruption Toolkit launched – March 2008
- 2008 assessment of corruption prevalence – April 2008
- Two additional Integrity Committees formed – May 2008

## SECTION II: ECONOMIC FREEDOM

The government understands and is committed to promoting and expanding economic development through investment and trade. Hence, the focus of the government with project assistance is to enact key reforms to demonstrate the government's ability to improve the business enabling environment with MCC resources. Those pilot reforms are in two areas: 1) promoting investment and business growth by making it faster and easier to start a business, including assisting the government in making the Zambia Development Agency operational; and 2) facilitating trade by increasing efficiency at the border.<sup>2</sup> The Economic Freedom partners are: the Patents and Companies Registration Office, Zambia Development Agency, Zambia Revenue Authority, Plant Quarantine and Phyto-sanitary Service, Zambia Bureau of Standards, the Zambia Business Forum, and the Program Coordination Unit (PCU) of the Private Sector Development Reform Program.

Key achievements of Economic Freedom partners during Year 1 include:

- Patents and Companies Registration Office
  - Business registration processes streamlined and automated
  - Customer Service Center in Lusaka launched
  - Regional office in Ndola refurbished and opened
- Zambia Revenue Authority Value Added Tax Division
  - Value added tax registration processes streamlined and automated
- Zambia Business Forum
  - Grant negotiated and approved to elicit private sector involvement in government reforms, implementation underway
- Border Management Task Force
  - Task force constituted and proactive
  - Integrated border management process drafted
- Zambia Revenue Authority Customs and Excise
  - IT hardware upgraded and ASYCUDA++ software system centralized in Lusaka, mitigating trader vulnerability
- Zambia Bureau of Standards
  - Automated system developed
  - Marketing manager hired; marketing plan approved
- Plant Quarantine and Phyto-sanitary Service
  - Border operations upgraded
  - Import application and inspection processes automated

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<sup>2</sup>The overall objective of the Economic Freedom component (Project Intermediate Result 2) is *Administrative barriers to business, investment, and border operations reduced*. Economic Freedom activities are grouped into two Key Results Areas: 1) to promote investment and business expansion and 2) to increase border management efficiency.

- Web sites and intranets in use at the Patents and Companies Registration Office, the Program Coordination Unit, PQPS, Zambia Bureau of Standards, and the Zambia Business Forum
- Program Coordination Unit: M&E system developed and operational

These and other accomplishments are described more fully in the following pages.

#### A. PROMOTING INVESTMENT AND BUSINESS GROWTH

The project objective was to reduce the time required of entrepreneurs to start a business from 35 days to 10 days. The World Bank and International Finance Corporation “Doing Business 2007” report identifies the six activities required of entrepreneurs to start a business and the days required for each step. The following table shows the report’s estimates for 2006 and the time required for each step as of June 2007.

**TABLE 2. TIME TO START A BUSINESS IN ZAMBIA**

| Activity                                     | Days Required in 2006<br>(World Bank/IMF) | Days Required in 2007<br>(Current Data) |
|--|---|---|
| Name clearance at PACRO                      | 2   | 1                                       |
| Business registration at PACRO               | 9   | 2                                       |
| Registration for VAT number at ZRA           | 21  | 3                                       |
| Registration for taxpayer ID number at ZRA*  | 1   | 1                                       |
| Open a bank account*                         | 1   | 1                                       |
| Registration at the National Pension Scheme* | 1   | 1                                       |
| <b>Total</b>                                 | <b>35</b>                                 | <b>9</b>                                |

\* Not within the scope of this project

The project scope includes name clearance and company registration at the Patents and Companies Registration Office and registration for the value added tax at the Revenue Authority. In Lusaka, company registration processes have been reduced to three days from 11 and the tax registration process has been cut to three days from 21. The total time required to start a business in Lusaka has been reduced to nine days from 35, including processes requiring three days outside of the scope of the project. Thus, the two-year goal of 10 days was achieved in Lusaka in seven months.

A secondary government project goal in promoting investment and business growth was establishment of the Zambia Development Agency. This has been delayed by government administrative issues, but in mid-March, the government accelerated the agency’s organization. Consequently, the Zambia Threshold Project, with the Zambia Development Agency’s newly constituted board of directors, had made tangible steps initiating some activities. Making the agency fully operational is now planned for the first six months of Year 2.

Another goal in promoting investment and business growth was to boost the capacity of the Zambia Business Forum to elicit private sector involvement in government reforms to the business enabling environment. The Zambia Business Forum has made significant progress on this objective after developing a grant proposal and starting to implement the activities with its subsequent grant.

Year 2 will see wide acknowledgement of improvements in business registration and benefits and recognition of the Patents and Companies Registration Office and the Value Added Tax Division as business process re-engineering models. The Zambia Development Agency will also be operational, with effective coordination with the Department of Immigration.

#### *Patents and Companies Registration Office*

A year ago the application processing and decision-making to register a business took a long time, and the perception was that business owners were required to pay kickbacks to employees. The process often involved middlemen who charged high sums to expedite registration, and in some cases, business owners did not register due to perceived corruption in the process.

#### **Zambia Leads its Neighbors**

“We have reduced the bottlenecks that surrounded the creation of a company in Zambia. At the most, we are looking at four days to register. That’s a big jump for us. Zambia is the only country in the sub-region that can register a company in that amount of time.”

— A. M. Banda Bobo,  
PACRO Registrar

PACRO initiated improvements by examining the flow of processes and documents, and eliminating non-value-added steps. It merged overlapping procedures, and implemented a work flow management system to automate and expedite processes. Although not part of the original plan, the office decided that establishing a Customer Service Center — a one-stop shop — would enhance transparency and improve efficiency of the new automated processes. So, a building was renovated — in only 45 days — and nearly 200,000 physical files were moved to a new location to make room for the center, which opened in November.

To complement the on-site center, the project assisted PACRO in developing an interactive Web site ([www.pacro.org.zm](http://www.pacro.org.zm)) that allows customers to download application forms and complete them before visiting the office. An intranet was also developed for employees who have received basic computer and systems training.

Finally, the first regional office in Ndola was refurbished, equipped, and opened for business in June.

The impact of the newly re-engineered information management system is impressive. More than half of business registrations in May were completed in two days or less. The office has been so overwhelmed by the demand for its service that it will take additional steps in Year 2 to relieve the congestion, such as:

- Expanding the Customer Service Center

- Providing dedicated and expedited service for high-volume or “bulk” clients such as law and accounting firms
- Opening additional regional offices
- Introducing online filing capability

The project had planned to assist by opening three regional offices during the year to reduce congestion in Lusaka and facilitate growth in registrations nationwide. With the magnitude of the changes introduced in the past few months, the staff and project officials decided to delay the openings to ensure that processes and systems were functioning properly before expanding them. Offices in Livingstone and Chipata are planned for Year 2.

#### **PACRO Sets the Standard**

Innovations at PACRO have set the standard for changes at other MDAs. It is an example for other GRZ institutions that want to deliver better, faster, more customer-oriented service.

The PACRO Customer Service Center has been so successful that it is serving as a model for others in the government. The PACRO culture has become less top-down-oriented and more customer-focused, with customer service agents proposing ideas on how to improve the service.

PACRO also was the first GRZ agency to offer online services, and its management would like to continue to improve that capability.

The improved business process and document flow combined with the above changes allowed PACRO to reach in seven months in Lusaka a goal that was planned for two years – reducing the average time to register a business at PACRO to three days.

Government ratification of the leadership at PACRO has re-energized the organization, which continues to be a model of new government service. All personnel — from Chief Registrar to staff members in all departments — receive customer service training and continue to improve business registration processes. The culture has become more customer-oriented and created a more pleasant experience for customers. It has also raised expectations of the quality of service to which they are entitled. As a result, according to A.M. Banda Bobo, Chief Registrar, “There has been an increase in the number of people coming to us and asking for our services, so our income levels have gone up.”

PACRO, with project assistance, has developed and approved communications products to publicize its achievements and has embarked on a marketing campaign to promote its services. A communications strategy developed in Year 1 will be expanded to accommodate the decentralization of services in the coming months.

#### *Zambia Revenue Authority*

Registering a company for the value added tax at the Revenue Authority took 21 days in 2006. Someone seeking registration might enter the building with little idea of where to go, what documents were needed, how much the registration would cost, or how long it would take. The registration would probably require several trips, and would be conducted behind a closed office door, fueling opportunities for and speculation about corruption.

The Revenue Authority mapped the existing process with the Zambia Threshold Project representatives and identified areas that could be improved. Unnecessary steps were eliminated and the flow of information improved. It is important to note that initial process improvement did not require additional automation. Now customers can register for all taxes in the same place, and, on the recommendation of one employee, have their application approved by one other employee. It now takes three days or less to register in Lusaka.

To make the service more accessible and to publicize the new process, the project supported renovation of the Revenue Authority's headquarters' Customer Service Center. It was launched in March by Zambian Vice President Rupiah Banda and MCC Deputy Chief Executive Officer Rodney Bent. The Customer Service Center provides clearly stated guidelines, including which documents are needed, the cost, and the length of time the process will take.

Marriam Sabi, manager of the adjacent advice center, said that customers could now obtain all forms at the same place, rather than going to individual offices.

"Now, people know what to do. We are registering more people and have fewer problems. We hope to improve further, so that the VAT registration will take just one day," Mrs. Sabi said.

The next stage is to roll out the process to all 10 regional offices, so that importers can register at the border and other commercial centers. The timing of the rollout will be determined by the Revenue Authority, with project assistance on training, process design and implementation, design and implementation of management reports, and quality control.

#### *Zambia Development Agency*

The project's goal for the Zambian Development Agency was to take it from a concept created by a 2006 law to its start-up as a functioning agency that will be a premier one-stop shop to support business, in particular, investors, in Zambia. The law provided for the merger of five agencies: the Export Board of Zambia, the Small Enterprise Development Board, the Zambia Export Processing Zone Authority, the Zambia Investment Centre, and the Zambia Privatisation Agency.

The government had intended for the Zambia Development Agency to be operational in 2006, and the five agencies were officially closed at the end of that year. However, delays in government executive decisions have slowed progress. The project assisted in reviewing legal aspects concerning personnel, retrenchment, and pensions of the five agencies; helped with the IT infrastructure; conducted an assessment of key functions for service-led delivery; and helped the Zambian Business Forum convene a conference for the private sector to discuss how the agency could serve businesses. A Web site for the agency is currently under development with assistance from the project.

The pace of the agency's operationalization will continue to be determined by the Zambian government. The Zambia Threshold Project's role is to support the government by implementing the recently updated work plan, and it is committed to a swift and successful start-up. Staff from both organizations will meet biweekly to coordinate requested support.

In Year 2, the project will assist its board of directors and Chief Executive Officer in undertaking strategic planning, as well as an expanded functional assessment, to fine-tune organizational requirements, develop a communications strategy. Together they will set up a Web site, provide an initial set of computer work stations, complete network cabling of the headquarters, and provide specialized support to the to-be-designated Chief Executive Officer.

### *Zambia Business Forum*

This nongovernmental organization was established in 2003 to foster a constructive partnership between Zambia's business community and government. Its nine member associations cover all major business sectors in the economy and account for half of the country's gross domestic product. Partnership between the government and the private sector is necessary for success in implementing the government's reforms.

The project has provided the Zambia Business Forum a \$326,000 grant to enable it to assist the government in meeting its goals. The grant is being used to strengthen business input into the improvement of key government services. Under the grant, the forum will focus on improving its ability to make reasonable and effective recommendations to reduce the time and costs, as well as mitigate other problems, for businesses in accessing government services. The forum will also provide timely feedback to the government on the effectiveness of enacted process and regulatory reforms. Also with part of the grant, the forum will improve its financial management systems. With project support, the forum has also revitalized its image with a new logo and refurbished offices. A new Web site is under development.



USAID Mission Director Melissa Williams speaks at the Zambia Business Forum grant-signing ceremony.

At the conference held by the Zambia Business Forum, the Zambia Development Agency was able to obtain input from business and investors and make recommendations to the government. The recommendations have been presented to the Ministry of Commerce, Trade, and Industry and the Zambia Development Agency's executive team.

The Zambia Development Agency will soon have a new Chief Executive Officer with a vision for how the organization can effectively engage its members and represent their views on the reform process and results. In the coming months, the project will implement its work plan to help the agency complete its start-up.

*Program Coordination Unit*

The Program Coordination Unit within the Ministry of Commerce, Trade, and Industry monitors the Private Sector Development Reform Program in its effort to coordinate and rationalize initiatives aimed at making it easier to do business in Zambia. The government, through the project, is assisting the Program Coordination Unit in energizing its authority, improving its M&E capabilities, developing a communications strategy, and strengthening relations with the working groups. In Year 1, an international consultant worked with the Program Coordination Unit and the Private Sector Development working groups to develop their vision statements and indicators. In early 2007, the project focused on implementing the technical capabilities to manage M&E data and communicate with partners. The project developed and installed a Web site, intranet, and extranet. The new system includes the capability to capture and manage M&E data provided by the Private Sector Development working groups. The Web site (<http://pcu.zambia.bz>) is also accessible via the e-government portal ([www.zambia.bz](http://www.zambia.bz)).

**B. INCREASING EFFICIENCY AT THE BORDER**

Lengthy delays at the Zambian border for businesses wanting to import or export products cost those businesses money and can be a breeding ground for corruption. The trader has to negotiate widely varied regulations and convoluted processes of government border agencies, filling in forms and paying each agency separately.

The project is tackling the problem by working toward a coordinated process at Zambian borders that includes streamlining procedures and reducing opportunities for corruption.

The integration of border operations is best accomplished with systematic analysis and pilot testing by a team representing all border agencies. The project created just such a team: the Border Management Task Force. Ten agencies were identified to assign full-time representatives — mid- and senior-level managers — to the task force for at least 18 months. Of those, the most important agencies are Customs, Immigration, the Ministry of Agriculture and Cooperatives, and the Zambia Bureau of Standards,

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| <p><b>The BMTF: Working Together at the Border</b></p> <ul style="list-style-type: none"> <li>• Environmental Council of Zambia</li> <li>• Interpol</li> <li>• Ministry of Agriculture and Cooperatives -             <ul style="list-style-type: none"> <li>○ Department of Agribusiness and Marketing</li> <li>○ Department of Veterinary Services and Livestock Development</li> </ul> </li> <li>• Ministry of Health -             <ul style="list-style-type: none"> <li>○ Environmental Health Department</li> </ul> </li> <li>• Ministry of Home Affairs -             <ul style="list-style-type: none"> <li>○ Department of Immigration</li> </ul> </li> <li>• Pharmaceutical Regulatory Authority -             <ul style="list-style-type: none"> <li>○ Department of Marketing and Cooperatives</li> </ul> </li> <li>• Plant Quarantine and Phyto-sanitary Service*</li> <li>• Siavonga District Council</li> <li>• Zambia Bureau of Standards*</li> <li>• Zambia Revenue Authority -             <ul style="list-style-type: none"> <li>○ Customs and Excise Division*</li> </ul> </li> </ul> <p>* Full-time representation</p> |
|--|

because they will generate and share the most data on each border transaction. See the current task force's participating agencies in the box above.

The Border Management Task Force is working on the following related strategies to reduce the time required to cross the border.

- Improving processes and introducing automation at the border agencies
- Integrating processes and data flow among the agencies
- Using pre-payment
- Reducing the number of inspections through risk-management practices
- Reducing the number of inspections at the border with more physical inspections at the Port of Lusaka

Zambia has 30 border posts, and the government has selected Chirundu, the Lusaka International Airport, and the Port of Lusaka as pilot locations for the integrated border management processes. The task force has mapped 15 border operations at those locations and produced a draft of the coordinated border processes, which has been adopted by the agencies and is being refined.

During Year 1, the project assisted with the completion of preparatory work for a Comprehensive Integrated Tariff System, which would provide all customs and tax rates in a single database to be included in information Zambia must make widely accessible to meet World Customs Organization standards.

In addition to process modifications, the task force recommended modifications to buildings being constructed to house most border agencies at Chirundu. The recommendations to speed up the clearance process were approved by Customs and the Department of Immigration, and the changes are being made to the building.

Finally, in response to a request from the President of Zambia, the Secretary of the Treasury, in his capacity as Chairman of the Zambia Threshold Project Steering Committee, asked USAID for an assessment and draft implementation strategy to modernize the Nakonde border post; the two-day assessment was conducted in May.



A Zambia Revenue Authority official explains to MCC Deputy Chief Executive Officer Rodney Bent and Vice President Maureen Harrington how the border agencies will integrate their processes.

The team found that Nakonde is an open border where regulatory requirements imposed by the government through its border agencies are consistently contravened, with extensive and highly visible smuggling. The government also reports illegal trafficking of people, drugs, and weapons. This situation is due to deficiencies in infrastructure, processes, integrity, physical layout of the post and its facilities, a lack of human and other resources, weak cooperation among the border agencies, and a social environment that benefits extensively from smuggling and border inefficiencies. In particular, the management of trucks and cars through the border is chaotic, with little structure to the movement and parking of vehicles in the government border compound.

The project team recommended a comprehensive modernization program including, at a minimum, the following components:

- Extensive infrastructure improvements, including separating export from import processing, and separating green lane traffic from other imports
- Extensive refurbishment of offices, including computers and related IT systems, an improved work process and communications strategy to enlist popular understanding, and support for improved border controls and better security systems
- More staff and improved human resource policies and procedures and training, to make border postings acceptable and, where possible, desired
- Improved and coordinated management and control systems
- A broad, multi-faceted communications program to enlist popular support
- Improved smuggling detection, seizure, and prosecution



Streamlining entry/exit procedures at the border will help reduce the chaos at Chirundu, as well as the opportunities for corruption.

*Zambian Revenue Authority – Customs*

Customs is a pivotal border management agency for the transit of goods and a critical member of the Border Management Task Force, because every shipment is its responsibility. Other border management agencies have specialized, product-specific responsibilities, so they manage fewer transactions. Often, Customs activities are a main focus of task force assessments and strategizing, such as centralizing transaction processing and reducing the number of inspections through a risk management program.

One key to reducing the number of inspections without increasing the risk of allowing unlawful or unauthorized goods to enter the country is a risk management program. As part of the process improvements, the project hired an international risk management and compliance audit specialist to assist border management agencies in designing such a program. The consultant conducted sessions on risk management with groups that included MDA leaders, emphasizing the need to decongest borders and consider risk treatments other than physical examination of cargo. This includes treatments applied pre- and post-import.

Customs has accepted the specialist's recommendations and is working with the project to establish an Accredited Client Program, which will speed processing for the largest and most frequent importers and exporters and improve compliance for the Revenue Authority. The project is also working on process improvement at other border agencies, including automation of the Zambia Bureau of Standards pre-clearance certificate process and the PQPS permit process.

In tandem with the re-engineered and integrated processes, the Revenue Authority has installed an upgraded customs transaction engine — ASYCUDA++ — to be the heart of its new management information system. The Revenue Authority worked during the weekend of June 30 to centralize data on 43 million transactions from 2001 onward in Lusaka, and connecting 11 border posts to the new server. Implementation of this process was one of the fastest among developing countries — and the first in Africa to be completed in a single weekend.

The centralized server will allow all border agencies to share information systematically and efficiently. ASYCUDA++ will enable Customs to more quickly process clearances and produce accurate bond balances. Bond releases could take days with the former architecture; in the new design, bonds are balanced overnight. The centralization of the ASYCUDA++ server architecture will provide immediate benefits to importers.

In Year 2, the Revenue Authority will use project assistance to refurbish areas at the Lusaka International Airport and the Port of Lusaka, consolidate the centralization of the ASYCUDA server, and upgrade to a better version of ASYCUDA. Centralization of the system will further speed up transit times by allowing bonds to clear more quickly. Ongoing troubleshooting and business process improvement will continue throughout the life of the project. Upgrading ASYCUDA will improve the efficiency of the system and provide system functionality, such as selectivity, which will allow for the integration with the other border agencies. The next version will also make the coordination with Zimbabwe customs easier because that is the version currently used there.

### *Zambia Bureau of Standards*

This is a crucial border agency, as it is responsible for import and export quality monitoring, providing pre-import and pre-export clearance, establishing metrology and testing facilities, and other standardization and certification.

Improvements to infrastructure and operations of the Zambia Bureau of Standards will help businesses by reducing time at the border and encouraging entrepreneurship and investment.

With project assistance, the bureau now has intranet and Internet capability

([www.zabs.org.zm](http://www.zabs.org.zm)), which is being tested and improved. A new software system contains workflow functionality that automates its main processes — inspections, writing standards, product certification, and metrology services. As one employee explained, this has greatly improved communication and increased the agency’s customer focus. Employees no longer have to print a copy of something and fax it or mail it. Now, customers can determine their costs quickly. The intranet allows employees to quickly access technical information needed to process documents. Employees have received training on both systems and will receive more when the final versions are delivered.

The project is also assisting the bureau in raising the standards of its inspection service and in becoming the main certifier of standards in Zambia. It will assist in preparing for ISO 9001 certification during the coming year to demonstrate that its inspection process meets international standards. Preliminary discussions have been held on developing a relationship with a third-party certification company that will allow the bureau to certify others.

The first marketing manager has created and implemented a marketing plan now under way with project assistance. Internal awareness training has been completed, and public awareness assistance will follow in the coming year.

The project is coordinating with a five-year European Union project that supports the bureau by furnishing laboratories and providing assistance in satisfying metrology requirements. The coordination benefits all stakeholders by allowing each to meet its objectives and focus on areas of primary concern.

In Year 2, streamlining and increasing the efficiency of border inspections and clearance processing will be the focus. Preparations for ISO 9001 certification and further upgrade to IT systems will also begin. To further support the re-engineering of border clearing, the project will assist the agency in implementing a workflow system

#### **Getting Comfortable with Technology**

“The project has been helpful in making us comfortable in interacting with our customers and among ourselves using modern technology...The other benefit we have gained is the documentation of our routines for border and product inspection, which we are automating, and when it is finished it will add to our ability to do things quickly and in a more efficient manner.”

— *Mataa Mukelabai,*  
ZABS Chief Executive Officer

#### **Technology Saves Time at PQPS**

##### **Internet**

Instead of traveling to Mt. Makulu for import or export permit applications, a customer will be able to download a form and send it to PQPS electronically.

##### **Intranet**

A border inspector who cannot identify a pest will be able to send a digital image of it to headquarters for identification.

for automating the inspection and standards writing processes. The bureau will also refine its comprehensive marketing plan including its branding strategy.

#### *Plant Quarantine and Phyto-sanitary Service*

The objective of the Plant Quarantine and Phyto-sanitary Service is to meet international sanitary and phyto-sanitary standards at Zambia's borders, as a way of encouraging exports and facilitating imports of agricultural products. Officials have targeted several ways to accomplish this with the aim of improving service delivery and making the services more visible and accessible.

Officials wanted to improve controls on imports at Chirundu and exports at the Lusaka International Airport and to ensure that inspectors understood exactly which pests and diseases affect leading exports. The project reviewed PQPS' management systems and proposed Zambian legislation. It then worked with the Ministry of Agriculture and Cooperatives to revise the operations manual and produce a pest risk analysis manual to give border inspectors up-to-date and clear information on which to base decisions. Once PQPS has reviewed and tested those manuals, they will be printed and distributed to all inspectors.

The project also reviewed operations at the Lusaka International Airport and Chirundu to assess progress and additional needs for protection from agricultural pests and alien invasive species. PQPS then re-engineered the inspection and permit processes and incorporated them into the integrated border process.

To be accepted internationally as an agricultural trading partner, Zambia must have current, accurate, transparent, and accessible pest lists. The project has purchased pest reference material and refurbished the resource center. These books and journals, in addition to global online databases, will allow inspectors at headquarters to assist border agents in identifying pests and protecting Zambian agriculture. The project will also assist in the purchase of pest identification equipment at the Lusaka International Airport and pilot border posts. The project also provided basic pest risk analysis training. PQPS has requested additional training and advice to help with establishment of a pest risk analysis unit.

Testing is underway on a new PQPS Web site ([www.pqpszambia.gov.zm](http://www.pqpszambia.gov.zm)) and intranet. The Web site will allow PQPS to improve service, through downloadable permit applications. Once PQPS is comfortable with managing the Web site, it will be launched. The intranet will allow inspectors at Chirundu and Lusaka International Airport to communicate electronically with headquarters and facilitate faster clearances.

#### **The Human Side of Reform**

"We have built capacity in human development on SPS (sanitary and phyto-sanitary standards). We now have confident and competent people able to make the right decisions. That is a big step forward."

— Arundel Sakala, PQPS director

PQPS received basic computer training in Year 1 and will receive additional training in Year 2 on process-specific skills, content management, and system administration.

Advanced computer training will be provided to support implementation of the new software system.

In preparation for the new, automated information system, the project installed a computer network, workstations, servers and printers at PQPS headquarters in Mt. Makulu. When the facilities are ready at Chirundu and the Lusaka International Airport, the network and hardware will be installed there to facilitate communication and border inspection processes among locations.

### *Challenges*

Government progress in improving the business enabling environment has been hampered on four fronts. First is the slow decision-making process in making the agency operational, dealing with the retrenchment issue, appointment of private sector members to the board of directors, hiring the Chief Executive Officer and initial staff, and defining the Zambia Development Agency's mission with the private sector. The latter two issues are pending.

Second, continued delays in completion of the new facilities at Chirundu threaten the ability of the project to complete testing and refinement of improved, integrated processes at that border post before the end of the project.

Third, as with the Ruling Justly partners, the key constraint to the effective use of the improved registration and border management processes is limited staff resources. All border partners will need to supplement staff at borders to accommodate expanded hours and increased traffic. Many will need specialized staff to manage their communications and IT activities.

Finally, the focus is on developing reforms in pilot, small-scope environments, such as the integrated border processes at Chirundu and the Port of Lusaka, PQPS' automated import permit processing and control systems at Chirundu and Mt. Makulu, and the Revenue Authority pilot Accredited Client Program. Each partner will have to identify other sources of support to institutionalize nationally the new systems being developed with project assistance.

## **C. LOOKING FORWARD**

In enabling the environment for business and investment, Year 2 will see wide acknowledgement of improvements in business registration and recognition of the Patents and Companies Registration Office and the Value Added Tax Division as new governance and customer service models. The Zambia Development Agency will be operational, with effective coordination with the Department of Immigration.

Under the border initiative in Year 2, government processing times will be reduced to three days or less at Chirundu and the Lusaka International Airport due to implementation of coordinated systems at the Revenue Authority, the Department of Immigration, the Bureau of Standards, PQPS, and other border agencies, and

implementation of accredited clients and risk management programs at the Revenue Authority.

Key Economic Freedom milestones for Year 2 include:

- Accredited Client Program launched – October 2007
- Zambia Development Agency up and running – December 2007
- Customer feedback systems in place at the Patents and Companies Registration Office and Chirundu – December 2007
- Customer Service Charters for the Patents and Companies Registration Office and Chirundu established – January 2008
- Coordinated border processes at Chirundu and the Lusaka International Airport fully implemented – March 2008
- Five Zambia Business Forum policy reviews completed – March 2008
- Two additional regional offices opened for the Patents and Companies Registration Office – May 2008

## SECTION III: A MODEL FOR GRZ-DONOR PARTNERSHIP

The project's success in its first year is based on several effective practices that can serve as a model for GRZ-donor partnerships. Those approaches are:

- Establishment of a Zambia-based implementation assistance unit with the authority and resources to meet the government's two-year timetable.
- The joint selection of enthusiastic partners has allowed the government to demonstrate its ability to make serious reforms in a short time frame.
- Routine oversight of working groups has permitted learning across partners.
- USAID and the project office have been able to quickly provide the government with specialized short-term expertise to design and assist in implementation of new systems.
- The identification of a reduced number of quantifiable targets has allowed the project to focus on key reforms and quickly demonstrate success.
- The pilot focus has allowed the government to stretch limited resources to cover a larger number of governmental institutions.
- USAID has worked to involve other donors and other government initiatives in the project, particularly the U.K. Department for International Development, the Private Sector Development Reform Program, and the Management Development Division. Some of those initiatives are expected to support the national rollout of project-developed systems and improvements.
- Frequent high-level meetings at each partner have kept the project fast-paced and focused.

### *Challenges*

The project also has faced challenges that may be encountered by other threshold projects, and it may be useful to elaborate briefly on them.

Given the scope of this project, combined with the relatively short time period, the pace of activities has not been consistent. The rapid pace has been a positive factor in achieving results, but activities have had to compete for frequent staff attention. This leads to a tendency to proceed quickly, and then reflect on pilot experiences, rather than taking the time to plan in detail. This has worked well for the project, but careful thought must be given to the effectiveness and sustainability of project interventions. The best partnerships have included high-level frequent meetings to assess progress, identify and solve problems, and continually refine work plans, such as at the Department of Immigration.

Government staffing limitations threaten the sustainability of the reforms implemented and certainly will make difficult their replication throughout the country. To date, senior and mid-level management have been involved in designing project assistance, and staff at all levels are involved in training, particular basic computer skills, as most government line staff have had little exposure to computers. As new systems are being implemented, agencies are confronting staff limitations, particularly in IT and communications where agencies have little or no support staff; for example, the Ministry of Lands has no one charged with communications support, much less an experienced professional. The project will work with its government partners to develop agency-specific proposals to expand and upgrade staff in the next quarter, prior to their budget submissions in October.

Cost savings can also be realized with bulk procurements, but it is difficult for so many agencies to develop their requirements simultaneously. The project has been conducting bulk equipment procurements when possible, to make the most effective use of resources.

Finally, the focus of the project is on developing reforms in pilot, small-scope environments, such as the integrated border processes at Chirundu and the Port of Lusaka, PQPS' automated import permit processing and control systems at Chirundu and Mt. Makulu, and the Revenue Authority pilot Accredited Client Program. To support replication and national-level institutionalization of the systems being developed with project assistance, each partner should, well before project conclusion, begin to identify and negotiate other sources of support that can permit better leveraging of project capabilities to support replication.



## ANNEX A

### Information Technology Improvements

| MDA  | Service/Equipment Provided   | Result/Impact  |
|--|--|--|
| <b>Patents and Companies Registration Office</b> | Servers, 33 pcs, peripherals, and LAN to HQ<br>Server, small number of pcs, peripherals, and LAN to Ndola<br>Web site<br>Work flow system  | <p>RESULT</p> <p>Tracking of records improved<br/>Reporting and performance tracking enhanced<br/>Processing of business registrations streamlined</p> <p>IMPACT</p> <p>Greater visibility in the market<br/>Better public perception<br/>Enhanced revenues</p>  |
| <b>Zambia Revenue Authority (VAT)</b>            | Web site<br>11 pcs, 3 networked printers, 11 uninterrupted power supply units  | <p>RESULT</p> <p>A central, up-to-date description of the improved VAT process</p> <p>IMPACT</p> <p>A faster and improved client service center for VAT department</p>   |
| <b>Zambia Revenue Authority (Customs)</b>        | Servers, processors, Cisco network equipment<br>V-sat equipment upgrade<br>Software licenses, support<br>Uninterrupted power supply units, generators<br>Computers<br>Chirundu 18<br>Lusaka port 10<br>LIA 20<br>Printers<br>Chirundu 10<br>Lusaka port 6<br>LIA 10<br>ZRA HQ 10<br>Laptops, document scanners | <p>RESULT</p> <p>A resilient, fault-protected implementation of ASYCUDA++ (customs transaction registration system) using new centralized architecture</p> <p>IMPACT</p> <p>Faster movement of goods into and across the country, with no delays on bond management and the possibility of exchanging information with other border management agencies, as well as banks and customs departments of other countries</p> |

| MDA  | Service/Equipment Provided  | Result/Impact   |
|--|---|---|
| <b>Plant Quarantine and Phyto-sanitary Service</b> | Server and small number of pcs to HQ, including LAN<br>LAN at Lusaka International Airport<br>Web site<br>Work flow process (under development)   | <p>RESULT</p> <p>Tracking of records improved<br/>Reporting and performance tracking enhanced<br/>Processing of plant import permits streamlined<br/>Tracking of plant inspections</p> <p>IMPACT</p> <p>Greater visibility in the market<br/>Better public perception<br/>Internal constituents empowered through computer literacy<br/>External constituents empowered through online filing</p>   |
| <b>Zambia Bureau of Standards</b>                  | Servers, 38 pcs, peripherals, and LAN to HQ<br>Web site<br>Work flow process  | <p>RESULT</p> <p>Tracking of records improved<br/>Reporting and performance tracking enhanced<br/>Processing of imports streamlined<br/>Establishment of standards streamlined<br/>Entry/exit process streamlined and modernized</p> <p>IMPACT</p> <p>Greater visibility in the market<br/>Better public perception<br/>Internal constituents empowered through computer literacy<br/>External constituents empowered through online filing</p> |
| <b>Department of Immigration</b>                   | 2 servers, 48 pcs, peripherals, and LAN to HQ – including an IT training facility (in progress)<br><br>1 server, 30 pcs to Livingstone regional office, LIA, and Victoria Falls border<br>Web site<br>Work flow process (under development) | <p>RESULT</p> <p>Tracking of records improved<br/>Reporting and performance tracking enhanced<br/>Processing of permits streamlined<br/>Entry/exit process streamlined and modernized</p> <p>IMPACT</p> <p>Greater visibility in the market<br/>Better public perception<br/>Internal constituents empowered through computer literacy<br/>External constituents empowered through online filing</p>  |
| <b>Zambia Business Forum</b>                       | Server and small number of pcs  | <p>RESULT</p> <p>Accounting system modernized</p>   |

| MDA   | Service/Equipment Provided  | Result/Impact   |
|---|---|---|
|   | Web site (in progress)<br>Accounting system   | IMPACT<br>Greater visibility in the market<br>Better public perception  |
| <b>Ministry of Lands</b>                                | Servers, 81 pcs, peripherals, and LAN to HQ (in progress)<br>Equipment provided for IT training facility<br>Specialist hardware and software (in progress)<br>Web site<br>Work flow process (under development) | RESULT<br>Provision of information on land transactions and processes and upgrades to technology and IT capacity<br><br>IMPACT<br>Greater visibility in the market<br><br>Improved public perception through IT benefits, access to information and quicker more efficient services   |
| <b>Zambia Revenue Authority (Integrity Committee)</b>   | Small number of computers   | RESULT<br>Recording and tracking ethics violations by Integrity Committee secretariat<br>Electronic dissemination of Core Values<br>Extended network of staff members aware of Integrity Committee's role<br><br>IMPACT<br>Accelerated change in organizational culture<br>Awareness of new avenue to deal with ethics and integrity issues |
| <b>Zambia Revenue Authority (Internal Affairs Unit)</b> | Small number of computers   | RESULT<br>Increases monitoring, tracking and reporting of violations<br><br>IMPACT<br>Improved perception of ZRA accountability and transparency  |
| <b>Zambia Development Agency</b>                        | LAN<br>Servers, 85 pcs, and peripheral equipment (in progress)<br>Web site (in progress)  | RESULT<br>An IT network capable of handling internal and external communication needs<br><br>IMPACT<br>Improved internal and external communication at the ZDA  |

| MDA                               | Service/Equipment Provided   | Result/Impact   |
|-----------------------------------|--|---|
| <b>Anti-Corruption Commission</b> | Servers, 20 pcs, and peripheral equipment<br>Web site development (in progress)<br>Work flow process development (in progress) | <p>RESULT<br/>Improved communications with partners involved in integrity initiative<br/>Access to electronic versions of anti-corruption learning materials</p> <p>IMPACT<br/>Accelerated development of knowledge and skills of ACC desk officers, the primary link to partner organizations</p> <p>Attendance at training sessions and meetings improved</p> |
| <b>Program Coordination Unit</b>  | Web site   | <p>RESULT<br/>An up-to-date description of the PCU and improved PSD M&amp;E functionality</p> <p>IMPACT<br/>Greater visibility in the market and improvement in the monitoring and evaluation of the PSD program</p>  |

## ANNEX B

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### Strategic Activities Fund Summary

The Zambia Threshold Project Strategic Activities Fund supported partners through a variety of mechanisms (commodity procurements, subcontracts, grants, training events, and other conferences). The formal transfer of project-procured equipment to government partners is expected to occur before December 31, 2007, following USAID's acceptance of the respective equipment transfer plans. Of the budgeted \$7,719,000, in Year 1, \$4,088,831 was invoiced; consequently the remaining budget, including activities underway, is \$3,630,169. Following is a summary of those Year 1 activities.

|   |                  |
|---|------------------|
| <b>Anti-Corruption Commission Activities</b>  | <b>\$60,708</b>  |
| • Participation of two officers in ethics conference in London  |                  |
| • Three-day workshop for board of directors   |                  |
| • Launch of ACC Code of Ethics and prosecution and investigation manuals  |                  |
| • Development and delivery of training module on Code of Ethics   |                  |
| • Sponsorship of U.N. Anti-Corruption Day activities  |                  |
| • Sponsorship of ACC representatives to conduct provincial tours to meet with regional managers and government and civil society stakeholders |                  |
| • Support to ACC's official launch and swearing-in of the Integrity Committee   |                  |
| • Provincial tours — Eastern Province   |                  |
| • Code of Ethics dissemination  |                  |
| <b>Department of Immigration Activities</b>   | <b>\$342,748</b> |
| • Procurement of equipment to integrate new IT system   |                  |
| • Refurbishment of room to serve as a training room   |                  |
| • Workshop to present findings and recommendations of business process analysis   |                  |
| • Business process analysis follow-up workshop  |                  |
| • Microsoft Office and anti-virus software  |                  |
| • Networking and materials  |                  |
| • Movable filing cabinets   |                  |
| • HQ networking and materials for Livingstone   |                  |
| • Shipping containers   |                  |
| • Creating Customer Service Center  |                  |
| <b>Integrity Committees</b>   | <b>\$16,206</b>  |
| • Furnishing Integrity Committee secretariat  |                  |
| • Skills training for Integrity Committee members   |                  |
| • Planning meetings   |                  |

|   |                    |
|---|--------------------|
| <b>Ministry of Lands Activities</b>   | <b>\$572,757</b>   |
| • Assistance with development of Year 2 work plan (International Land Systems Inc. subcontract)                               |                    |
| • Assistance with implementation of business process analysis and re-engineering activities (ILS subcontract)                 |                    |
| • Implementation of integrated improved land allocation and transaction process and new land administration application (IQS) |                    |
| • Refurbishment of training/conference room   |                    |
| • IT procurement  |                    |
| • IT cabling  |                    |
| <b>Patents and Companies Registration Office Activities</b>   | <b>\$446,976</b>   |
| • IT assessment and systems specification for PACRO (Alfa XP subcontract)   |                    |
| • Refurbishment and procurement of office and computer equipment for PACRO Lusaka   |                    |
| • Support of PACRO (Alfa XP fixed-price subcontract)  |                    |
| • HQ and regional office procurements — additional equipment and furniture  |                    |
| • Regional office procurement, renovation, and furnishing (Ndola, Livingstone, and Chipata)                                   |                    |
| <b>Plant Quarantine and Phyto-sanitary Service Activities</b>   | <b>\$37,019</b>    |
| • Reference materials   |                    |
| • Networking and materials  |                    |
| • Refurbishing and furnishing training/conference room  |                    |
| <b>Zambia Bureau of Standards Activities</b>  | <b>\$61,577</b>    |
| • HQ networking   |                    |
| • Marketing workshop  |                    |
| <b>Zambia Business Forum Activities</b>   | <b>\$160,608</b>   |
| • Financial management software   |                    |
| • ZBF grant   |                    |
| • ZBF renovations   |                    |
| <b>Zambia Development Agency Activities</b>   | <b>\$43,360</b>    |
| • Support in conducting accounting reports on the five institutions transitioning into ZDA (Grant Thornton subcontract)       |                    |
| • IT assessment   |                    |
| • ZDA legal opinion   |                    |
| • IT cabling  |                    |
| <b>Zambia Revenue Authority Activities</b>  | <b>\$1,159,273</b> |
| • Time release study  |                    |
| • Workshop for IT and Customs Division representatives  |                    |
| • Assistance in conducting a workshop to review and update Code of Ethics   |                    |
| • Procurement of IT and other equipment for the centralization project  |                    |
| • Furniture and renovations for Advice Center   |                    |
| <b>Cross-Cutting Activities</b>   | <b>\$1,187,599</b> |
| • Workshop for Customs Project Implementation Response Group and BMTF   |                    |

|  |
|--|
| • Three information/feedback workshops with BMTF                           |
| • IT procurement for GRZ partner agencies (ACC, DOI, MOL, ZRA, ZABS, PQPS) |
| • Baseline survey (Steadman subcontract )                                  |
| • ZTP training plan for target agencies                                    |
| • Hosting and testing e-government support servers                         |
| • Pact Zambia – Promotion of GRZ's reform objectives                       |
| • Field vision – local media promotions                                    |
| • Transparency International Zambia  |
| • Extension leads for 140 computers  |
| • Literature stands  |
| • Additional HQ renovations  |
| • Private Sector Development working group workshops                       |
| • Promotion of GRZ reform objectives (Panos Southern Africa subcontract)   |



## **ANNEX C**

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### Success Stories



## SUCCESS STORY

# Opening the Door for Zambian Business

### Streamlining business registration in Zambia boosts economic activity and transparency.



A PACRO Case officer (left) helps a customer register his business at the new automated Customer Service Center

PHOTO: BARBARA ZADINA

*“I fully expected the registration process to take me many days. I am surprised at how simple the registration has been and how soon I can start operating my new business.”*

**Prosper Chanda, Katetebo Enterprises**

U.S. Agency for International Development  
[www.usaid.gov](http://www.usaid.gov)

After three years working for an employer, Prosper Chanda, a Zambian entrepreneur in Lusaka, wanted to open his own sign company but wasn't sure how to register his business. He had heard the registration process could be long, expensive, and frustrating. Many entrepreneurs faced similar challenges and although all businesses are legally required to register in Zambia, many have not. The time and cost of registering a business in Zambia—up to 11 days according to World Bank estimates—has dissuaded many.

Recognizing this problem, the Patents and Companies Registration Office (PACRO) committed to streamlining the business registration and annual update process. Now, things are different. Zambian business owners can register a new business or file annual registration updates in a single day at a new, fully-automated Customer Service Center in Lusaka. The new facility was built with assistance from USAID as part of the Millennium Challenge Account (MCA) Zambia Threshold Project and was officially opened by the acting Minister for Commerce, the Honorable Felix Mutati, and U.S. Ambassador Carmen Martinez in November 2006.

The transparent and automated process put into place also reduces opportunities for corruption, with government fees clearly posted for each transaction. The new process is removing the dependence on middle-men who often charged high sums from customers to navigate and expedite the old process. As a result of the new process, the numbers of companies being registered in Zambia monthly has increased by 100%. USAID and MCA will help PACRO open satellite offices in three locations outside Lusaka in 2007.

At the new Customer Service Center, it took less than a day for Prosper to register his new company, Katetebo Enterprises; he also received clear and simple guidance on how to keep his registration current through annual updates. As a registered business owner he now has access to loans and business development services. By helping improve the efficiency and transparency of government services to business in Zambia, USAID is providing incentives to entrepreneurs like Prosper to legalize the status of their businesses through registration and join the growing ranks of Zambia's formal business sector.



## SUCCESS STORY

# Saving Businesses Time and Money

**Registering for VAT in Lusaka is now quicker, easier, and more transparent.**



*George Mulenga, outside the agricultural supply company that he recently registered for VAT in Lusaka.*

PHOTO: JENIFER OTWELL

***“Previously it would have taken longer. They are quite efficient now,” Mr. Mulenga said. “We were happy to see that the period had been reduced, and that we saw it in practice.”***

***George Mulenga, Green 2000***

U.S. Agency for International Development  
[www.usaid.gov](http://www.usaid.gov)

A year ago, someone who wanted to register a business for value added tax (VAT) would enter the Zambia Revenue Authority (ZRA) building with little idea of where to go, what documents were needed, how much it would cost, or how long it would take. Registration generally required several trips, and would be conducted behind a closed office door.

George Mulenga, business development manager for Green 2000 Ltd., wanted to register the Lusaka company for VAT in June. He had registered companies before, so was familiar with the many steps needed to complete the process. Most of the equipment the new company sells is imported, so VAT registration was critical.

“Most businesses want to deal with VAT-registered companies so that they can make a VAT claim,” he said. But delays in registering can cost a company sales.

ZRA, with assistance from USAID as part of the Millennium Challenge Account Zambia Threshold Project, has worked to streamline the registration process, centralize functions, provide a VAT checklist at a refurbished Customer Service Center, and create an adjacent help desk.

Now, the Customer Service Center at the entrance provides clearly stated guidelines, including which documents are needed, the cost, and the length of time the process will take. On average, registration in Lusaka took 21 days a year ago. Now it takes three days — sometimes less.

On arriving at ZRA in June, Mr. Mulenga picked up a checklist at the information desk, and returned in a couple of days with the correct papers. The registration was completed two days later. The new system is an example of how the Zambian government is working to fight corruption in its activities and make it easier to do business in Zambia. The annual savings to business from the streamlined VAT registration process is estimated at \$17.5 million.