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# **First Quarter Report 2006: July-September**

**Submitted by:  
Zambia Threshold Project**

**Submitted to:  
Zambia Threshold Project Steering Committee**

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# Zambia Threshold Project

## Quarterly Report: July-September 2006

### Project Summary

The Zambia Threshold Project<sup>1</sup> (ZTP) is a US\$22.7 million agreement between the Government of the Republic of Zambia (GRZ) and USAID, on behalf of the Millennium Challenge Corporation, to assist Zambia in rapidly reducing administrative corruption and improving the effectiveness of selected GRZ institutions with the active involvement of selected civil society organizations in a 24-month period, commencing July 2006. The Zambia Threshold Project has two components.

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

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

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

Delivery of these results will help Zambia accede to Compact status with the MCC and thus make Zambia eligible for large-scale financial aid from the Millennium Challenge Account.

### Executive Summary and Quarterly Highlights

As detailed in the work plan for the Zambia Threshold Project, the first quarter (July-September 2006) comprised work plan development, including extensive review by partner organizations, and selected institutional assessments during September, the month of Presidential,

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

parliamentary, and local elections. The work plan represents a commitment by the GRZ partners to rapidly design and implement key reforms with project assistance.

Assistance under component one, focused on ruling justly and corruption prevention, produced the following significant achievements:

- More detailed institution-specific work plans in development at all four GRZ agencies (ACC, MOL, Immigration Department, and ZRA)
- Establishment of integrity committees and their preparation of draft work plans
- Initiation of business process mapping in the Ministry of Lands by Management Development Division (MDD) of the Cabinet Office
- Coordination of support plans to Immigration Department with PSD Working Group on Immigration
- Initial assessments of communications capacities in Immigration Department
- Agreement on initial support for Transparency International Zambia and the Zambia Business Forum

Assistance under component two, focused on economic freedom, led to significant advances in business process redesign of the business registration processes at PACRO, including design and refurbishment of a new customer service area at its Lusaka office. The Border Management Task Force has been established with three organizations assigning full-time members: ZRA, MACO-PQPS, and ZABS. Several consultancies have been undertaken to support the GRZ mandate to have the Zambia Development Agency (ZDA) up and running by January 2007, but their implementation has been delayed by GRZ preference to first resolve the retrenchment challenge.

The Zambia Threshold Project Working Groups met once this quarter to review and approve the project work plan. Projected meetings for September were postponed due to the elections.

Organizationally, staff was immediately mobilized after contract signing to help GRZ agencies formulate their work plans in July. In the months of August and September, project offices were furnished, vehicles purchased, LAN installed, a project domain ([zambiathreshold.org](http://zambiathreshold.org)) acquired, and additional local and expatriate staff were identified. A Performance Management Plan was drafted and is in review with GRZ partners. A project communications strategy was also prepared and approved by USAID. Although the exact date of the launch has not been defined, it will be held in the next quarter and event planning for the launch has commenced. Finally, Panos was invited to present a proposal to develop and disseminate radio and television promotional materials in support of GRZ partners and the Zambia Threshold Project itself.

In summary, despite a more prolonged process for work plan review and approval and the tripartite elections, implementation is on track and gaining momentum for aggressive implementation under both components in the next quarter. Following are the two principal recommendations to improve performance of the Zambia Threshold Project:

- Project staff need to more systematically and continuously engage senior staff in the implementing agencies to assist in work plan implementation, and
- All GRZ partners need to commit to the implementation schedule established in the work plan, e.g., ZDA.

## I. Quarterly Report

This report presents the activities, constraints, and accomplishments of the Zambia Threshold Project<sup>2</sup> during period of July 6 through September 30, 2006, the first quarter of its implementation. It also briefly summarizes expected accomplishments for the next quarter, the period October 1 through December 31, 2006. The report is prepared in four parts: executive summary; two sections describing the activities, accomplishments, and future projections for components one and two; and a final section summarizing institutional and cross-cutting initiatives to increase the capacity of the project to support implementation by its GRZ partners.

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

#### A1. Objectives

The objective of component one (Project Intermediate Result – PIR 1) is *Greater transparency promoted and opportunities for corruption reduced*. The GRZ will utilize the assistance of the Zambia Threshold Project to improve the ACC's capacity to support corruption-prevention strategies nationally; coordinate corruption prevention practices at the ministry, department and agency (MDA) level; and roll out and strengthen integrity committees to pilot MDAs.



GRZ component one activities are grouped into two Key Results Areas (KRAs). KRA 1.1 is designed to build capacity of the ACC to reduce corruption by implementing pilot corruption prevention activities at GRZ agencies. KRA 1.2 focuses on reducing opportunities for corruption at four targeted institutions: the Ministry of Lands, the Immigration Department, the Zambia Revenue Authority, and the Anti-Corruption Commission. Reducing opportunities for corruption requires streamlining administrative processes as well as institutionalizing internal integrity, corruption prevention, and monitoring functions within these four MDAs. Additionally, facilitating public awareness and assertiveness in identifying and in holding government agencies accountable is equally critical. All are key components of the GRZ's National Corruption Prevention Plan (NCP) currently in review, pending cabinet approval, which is expected next quarter.

In addition to the NCP, the Zambia Threshold Project will also collaborate with the GRZ's Public Sector Reform Program focused on assistance at the ministry, department, and agency

<sup>2</sup> Following project naming guidelines of the Millennium Challenge Corporation the project with henceforth be referred to in project official documents as the Zambia Threshold Project.

level. The initial nexus of the project's reform efforts is the strengthening of newly established integrity committees in the Ministry of Lands (MOL), Immigration Department, and the Zambia Revenue Authority (ZRA) as well as the ACC itself. The Zambia Threshold Project will assist the ACC in developing the capacity within the integrity committees to lead internal policy and process reviews to streamline service to clients, promote ethical operating practices, and execute public education efforts. And the project will support the ACC celebrate the United Nation's Anti-Corruption Day in December.

Finally, the Zambia Threshold Project will facilitate and nurture the participation of Transparency International Zambia (TI-Z) and the Zambia Business Forum (ZBF). The former will lead public opinion baseline, mid-term, and final assessments; TI-Z will also act as technical advisors in media training on corruption reporting and the scope of the Zambia Threshold Project and in the development of media kits on corruption. Additionally TI-Z will establish its own hotline and work with the three pilot MDAs to ensure that citizen complaints are recorded and acted upon. TI-Z will also be involved in efforts to communicate to citizens/customers how to use services and how to report corruption.

The Zambia Business Forum will take the lead in channeling private sector input in the design of individually tailored reforms and in assessing the effectiveness of reforms in GRZ partners in both components.

## A2. Activities and Accomplishments for July-September (Q1)

**Table 1. Summary of Q1 Activities and Results for Component One (Ruling Justly)**

Organization	Activities	Results & Status
All partners (ACC, MOL, ID, ZRA, TI-Z, and ZBF)	Work plans with Year 1 milestones finalized	All work plans were developed using a participatory process, led by subject matter specialists
ACC	Train and organize integrity committees (ICs) in 3 ZTP pilot organizations and 4 other organizations	Accomplished in late July*
	ICs present draft work plans	Only ZRA finished its draft work plan*
	Review and improvement of IC work plans	To begin in October; delayed due to DPCE involvement in elections
	Assessments of ACC communications capacities and programs	To begin in October
Immigration Department	Coordination with PSD Working Group and MDD on immigration	The Zambia Threshold Project has been charged with leading PSD support to the Immigration Department; initial meeting was held with MDD; more precise coordination will be defined in October
Ministry of Lands	Business process mapping	Initiated with MDD assistance, more in depth assessments to be undertaken with Project support in next quarter
ZRA	IT needs assessment	Initiated in September

\* Without assistance from the Zambia Threshold Project

### *KRA 1.1 Building ACC capacity to reduce and prevent corruption*

After the conclusion of the review and approval of the work plan, the ACC's Department of Corruption Prevention and Community Education was fully involved in the preparations for the tripartite elections. It established its own integrity committee as well as internal support groups for the integrity committees in each pilot agency (as well as four other agencies not supported by the Zambia Threshold Project). The project met in late September with the ACC Management Committee and a meeting with the Board of Directors has been planned for early October; the ACC expects the president to fill the two board vacancies in November. Project staff members have met several times with the ACC's other major donor, DfID, and will continue to coordinate closely. The principal constraint to ACC capacity building is the limited size of the ACC's Department of Corruption Prevention and Community Education, which is already stretched with its current responsibilities; the DfID assessment of opportunities for internal reassignment of staff will not be completed until early 2007. The Director General has indicated that seven graduates from the next graduating class of Anti-Corruption Officers will be assigned to the Department of Prevention of Corruption and Education in October. Most importantly, both the Zambia Threshold Project and the ACC have committed themselves to having the ACC IC Desk Officers coordinate all support to the integrity committees, including project support. Importantly, an overwhelmed DPCE could slow work plan implementation.

#### *KRA 1.2 Reducing opportunities for corruption at four targeted Institutions*

In this quarter, integrity committees independently presented draft work plans and budgets. The IC in the ZRA presented its work plan to Zambia Threshold Project; the ACC will be working with the project to assist MOL and the Immigration Department in finalizing their work plans.

**Ministry of Lands.** Assistance to the Ministry of Lands will encompass business process re-engineering of both lands transactions and land allocations processes. It will also include improvements to the Lands Information Management System software and hardware, refurbishment of its customer service areas in Lusaka, and development of a Web site. In September, the Management Development Division (MDD) of the Cabinet Office completed and shared an initial business process mapping exercise, involving extensive staff consultations and workshops. Project staff reviewed and expanded the work plan with PS of MOL and her senior staff. The integrity committee was established and is developing its draft work plan.

**Immigration Department.** The Immigration Department in general will undertake extensive corruption prevention activities under the auspices of its integrity committee, the Zambia Threshold Project and the DfID-supported MDD. It will also improve its systems to issue tourist and work-related visas as well as to process entry and exit at targeted borders. In this quarter, staff from the Zambia Threshold Project met jointly with the PSD Immigration Working Group and senior staff of the Immigration Department to establish coordination mechanisms and to essentially charge the project with supporting major components of the work plan for the PSD Immigration Working Group, including expanding assessments and implementation of border immigration control systems to other borders beyond Chirundu and Lusaka International Airport (LIA). The number of borders and timing of the implementation and rollout of those pilot systems will be established in this next quarter. With assistance from the Zambia Threshold Project, the Immigration Department will improve its Web site and undertake both internal and external communications programs

In this quarter an initial assessment was made of the LIA passenger control information management system. The Immigration Department requested a specialist in modernization of immigration systems, which the project has recruiting; he will arrive in November.

**Zambia Revenue Authority.** The ZRA, with assistance from the Zambia Threshold Project, will review its customer service systems to identify and reduce corruption vulnerabilities. This will include development of a code of ethics, an internal and external communications program, and formulation and dissemination of citizen's charters. Under component two (described below), it will engage in the integration of border operations, initially at Chirundu. Further, with assistance from the Zambia Threshold Project, it will strengthen its Internal Affairs Unit as well as its management information system and improve its Web site, data exchange, and communications capabilities with other GRZ agencies.

In this quarter, under component one, initial assessments were made of its IT infrastructure. Its integrity committee submitted a draft work plan and budget for ACC- ZTP review.

**Transparency International – Zambia (TI-Z).** TI-Z has been selected to provide technical assistance in mobilizing and responding to citizen concerns. In this quarter, TI-Z accepted USAID's invitation to participate as a partner in the baseline assessment with the intention that it will implement the mid-term and final assessments of citizen perceptions. It was also agreed that the Zambia Threshold Project would second a project coordinator and hotline manager to TI-Z.

**Zambia Business Forum (ZBF).** ZBF will be strengthened to channel private sector input into the improvement of key customer services processes that affect time and costs for business of accessing government services. ZBF will also provide timely and quality feedback to GRZ implementing partners on the effectiveness of enacted process and regulatory reforms. To fulfill these responsibilities, the Zambia Threshold Project will provide technical assistance to improve ZBF financial management systems, and for a short period, until multidonor basket funding comes on line, may second an accountant. The Zambia Threshold Project will also second to the Zambia Business Forum a policy analyst and, pending USAID approval, a communications specialist. ZBF will also be invited to present a grant proposal (work plan and budget) to provide non-personnel support for its participation in the implementation of the Zambia Threshold Project

In this quarter, the Zambia Threshold Project undertook an IT needs assessment, identifying requirements to upgrade computers and management systems. It also began to coordinate implementation of a stakeholders' workshop to finalize the sustainability plan for the ZBF and its member associations, with the expectation that this workshop would also provide stakeholder guidance on structuring and planning ZBF support to the Zambia Threshold Project. The Zambia Business Forum ultimately chose to undertake the implementation of the workshop without financial and technical support from the Zambia Threshold Project. Until the ZBF has a clear plan, as well as the resources, to participate in the implementation of the Zambia Threshold Project, as well as a defined long-term executive, the quality of its participation is not likely to meet expectations.

### **A3. Expected Results for Next Quarter (October-December 2006)**

#### *KRA 1.1 ACC capacity Building*

The ACC, the Zambia Threshold Project, MDD, and DfID will cooperate eagerly in undertaking capacity building initiatives designed to strengthen the pilot ICs and permit expanding IC development beyond the three ZTP pilot agencies. The most important activities planned for the next quarter include the following:

- Training needs assessment to support ACC's internal units capacity to supervise business process reengineering will be initiated
- Capacity building program for ACC Board of Commissioners to be formulated and initiated
- PMP review concluded and internal monitoring of Zambia Threshold Project begins
- IT needs assessments concluded and procurement plans formulated
- Internal communications program initiated to sensitize ACC staff to objectives and mechanisms of the Zambia Threshold Project as well as roles and responsibilities vis-à-vis integrity committees
- External communications program initiated, including support of UN AntiCorruption Day
- ACC hotline assessment and improvement plan initiated
- Initial citizen's charter for at least one customer service process formalized

#### *KRA 1.2 Reducing opportunities for corruption at 3 targeted institutions*

In the next quarter, the Zambia Threshold Project will work closely with the ACC in reviewing integrity committee work plans and in providing non-personnel resources to support work plan implementation. The project, depending on ACC work plans, may also support a workshop among all integrity committees to share experiences and accelerate the learning curve. In the next quarter, the ICs are expected to begin development of codes of ethics; supervise and assess initial business process mapping and recommendations for improvement; and where improvements in key customer service processes are implemented, draft, promote, and disseminate citizen's charters that establish minimum standards of service. ICs will also participate in internal communication campaigns to broaden knowledge and commitment to GRZ corruption prevention and service improvement objectives as well as to the importance of the Zambia Threshold Project.

The principal results planned for next quarter, common to all three pilot agencies, include:

- Work plans refined and budgets approved (with internal and potentially ZTP funding) for integrity committees at Immigration Department, Ministry of Lands, ZRA, and ACC
- Codes of ethics developed and adopted at two organizations (ZRA already has one)
- Business process reengineering of initial key customer service processes concluded
- Training and staffing needs assessment to support business process reengineering initiated
- PMP review concluded and internal monitoring of Zambia Threshold Project begins
- IT needs assessments concluded and procurement plans formulated

- Internal communications program initiated to sensitize staff to objectives and mechanisms of the Zambia Threshold Project as well as roles and responsibilities vis-à-vis integrity committees
- External communications program initiated
- Initial citizen's charter for at least one customer service process formalized in each pilot agency
- Customer hotline/complaint mechanisms established
- Regulatory reform will be initiated
- Supplementary budget requirements defined and presented to GRZ
- Corruption perception and prevalence baseline finalized for three pilot agencies

#### **A4. Individually Tailored Reforms**

In addition to the above areas of support common to the three pilot agencies, those three agencies, Transparency International- Zambia, and the Zambia Business Forum will each undertake individually tailored reforms, described in the following paragraphs.

**Ministry of Lands.** International lands consultant Noel Taylor, arriving in mid-October, will further the business process analysis and reengineering begun by the MDD and will encompass both lands allocations and lands transactions. Training and international exposure activity in 2007 will follow completion of the BPA-BPR activity to ensure that training corresponds closely with new system requirements.

**Immigration Department.** The Immigration Department will lead mapping and reengineering of the process for issuing work permits. Development of a new electronic information management system for issuance of visas and control of entry and exit of residents and foreigners will commence for pilot testing in early 2007 in at least one border, probably Livingstone.

**Zambia Revenue Authority.** Under component one, work plans for the IC and for strengthening the Internal Affairs Unit will be finalized and implementation will commence.

**Transparency International – Zambia (TI-Z).** TI-Z will participate in implementation and conclusion of baseline assessment of citizen and customer perceptions. A project coordinator will be seconded to TI-Z by ZTP. TI-Z will form a partnership with the ACC and the three pilot agencies to strengthen mechanisms for receiving and acting on citizen complaints. A support grant covering non-personnel costs will be finalized and disbursements begun in November. The Zambia Threshold Project will help TI-Z undertake a communication campaign to publicize its role in the project.

**Zambia Business Forum (ZBF).** Projected staff will be identified and seconded to the ZBF (policy analyst and possible an accountant). A ZBF work plan in support of the implementation of the Zambia Threshold Project will be formulated and implementation commence. The Zambia Threshold Project will help the ZBF undertake a communication campaign to publicize its role in the Zambia Threshold Project.

## A5. Summary Milestones for Next Quarter

- Integrity committees' work plans and budgets approved — October 2006
- Communications program communicating GRZ receptiveness to complaints and recommended improvements launched — October 2006
- PMP revised and adopted by participating agencies — October 2006
- Codes of ethics adopted in the ACC and three project partners — November 2006
- Corruption reporting mechanisms established and publicized at the three pilot institutions — December 2006
- Initial regulatory and service process review completed on priority processes (immigrant permitting, registry of land transactions, and business registration) with streamlining improvements recommended — December 2006
- Corruption media kits developed and disseminated to journalists — December 2006
- Citizen perception baseline completed — December 2006

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

### B1. Objectives

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

Business expansion and investment promotion will come from four parallel initiatives: 1) improved efficiencies in business registration at PACRO and at ZRA-VAT Registry; 2) improved efficiencies in the processing of self-employment and work permits; 3) implementation of an effective Zambia Development Agency; and 4) implementation of an M&E system to support the Private Sector Development (PSD) program.

Enhanced border management efficiency will result from integrated border operations arising from business process reengineering and improved facilities to be piloted at the Chirundu border. It will also come from more extensive individually tailored reform involving the Zambia Bureau of Standards, the Plant Quarantine and Phytosanitary Service of the Ministry of Agriculture and Cooperatives, and the Zambia Revenue Authority-Customs. A key mechanism to be used to undertake assessments and identify integration mechanisms is the formation of a Border Management Task Force, comprised of full-time senior and mid-level managers representing all border agencies. A second mechanism is the development of a comprehensive integrated tariff information system (CITS) to facilitate border processing of imports and exports.

### B2. Activities and Accomplishments for July-September (Q1)

**Table 2. Summary of Q1 Activities and Results for Component Two (Economic Freedom)**

Organization	Activities	Results & Status
All partners (ZRA, ZABS, ZDA precursor agencies, PQPS, and	Work plans with Year 1 milestones finalized	All work plans were developed using a participatory process, led by subject matter specialists

Organization	Activities	Results & Status
ZBF)		
PACRO	Business process reengineering	Concluded, including design and installation of beta version of new management information software to track and process company registration
	Refurbishment of customer service area in Lusaka	Initiated
ZRA – VAT	VAT registry process mapping	Initiated
ZDA	Formulation of 2007 budget	Initiated then suspended*
	Organization strategic planning	Initiated then suspended*
ZRA - Customs	IT needs assessment	Initiated
ZABS	Stakeholder needs assessment	Held in July
	IT needs assessment	Initiated
PQPS	Procurement of reference materials	Recommended reference materials proposed to PQPS, awaiting decision
BMTF	Organized	3 ZTP partners have designated representatives, process analyses have begun

\* At the request of the PS at MCTI

### *KRA 2.1 Investment and business expansion promoted*

**Patents and Company Registration Office (PACRO).** PACRO's objectives under the Zambia Threshold Project are to modernize its company registration process, reducing average time to register a business from nine days, as reported by the World Bank, to less than five days. It will also establish three pilot provincial offices to expand the coverage of registered businesses and process registration applications at less cost to business owners.



PACRO's implementation of its activities with project assistance is progressing ahead of schedule. Alfa XP, a subcontractor under the Zambia

Threshold Project, worked with PACRO staff at all levels from August 21 to September 9. During that period they: 1) conducted the baseline assessment of the time to register a business; 2) utilized participatory methodologies to complete a comprehensive business process analysis; 3) mapped business processes alongside relevant regulations; 4) conducted a feasibility study on the implementation of internet-based PACRO services; and 5) investigated with the Bank of Zambia the challenges in the establishment of online payment for fees as well as services for credit processing.

As a result of those advances in reengineering the business registration processes in Lusaka, computer equipment, including peripherals and accessories, have been purchased, and the refurbishment of the new customer service area has begun. The Zambia Threshold Project is providing an initial subsidy for high-speed Internet service. The inauguration of the new Lusaka customer service area will be a principal event in the launch of the Zambia Threshold Project in the next quarter.

**ZRA – VAT.** A preliminary mapping of the VAT registration process was conducted.

**Zambia Development Agency.** Assistance from the Zambia Threshold Project can be divided into two phases. An initial phase covering the second semester of 2006 will help the GRZ get the ZDA started. In the following 18 months, the Zambia Threshold Project will help ZDA senior management and staff member improve systems designed to promote investment and exports.

Just prior to initiation of the Zambia Threshold Project, the law forming the ZDA was approved by Parliament and the President. It calls for an almost complete fusing of the five precursor agencies and does not provide any solution for the retrenchment needs arising from the liquidation of the precursor agencies. The MCC earlier had communicated that it would not pay retrenchment costs, estimated at US\$ 4 million. The law states that the precursor agencies exist now only for the purposes of winding down, although renewal of employment contracts has not been prohibited; it provides no deadline for liquidation of the 5 institutions. The ZDA, while a legal entity, has no staff, offices, or board of directors. In response to the challenge to effect this amalgamation, the Ministry of Commerce, Trade, and Industry formed a ZDA working group comprised of the heads and senior staff of the five precursor agencies. This group has developed an organization proposal which essentially melds the five precursor agencies into five departments with three support departments. In this first quarter, the Zambia Threshold Project has attempted to provide the assistance requested by the ZDA working group in the project's work plan. That assistance included: 1) an audit to determine pending liabilities and to inventory fixed assets to be transferred to the ZDA; 2) strategic planning assistance; 3) a quantification of retrenchment costs; 4) a preliminary budget for 2007 to be submitted to the GRZ; and 5) an IT equipment needs assessment for new ZDA offices.

The project contracted Grant Thornton International, an internationally recognized accounting firm, on September 18, 2006 to prepare a Statement of Account (of assets and liabilities, excluding retrenchment costs) for each of the five organizations and an independent quantification of the estimated retrenchment costs. Grant Thornton was not permitted access to the information they required so the obligation audits have not been completed. The Permanent Secretary (PS) of the Ministry of Commerce, Trade and Industry has indicated that he would prefer that the donors and the GRZ determine who will pay the retrenchment obligation before support from the Zambia Threshold Project for ZDA establishment continues. While the project assistance work plan has already been approved by the MCTI, the Investment and Business Working Group and the Zambia Threshold Project Steering Committee, the PS has indicated that all project activities regarding ZDA should again be approved by his office before technical assistance is mobilized. In response, the heads of the five precursor agencies will not proceed on any project activities without approval of the PS. This has essentially slowed the ZDA activities to a standstill.

Similarly, on September 11, the project contracted Rocky Sombe, a local budget consultant, for a 30-day assignment to assist ZDA in developing a preliminary 2007 operating budget before the September 30 deadline. Mr. Sombe tried unsuccessfully to organize a budget meeting with the agency heads and their CFOs. On September 28, Mr. Sombe agreed to suspend his contract until the ZDA activities resume with the renewed approval of the PS.

To facilitate strategic planning prior to definition of organization structure, the project brought John Magill of Enterprise Ireland to work with ZDA agency heads from September 4-16 to assist ZDA in developing a vision, mission, and operational strategy. The agency heads did not have the required time to fully use Mr. Magill as a resource, and they provided minimal input in the development of the strategy. In his final debrief meeting he described the challenges of investment promotion and provided insights into the strategy evolution of Enterprise Ireland that has made it a premier investment promotion agency. He offered suggestions of potential missions and organizational structures for ZDA. He concluded by exhorting the four agency heads attending to start, as mistakes were best seen as opportunities for learning. The agency heads are waiting for the PS and/or the board of directors to develop the ZDA strategy.

The IT equipment needs assessment, the development of a communications strategy, and the development of a ZDA Web site were not begun given the need for PS approval. The objective of getting the ZDA up and running in 2006 is far behind schedule.

**PCU.** The Zambia Threshold Project will assist the Program Coordinating Unit of the Private Sector Development Program to develop and implement its monitoring and evaluation system. In this quarter, a stakeholder M&E needs assessment was begun with visits to the immigration and public private partnerships working groups as well as the PCU itself. Alfa XP was charged with developing the required software including development of the PCU Web site.

### *KRA 2.2 Border management efficiency increased*

**Border Management Task Force (BMTF).** Integration of border operations into a one-stop shop will require systematic analysis and pilot testing by a coherent team representing all border agencies; this is the BMTF. Ten agencies have been identified to assign full-time representatives to the BMTF for at least 18 months. Their salaries will be paid by their home agencies; they will be housed in a special office facility being rented near the offices of the Zambia Threshold Project. The project will provide them with computers and other office equipment and supplies as well as transportation for visits to participating agencies and border installations, paying per diem and accommodations using the same uniform rates applicable for all staff of the Zambia Threshold Project.

Memoranda of Understanding (MOUs), as projected in the work plans, with these 10 agencies now seem unnecessary. The Secretary of the Treasury, through the Project Steering Committee, will make a request directly to the ZTP agency heads to second a representative to the Border Management Task Force. To date three agencies have assigned members to the BMTF: ZRA, PQPS, and ZABS. The priority agencies are customs, agriculture, standards and immigration because they will generate and share the most amounts of data for each border transaction. The Zambia Threshold Project has assigned one full-time international specialist, Sergio Riveros, to guide the activities of the BMTF. Two additional long-term international specialists, a risk

management specialist and an IT specialist, will be arriving in the next quarter. The BMTF has already begun the business process review at the key agencies.

One important contribution to border integration will be the development of a comprehensive integrated tariff information system. To enable its development and promote its use, the Zambia Threshold Project has recruited as its principal GRZ champion the Commissioner of Customs, Kingsley Chanda.

**ZRA – Customs.** The Zambia Threshold Project will assist ZRA Customs in upgrading its current information system and integrating it with the other border management agencies so that information about border transactions (goods or people crossing the border) can be shared among agencies. This upgrade will also assist Zambia in the move toward a Southern Africa regional window to border management.

**ZABS.** The Zambia Threshold Project will assist ZABS review its Import Quality Measuring System (IQMS) inspection process and develop and implement a plan for cost/program reduction if needed. It will support linking the ZABS management systems with pilot border sites, in particular Chirundu; this will include hardware procurement, software improvement, and networking installations (with an initial subsidy for high-speed Internet service). ZABS, with its own resources, will hire both an IT specialist and marketing manager; the Zambia Threshold Project will provide assistance in developing the scope of work and recruitment as well as preparation of both a work and a training plan.

In July, ZABS held a stakeholder workshop to review organizational efficiencies and identify priorities for assistance under the Zambia Threshold Project. Among the priorities identified were feedback on inspections (results were virtually never provided to importers) and more active inclusion of eligible importers into ZABS' green lane program. In September IT specialists Michelle Dowling and Brian Perez did an assessment of the current ZABS IT infrastructure. The project has also discussed requirements for the marketing manager.

**Plant Quarantine and Phytosanitary Service (PQPS).** The Zambia Threshold Project will strengthen the capacity of the Plant Quarantine and Phytosanitary service to proactively assure other nations of the quality of Zambian exports, with the objective of eliminating plant inspections in importing nations. The project will also assist PQPS in implementing pest risk assessments to open foreign markets to selected Zambian exports.

In this quarter, the project provided PQPS with a tentative list of reference materials; PQPS is expected to finalize its requirements in the next quarter. PQPS also seconded a staff member to the BMTF in late September. Attendance at international SPS events was postponed until 2007.



### **B3. Expected Results for Next Quarter (October-December 2006)**

#### *KRA 2.1 Investment and business expansion promoted*

**PACRO.** The Launch of the Zambia Threshold Project will feature the new electronic management system for company registration in a newly refurbished, state-of-the-art Customer Service Center in Lusaka. PACRO will have tested and refined to satisfaction the software for its processing of business

registration. The training needs assessment of staff involved in business registration processing will have been completed and training begun. It will have implemented a redesigned Web page. It will have opened at least two provincial offices (Ndola and Livingstone), refurbished and equipped by the Zambia Threshold Project. PACRO will have concluded its assessments of the options for online and third-party collection of fees and selected the option best suited to its needs and management systems. The Zambia Threshold Project will assist PACRO in developing a communications campaign to publicize its achievement. This campaign will complement the communications plan developed under the Private Sector Development Reform Program and managed by the Administrative Barriers Working Group. Project staff will review with PACRO staff proposed monitoring and evaluation indicators from the Performance Management Plan and finalize frequency and data collection responsibilities.

**ZRA – VAT Registry.** The mapping of the VAT registration process in Lusaka will be completed as will the IT assessment of equipment, software, networking, and Web interfaces. Procurement will have begun to upgrade computer equipment and peripherals as well as customer service areas. The reengineering of the VAT registration process will be close to completion. The Zambia Threshold Project will assist the VAT Division undertake a communication campaign to publicize its role in the Zambia Threshold Project. Project staff will also review with VAT staff proposed monitoring and evaluation indicators from the Performance Management Plan and finalize frequency and data collection responsibilities.

**ZDA.** At the beginning of the next quarter, as this report was being written, the Zambia Threshold Project Secretariat informed the agency heads and the Permanent Secretary of the Ministry of Commerce, Trade, and Industry of the GRZ's commitment to establish the ZDA as soon as possible. Similarly, the donor partner group supporting the Private Sector Development Reform Program collectively wrote a letter to the president suggesting that in the first 60 days of his new administration the first priority be the implementation of the ZDA. In October the European Union will initiate its own project in support of the ZDA. The MCTI Permanent Secretary has publicly reiterated that the funding of the retrenchment costs must be determined before ZDA establishment can continue.

If there is renewed political will as a result of these decisions, the following results are likely in support of the ZDA in the next quarter.

#### **PACRO Success Story**

- Current estimates suggest that it takes from 10 to 25 days to register a company in Zambia through the Patents and Company Registration Office (PACRO). In October 2006, four months after the launch of the Zambia Threshold Project, PACRO will be able to register a company in less than one business day using its new, automated system.
- The system will be demonstrated at the project launch in PACRO's new Customer Service center in Lusaka.

- ZDA offices will be opened with a skeleton staff and a core mission; administrative systems will be designed, with staff selected and trained in their use.
- A Board of Directors will be named and receive capacity building, including strategic planning assistance, from the Zambia Threshold Project.
- The planned assessments of assets, liabilities, and projected retrenchment costs will be completed. Assets, beyond the office building (expected to be the building where the Zambia Privatization Agency [ZPA] is currently housed) may have begun to be transferred to the ZDA.
- The Zambia Threshold Project will help ZDA undertake a communication campaign to publicize its role as the primary development agency of the GRZ.
- Project staff will review with the ZDA Working Group proposed monitoring and evaluation indicators from the Performance Management Plan and finalize frequency and data collection responsibilities.

**PCU.** In the next quarter, the stakeholder M&E needs assessment with all PSD working groups will be completed. Alfa XP will implement a beta version of the software in November. The monitoring and evaluation system for the Private Sector Development Program, including the PSD Web page, will be designed, tested, refined, and fully operational by the end of the next quarter.

#### *KRA 2.2 Border management efficiency increased*

**BMTF.** In the next quarter, the representatives from Immigration, Transport, Health, Police, Tourism, Security/Intelligence and Drug Enforcement will join the BMTF. The BMTF will map border operations at both the Lusaka International Airport and Chirundu. It will recommend computer equipment and inspections equipment for Chirundu; procurement will begin before the end of the next quarter. The BMTF will also assess and make recommendations for modifications, if necessary, to the new installations being constructed to house most border agencies at Chirundu. The BMTF will develop and receive approval for a 12-month work plan and budget.

The international specialist in authorized economic operators and border risk management, Stephen Cox, and the customs IT specialist, Rodrigo Crespo, will arrive in October and November, respectively. They will work daily with the Border Management Task Force representatives to map their processes and the data that will be exchanged among agencies in the new information system. Mr. Cox will also coordinate efforts among ZRA (customs), the World Customs Organization, and the USAID Southern Africa Trading Hub and private sector representatives to develop a regional customs framework.

**ZRA – Customs.** In the next quarter, the Zambia Threshold Project will help ZRA identify and input into a preliminary CITS all appropriate regulations governing imports and exports. IT assessments for the operational areas of ZRA in headquarters, Lusaka, and Chirundu will be finalized and procurement will begin; this may include refurbishment of current installations and an emergency upgrade of computer equipment and peripherals in Chirundu until the planned new facilities, currently delayed, are concluded in early 2007. In the next quarter, the design for the new Chirundu facilities will be reviewed through a participatory process to ensure optimal

integration once facilities are opened. And the project will assist ZRA to upgrade from UNIX to LINUX operating system and upgrade from ASYCUDA++ to ADYCUDA 91.18D. The Zambia Threshold Project will also help customs finalize the specifications of scanners and other border management equipment to be procured. Lastly, the project will undertake internal and external communications campaigns to publicize its role in the Zambia Threshold Project.

**ZABS.** The development and implementation of a plan for IQMS cost/program reduction will begin in December. The earlier projected commencement is a typographical error in the work plan. The baseline assessment of the inspection process and data flows, including recommendations for improvements, will take place in October and November as part of the border management task force; this is a prerequisite to the development of an action plan to improve the current process. The action plan will include an upgrade to the IT system. The IT systems recommendations will contribute to the preparation of the terms of reference and scope of work for ZABS' new IT manager. It is possible that ZABS may find that it is more economical and easier to have a service agreement with a local IT service company rather than hiring its own IT manager. Discussions with ZABS regarding the terms of reference for the proposed marketing manager will be completed in October. ZABS has indicated a January 2007 start date for this position. The Zambia Threshold Project will also help ZABS undertake internal and external communications campaigns to publicize its role in the project.

**PQPS.** PQPS will second a staff member to the BMTF and finalize its first priorities for reference materials. The Zambia Threshold Project will assist PQPS to undertake a communication campaign to publicize its role in the project.

#### **B4. Summary Milestones for Next Quarter**

- PACRO Lusaka Customer Service Area opened to the public — October 2006
- PMP revised and adopted by participating agencies — October 2006
- Border Management Task Force, with all 10 GRZ agencies formed — October 2006
- BMTF Year 1 work plan and budget approved — November 2006
- Communications program communicating GRZ receptiveness to complaints and recommended improvements launched — November 2006
- Review of regulations and policies encumbering the export of 10 leading products — December 2006
- PACRO new business registration software, including redesigned Web page will be finalized — December 2006
- Baseline assessments of steps and effective time for imports, exports, and business registration concluded — December 2006
- VAT registration business process mapping concluded — November 2006
- ZABS process and data flow review concluded — November 2006
- PQPS reference material procurement will have begun — November 2006
- PSD M&E system needs assessment — November 2006
- Initial ZDA up and running — December 2006 (assuming MCTI PS go ahead)

## II. The Zambia Threshold Project Organization

### Staffing and Management

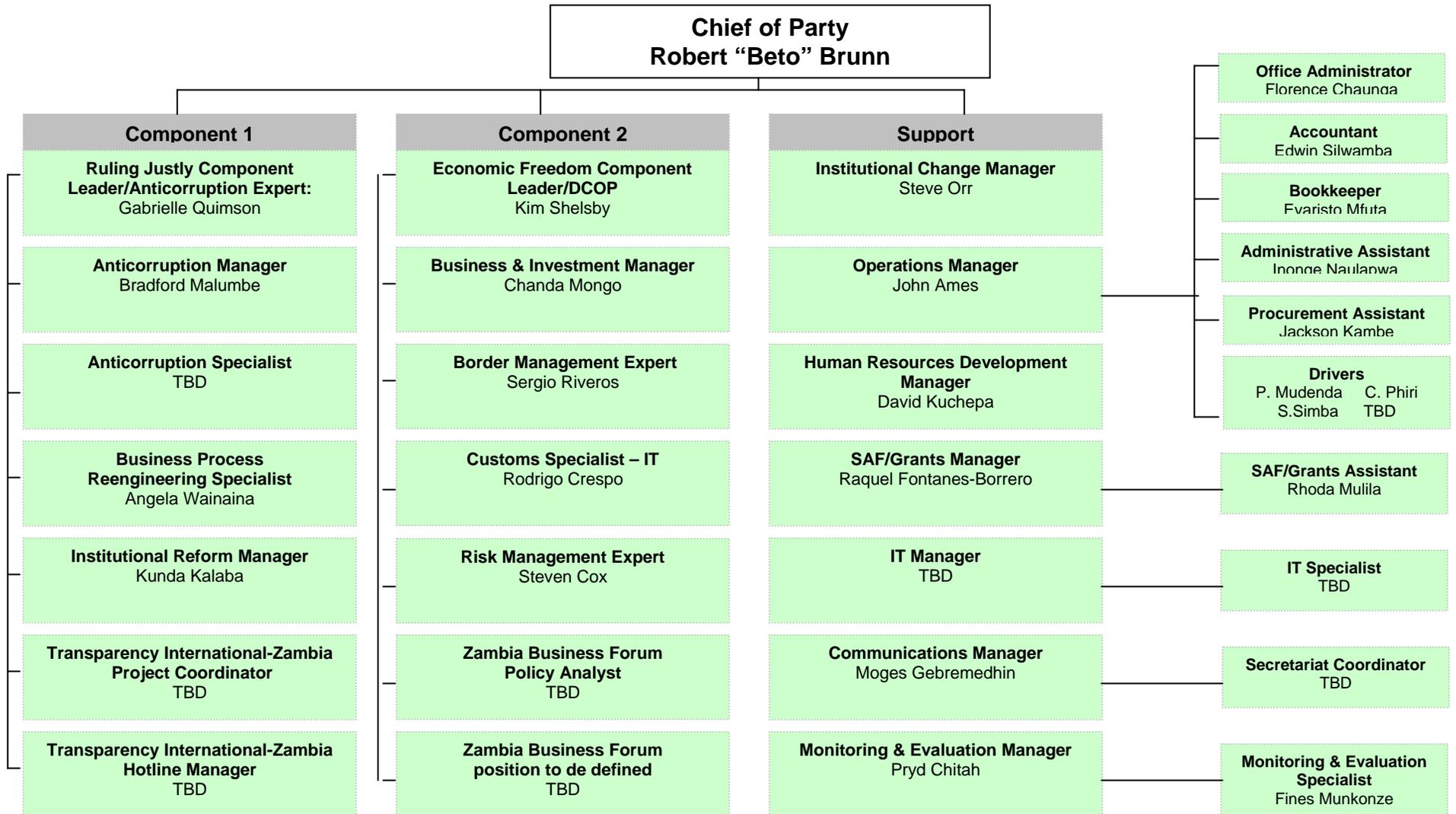
To effectively achieve Zambia Threshold Project results within the two-year timeframe, a carefully coordinated, vigorous, and dynamic management approach has been developed. The Executive Team consists of the chief of party, Robert “Beto” Brunn; the Deputy Chief of Party and component two team leader, Kim Shelsby; the component one team leader, Gabriella Quimson, scheduled to arrive in late October; the SAF manager, Raquel Fontanes-Borrero; and an Operations Manager, John Ames, who will arrive in early November.

The component one staff in the next quarter will include two anticorruption experts, an institutional reform manager, and a business process reengineering specialist. The component two staff will include three border specialists and a business and investment advisor. Cross-cutting long-term staff members include the Institutional Reform Specialist, the Communications Manager, the M&E manager and specialist, the IT manager and assistant, and the Human Resource Development Manager. Each long-term manager will be expected to manage activities in his/her area of the work plan, draft scopes of work for and manage short-term technical assignments, maintain relationships with partner institutions, and sit on the grants/subcontracts review committee for SAF applications related to their technical areas. Exhibit 1 on the next page illustrates the updated project staffing chart.

*Linkages with other donors.* The implementation of the Zambia Threshold Project involves coordination with international bilateral and multilateral donors on at least five fronts: Private Sector Development Reform Program (PSD), Management Development Division (MDD), UK’s Department for International Development (DfID), the Zambia Business Forum (ZBF), and U.S. State Department. USAID/Zambia will be responsible for managing bilateral and multilateral donor coordination and will coordinate with the GRZ. The Zambia Threshold Project has designated a principal representative to work with each of four PSD working groups (lands, immigration, trade and investment, and administrative barriers) in coordination with Zambia Threshold Project assistance to the PSD PCU. Secondly, the project has begun coordination with the MDD, responsible for the PEMFA and public sector reform initiatives, and DfID, the principal donor for these programs and a partner in strengthening the ACC. The Zambia Threshold Project is complementing donor support to the Zambia Business Forum in key areas to articulate effectively private sector problems and criteria. The project is also building on U.S. State Department assistance to the Immigration Department.

*Monitoring and evaluation.* In this quarter a comprehensive Performance Management Plan (PMP) was prepared and submitted to USAID for review and approval. It sets forth the key indicators to be used and describes the frequency of data collection and data collection responsibilities as well as the quality controls to be utilized. USAID first requested that partners review and accept their indicators and responsibilities under the plan, and that subsequently Zambia Threshold Project Working Groups and the Steering Committee approve the PMP; that process will be completed in the next quarter.

**Exhibit 1. Zambia Threshold Project  
Staffing Chart**



*IT and equipment support.* Improvement in GRZ partners' IT systems and related procurement are a major cross-cutting component of the Zambia Threshold Project. Pending the arrival of the long-term IT manager, the project brought to Zambia two specialists (Michele Dowling and Brian Pereza) to assess the IT needs, vendors, and training programs. While in Zambia they prepared the recently approved IRM Justification, which sets forth recommended hardware and software that will form the core of the integrated IT solutions for the GRZ partners. Because procurement takes time and IT is so critical to much of the work under the Zambia Threshold Project, these specifications were an important achievement for the project and will permit follow-on procurement to happen next quarter. These consultants also helped develop a scope of work for an expanded participation of Alfa XP to develop the information technology systems that will improve business processing, permit data exchange among GRZ partners, and culminate in individual Web-page portals as well as a common Zambia.bz Web portal.

*Special Activities Fund (SAF).* The SAF is budgeted at US\$7.7 million. The SAF will support a wide range of project activities through a variety of mechanisms. The funds will be disbursed for commodity procurements, subcontracts, training activities, and grants. The four main mechanisms for disbursing these funds will include:

- *Collaboration on an activity or provision of equipment, labor, or supplies as defined in an MOU.* MOUs will be used as mechanisms to outline specific collaboration between the Zambia Threshold Project and other stakeholders for implementing specific project activities. These MOUs will help ensure coordination between all parties and will permit formal transfer of ownership of equipment to partners. In particular, they will specify, where needed, implementation expenses to be paid directly by the Zambia Threshold Project on behalf of the government agency, for example, in the renovation of newly established provincial offices or the furnishing of new border facilities in Chirundu. An MOU will also be completed between the project and potential grantees prior to the execution of grant awards.
- *Fixed-price subcontracts.* The Zambia Threshold Project will fund several fixed-priced subcontracts in support of various activities on an as-needed-basis, as is the case for IDASA to conduct the baseline corruption perception survey.
- *Purchase orders.* The Zambia Threshold Project will occasionally use purchase orders for certain procurements as an easy mechanism for partners to receive funds under the SAF.
- *Grants.* The grants component under the Zambia Threshold Project represents a significant portion of the overall SAF budget. Two potential grantees have been identified to receive funding (Zambia Business Forum and Transparency International-Zambia), but the Zambia Threshold Project anticipates issuing other competitive grants to civil society organizations and/or institutions to promote public dialogue. The project will take the necessary measures to also build the capacity of potential grantees to receive funding.

In this first quarter, the SAF Manual was finalized and presented to USAID for review and approval; that approval is still pending. A format for an agreement to transfer assets procured under the SAF to GRZ partners is being formulated. Fixed-price subcontracts have been used to finance support to the Ministry of Lands in work planning through International Lands Systems

and to PACRO in the design of its new business processes, through Alfa XP. SAF expenditures in this quarter totaled about US\$130,000, with US\$285,000 obligated but not disbursed.

In the next quarter, the standard disposition plan and transfer of assets agreement purchased by the Zambia Threshold Project to GRZ will be finalized. Also the SAF will sign fixed price subcontracts for: 1) further support of ILS for the Ministry of Lands; 2) Alfa XP to expand the development of improved business process software, data exchange mechanisms, and Web portals; 3) implementation of a baseline assessments of citizen and customer perceptions by IDASA and TI-Z; 4) implementation of a communications campaign in support of the Zambia Threshold Project and partners' participation by Panos; 5) procurement of computers and peripherals for partners; and possibly 6) procurement of inspection equipment for border operations in Chirundu. As part of the capacity building to grantees, staff will be seconded to TI-Z and ZBF and a formal request will be sent to the Regional Contracting Officer to direct grants to these institutions. Following this approval, we expect to issue grant agreements to TI-Z and ZBF for non-personnel costs associated with enhancing the quality of participation in activities of the Zambia Threshold Project. The projected value of SAF obligations in the next quarter is expected to exceed \$2 million with disbursements projected at approximately \$500,000.