



USAID | **ZAMBIA**
FROM THE AMERICAN PEOPLE

**MILLENNIUM CHALLENGE CORPORATION
THRESHOLD COUNTRY PROGRAM
FINAL REPORT FOR ZAMBIA
MAY 2009**

1. OVERVIEW

From May 2006 through February 2009, USAID and the Government of Zambia (GRZ) implemented a \$22.7 million Threshold program on behalf of the Millennium Challenge Corporation (MCC). The program was designed to reduce administrative corruption and barriers to trade and investment by improving the effectiveness of selected GRZ institutions. Several GRZ institutions, led by the Ministry of Finance and National Planning and including representatives of key institutions participated in the development of the Threshold Country Plan (TCP). This inter-ministerial team worked closely with Zambian stakeholders in civil society and the private sector such as Transparency International Zambia (TIZ) and the Zambia Business Forum (ZBF). All stakeholders were members of a steering committee constituted to direct and oversee the TCP's implementation. USAID/Zambia, the U.S. Embassy, and MCC assisted the GRZ team in transforming the original concept paper into a fully-fledged TCP with measurable results over a 24-month time frame.

The Zambia Threshold program had two components—ruling justly (tackling administrative corruption; and economic freedom (reducing barriers to trade and investment). The program promoted greater transparency and reduced opportunities for corruption at the Ministry of Lands, the Zambia Revenue Authority and the Immigration Department. In addition, the program improved the Anti-Corruption Commission's relationships with other government institutions, businesses and civil society, as well increased its capacity to design, introduce and monitor corruption prevention practices. The program also worked closely with the working with the Patents & Companies Registration Office (PACRO), Plant Quarantine and Phytosanitary services (PQPS), Zambia Bureau of Standards (ZABS), the Zambia Development Agency (ZDA) and Zambia Revenue Authority (ZRA) to reduce barriers new business and investor activity, as well as increase the efficiency of border operations.

Activities under the two components complemented each other. For example, by aiming to reach a numerical target through centralizing business delivery (Economic Freedom) and reducing opportunities for corruption (Ruling Justly), the project found that open plan customer service centers were an effective way to achieve efficiency and accountability goals as well as to increase transparency. Component activities also worked together to reduce opportunities for corruption, improve the business enabling environment, and to bring a customer-service orientation to government.

The Zambia Threshold program reflected the MCC's philosophy of supporting reform in countries with reasonably good governance by targeting pilot operational and/or geographical areas, with the reforms replicated and subsequently rolled out using national and other donor resources. It supported the Anti-Corruption Commission in building and consolidating an institutional alliance of government and non governmental organizations against corruption and strengthening its ability to continue to lead the alliance after the project has ended. This alliance includes Ministries, Departments and Agencies (MDAs), the Zambia Business Forum, and Transparency International Zambia.

The Zambia Threshold program worked with each pilot MDA to enhance processes, incorporating input from civil society and key private sector stakeholders. The program supported working groups at each MDA in mapping and streamlining existing processes. Where appropriate, it introduced new technology, including automated systems, websites, and online processing, in order to increase efficiency and transparency. Customer feedback systems were designed to provide feedback to the MDAs on their performance and to suggest further improvements.

During implementation, frequent communication was used to ensure that workers delivering new services understood and committed to the new standards, while customers were notified of what was required of them and the level of service they could expect. Once the processes were streamlined and fees and timelines agreed upon, brochures and signs covering details of the new procedures were prominently displayed in new or redesigned customer service centers. The news media were actively engaged in publicizing the changes and successes at each institution.

The program had a considerable impact in a relatively short timeframe and met every target, leading to greater accountability, increased transparency, enhanced public access to information and services, and improved efficiency in business registration, land administration, and border movement of goods and people. The cost of doing business in Zambia has fallen, and the ease of doing business increased. A substantial reduction in the number of days needed to register for value added tax at ZRA, plus less time required to register a business at the Patents and Companies Registration Office (PACRO), means a significant savings in the time required to start a business.

For a table summarizing the Pilot Focus of Threshold program activities, please see Annex 2.

2. DETAILED DISCUSSION

A) Ruling Justly: Promoting Greater Transparency and Reducing Opportunities for Corruption:

Activities under the Ruling Justly component included: capacity building for the Anti-Corruption Commission (ACC), establishment of internal watchdog units within participating institutions, creating efficient citizen monitoring and reporting mechanisms, and implementation of institutionally tailored regulatory reform. As part of this, the program worked with the ACC to design and implement a program to fight administrative corruption through improving

governance and emphasizing corruption-free, integrity-based services. The program also supported the ACC's Strategic Plan for 2004 -2008, which outlines a significant shift from investigations and prosecutions toward corruption prevention. In addition, the program enhanced the capacity of the ACC's Department of Prevention and Community Education, which launched an Integrity Committee Initiative and also strengthened institutional alliances against corruption.

With the support of the Threshold program and the ACC, Integrity Committees were launched in pilot institutions to spearhead the development of values and standards for customer service and ethical conduct. These committees serve as the principal conduits of institutionalizing a tailored set of initiatives to systematically build values and create and sustain systems to reduce and prevent corruption—the focal point for prevention of corruption and unethical behavior in the MDAs. Each committee consists of four senior managers who report to the MDA chief executive and the Secretary to the Cabinet. A part-time desk officer at ACC's Department of Corruption Prevention and Community Education backstops each committee.

The program delivered training and assistance to help eight Integrity Committees develop individual corruption-prevention workplans and implement initial integrity-building reforms. Realizing that chief executive officers had to be involved in the integrity initiative, the program introduced management training on strategies for fighting corruption. As a result, MDA chief executives and senior managers were trained on the link between improved, transparent, and accountable services, as well as ways to reduce opportunities for administrative corruption.

The project facilitated the development of core values for each participating MDA. These values were adopted using a consultative process that allowed employees to make revisions. Building on their core values, MDAs also developed individual Codes of Ethics stipulating the administrative processes by which the values would be institutionalized and enforced. By the project's end, the ACC, ZRA, the Department of Immigration and the Ministry of Lands had developed Codes of Ethics.

Next, the pilot MDAs formulated Customer Service Standards, which outlined customers' expectations for timeliness, quality, and accuracy of services. The MDAs incorporated these standards into Customer Service Charters which conveyed the standards to the public, along with the MDAs' pledge to achieve them. Customers were also given instructions on how to report MDA failure to achieve their standards. Moreover, the ZRA was the first government agency to define its standards of service delivery through a Taxpayer Charter, with time limits outlined for processing service requests, tax refunds, and other key services. This charter was launched in early 2008, after being drafted in consultation with clients and approved by the ZRA CEO. The Taxpayer Charter has become a model and motivation for other pilot institutions to develop their own charters. Furthermore, the ZRA, along with the ACC, were the first to develop customer feedback mechanisms that would allow them to record and track customer feedback into a single database. Such databases are still available for roll out to other MDAs.

In conjunction with the ACC, the Threshold program developed a Corruption Prevention Toolkit, which will be used to institutionalize corruption prevention and reduce opportunities for administrative corruption. With this toolkit, the ACC can expand the initiative, apply best practice models, and deepen its understanding of corruption prevention. The program also

worked with the ACC to provide training to the ACC board on its responsibilities—including oversight and leadership, as well as to clarify the relationship between the ACC, the GRZ, and the Board and Commission staff.

Thanks to the program, a stronger ACC has begun building relationships with other groups advocating corruption reduction in Zambia. These groups include Transparency International – Zambia (TIZ) and the Zambia Business Forum (ZBF). TIZ, together with the ACC, established an Advocacy and Legal Advice Centre (ALAC). The ALAC takes receives complaints, identifies those related to corruption, and develops a detailed report for the ACC. At present, ALAC receives approximately 30 complaints each month. Several cases TIZ has referred to the relevant MDAs have reached the investigation stage, and the employees involved have been suspended, pending final determination. As more cases are dealt with effectively, the public’s confidence in the government will continue to grow.

The ACC has also established a working partnership with the Zambia Business Forum (ZBF). The ZBF — representing eight key business sectors and more than 60 percent of Zambia’s businesses — pledged to fight corruption jointly with the ACC by defining uniform codes of conduct and aligning corporate governance practices with government recommendations. This is the first time the business community and the government have worked together so closely to fight corruption. Additionally, the Threshold program supported a corruption-fighting alliance between the news media and the government, encouraging them to build a mutual trust and understanding. To further this goal, the program—through a subcontract with Pact Zambia and in partnership with TIZ and Panos Southern Africa—organized a workshop that brought together more than 60 members of the two groups: TV, print, and radio journalists, and GRZ public relations officials. Journalists from all nine provinces were trained on investigative journalism related to corruption. They learned practical methods for producing more effective and balanced stories. They were also shown how research and data analysis can help in covering GRZ anti-corruption efforts. In an adjoining room, several GRZ public relations officials were trained on media management techniques. They were taught how to view the news media as an essential communications channel and how to manage that relationship, in part by developing a media strategy. The workshop helped both sides see how a partnership could help each reach its goals.

The project taught the ACC how to improve public perception of its work. Broad criticisms of the ACC reveal that many Zambians have little understanding of its work, its accomplishments, or its challenges. Recognizing the importance of performance monitoring and communications, the ACC adopted a performance reporting system and a new communications strategy. As part of its preparation of the latter, the ACC engaged critical stakeholders and identified near- and long-term goals to help build internal and external communications capacity.

The program significantly increased the transparency and efficiency of services provided at the pilot MDA centers. At the Department of Immigration (DOI), for instance, all immigration officers are now seated in an open, ground-floor center. The immigration officers are always available and visible to the public. The DOI’s Core Values and fees are now clearly posted. Working in conjunction with the DOI customer service center, a new, automated Zambia Immigration Management System instantly moves electronic files from one officer to the next, eliminating the need to search through paper files. The system was specifically tailored to the

unique processes used in Zambia. In the first six weeks of the new process, the time to process some permit applications fell to as little as three days from an initial time of two weeks. The new process improves service delivery and minimizes corruption.

Threshold program interventions also improved the efficiency and speed of business at the Ministry of Lands (MOL). In 2005, before the program, it took a median of 70 days to complete the six steps needed to process a sale-transfer of commercial property at the MOL, putting Zambia 125th out of 178 countries. The median time required for the three MOL-relevant steps prior to the program was:¹

Step 1: Issuance of a Certificate of Encumbrances (1 day)

Step 3: Issuance of a consent to sell by the Commissioner of Lands (52 days)

Step 6: Issuance of a new Certificate of Title by the Lands and Deeds Registry (4 days).

Through a series of reforms that streamlined and improved the transparency of the registration process, the MOL considerably reduced Step 3 — from 52 days to 16 days for transactions of unencumbered properties in Lusaka. Assuming that the steps outside of the scope of this project remain the same, the median number of days to register a commercial property sale in Lusaka was cut in half — to 34 days in 2007. Current data indicates that, this figure is less than 30 days.

To achieve this time savings, the program completed a systematic assessment of bottlenecks at the MOL and redesigned business processes. It refurbished and reorganized the Lands and Deeds Registry, the Lands Registry, and the Survey Registry to improve security and management of paper records through more effective use of space, equipment storage, and pilot scanning and indexing of paper records. Modern compactor shelving was installed. Files were sorted and re-filed into the compactors, and scanned, verified, and corrected, as required. The project assisted the MOL in computerizing cadastral index mapping so that now, a parcel of land can easily be located and the values of nearby parcels can be easily referenced. Data on almost 30,000 Lusaka land parcels have been captured, giving MOL employees easy access to details on these parcels.

The streamlined processes were incorporated into a new Zambia Lands Administration System system. This automated workflow-based case management system allows documents to be electronically routed to appropriate staff for notification, review, and approval. It provides integrated document management, archiving, and allows documents to be scanned, automatically indexed, and attached to transaction entries. Finally, it provides a secure cash-receipt module to calculate and collect fees.

Lease-transfer and land-allocation applications are now scanned to prevent accidental or deliberate misfiling. MOL officials at several levels can easily determine the status of applications, and the ministry has set an internal standard to process unencumbered lease transfers in no more than 15 days. The minister has mandated that mortgages be registered within three days. Zambia Revenue Authority officials now have a desk in the MOL customer service center to allow lease purchasers to determine and pay their property transfer tax liability there, rather than travel to ZRA's downtown offices; this saves purchasers at least two days. The customer service center proved to be an important element added by the program, allowing the

¹ According to the World Bank Doing Business 2006 report, using data from 2004.

MOL to reach out to its customers and clarifying the business processes. The center acts as a barrier to back-office bribery and through its website, gives Zambians online access to forms and regulations.

Communications are key to the GRZ's efforts to fight corruption and promote ease of business. When customers understand the level of service that MDAs have committed to deliver, they can play an important role in holding the agencies accountable. The project worked with its partners to build their long-term communications capacity and to publicize and solicit feedback on important reforms. The reforms undertaken by partners were successful largely because these agencies engaged customers and stakeholders during the reform process and publicized their improved services.

In summary, corruption in Zambia has been reduced through the Threshold program. Successes include:

- Significantly reduced bribe-paying/taking opportunities.
- Changed attitudes towards transparency, efficiency, and customer service attitudes and expectations at the four pilot MDAs.
- Improved transparency and accountability.
- Expanded inter-institutional alliance against corruption, including Africa's first Advocacy and Legal Advice Centre, managed by TI-Z.

These achievements will be lasting and in the future, will provide the foundation for expanded initiatives within these pilot MDAs, as well as in new partner institutions.

B) Economic Freedom: Reducing Barriers to Trade and Investment

The Zambia Threshold program supported the GRZ in its efforts to improve economic freedom by simplifying and streamlining the process of starting a business, as well as facilitating trade through better management at Zambia's borders. The former has made it easier and faster to start a business in Zambia and reduced opportunities for corruption by automating processes and publicizing reforms. The latter has reduced congestion at the borders and made it possible for agencies to reduce the number of physical inspections, using risk-management practices, and further speeding-up border crossings and reducing the cost of trade.

Economic Freedom business and investment partners included PACRO, ZRA Value-Added Tax Department, Zambia Business Forum, Zambia Development Agency, and the Coordination Unit of the Private Sector Development Reform Programme. The border management primary partners included the ZRA Customs Division, the Department of Immigration, Plant Quarantine and Phytosanitary Service (PQPS), and the Zambia Bureau of Standards (ZABS).

Reform activities with the economic freedom MDAs resulted in the following:

- A streamlined business registration process at PACRO
- Revised VAT registration process at ZRA
- Reduced lines waiting for customs clearance at key borders, by working with ZRA
- Improved collaborative process of developing and disseminating new standards for manufactured goods by ZABS
- More efficient import and export processes by improving PQPS' capacity to identify pests and creating an online import application system at PQPS

To accomplish the reengineering, each agency participated in a working group to review its processes with a Threshold program technical assistance team. Together, they mapped and analyzed processes, and then identified process improvements that would eliminate redundant internal reviews. The agencies also developed websites to publicize regulations, forms, and costs, and in some cases, they set performance standards.

Simplifying Business Start-Up

Prior to the Threshold program it took 35 days to register a new business in Zambia.² The slow nature of this process created the temptation to sidestep the process through bribes, which mostly occurred behind closed doors. Following the program intervention, it now takes only eight days to register a new business—including two days for processes outside the scope of the program. Applicants submit forms and pay fees in a large one-stop customer service center. As a result, more businesses are being registered and, for the first time in its history, PACRO returned a dividend to the GRZ. Furthermore, prior to the program, the most time-consuming step in opening a business in Zambia was registering for VAT and obtaining a taxpayer number at ZRA. Since the program, this amount of time it takes to obtain this taxpayer number has been reduced from 21 days to 3 days. While the original objective at PACRO was to speed-up the process, the agency is doing much more. As companies move from the informal to formal economy, they pay taxes and hire people, which in turn spurs economic growth.

Time to Start a Business

Activity	Median Days Reported in 2006	Median Days Required in 2008
Name clearance at PACRO	2	**
Business registration at PACRO	9	3
Registration for VAT number at ZRA	21	3
Registration for taxpayer number at ZRA	1	***
Opening of a bank account	1*	1*
Registration with National Pension Scheme Authority	1*	1*
Total	35	8

* Not within the scope of the project.

** Name clearance and registration have been consolidated into one process.

*** Taxpayer number and VAT registration have been consolidated into one process.

² According to the World Bank Doing Business 2006 report, using data from 2004.

As part of the program, PACRO also publicized its newly streamlined processes, accessible services, and tangible results. Registrations rose 30 percent, from 10,213 in 2006 to 13,566 in 2007. Most importantly, PACRO customers noticed a difference. In late 2007, 60 percent of PACRO's customers polled reported "high-quality" service delivery for business registration. PACRO is continuing to solicit customer feedback, as customer expectations rise. In November 2006, ZRA/VAT began mapping the existing processes and identifying the time required for each step. It improved data collection, eliminating redundancy of staff involvement, and reducing the number of approvals required. Unlike at PACRO, at ZRA the improvements were achieved by consolidating steps and eliminating redundant authorizations, not by automation. To highlight the changes and make the service more accessible, ZRA's customer service center was also refurbished. ZRA is in the process of rolling out the improved registration process nationally. Its goal is to provide the same level of service, in the same amount of time, at any ZRA office in the country.

As another way to help entrepreneurs, the GRZ approved a law in 2006 to create a one-stop shop — the Zambia Development Agency — to support business, particularly investment. The law merged five agencies: Export Board of Zambia, Small Enterprise Development Board, Zambia Export Processing Zone Authority, Zambia Investment Centre, and Zambia Privatisation Agency. Those five agencies closed at the end of 2006, but delays in GRZ executive decisions slowed progress. The Zambia Threshold program helped assess agency assets and liabilities, and information technology resources; provided initial staffing configurations; assisted in advertising for the chief executive officer; reported on private-sector criteria for Zambia Development Agency organization and focus; and launched a Website. The government hired a chief executive officer in May 2008, just as the Threshold program was ending.

Facilitating Trade and Border Management

Two years ago, Zambia had an uncertain border import/export process — cross-border traders could choose their entry point based on how "flexible" agents were in setting fees. The process was chaotic, with little cooperation among border agencies — each requiring its own forms and separate payment. Now, an upgraded and centralized computer system reduces the possibility of discretionary fees and allows the border agencies to monitor a shipment's progress. The Threshold program worked with three of Zambia's 30 border posts. The locations included Chirundu, Lusaka International Airport, and the Port of Lusaka. The project facilitated the creation of a Border Management Task Force (BMTF) of key MDAs involved in border transactions. The most important members were ZRA-Customs, Plant Quarantine and Phytosanitary Service, Zambia Bureau of Standards, and the Department of Immigration, as they have authority over the largest number of shipments. The program worked to build the capacity of these agencies, improve systems and processes, reduce processing time and operating costs, and eliminate integrity breaches. Specifically, BMTF worked to:

- Improve processes and introduce automation
- Integrate process and data flow among the agencies
- Reduce the number of inspections, using risk-management practices
- Reduce number of inspections at the border, with more physical inspections at the Port of Lusaka

The BMTF mapped 23 border operations, examining the regulations and processes for importing, exporting, and transiting Zambia's borders. Next, it developed an integrated border process, which cut the time required for some steps. The task force recommended ways to speed-up the clearance process, such as building facilities that could accommodate almost all border agencies at Chirundu. The integrated process enabled ZRA-Customs agents to collect fees on behalf of other border agencies and allowed shipments to be pre-cleared before they reached the border.

To further clarify procedures for importers and exporters, the program assisted in creating a Comprehensive Integrated Tariff System (CITS). The CITS provides all tax and customs rates and information on regulations and procedures of other border agencies in a single database, accessible through the web. Customers can now look up import tariffs and find which agencies have jurisdiction over which products. This information helps clients clarify requirements of border agencies, improve compliance, and increase government revenue. The CITS, which Zambia needs to meet World Customs Organization standards, will have a dramatic effect on integrity and revenue at the borders.

A major Threshold program contribution to improvements at Zambia's borders was the introduction and acceptance of risk management as a way to reduce the number of physical inspections, based on the calculated risk that a particular shipment will be illegal or unauthorized. The re-engineered and integrated processes, combined with an upgraded customs transaction engine — (the Automated System for Customs Data or ASYCUDA++) — made this reduction possible. The program upgraded and centralized ASYCUDA++ so that all border agencies could share information systematically and efficiently.

Through their access to the new automated systems, border agencies share information and are better able to track shipments so that each knows what tasks have been completed. The border agencies have updated the profiles in ASYCUDA++, indicating which shipments should be stopped and inspected, according to country of origin, company, product, and other details. Zambia is now using the same version of ASYCUDA++ as Tanzania and Zimbabwe, which will make regional trade more efficient.

To take risk management a step further, the program (working with ZRA) introduced a program for high-volume importers who can prove that their systems conform to international best practices. To become a member of the program, a company must demonstrate a history of honest dealings with the government and operate through an accredited clearing agent and transportation company. This program, known as the Zambia Customs Accredited Client Program (CACP) —is the first African Authorized Economic Operator Program that meets World Customs Organization standards. The CACP, operational at Chirundu and Livingstone, not only helps larger importers and exporters, but by reducing transaction time, also allows Customs to devote more time to smaller traders. It reduces opportunities for corruption, because truck drivers don't need to wait at the border with large amounts of cash.

The program also refurbished the inland Port of Lusaka, increasing its capacity for clearance processing. Office space was provided for border agencies other than Customs, which was

already there, making it easier to conduct inspections at Lusaka. The refurbished port reduces border congestion by shifting inspection activity away from the border.

Another key border agency, the Zambia Bureau of Standards, is responsible for import and export quality monitoring, pre-import and pre-export clearance, metrology and testing facilities, and other standardization and certification. Zambia imports most of its clothing and textiles, vegetable oils, medicines, and electrical goods. With critical imports at stake, ZABS must have standards supported by careful inspections. Program efforts with ZABS led to streamlined border operations, new standards, and an automated pre-clearance and inspection application process. Today, applications can be submitted electronically, eliminating the need for a trip to ZABS' Lusaka headquarters. A new software system contains workflow functionality that automates the main ZABS processes — inspections, product certification, and inspection — so records can be managed in a format that is easier to access, store, and retrieve. ZABS has sought to become the main certifier of standards in Zambia, and the program helped develop a roadmap for ZABS to obtain ISO-9000 certification. It will soon have the ability to certify others.

Another agency with little public visibility—but important for encouraging exports and facilitating imports of agricultural products—is the Plant Quarantine and Phytosanitary Service (PQPS). With program assistance, PQPS has taken steps required to meet international sanitary and phyto-sanitary standards for certain exports and has begun participating in regional and international plant protection and quarantine organizations. With program assistance, PQPS revised its operations manual and produced a pest risk-analysis manual to give inspectors up-to-date information. The program provided pest reference material and refurbished the agency's resource center. PQPS now has current, accurate, and accessible pest lists. Its inspectors have been trained in pest risk analysis and new inspectors can be trained using materials developed with the program.

PQPS reengineered its inspection and permit processes and incorporated them into the new integrated border process. The revised processes improve the efficiency of inspections, and coordination with the other agencies contributes to reduced transit times at Zambia's borders. With a new online application service — the GRZ's first full online transaction process — PQPS customers can apply online for a permit to import or export agricultural products. Use of an intranet allows inspectors at the border to communicate electronically with headquarters and facilitates faster clearances. Permits can be e-mailed to customers, and an electronic record is available to border inspectors.

With program assistance, PQPS developed and implemented a communications campaign using posters, brochures, and a website. The website is part of its efforts to improve the quality and accessibility of information and services to Zambian businesses. Through the website, importers can easily access information about prohibited exports, new pest alerts, and processes and regulations for bringing plant and animal products into Zambia. PQPS also developed, with project support, a series of border exit and entry notices for travelers and traders explaining how to comply with Zambian law.

3. SUSTAINABILITY

Promoting Greater Transparency and Reducing Opportunities for Corruption

program participant MDAs under this component were selected from institutions flagged in the GRZ's Governance Baseline Survey of 2004. The program did not introduce any new services that were not within the original mandate of the MDA. The intervention aimed to not only introduce greater transparency and reduce the opportunities for corruption, but also to make the service delivery process more efficient. Now that the program has concluded, the principal additional costs to the MDAs will be maintaining the information technology systems. The program worked with the MDAs to ensure that their operational budgets included provisions to maintain these systems and ensure continued training and licensing. It also assisted the ministries and departments in formulating their budget requests to ensure that adequate provision was made for their continued operation in the national budget.

Apart from the initial political buy-in from GRZ, a strong point for the sustainability of the program is the newly-awakened demand for better service, accountability and transparency from the public and the NGO community. Given this, it is believed that the public would not allow these pilot agencies slip on their performance. Complaints and feedback mechanisms established in the Threshold program will assist in this area.

The program's reforms built onto pre-existing donor and GRZ reform programs – its activities were designed to fit into the broader longer term reform program such as the Private Sector Development Program (PSD) and the United Kingdom Department for International Development (DFID) ACES Program, which focused on capacity building for the ACC. In the Ministry of Lands and Department of Immigration the program coordinated with the donor PSD basket program and implemented aspects of an already agreed work-plan. Donors and GRZ have signaled their intention to replicate the program's reform approach and roll it out to other service delivery MDAs.

Reducing Barriers to Trade and Investment

The Threshold program aligned well with GRZ development priorities. It sought to more effectively implement reforms in sectors that would positively impact the MCC indicators and ensured coordination with other donor programs such as the PSD. In particular, this was the case with activities with the Immigration Department, Zambia Revenue Authority. For activities not covered by GRZ/Donor programs, a number of donors have expressed interest in further assistance for these pilots and a possibility of supporting replications. The GRZ has indicated that it will replicate the Chirundu border model at Nakonde border, and work has commenced on this project.

The success of the Threshold program model led to a demand from various stakeholders, including the GRZ, that this reform model be incorporated into the proposed second threshold program. Public procurement remains an area that has been targeted for reform by both the GRZ and other stakeholders. Unfortunately, the announcement of Zambia's compact eligibility stymied these reform plans for the Threshold II program. It is important to note that public

procurement reform still remains an unresolved issue. With Zambia's compact eligibility, it will be essential that the GRZ have a procurement system capable of responding to the demands that may be placed on it.

4. LESSONS LEARNED

By all measures, the Zambia Threshold program achieved remarkable success in attaining its goals, but not without encountering challenges. The resolution of these challenges resulted in valuable lessons for the future. Perhaps the most significant challenge was the short time period for program implementation. The project's rapid pace meant work schedules often outpaced the partners' capacity to commit to and mobilize for reforms. In some cases, partners were hesitant to undertake sweeping reforms at such a blistering pace. This was particularly true in early stages of the project. By the second year, however, many partners, having seen some project results, grew more confident and were able to accelerate their project work schedules. The business-process engineering in particular, would have benefited from more time, so that agencies could be more self-critical of their existing processes. In some cases, it was too much to ask the MDAs to change their processes and become computerized at the same time. Some of the reforms required a change in organizational culture; this change only started becoming apparent in the later months of the program.

Another challenge was securing the support of GRZ partners, some of whom were slow to understand how the changes could affect them, even with the high-level government buy-in. Many of these partners had not previously received donor support, and therefore were not familiar with how to deal with such assistance. The pilot nature of the program, however, was an advantage, as it allowed it to focus on developing and testing individual systems and creating in-house capacity to support eventual rollout of the changes. By the end, the partners had adopted the vision of reform, often widely shared by only senior staff and middle managers. This changed mindset expanded during 24 months to growing numbers of staff and customers and is one of the programs biggest achievements.

A key reason for the project's success was that the program provided hands-on support while the MDAs developed and implemented reforms, not just consultancy support. The project provided equipment and financial support for refurbishment of facilities, important ingredients in improving customer satisfaction and employee morale. In addition, the project designed and implemented training programs for a wide range of staff members, using Zambian and international consultants. The program engaged in participatory methods to re-design customer service and internal review processes. Those collaborative methods were used to develop websites, partner communications, and new automated systems. The program team was in essence, a one-stop-shop for reform assistance.

The final challenge was the sheer number of interventions planned for the short time frame. The GRZ itself set the ambitious agenda, which included many activities that could have been projects by themselves. In accomplishing the varied goals, the project team provided cross-cutting support in important areas such as communications, monitoring and evaluation, and training. The program approach to achieving that success may ultimately serve as the project's legacy.

5. FUNDS FLOW

Bilateral Instrument	Start and End Dates	Bilateral Obligation \$		Disbursements To date \$	Accrued Expenditures as of 05/12/2009
SOAG	7/6/2006 – 7/4/2008	\$22,735,000	-----	\$22,721,553	\$22,732,095

Sub-Obligations: List Major Implementing Partners

Implementing Partner	TCP Component Number	Total Estimated Cost (TEC)	Amount Sub-Obligated to date	Disbursements to date	Accrued Expenditures as of 05/12/2009
Chemonics	1,2	\$22,486,799	\$22,486,799	\$22,476,257	\$22,486,799
International Land Systems	1		\$234,880	\$234,880	\$234,880
Other Procurements			12,826	10,4216	10,416
TOTALS			\$22,734,505	22,721,553	\$22,732,095
Amount available for Sub-Obligation			\$495		
Of which uncommitted					

ANNEX 1: RESULTS REPORTING TABLE

	Performance Indicator Name	End Result	Baseline as of May '06	FY:	06	07	07	07	07	08	08	08	08	09	09	Notes
				Quarter	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
1	Number of days to register a property in Zambia	39*	70	Target	--	--	--	55	--	--	--	35	35	35	35	World Bank indicator, Doing Business 2009 data
				Actual	--	--	--	--	38	35	35	35	38	38	38	
2	Percentage of households reporting payment of a bribe to the Customs Division of the Zambia Revenue Authority	7	14	Target	--	--	--	--	--	--	--	7	7	7	7	Zambia National Governance Baseline Survey data from 2004
				Actual		7	--	--	9	14	--	4	4	4	4	
3	Percentage of households and businesses reporting "high quality" service delivery for business registration	60	41	Target	--	50	--	--	--	--	--	60	60	60	60	Zambia National Governance Baseline Survey data from 2004
				Actual	--	55	--	60	--	60	--	60	60	60	60	
4	Number of days to register a business	18*	35	Target	--	--	--	15	--	--	--	10	10	10	10	World Bank Doing Business 2009 data; PACRO & VAT now collect time data routinely
				Actual	35	27	10	10	9	7	7	7	18	18	18	
5	Number of days to export products	53**	60	Target	--	--	--	45	--	--	--	30	30	30	30	World Bank Doing Business 2009 data; Q1 2008 estimate includes 2007 ZRA data and survey on doc preparation; same DB data for last 3 years
				Actual	--	--	--	--	23	19	19	19	53	53	53	
6	Number of days to import products	64**	62	Target	--	--	--	45	--	--	--	30	30	30	30	World Bank Doing Business 2009 data; Q1 2008 estimate includes 2007 ZRA data and survey on doc preparation; same DB data for last 3 years
				Actual	--	--	--	--	28	33	31	30	64	64	64	

*New Doing Business 2009 data

* Doing Business 2009 data, data has not changed since 2007

EXPANDED INDICATOR DESCRIPTIONS

1. Median Number of days to register a property: Total number of days to register a property sale includes preparation of contract of sale, payment of taxes, and processing at the Ministry of Lands; the baseline time estimated within the Ministry of Lands was 52 days, using 2005 data. Indicator follows the methodology from the World Bank Doing Business 2006 survey, and measures the number of days to complete a transfer of land title for a purchase or sale of an existing plot. This does not include the initial allocation process, initial cadastral mapping or surveying. The 2009 World Bank Doing Business survey has shown a considerable reduction in processing time at the ministry now down to 25 days.
2. Number of households surveyed reporting a payment of bribes to the Zambia Revenue Authority – Customs Division. Data from the 2004 National Governance Baseline survey. According to the 2005 Transparency International – Zambia (TI-Z) Bribe Payers Index, 5.7 percent of households reported payment of a bribe to ZRA – Customs. An independent baseline survey was completed showing 7% of customers at ZRA paid bribes in late 2006. The project’s composite indicator of corruption prevalence at Customs, Lands, Immigration, and PACRO is 6%. A special survey by the institutional contractor in September 2007 showed 9% of ZRA customers at Chirundu reported paying a bribe.
3. Percentage of households reporting “high quality” service delivery for business registration. Customer satisfaction surveys have been developed for the Patents and Companies Registration Office (PACRO), and data is being collected periodically beginning Q1 2008. Data from Q1 2007 showed 55% of PACRO customers satisfied/very satisfied; the figure for Q3 2007 is 60%. Data for Q1 2008 remains at 60%.
4. Median Number of days to start a business: In November 2007 PACRO analyzed data regarding the number of days for company registration from all new companies registered at PACRO from January 1 to October 31, 2007. The recorded days include both name clearance and issuance of a company registration certificate. As a result of the streamlining reforms at the Zambian Revenue Authority (ZRA) and the Patents and Company Registration Office (PACRO), the median time it takes to start a business in Zambia has been reduced from 35 days estimated for 2006 to 18 days in 2009.
5. Median Number of days to export goods from Zambia: The World Bank has estimated that in 2006 it took 36 days to complete document preparation accounting for 67% of the total estimated time required to export products. In October 2007 a survey regarding export document preparation time in 2007 was sent to the top 21 (by value of goods) large scale large scale traders based in Lusaka, 13 of which were completed and returned. The exporters reported a median time for export document preparation of 3.5 days. The minimum number of days reported by a trading company was 1 day while the maximum was 7 days. The document preparation time will be reported as 4 days in the summary to follow the World Bank’s methodology of reporting measurements in whole day increments. The World Bank has also estimated that in it took 9 days for inland transport and handling. The calculation of inland transport and handling time is based on an estimate of how many days it takes to complete the following three steps:
 - Pack goods, arrange transport and load goods on truck – 3 days
 - Inland Transport time from Zambia to sea port (Durban) – 3 days
 - Customs clearance time at the Zambian border – 3 days

In December of 2007 ZRA/Customs extracted from the ASYCUDA++ data base all (100% sampling) export customs clearance events nationally from January 1, to November 30, 2007. In total there were 62,735 transactions. Analysis of the data shows that the median time to clear exported goods nationally was 0.2 days. This time will be reported as 1 day in the summary to follow the World Bank's methodology of reporting each measurement in whole day increments. The median time of one day for customs clearance plus the estimated 6 days for steps 1 and 2 above leads to a total time for inland transport and handling of 7 days. This leads to a total time to export products of 19 days.

6. Median Number of days to import goods into Zambia: The World Bank has estimated that it took 33 days to complete document preparation in 2006 accounting for 52% of the total estimated time required to import products. In October 2007 a survey regarding import document preparation time in 2007 was sent to the top 21 (by value of goods) large scale large scale traders based in Lusaka, 13 of which were completed and returned. The importers reported a median time for document preparation, including bank related documents of 5 days. The minimum number of days reported by a trading company was 2 days while the maximum was 14 days. The World Bank has also estimated that in it took a total of 18 days for Inland Transport and Handling. The calculation of inland transport and handling time is based on an estimate of how many days it takes to complete the following 3 steps:
- Pack goods, arrange transport and load goods on truck (Durban) – 3 days
 - Inland Transport time from Durban to the warehouse in Lusaka – 12 days
 - Customs clearance time at the Zambian border (includes technical control) – 3 days

In December of 2007 ZRA/Customs extracted from the ASYCUDA++ data base all (100% sampling) import customs clearance events nationally from January 1, to November 30, 2007. In total there were 260,160 transactions. Analysis of the data shows that the median time to clear imported goods nationally was 1 day. The median time for of one day for customs clearance plus the estimated 15 days leads to a total time for inland transport and handling of 12 days. This leads to a total time to import products into Zambia of 30 days.

ANNEX 2: SUMMARY OF THE PILOT FOCUS OF ZAMBIA THRESHOLD PROGRAM ACTIVITIES

Agency	Component	Operational Focus	Geographical Focus
Anti-Corruption Commission	Ruling Justly	Corruption prevention	Lusaka
Department of Immigration	Ruling Justly	Corruption prevention Streamlined operations for entry/ exit and permit review	Lusaka, Livingstone, Chirundu and Nakonde
Zambia Revenue Authority	Ruling Justly Economic Freedom	Customs VAT	Customs at Chirundu, Lusaka & Nakonde. VAT in Lusaka
Ministry of Lands	Ruling Justly	Corruption prevention Streamlined operations for lease transfer, land allocation and survey	Lusaka
Transparency International	Ruling Justly	Corruption prevention	Lusaka
Zambia Bureau of Standards	Economic Freedom	Streamlined operations for setting standards and importing goods	Lusaka, Nakonde and Chirundu
Plant Quarantine and Phytosanitary Service	Economic Freedom	Improving operations for exporting and importing goods	Lusaka, Nakonde and Chirundu
Zambia Development Agency	Economic Freedom	Strengthen agency to better serve investors	Lusaka
Programme Management Unit of the Private Sector Development Reform Programme	Economic Freedom	Improved private sector oversight of government performance	Lusaka
Zambia Business Forum	Ruling Justly Economic Freedom	Corruption prevention	Lusaka