

USAID GRANT AGREEMENT NO.  
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RCN:  
APPROP:  
BPC:  
AMOUNT: 22,735,000

MILLENNIUM CHALLENGE ACCOUNT THRESHOLD PROGRAM

STRATEGIC OBJECTIVE GRANT AGREEMENT

BETWEEN THE

UNITED STATES OF AMERICA

AND

THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA

TO

PROMOTE SOUND ECONOMIC GOVERNANCE BY  
REDUCING BARRIERS TO TRADE AND INVESTMENT

DATED: May 22, 2006

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# Millennium Challenge Account Threshold Program

## STRATEGIC OBJECTIVE GRANT AGREEMENT

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**Millennium Challenge Account Threshold Program**

**STRATEGIC OBJECTIVE GRANT AGREEMENT**

Dated: May 22, 2006

Between

The United States of America, acting through the United States Agency for International Development ("USAID")

And

The Government of the Republic of Zambia, acting through the Ministry of Finance and National Planning ("Grantee")

**Article 1: Purpose.**

The purpose of this Strategic Objective Grant Agreement ("Agreement") is to set out the understanding of the parties named above (the "Parties") about the Strategic Objective described below.

**Article 2: Strategic Objective and Results.**

Section 2.1. Strategic Objective. The Strategic Objective ("Objective") aims to reduce corruption and improve government effectiveness through:

- Promoting greater transparency and reducing opportunities for corruption;
- Establishing the Zambian Development Agency and Patents and Companies Registration Offices in provincial capitals; and
- Improving border management of trade.

This Section 2.1 may not be changed except by formal written amendment to this Agreement by the Authorized Representatives, as defined in Section 7.3.

Section 2.2. Results. In order to achieve that Objective, the Parties agree to work together to achieve the following results:

- Reduce the number of days to register property at the Ministry of Lands from 70 to 35.

- Decrease the percentage of households reporting payment of a bribe to the Customs Division of the Zambia Revenue Authority from 14 to 7.
- Increase the percentage of households and businesses reporting quality service regarding business registration from 41 to 60.
- Reduce the number of days to export products from 60 to 30.
- Reduce the number of days to import products from 62 to 30.

This Section 2.2 may be changed by written agreement of the Authorized Representatives of the Parties without formal amendment to the Agreement.

Section 2.3. Annex 1, Amplified Description. Annex 1, attached, forms part of this agreement and amplifies the above Objective and Results. Within the limits of the above definitions of the Objective in Section 2.1 and the Results in Section 2.2, Annex 1 may be changed only by written agreement of the Authorized Representatives of the Parties without formal amendment of this Agreement.

**Article 3: Contributions of the Parties.**

Section 3.1. USAID Contribution.

(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended and Section 616 of the Millennium Challenge Act of 2003, hereby grants to the Grantee under the terms of the Agreement not to exceed Twenty-Two Million, Seven Hundred Thirty-Five Thousand United States Dollars (U.S. \$22,735,000) (the "Grant").

(b) If at any time USAID determines that its contribution under Section 3.1 (a) exceeds the amount which reasonably can be committed for achieving the Objective or Results or Activities during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1(a).

Section 3.2. Grantee Contribution.

(a) The Grantee agrees to provide or cause to be provided all funds, in addition to those provided by USAID and any other donor identified in Annex 1, and all other resources required to complete, on or before the Completion Date, all activities necessary to achieve the Results.

(b) The Grantee will cooperate in and support the achievement of the Strategic Objective and Results called for under this Agreement. Such cooperation and support may include, but not be limited to, all organizational costs associated with achieving the Results, contributions of in-kind resources to the activities being undertaken, the provision of an

enabling environment for these activities to operate, and Grantee's commitment to support policies, laws and programs that contribute to the Objective.

**Article 4: Completion Date.**

(a) The Completion Date, which is September 30, 2008, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

**Article 5: Conditions Precedent to Disbursement.**

Section 5.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) An opinion of counsel from the Attorney General of the Government of Zambia acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.3, and of any additional representatives, together with a specimen signature of each person specified in such statement.

Section 5.2. Notification. USAID will promptly notify the Grantee when USAID has determined that a condition precedent has been met.

Section 5.3. Terminal Dates for Conditions Precedent. The terminal date for meeting the conditions specified in Section 5.1 is sixty (60) days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent in Section 5.1 have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the Grantee.

**Article 6: Special Covenants.**

Section 6.1: Adequate Support for the Strategic Objective. The Grantee and its concerned public institutions and the Ministry of Finance and National Planning, will continue to provide adequate support, and pursue policies and practices for achieving the goals and objectives of Millennium Challenge Account Threshold Program.

Section 6.2. Salaries of Government Officials. The Grantee agrees that no individuals whose salaries are paid from the funds provided under this Agreement will, at the same time, draw a Government of the Republic of Zambia salary or receive government benefits.

Section 6.3. Other. The Grantee covenants to hire the needed additional staff, provide office space, and take all necessary legal actions for the successful implementation of all activities under the Agreement.

**Article 7: Miscellaneous.**

Section 7.1. Financial Disbursement. The Parties agree that the activities contemplated under this Agreement will be undertaken in conformity with United States Government rules, regulations, policies and procedures, and that USAID shall disburse all funds under this Agreement to Implementing Partners (as defined in Annex 1) consistent with such rules, regulations, policies and procedures.

Section 7.2. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be (a) in writing or by facsimile and (b) deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Mail Address:

The Mission Director  
United States Agency for International Development  
351 Independence Avenue  
Lusaka, Zambia

Facsimile: 260-1-254-532

To the Grantee:

Mail Address:

The Permanent Secretary (Budget and Economic Affairs)  
Ministry of Finance and National Planning  
PO Box 50062  
Lusaka, Zambia

Facsimile: 260-1-253-344

All such communications shall be in English. Other addresses may be substituted for the above upon the giving of prior notice to the other Party.

Other addresses may be substituted for the above upon the giving of written notice by the Parties.

Section 7.3. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Permanent Secretary (Budget and Economic Affairs) of the Ministry of Finance and National Planning, and USAID will be represented by the individual holding or acting in the Office of Director, USAID Mission to Zambia, (each an "Authorized Representative" and together, the "Authorized Representatives"). Each of the Authorized Representatives, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement or exercising the power under Sections 2.2 or 2.3 to revise the Results or Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 7.4. Standard Provisions Annex. A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

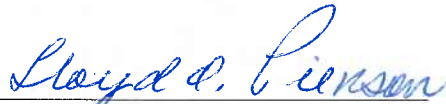
Section 7.5. Amendments. Unless otherwise specified herein, the Parties may amend this Agreement only by a formal written amendment signed by the Authorized Representatives.

**IN WITNESS WHEREOF**, the United States of America and the Grantee, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

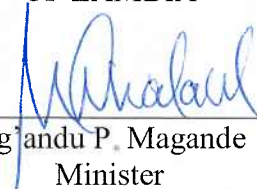
GOVERNMENT OF THE REPUBLIC  
OF ZAMBIA

By:



Lloyd O. Pierson  
Assistant Administrator for Bureau for  
Africa  
United States Agency for International  
Development

By:



Ngandu P. Magande  
Minister  
Ministry of Finance and National  
Planning

WITNESSED:

By:



John J. Danilovich  
Chief Executive Officer  
Millennium Challenge Corporation



## **ANNEX 1**

### **AMPLIFIED DESCRIPTION**

#### **I. INTRODUCTION**

This Annex 1 describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

#### **II. BACKGROUND**

In November 2004, the Millennium Challenge Corporation (“MCC”) selected Zambia as eligible to receive MCC Threshold program assistance. In response to MCC’s invitation, the Government of Zambia (the “Government”) prepared its Threshold Country Plan, which was submitted to MCC in January 2006.

In April 2006, the Board of Directors of MCC approved Threshold program assistance for Zambia (the “Zambia Threshold Program”). The Zambia Threshold Program, as described in this Agreement (the “Program”), will strengthen the institutional capacity of the Government to build and promote stronger partnerships among the government, the private sector and civil society.

During the Program, Zambia will tackle administrative barriers that stall trade and investment and remove opportunities for graft by key government ministries.

#### **III. STRATEGIC OBJECTIVE ACTIVITIES AND RESULTS TO BE ACHIEVED**

The Strategic Objective of this Agreement is to promote sound economic governance by reducing barriers to trade and investment through the following activities;

A. Promote Greater Transparency and Reducing Corruption in Three Pilot Agencies by:

- Building the capacity of the Anti-Corruption Commission.
- Implementing institutionally-tailored regulatory reforms to simplify processes and reduce opportunities for corruption.
- Establishing internal watchdog units within each institution.
- Creating efficient public monitoring and reporting mechanisms to expose corruption.

B. Establish the Zambian Development Agency and Patents and Companies Registration Offices by:

- Establishing the Zambia Development Agency as a one-stop shop for investors and business people.
- Rationalizing and simplifying the economic regulatory framework.
- Establishing Patents and Companies Registration Offices (PACROs) in provincial capitals.
- Building capacity for the Project Coordinating Unit (PCU) for the Program, which will be responsible for incorporating the private sector into the core of the nation's economic growth strategy.

C. Improve Border Management of Trade by:

- Building capacity in modern customs techniques and integrated border control and management in two pilot locations.
- Strengthening the capacity of sanitary and phyto-sanitary units to provide efficient and expedited services for local and export trade.
- Strengthening the standardization, certification and inspection units of the Zambia Bureau of Standards.

#### **IV. MEASURING SUCCESS OF THE PROGRAM**

The success of Program activities will be measured according to the following indicators:

- Reduce the number of days to register property at the Ministry of Lands from 70 to 35.
- Decrease the percentage of households reporting payment of a bribe to the Customs Division of the Zambia Revenue Authority from 14 to 7.
- Increase the percentage of households and businesses reporting quality service regarding business registration from 41 to 60.
- Reduce the number of days to export products from 60 to 30.
- Reduce the number of days to import products from 62 to 30.

#### **V. ROLES AND RESPONSIBILITIES**

##### **A. GOVERNMENT**

In connection with the implementation of the activities under this Agreement, the Government shall use its best efforts to ensure that the results and the objective are achieved, as contemplated in this Agreement.

In furtherance of, but without limiting the foregoing, the Government shall: (a) pay for the annual salaries and organizational costs of the Government staff assigned to oversee the Program; (b) provide office space for staff of selected implementing partners (as defined below); (c) provide Program monitoring; and (d) ensure budget support and replication of lessons learned to sustain Program activities after the completion date and expand to other areas.

#### **B. USAID**

USAID will work closely with the Government (specifically the Ministry of Finance) to assist the Government to successfully implement the Program and achieve the results and the Objective contemplated by this Agreement.

USAID will enter into one or more agreements with one or more third-party implementing partners (each, an “implementing partner”) to implement the Program. Such agreements may include grants, cooperative agreements, and contracts. The implementing partners may be local, United States, international or multi-national, governmental or nongovernmental, organizations or persons. USAID will select the implementing partners in accordance with USAID regulations and policies and in consultation with representatives of the Government and MCC.

USAID will monitor performance under such agreements and will oversee the performance of the implementing partners and progress toward achievement of the results.

#### **C. IMPLEMENTING PARTNERS**

USAID will select the implementing partners in consultation with the Government and will ensure that the implementing partners carry out the implementation of the Program in conformance with this Agreement and report directly to USAID. Each agreement between USAID and an implementing partner that is an organization will be consistent with this Agreement and will include a monitoring and evaluation plan, including indicators, targets and outputs.

#### **D. MCC**

USAID and the Government acknowledge and understand that MCC has charged USAID with responsibility for administering and overseeing the implementation of this Agreement under MCC principles of country ownership, accountability and emphasis on results. USAID and the Government acknowledge and agree that MCC shall have no rights or obligations under this Agreement.

### **VI. FINANCIAL PLAN**

The financial plan (the “Financial Plan”) for the Program is set forth below. Changes may be made to the Financial Plan in writing by Authorized Representatives without formal

amendment to the Agreement, if such changes do not cause USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement.

<b>Program Component</b>	<b>USAID Contribution (In U.S. Dollars)</b>
A. Promoting Greater Transparency and Reducing Corruption	\$11,200,000
B. Establishing the Zambia Development Agency and PACROs	\$5,360,000
C. Improving Border Management of Trade	\$6,175,000
<b>TOTAL</b>	<b>\$22,735,000</b>

**Annex 2**  
**Standard Provisions**

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- Section C.3. Plans, Specifications and Contracts.
- Section C.4. Reasonable Price.
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- Section C.6. Shipping.
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Article D. Disbursements.

- Section D.1. Disbursements.
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Article E. Termination; Remedies.

- Section E.1. Suspension and Termination.
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