

# **Zambia Threshold Program**

## **End-Term Evaluation**

### **Final Report**

Submitted by:

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## Abbreviations

ACC	Anti-Corruption Commission
ALAC	Advisory and Legal Assistance Center
ASYCUDA	Automated System for Customs Data
BMTF	Border Management Task Force
CACP	Customs Accredited Company Program
CEO	Chief Executive Officer
CITS	Comprehensive Integrated Tariff System
DfID	United Kingdom Department for International Development
GRZ	Government of the Republic of Zambia
IC	Integrity Committee
ILS	International Land Systems (ILS), Inc.
ISO	International Organization of Standardization
IT	Information Technology
LAN	Local Area Network
LIA	Lusaka International Airport
MCC	Millennium Challenge Corporation
MDA	Ministry, Department, or Agency
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MOU	Memorandum of Understanding
NGBS	National Governance Baseline Survey
NGO	Non-governmental Organization
NTB	Non-tariff barrier
PACRO	Patents and Companies Registration Office
PCU	Project Coordination Unit, Ministry of Commerce
PQPS	Plant Quarantine and Phytosanitary Services
PSD	Private Sector Development
RFP	Request for Proposal
SAF	Special Activities Fund
SOW	Scope of Work
SPS	Sanitary and Phytosanitary
TA	Technical Assistance
TCP	Threshold Country Plan
TIZ	Transparency International Zambia
USAID	United States Agency for International Development
VAT	Value-Added Tax
WBI	World Bank Institute
WTO	World Trade Organization
ZABS	Zambia Bureau of Standards
ZBF	Zambia Business Forum
ZDA	Zambia Development Agency
ZLAS	Zambia Land Administration System
ZRA	Zambia Revenue Authority
ZTP	Zambia Threshold Program

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## I. EXECUTIVE SUMMARY

The Zambia Threshold Country Program (ZTP) was the fifth threshold program initiated by the Millennium Challenge Corporation (MCC) and constituted a \$22.74 million grant agreement commencing in July 2006 and finishing in February 2009. The overall goal of the ZTP was to combat administrative corruption (defined as the demand of monetary or in-kind payment in return for service delivery) and reduce administrative barriers to increased trade and investment as a means to improving Zambia's performance on the MCC's compact eligibility indicators.<sup>1</sup> The program worked with nine government Ministries/Departments/Agencies (MDAs) and two non-governmental organizations (NGOs). Activities were concentrated in the capital, Lusaka, with discrete interventions at the sub-national level. The contract to implement the ZTP was awarded to a consortium led by Chemonics International.

The MCC commissioned this ex post evaluation to provide an objective and rigorous assessment of the effectiveness and efficacy of ZTP activities. The evaluation team was asked to focus on whether activities were fully executed and resulted in intended, or unintended, outcomes; whether those results have proved sustainable; and to identify lessons learned. Data collection methodologies included key informant interviews, document review, and small-scale survey work.

The ZTP had three primary objectives:

1. **Combating corruption by strengthening the Anti-Corruption Commission (ACC) and improving transparency and efficiency in three pilot Government of Zambia entities-** Ministry of Lands (Lands), Zambia Revenue Authority (ZRA) and the Immigration Department of the Ministry of Home Affairs (Immigration). Planned activities focused on creating watchdog units and public feedback mechanisms within the pilot institutions and undertaking targeted regulatory reform to reduce the number of steps and/or time to obtain certificates/permits. Implementation diverged from this plan in three primary aspects: watchdog units were replaced by Integrity Committees without investigation or discipline powers; attempts at regulatory reform were replaced with the creation of one stop shops (called customer service centers in Zambia) and the automation of procedures; and public feedback mechanisms within the pilot institutions were replaced by a call center operated by one of the participating NGOs, Transparency International Zambia (TIZ);
2. **Reduce the complexity of business licensing and create a one-stop investor shop.** The ZTP sought to operationalize the Zambia Development Agency (ZDA) - a legally mandated but not yet created one-stop shop for investors, exporters, and businesses which merged five previously existing agencies. In addition, three regional offices of the Patent and Company Registration Office (PACRO), the business registration authority, were to be opened to allow business owners in regional capitals to formalize without travelling to Lusaka. Related to these efforts, business and investor licensing and registration was to be streamlined and automated. There was some divergence from the original plan, notably the creation of a PACRO customer service center in Lusaka as well as the three regional offices and the inclusion of support to ZRA's existing customer service center handling VAT registration; and
3. **Improve the transparency and efficiency of border management of trade by piloting a unified management system at two border stations:** Chirundu (land border) and Lusaka International Airport. Capacity building for ZRA, the Plant Quarantine and Phytosanitary Services (PQPS) and Zambia Bureau of Standards (ZABS) was intended to modernize operations (including automation),

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<sup>1</sup> MCC Threshold programs are no longer directly linked to the eligibility indicators but at the time that the ZTP was conducted, the programs were discussed in this way.

reduce corruption, and speed transit times of goods. In implementation, construction delays meant that the Chirundu border was replaced by the Lusaka Port as the second pilot site.

The evaluation found that the **primary impact** of the program appears to be improvements to the efficiency and transparency of business registration and some aspects of Customs administration. Findings suggest that outcomes achieved include:

- Significantly reduced processing time for business registration and VAT registration. Perceptions regarding demands for informal payments at PACRO improved but data for ZRA was inconclusive;
- Improved access to business registration services for companies outside of Lusaka (specifically in the Copper Belt and Southern Province);
- Increased efficiency of bond repayment for transshipment of goods through the centralization of ASYCUDA; and
- Piloting of a risk-based Accredited Customs Client Program, per World Customs Organization guidelines, which has reduced processing time at the border for enrolled clients;
- Slightly faster processing time and improved perceptions on corruption at Immigration.

Despite these achievements, the evaluation did not find evidence that the majority of interventions produced the intended outcomes. This conclusion is supported by the following findings:

- The Lands customer service center has not produced improvements in the incidence of informal payments or service delivery times as evidenced by staff interviews and customer surveys;
- Relevant units of the ACC and the Integrity Committees at Lands, Immigration and ZRA have been maintained. However, only the ZRA's Integrity Committee has data demonstrating increased reporting and investigation of staff ethics violations and this outcome cannot confidently be attributed to ZTP;
- IT inputs (consisting of customized software and websites) are not being used in half of the participating MDAs that received them (Lands, PQPS and ZABS). The reliance on IT rather than regulatory reform or manual system reforms means that operations remain basically unchanged in the three institutions. IT interventions at PACRO and Immigration suffered from incomplete automation of processes (leading to parallel processes) and connectivity problems, but both institutions are using their systems. The sole unqualifiedly successful IT intervention was an ASYCUDA upgrade at ZRA;
- Intended reforms at ZDA were not undertaken due to institutional constraints beyond the control of the contractors (including lack of funds to cover redundancies in the merged institutions and the absence of a CEO until near the end of the program);
- The integrated border management system is not operational at any site;
- The two non-governmental organization subgrantees have not been able to sustain the activities begun under the Threshold Program.

The number of low impact interventions may be attributable in part to over-ambitious program design and overly optimistic assumptions about the willingness of leaders, managers and staff within institutions to implement reforms.<sup>2</sup> The sheer number of planned activities and participating MDAs, and the fact that some

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<sup>2</sup> The ZTP received support at the highest levels of Zambian government but the evidence indicates that Cabinet level approval of the program did not guarantee the willingness of civil servants to implement reforms that threaten

of the planned reforms required substantial bureaucratic integration, would have been challenging to accomplish in two years in a conducive environment. In the actual context of conflicting objectives (with some target institutions having different priorities for activities than those included in program design), low levels of buy-in among some institutional leaders, and constrained capacity, these challenges proved difficult to surmount. Nonetheless, the ZTP created a new model for increasing efficiency and generating a customer service mentality through customer service centers that may prove to be the foundation for future reforms.

The challenges encountered in the ZTP indicate a number of lessons learned that may be useful in future Threshold programs:

- **Need for Improved Due Diligence and Political Economy Analysis-** The ZTP would have benefited from reducing the number of interventions based on objective analysis of technical feasibility given the timeframe and political economy analysis of whether proposed participating MDAs were likely to embrace planned reforms. This implies that the country-led nature of the design process may require modification to allow for external due diligence;
- **Importance of Leadership at Multiple Levels-** It should not be assumed that leaders at the highest levels of government can push reforms through a bureaucracy without the cooperation of reformers at operational levels. The ZTP demonstrated that champions of reform at both levels, and in particular among upper management *within* the institution, were needed to accomplish outcomes;
- **Service Improvements Demonstrated Better Outcomes than Explicitly Anti-Corruption Efforts-** Efforts to increase transparency through process simplification and service improvements had more impact than activities focused on changing staff behavior (e.g. codes of ethics). Revenue-generating, semi-autonomous agencies were better able to implement service changes than line ministries;
- **Avoid Over-Reliance on IT Solutions-** Decisions to invest in IT solutions should be based on rigorous feasibility studies of the technical, financial, and logistical capacity of the beneficiary institution to sustain the system and should be phased so that IT incentivizes concrete regulatory or process re-engineering rather than replacing them. In cases where institutions are migrating from a manual system, sufficient time should be given to ensure the final product functions as intended;
- **Manage for Outcomes, not Outputs** - Management approaches that could have increased impact included more active involvement by the donor (MCC) in overseeing the program including regular field visits during program design and implementation; awarding multiple contracts where interventions require significantly different specializations; placing resident advisors rather than relying on short-term technical assistance; and building sustainability planning into activities;
- **Need for Improved M&E and Reporting-** MCC's management would have been strengthened by more relevant selection of performance indicators, a complete baseline report (with survey instruments, data set and respondents contact information), financial reporting which disaggregates investment by objective or beneficiary, and systematic storage of program documentation. MCC may need to increase staffing of its Threshold programs to perform sufficient oversight;
- **Create Criteria for Modifying Planned Interventions-** Pre-agreed progress milestones that determine whether or not to continue interventions as a standard feature of Threshold agreements may help de-politicize decisions to modify or abandon planned activities.

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their rent seeking. Activities progressed faster and outcomes proved more sustainable in institutions led by champions of reform.

## II. INTRODUCTION

The Millennium Challenge Corporation (MCC) seeks to reduce global poverty through the promotion of sustainable economic growth. For a country to be selected as eligible for an MCC assistance program, it must demonstrate a commitment to policies that promote political and economic freedom, investments in education and health, the sustainable use of natural resources, control of corruption, and respect for civil liberties and the rule of law, as measured by 17 different policy indicators that are divided into three categories: Ruling Justly, Investing in People, and Economic Freedom (i.e. the “eligibility criteria”).<sup>3</sup> Threshold program investments support a country’s overall efforts to meet the indicator criteria and to become eligible for a MCC Compact to help reduce poverty and stimulate economic growth. Threshold programs are typically two to three years grant programs and are administered under the day-to-day management of the country’s USAID mission. The possibility of Compact assistance is intended to incentivize threshold program and broader government reforms.

The Zambia Threshold Country Program (ZTP) was a \$22.74 million agreement to improve the country’s performance on Control of Corruption and Government Effectiveness eligibility indicators.<sup>4</sup> The ZTP spanned a two year period, commencing in July 2006. A six month extension was given to complete activities at Ministry of Lands finishing in February 2009. The program worked with nine government Ministries/Departments/Agencies (MDAs) and two non-governmental organizations (NGOs) as shown in Figure 1 below. Activities were concentrated in the capital, Lusaka, with discrete interventions at the sub-national level. The contract to implement the ZTP was awarded to a consortium led by Chemonics International which subcontracted parts of the work to The Services Group, International Lands Systems, PACT, and AlfaXP.

### *Program Objectives*

The overall goal of the Zambia Threshold Program was to combat administrative corruption (defined as the demand of monetary or in-kind payment in return for service delivery) and reduce administrative barriers to increased trade and investment as a means to improving Zambia’s performance on MCC’s eligibility indicators. The program was structured in two components, Ruling Justly and Economic Freedom, corresponding to the two eligibility criteria that Zambia was failing in fiscal year 2005 when the MCC Board announced its eligibility for threshold assistance. Program interventions were designed through an iterative process led by the Government of the Republic of Zambia (GRZ) with significant inputs by USAID and final approval by MCC (see box below). The ZTP had three primary objectives:

1. **Combating corruption by strengthening the Anti-Corruption Commission (ACC) and improving transparency and efficiency in three pilot entities-** Ministry of Lands, Zambia Revenue Authority and the Immigration Department of the Ministry of Home Affairs- identified as particularly prone to corruption. Planned activities focused on creating watchdog units and public feedback mechanisms within the pilot institutions and undertaking regulatory reform to reduce the number of steps and/or time needed to obtain certificates/permits<sup>5</sup>;

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<sup>3</sup> For more information, see <http://www.mcc.gov/mcc/selection/index.shtml>

<sup>4</sup> The data source for these indicators is the World Bank Institute. Since 2007, MCC has provided formal analysis to threshold eligible governments to assist with analysis of independent data informing the eligibility indicators. At the time the ZTP was designed, countries received a scorecard but no corresponding analysis from MCC. Although the MCC no longer claims that threshold programs should directly affect the eligibility criteria, the programs were referred to in this way at the time the ZTP was designed.

<sup>5</sup> The relevant MCC eligibility indicator is the WBI’s Control of Corruption indicator which in turn uses a number of sub-sources including Freedom House’s “Countries at the Crossroads”, the Afrobarometer, and the World Economic Forum’s Global Competitiveness Report.

2. **Reduce the complexity of business licensing and create an one-stop investor shop.** Under the Economic Freedom component of the program, the ZTP sought to operationalize the Zambia Development Agency (ZDA)- a legally mandated but not yet created one-stop shop for investors, exporters, and businesses which merged five previously existing agencies. In addition, three regional offices of the Patent and Company Registration Office (PACRO), the business registration authority, were to be opened to allow business owners in regional capitals to formalize without travelling to Lusaka. Related to these efforts, business and investor licensing and registration were to be streamlined and automated<sup>6</sup>;
  
3. **Improve the transparency and efficiency of border management of trade.** The second part of the Economic Freedom component focused on piloting a unified management system at two border stations: Chirundu (land border) and Lusaka International Airport. Capacity building for a number of MDAs that inspect goods at the border was intended to modernize operations, reduce corruption and speed transit times of goods.<sup>7</sup>

#### ZTP Program Design Process

MCC informed Zambia of its eligibility for Threshold assistance in November 2004. Program design was driven by GRZ and coordinated by the Ministry of Finance and Economic Planning (MoF). Government institutions deemed relevant to the eligibility criteria were invited by MoF to submit proposals for inclusion in an initial concept paper to MCC laying out the broad areas for intervention. Conceptualization of the program relied heavily on three analytical pieces:

- The National Governance Baseline Survey (NGBS), a survey of 3,000 respondents on their perceptions and experience of corruption. This survey highlighted the problem of administrative corruption and ranked MDA's performance. The three pilot MDAs were selected because of their poor showing in this survey;
- The Private Sector Development Action Plan, which outlined ways to improve public service delivery to the private sector and reduce administrative barriers to businesses and investor entry to help accelerate private sector led economic growth;
- Analysis by the Foreign Investment Advisory Service (FIAS) that highlighted barriers to entry (days to register a business) and trade as obstacles to increased investment and economic growth.

Upon approval of the concept paper by the MCC, MoF developed a Threshold Country Plan (TCP) laying out more detailed program objectives, and finalizing partner institutions and planned interventions. USAID played a significant supportive role in the drafting of the TCP and suggested the inclusion of Doing Business indicators as tangible reform targets. The TCP constitutes the most concrete guiding document to the program. MCC provided comments on the concept paper and TCP but was not directly involved in drafting either document, although they had ultimate authority to approve the program. A summarized version of the TCP served as the basis for the formal bilateral agreement between the US and Zambian governments authorizing the ZTP.

<sup>6</sup> The relevant MCC eligibility indicators include Doing Business "Days to Register a Business" ([www.doingbusiness.org](http://www.doingbusiness.org)) and WBI's Regulatory Quality indicator. However, Zambia was already passing these metrics at the time the ZTP was designed.

<sup>7</sup> Zambia was failing the Trade Policy score at the time the program was designed. This criterion is based on the Heritage Foundation's assessment of tariff and non-tariff barriers (NTBs) to trade ([www.heritage.org](http://www.heritage.org)). Planned activities addressed NTBs, which make up a small part of the score.



Program implementation largely followed the original objectives laid out in the TCP but there were some modifications in emphasis and approach in response to the operating environment. For instance, the Ruling Justly component originally included regulatory reform to increase efficiency and reduce discretion of government employees in the issuing of licenses and approvals. During implementation, it was decided that regulatory reform was impractical in the two-year time frame and the program focused instead on streamlining processes through automation and the creation of one-stop shops (called customer service centers in Zambia). Similarly, in the Economic Freedom component the focus of activities shifted from ZDA to PACRO. These and other changes are discussed in more detail in Chapters IV and V.

At the suggestion of USAID, improvement of Zambia's performance in selected third-party indicators was included as an explicit program objective in order to demonstrate measurable results related to the eligibility criteria. These targets, which also served as the program's performance indicators, were:

- 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 (in implementation, this was replaced with the Doing Business indicator "number of days to start a business", which was in fact the only indicator used by the MCC among its eligibility indicators);
- Reduce the number of days to export products from 60 to 30 and reduce the number of days to import products from 62 to 30.<sup>8</sup>

### III. METHODOLOGY

#### **Purpose of the Evaluation**

The MCC has commissioned this ex post evaluation (hereafter, evaluation) to provide an independent, objective investigation into the effectiveness and efficacy of ZTP activities, using the best data and most rigorous methods feasible. The program evaluation serves three purposes: provide lessons learned for MCC, the Government of Zambia and other program donors; uphold MCC's institutional commitment to measuring program results; and provide practical lessons for current and future Threshold Program partners in developing and implementing Threshold Program activities. A team of two international consultants was hired to evaluate the ZTP. The evaluation was conducted between September 2009 and February 2010. The evaluation examined three key questions:

1. Were activities fully executed and did they result in intended, or unintended, outcomes (meaningful changes in practice, knowledge, or attitudes)?
2. Have those outcomes and pilot activities proved sustainable?
3. What lessons learned can be drawn from these activities?

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<sup>8</sup> The third-party indicators that were selected to track improvements were drawn from two non-USG sources: baseline figures for days to transfer title, days to start a business, and days to import and export are from the International Finance Corporation's Doing Business Report 2006; baseline figures for "households reporting bribes" and "businesses satisfied with registration processes" are derived from the GRZ commissioned National Governance Baseline Survey (2004). The target of 50% reduction was an arbitrary number selected to reflect a "significant improvement".

## Methodology

The Evaluators conducted the evaluation using the following methodologies:

- **Document review** - All relevant Chemonics, USAID, MCC and GRZ reports, including planning documents, annual workplans, the performance monitoring plan, quarterly and annual reports and, where available, baseline and evaluative reports, were reviewed (see Annex 1 for a list of documents). GRZ reports included administrative records and technical outputs (e.g. posters, charts, score cards, and training tools) related to ZTP-related activities;
- **Open-ended and semi-structured key informant interviews-** These were administered to GRZ staff, implementers (USAID, Chemonics, subcontractors), MCC, and relevant third-parties such as donors and private sector representatives (see Annex 2 for a list of those interviewed). Interviews covered the relevance of program interventions to the stated goals, the extent to which activities were undertaken and completed, and evidence or anecdote regarding the effectiveness of the ZTP interventions;
- **In-depth evaluation of select GRZ partner institutions-** Due to resource constraints, a subset of participating MDAs were selected for in-depth evaluation. The subset was selected with MCC input to demonstrate a range of program interventions and sizes of investment. Based on initial interviews, care was taken to include interventions perceived to have both high and low impact so as not to bias the evaluation. The six (out of nine) government institutions selected for structured interviews and survey were: Ministry of Lands, ZRA, PACRO, ZDA, PQPS, and ACC; and
- **Client surveys-** In order to gauge the impact of program interventions on the intended beneficiaries, approximately 30 clients of each of the four customer service centers were surveyed. See Table 1 for more information.

## Limitations of the Study

Due to data limitations, the evaluation **did not** assess the following:

- **Cost-effectiveness** of interventions: Available budget information was extremely limited since USAID's accounting software does not disaggregate expenditures by activity or program objective, making it difficult to calculate investment by partner institution. All figures presented are based on pre-program projections, except where noted, to provide some sense of intended proportion of investment.
- **Impact on MCC eligibility criteria or the Doing Business indicators** - Although the ZTP was aimed at improving performance on the MCC eligibility indicators, attribution problems prevent reliable analysis of the ZTP's contribution to Zambia's indicator performance. This is also true for the ZTP-specific objective of improving selected Doing Business indicators. Relevance of the program activities to the eligibility criteria was examined but only in a broad sense.

In addition, the evaluation encountered a number of methodological challenges:

- **Reliable data on corruption.** A primary ZTP objective was to reduce opportunities for corruption. Evidence as to whether activities *prevented or reduced* corruption was particularly difficult given the absence of a counterfactual or data on past trends; the evaluators relied on anecdotal evidence for activities focused on preventing corruption. A review of anti-corruption work in Zambia and elsewhere (including the ZTP baseline study) indicated low response rates to direct questions

regarding administrative corruption. For this reason, indirect and proxy questions were used which may confound results; respondents were also informed that responses would be reported in aggregate or anonymously;

- **Measuring qualitative outcomes.** The evaluators recognize potential biases in responses related to qualitative outcomes, i.e. changed behavior, and triangulated data from interviews, to the extent possible, to overcome this. Another complication was the lack of baseline and general program monitoring data, particularly for capacity building activities;
- **Determining the achievement of deliverables.** The design documents are relatively vague regarding planned interventions and concrete intended outputs. In practice, many activities were determined through ongoing negotiations between MDAs and the implementers, making it difficult for the evaluators to assess whether outputs were achieved. The weak results framework, which focused on the IFC's Doing Business Report (Doing Business) indicators, and the inclusion of new interventions throughout the life of the program complicated the assessment of completion of deliverables. Staff in participating MDAs frequently understood that equipment procurement had been agreed with Chemonics when in fact budget constraints made it impossible to fulfill some planned activities, particularly towards the end of the program; and
- **Timeframe for governance reforms.** The ZTP was only a two-year program, while governance reforms frequently require a timeframe that extends well beyond this. The evaluators note that activities begun under the ZTP that did not appear to have impact at the time of the evaluation may come to fruition or prove to have been an important step in an overall reform process.

### **Comparability to Baseline Data**

A formal baseline survey was conducted by Chemonics approximately nine months after program inception. The baseline examined perceptions about corruption and service delivery times. That survey suffered from certain weaknesses in design and implementation (acknowledged by Chemonics which reports difficulties with the research firm). The survey instruments and contact information of the surveyed firms was not included in the final report, making it impossible to conduct follow-up evaluations using the same methodology. For these reasons, it was not possible to replicate the baseline instrument for use in the evaluation, although questions were included on similar topics including time to receive completed certifications, perceptions relating to corruption, etc. Baseline data from the survey is cited in the text to give some sense of the situation *a priori* but cannot be used as a directly comparable measure of performance.

The survey conducted for the evaluation had a number of important limitations as well. In addition to not being directly comparable to the baseline, the evaluation survey had relatively small sample sizes due to resource constraints. This may affect the statistical significance and precision of survey results. In particular, the subset of respondents who interacted with the MDA prior to the ZTP was sometimes significantly smaller than the overall sample. In addition, the survey asked respondents to use recall to characterize any improvements in service, delivery time, and requests for informal payments. Another limitation is that in pre-testing it was found that respondents were estimating number of days to process applications and it was therefore decided to provide ranges rather than ask number of days directly. This further reduces the comparability with the baseline data in terms of processing times. Table 1 below illustrates the differences used in methodology between the baseline and the evaluation survey.

**Table 1: Comparability of Baseline Survey to Evaluation Survey**

	<b>Baseline Survey</b>	<b>Evaluation Survey</b>
<b>Sample Size</b>	Immigration- 156 in Lusaka  PACRO- 77 in Lusaka  Lands- 144 firms in Lusaka and Ndola  ZRA- 89 firms registering for VAT; 88 truckers and 121 clearing agents at Livingstone, Nakonde and Chirundu borders	Immigration - 30 respondents in Lusaka  PACRO - 30 firms in Lusaka; 30 firms in Livingstone; 15 bulk filers (agents or notaries) in Lusaka  Lands- 38 individuals and 17 law firms in Lusaka  ZRA- 30 firms registering for VAT; 9 firms enrolled in the Customs Accredited Client Program (CACP)
<b>Selection of Respondents</b>	Face-to-Face interviews of recent clients identified from lists provided by the agency.	Randomly selected through an exit survey at each of the relevant customer service centers; CACP interviews were from a list provided by ZRA

NB: Annex 3 contains examples of the survey instruments that were used. As discussed in the text, the baseline survey instrument was not available.

#### IV. IMPACT FINDINGS

This chapter briefly describes activities under the Ruling Justly and Economic Freedom components, discusses to what extent deliverables were completed, and draws inferences on the impact of program interventions nearly a year after program completion as well as factors affecting the sustainability of any impacts.

##### A. RULING JUSTLY COMPONENT

Component I of the ZTP sought to reduce corruption in support of the Government of Zambia’s (GRZ) Zero Tolerance for Corruption Policy. At the time the program was designed, the GRZ’s focus had been on “grand corruption” or the abuse of office by high level officials. In contrast, the ZTP focused on reducing opportunities for administrative corruption at service delivery points. Three pilot institutions - the Ministry of Lands, Zambia Revenue Authority, and the Department of Immigration - were included because of their poor showing in the NGBS as described above<sup>9</sup>. Objectives were to:

***Ruling Justly:** Anti-corruption activities included capacity building for the ACC and the opening of a complaint center. Activities in Ministry of Lands, Immigration, and Zambia Revenue Authority sought to institutionalize Integrity Committees and streamline business processes. Customer service centers were opened in all 3 institutions.*

*Budgeted investment was **\$11.2 million.***

<sup>9</sup> The NGBS findings ranked ZRA poorly for corruption in customs as opposed to income or VAT tax administration and Immigration ranked poorly for corruption in the passport office rather than for work permits.

- Strengthen anti-graft organizations including the Anti-Corruption Commission (ACC) and Transparency International Zambia (TIZ); and
- In the 3 pilot institutions:
  - Establish watchdog units to serve as focal points for corruption prevention efforts;
  - Create citizen’s monitoring and reporting mechanisms; and
  - Implement regulatory reforms to reduce the time and/or number of steps to issue permits/licenses/titles.

There were some modifications in implementation. First, rather than installing citizen reporting mechanisms within the institutions as originally planned, an Advocacy and Legal Advice Center (ALAC) was set up by Transparency International Zambia (TIZ) to receive complaints. In addition, the planned regulatory reforms were replaced by a combination of IT and customer service centers to streamline business processes.

Data sources for the evaluation of this section include interviews with relevant GRZ staff, staff of the United Kingdom Department for International Development (DfID), which has been the ACC’s primary donor, and TIZ. Administrative records on complaints lodged were examined where available and a survey was conducted of clients of the three customer service centers.

## 1. BUILDING THE CAPACITY OF THE ANTI-CORRUPTION COMMISSION

The ACC is a semi-autonomous institution mandated to spearhead the fight against corruption in Zambia.<sup>10</sup> It is led by a Chairperson, four Board members, and a Director General who are appointed by the President. The objective of the ZTP was to increase ACC’s capacity to conduct prevention activities to supplement its’ more established focus on investigations and prosecutions. In addition, the ACC was centrally involved in implementing other parts of this component- notably the Integrity Committees (ICs), which are the product of an ACC initiative, and the citizen feedback mechanisms.

The intended results of this assistance, per the TCP, included:

- Prevention staff are able independently to design integrity interventions for other GRZ institutions;
- Prevention staff are able independently to train other GRZ staff on anti-corruption best practices; and
- Prevention staff coordinate their activities with civil society organizations and members of the private sector.

The TCP did not specify capacity building activities and in practice interventions were decided through consultation between the implementers and ACC staff, in particular the Head of the Prevention Department. No baseline was conducted for these activities, although in many cases trainees were new to the institution (or new in their role) and their experience in the subject matter is reported to have been low. The TCP budget estimate for these activities (including work in the ICs and feedback mechanisms) was \$1.3 million.<sup>11</sup> Capacity-building activities conducted for the institution, and their perceived impact, included:

- *Board training-* The Program funded training and study tours for Board members to meet staff and partners in the ACC’s regional offices. At the time of the ZTP, they had all been newly appointed and

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<sup>10</sup> The ACC was created in 1982 as a result of the passage of the Corrupt Practices Act in 1980. From inception until the passage of the Anti-Corruption Commission Act in 1996 it operated as a Government Department.

<sup>11</sup> This amount, an estimate by USAID, included salaries and overheads for the implementing contractor.

were unfamiliar with the requirements of their role. Evaluators interviewed two of the three<sup>12</sup> Board members currently in office (two positions being vacant). They expressed satisfaction with the ZTP inputs and felt that they contributed to better defining relationships between the ACC and central government and between the Board and staff, although no concrete outcomes were identified;

- *Strengthening the Prevention Unit*- ZTP provided capacity building to the prevention unit of the ACC in the form of risk analysis training and the development of an Anti-Corruption Toolkit to help disseminate prevention activities in government agencies. Work with the Integrity Committees discussed below was done in cooperation with this unit. ZTP also provided significant resources for public awareness campaigns, often conducted in partnership with the program’s two NGO partners, TIZ (for reporting corruption) and Zambia Business Forum (ZBF). The evaluators interviewed two of the Prevention Unit staff who report that the Toolkit and other substantive materials created under the ZTP continue to be used and that trainings are being replicated, often in cooperation with TIZ. Prevention Unit staff also cite the importance of ZTP resources in providing training for the ICs (which is corroborated by interviews with IC members) and indicated they would like to replicate ZTP communication strategies in the future although they are currently prevented by resource constraints;
- *Creating an M&E Unit* – The ZTP supported creation of a new M&E unit to monitor the efforts within government agencies to conduct prevention activities. Three of five staff were interviewed. They report little impact from the ZTP: for example, the M&E Action Plan developed under the Threshold cannot be used as intended to gather information on corruption prevention or prosecutions because agencies are not mandated to report this information to the ACC. The officers also indicated that ZTP training was too rushed and theoretical to apply in their work environment. Although they report that they carry out evaluations, no examples were provided to the evaluators. While the unit exists, it does not appear to fill its intended function of providing oversight; and
- *IT/Website*- Computers and other IT equipment provided by the program remain in use. The website designed for ACC fell out of use shortly after the ZTP ended due to technical and financial constraints that prevented the ACC from maintaining the site. The website has since been redesigned by ACC. An automated case management system was not procured because ACC staff could not agree on specification requirements.

### Summary of Impact

Overall, the ZTP appears to have had limited impact on the ACC’s internal capacity to conduct prevention activities based on the anecdotal evidence. Although the activities themselves were relevant to the MCC eligibility criteria and the organizational goals of the ACC, the evaluators found little tangible impact from the trainings. Board members gained a better appreciation of their role but no concrete examples were given of how this has changed the nature of their decision-making or their ability to give strategic direction to the organization. The Prevention Unit is using the training manuals and reporting formats and this is seen to be the greatest area of operational improvement resulting from the inputs. The sustainability of these results is questionable as ACC has not been given sufficient operating budget to replicate the prevention activities. No impact was seen in the M&E unit and the IT work was not completed.

## 2. THE INTEGRITY COMMITTEES

The TCP design included creation of corruption “watchdog” units within Lands, Immigration and ZRA that would monitor and investigate suspicious behavior, enforce service delivery standards, and promote internal

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<sup>12</sup> Evaluators sought to meet with all Board and relevant staff members but due to scheduling conflicts were not able to reach 100% coverage in the informant interviews.

policies to combat corruption. The ACC considered a “watchdog” approach with investigational powers too confrontational to be accepted by MDA staff. Prior to the ZTP, they instead launched pilot efforts to set up Integrity Committees (ICs) in eight MDAs (including the three ZTP beneficiaries).<sup>13</sup> The role of the ICs is to receive complaints from the public and refer them to appropriate authorities, and undertake anti-corruption prevention activities.<sup>14</sup> The ICs are made up of four members, generally the Directors of each Department in the institution, who are appointed by the relevant Minister/Chief Executive. Respondents indicate that institutional commitment to the ICs at Immigration and Lands was low at inception and that the organizations didn’t acknowledge administrative corruption as a problem. Institutional commitment at ZRA was much higher and the organization had already instituted a number of reforms on their own prior to ZTP inception.

In implementation, the ZTP supported the ACC to build capacity of the ICs, which were in a very nascent stage, as “focal points of integrity” and develop their role in preventing corruption. Activities included:

- Drafting and disseminating of core values and codes of ethics;
- Training for IC members in areas such as administrative law, corruption risk assessment, and change management;
- Public awareness campaigns to improve public perceptions about the institutions; and
- Provision of IT and in some cases office refurbishments.

The program coordinated with DfID, which was already supporting training for the ICs. The implementers also built upon the work on core values and codes of ethics, which had been launched by the ACC, to connect higher integrity with concrete service improvements by creating customer service charters. The customer service charters provide targets for number of days to provide services and respond to complaints, an innovation for these institutions.

#### *Core Values, Code of Ethics and Service Charters*

ZTP assistance included workshops for the three MDAs to draft core values, codes of ethics, and customer service charters that were intended to foster an organizational culture of integrity. ZRA had already developed core values and a code of ethics and had a Taxpayer Charter prior to program inception consistent with the higher political commitment demonstrated there. These were revised with inputs by ZTP consultants. The code of ethics at Lands was not approved by the Minister and could not be adopted but the deliverables were otherwise completed. Staff of the ACC expressed concern that these documents were too heavily driven by consultants with insufficient time for broad consultation that would allow ownership and outreach to staff at varying levels and from regional offices. They attribute this to the pressure faced by the implementer in completing all deliverables in the two-year timeframe. Nonetheless, interviewed MDA staff noted (triangulated with ACC and TIZ interviews) that the activities led to increased willingness to acknowledge corruption as a problem facing these institutions.

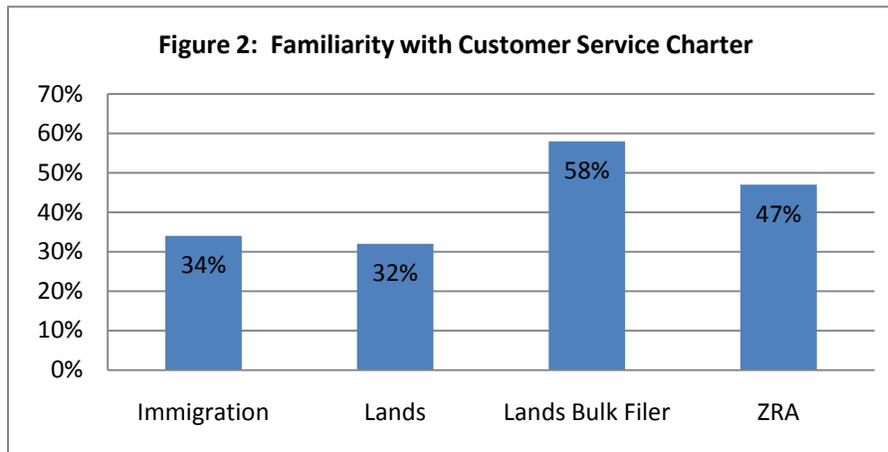
The customer service charters provide the most tangible commitments, specifying processing times for various transactions. These were disseminated on posters and brochures at the customer service centers and

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<sup>13</sup> The creation of the ICs is therefore not attributable to the ZTP. Reporting by Chemonics and USAID inaccurately credits the ZTP with creation of the ICs. Although the intended beneficiaries of the ZTP were the three pilot MDAs, it was agreed by USAID, DfID, and ACC during implementation to open workshops and trainings to members of the other 5 MDAs.

<sup>14</sup> In ZRA, there is an Internal Affairs Unit, which does have enforcement powers. ZTP included the unit in this work and supported it with equipment and training.

were still visible as of January 2010 in Lands and ZRA but not Immigration. The survey conducted for the evaluation included approximately 30 customers for each of the three MDAs. Fewer than half of the



individual clients at each MDA were aware of the customer service charter, as shown in Figure 2. However, almost all respondents who were familiar with the charters felt they were helpful.

*Capacity Building*

No baseline is available for the capacity building exercises as no pre-testing or structured needs

assessments appear to have been done. The evaluators met with 3 IC members at ZRA and 2 IC members (or staff) at Lands (of a total 4 IC members in each institution). In general, they were satisfied with the quality of training provided and report that they continue to use the skills and lessons that they learned through these trainings. For example, the ZRA Director of Internal Affairs reported that he uses the risk analysis tools learned under the program in his day-to-day work. IC members were also provided with IT equipment which remains in use and good condition in all MDAs.

Demonstrating impact of these activities is difficult, since outcomes were to *prevent* corruption but no reliable measure of the magnitude of corruption existed as a baseline, only public perceptions. In lieu of proving the counter-factual, evaluators examined the level of activity by the ICs as a proxy for how effective they have been. Interviews with DfID, TIZ, and GRZ entities indicate that the ICs were more active during the program in terms of meeting regularly and launching initiatives; momentum has waned with the withdrawal of ZTP assistance. In the Ministry of Lands, for example, the IC met monthly during the ZTP to consider complaints and plan activities but as of February 2010 had not met in six months and is not conducting any activities for staff (see Case Study box below).

Limited resources are cited as the primary challenge to sustainability. With the exception of ZRA, IC members and Secretariat staff are part-time and fill this role on top of their existing duties. Budgets to conduct anti-corruption activities (including reprinting ZTP collateral) are very limited. Following the adoption of the National Anti-Corruption Strategy by Parliament in 2009, the Secretary to the Cabinet instructed all MDAs to budget a line item for IC activities in the 2010 fiscal year, but actual allocations were far below requested amounts. The ACC notes that it had no budget in 2009 to replicate ICs in other MDAs although it continues to interact with the existing ICs. In this environment, it is difficult to assess whether trainees gained greater capacity to design and conduct anti-corruption initiatives since there is little scope to launch new activities. However, at ZRA, which has better access to resources, the IC has launched new initiatives and feels ZTP training was beneficial to these efforts.

Summary of Impact:

Overall, the evaluation found little evidence that the ICs are achieving their intended goal of preventing administrative corruption. The IC at Lands is not carrying out new initiatives, does not consider cases of bribes for service, and does not publicize its role so that customers can bring forward complaints. While the IC at ZRA is more actively combating corruption, (consistent with its stronger reform path initially as evidenced by its Internal Affairs Unit, core values and a code of ethics), paucity of data and absence of a counter-factual make it difficult to determine whether this is actually dissuading potential bribe-seekers.

## Case Study: Integrity Committees at ZRA and Lands

### Zambia Revenue Authority

The role of the IC at ZRA is to promote integrity and handle complaints regarding unethical behavior and unsatisfactory service delivery. The IC is staffed by a full-time officer who monitors complaints and responses.<sup>15</sup> The ZRA customer service charter specifies that complaints should be acknowledged within a day and responded to within 14 days but ZRA does not always meet this deadline. Since program completion, ZRA has used its own funds to install suggestion boxes at all Customs service points and publicizes the telephone number of the IC. Complaints are also received by letter and email. The work of the IC and the various complaint mechanisms continue to be advertised through radio, newspaper and other public outreach using ZRA's own budget. The number of complaints received increased substantially after the suggestion boxes were installed in the second quarter of 2009 and this is by far the most popular way of lodging complaints (69% of complaints in 2009). The Integrity Officer, who was trained at the ACC under the Threshold Program, is responsible for checking the suggestion box in Lusaka and for training a point person in their role at each border post.

Reports on complaints are generated quarterly and disaggregate complaints by department (eg. Domestic Tax), location, how they were received, and type. The largest source of complaints is for inefficiency (not meeting the customer service charter timelines), followed by unprofessional conduct. These types of complaints are referred to the relevant Department Head. Complaints related to corruption, fraud or other types of more serious infractions are referred to Internal Affairs, the ACC or the police. In all cases, the IC monitors that the customer received a response or how the issue was resolved. All 3 IC members interviewed for the evaluation felt that the willingness of staff to report cases of unethical behavior had increased as a result of the work done under the ZTP.

### Ministry of Lands

Ministry of Lands is regarded by a number of measures (complaints to ACC, baseline surveys that informed the TCP, etc.) as suffering from pervasive corruption. In contrast to ZRA, the role of the IC at Lands is primarily to handle complaints brought to their attention by the Permanent Secretary and, occasionally, letters addressed to the head of the IC. They do not advertise complaint mechanisms, do not check the suggestion box at the customer service center (which respondents uniformly felt was not an effective feedback mechanism), and are not responsible for monitoring compliance with the customer service charter. This very limited role and outreach is reflected in the low number of complaints recorded. The types of complaints dealt with relate primarily to fraudulent land transactions, often collusion by staff in assigning land away from the customary or lawful owner. In this regard, staff feel that the existence of the IC has had a positive impact and report that 4 property transactions have been cancelled following deliberation by the IC.

IC secretariat staff believe that the payment of "speed money" is rampant within the institution but because clients and staff are doing this in collusion it is not reported. Even if it were, the Ministry has no policy against staff receiving "tips". It is noteworthy that Lands is one of the government departments that registered the most complaints through ACC and the ALAC (although these are often complaints about the local Council's handling of property rights). The small number of complaints handled by the IC is thus not reflective of low levels of corruption. The composition of the IC is also a challenge as one member was themselves under investigation. Although the staff member recused themselves from the IC meeting during discussion of their case, no action was taken against them. The ACC and TIZ are now working on persuading MDAs to include one civil society representative in each IC to provide more transparent and credible operations.

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<sup>15</sup> The ZRA, as a semi-autonomous, revenue-generating agency, has greater control over staffing and budget allocations than Ministry of Lands.

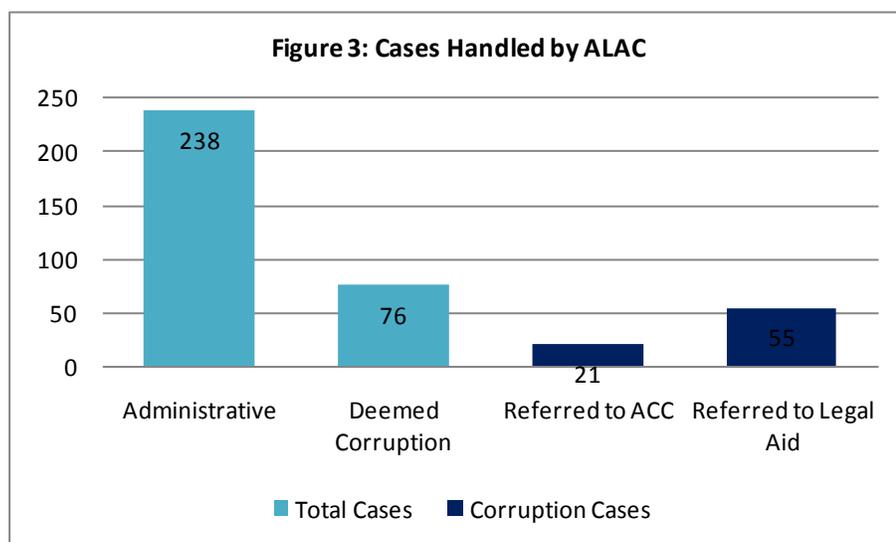
### 3. CUSTOMER FEEDBACK MECHANISMS

The TCP called for the installation of public feedback mechanisms in the three MDAs, including telephone hotlines and automated case management systems, to allow the public to address complaints or report corruption to the ICs. However, the baseline survey indicated that the public sometimes hesitated to report complaints directly to government out of fear of repercussions. To address this concern, the ZTP provided a grant to Transparency International Zambia (TIZ) to establish an Advocacy and Legal Advice Center (ALAC) that would accept corruption complaints from the public – by telephone hotline or in person – and pass them on to relevant authorities. The ZTP installed suggestion boxes in the Customer Service Centers but did not otherwise install feedback mechanisms within the MDAs. Document review, staff interviews, and customer surveys were used to assess the effectiveness of the ALAC and the suggestion boxes.

#### *Advocacy and Legal Advice Center (ALAC)*

Transparency International Zambia (TIZ) is the only NGO in Zambia whose mission is entirely focused on anti-corruption efforts. They had been collaborating with the ACC prior to the ZTP, although respondents from both organizations agreed that the ZTP helped strengthen the institutional relationship (an explicit objective of the ZTP). TIZ received a small subgrant from Chemonics (approximately \$210,000) to provide technical assistance to the ACC, participate in IC trainings, and open the ALAC, including capital expenses to refurbish office space.

Anecdotally, implementation was slowed because the GRZ counterparts (ACC, Lands, ZRA and Immigration) were concerned about having an external institution serve an oversight function. The number of complaints logged by the ALAC during the grant period is shown in Figure 3. Since this was a new service, the baseline is zero. ALAC received a total of 307 complaints, the majority against Ministry of Lands, during the life of the program. Administrative complaints relating to poor service provision or petty bribery were referred to the responsible institution for resolution since ALAC did not have authority to investigate cases. The responsible institutions did not make available case statistics on the outcomes of investigations.



The responsible institutions did not make available case statistics on the outcomes of investigations.

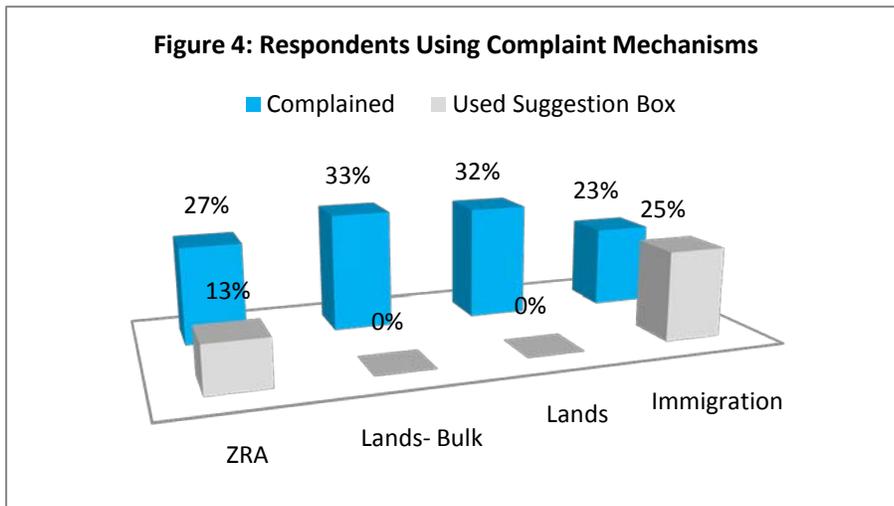
The 10 month sub-grant proved insufficient for the ALAC to become institutionalized.<sup>16</sup> TIZ had not secured additional donor funds at the time of the evaluation and has maintained operations past the initial grant

<sup>16</sup> The evaluators note that the activity would be difficult to fund as a fee-for-service and thus is likely to be dependent upon donor support. However, ZTP implementers did not make efforts to help TIZ identify such support.

period by relying on volunteers to run the ALAC. With no budget to advertise the service after the grant period, complaints have decreased gradually and no new cases are being logged. TIZ indicated to the evaluators that the ALAC would close without further donor support.

### Suggestion Boxes

The suggestion boxes at the customer service centers were the only feedback mechanism implemented by the ZTP within the MDAs. Customer service center staff in all three MDAs felt that the suggestion boxes were of limited value and this view is supported by the evaluation surveys. Figure 4 shows the percent of total respondents who had lodged complaints, and of those what percent used the suggestion box as opposed to lodging the complaint in person, by phone, or through a letter. Respondents indicate that speaking or writing to staff remains the preferred feedback mechanism and it appears that the poorer the performance of the institution, the stronger the preference for addressing complaints directly to staff. The bulk of complaints



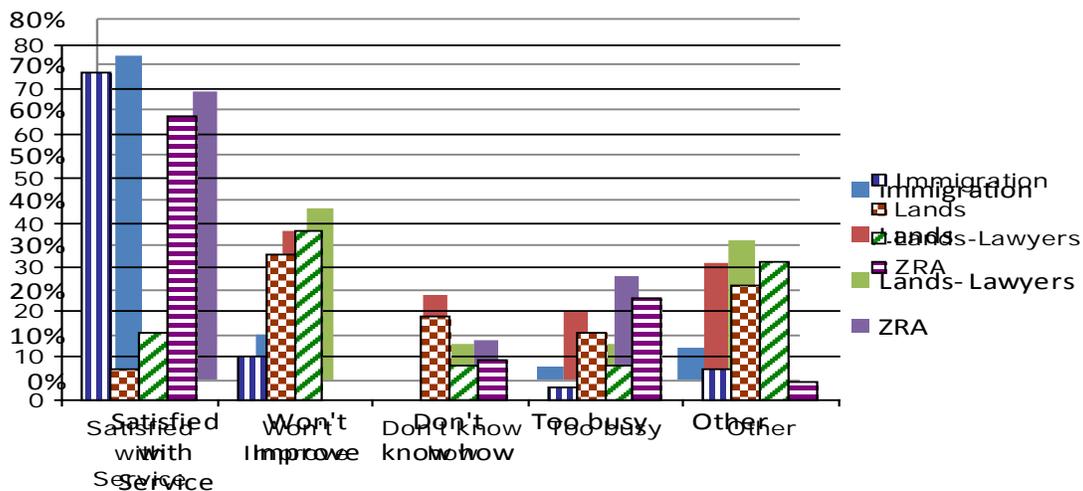
related to slow delivery times and respondents (and government staff) indicate that the customer service charter times are cited in complaints. Only three of the respondents in the evaluation survey (2 at ZRA and 1 at Lands) complained about demands for bribes or unprofessional behavior.

Respondents who had not lodged a complaint were asked the reason, shown in Figure 5. The response for

Lands corroborates information from staff that complaint mechanisms are not advertised and indicate that the public has low confidence in management to address concerns.

□

Figure 5: Reason Respondents Did Not Complain



In order to triangulate these findings, evaluators examined available administrative statistics on complaints handled from the creation of the ICs in 2007 to the most current available data (shown in Table 2). The evaluators note that while the ICs did not receive support from the ZTP in soliciting complaints, they did receive some support in how to resolve complaints.

ICs were not handling complaints at program inception so the baseline for complaints received is zero. ZRA's Internal Affairs Unit was handling investigations at program inception and that figure is given for 2007. The data's utility is highly constrained due to lack of a systematic definition of corruption within and across agencies and unwillingness of participating institutions to provide details on case resolution or share case files due to privacy concerns. Consistent with the reform path at program inception, ZRA is seen to be more actively soliciting and handling client complaints than Lands.

**Table 2: Corruption-Related Complaints**

<b>Ministry of Lands</b>	<b>2007</b>	<b>2008 (Apr-Sep)</b>	<b>2009 (Jan-Sep)</b>
Complaints Received (by IC)	0	25	28
Investigations Opened	N/A	N/A	N/A
Convictions or Disciplinary Actions	N/A	1 verbal warning	1 employee suspended; 1 case referred to ACC; 1 verbal warning
<b>Zambia Revenue Authority</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Complaints Received (by IC)	0	13	129 (Jan-Aug)
Investigations Opened (by Internal Affairs Unit)	17	25	N/A
Convictions or Disciplinary Actions	3 criminal convictions	6 dismissals; 5 cases referred to ACC and 3 to police	5 complaints referred to Internal Affairs; 3 referred to police and 1 to ACC

#### Summary of Impact

Overall, the evaluation finds the ZTP did not succeed in establishing long-lasting, effective complaint mechanisms. ALAC has suspended operation and the majority of dissatisfied clients do not use the complaint boxes at Immigration and Lands. ZRA's willingness to make suggestion boxes widely available and monitored has resulted in higher numbers of investigations but is not attributable to ZTP as it occurred after the program had ended.

#### 4. INSTITUTIONALLY-TAILORED REGULATORY REFORM

In addition to the work on watchdog units, the Ruling Justly component sought to reduce corruption by simplifying processes (and opportunities for rent-seeking) in Immigration, Lands, and ZRA. The TCP specifically called for:

- Streamlining procedures in land administration, making information more transparent; and tightening security of the Ministry of Land's Information Management System;
- Simplifying procedures for permits at Immigration; and
- Making tax and customs procedures at the ZRA more efficient.

The TCP calls for regulatory reform, however, in implementation, statutory changes were considered unrealistic in a two-year timeframe.<sup>17</sup> Instead, ZTP interventions sought to increase transparency and efficiency by automating procedures and creating one stop shops (called customer service centers in Zambia). Inputs for the customer service centers included building refurbishments, the provision of office furniture and IT hardware, and staff training in customer service. The budget estimate for these activities in the TCP (including implementer's staff and overheads) was \$3 million, or roughly \$1 million per MDA.

Evaluation data is from interviews with Directors at ZRA and Lands who were involved in the design and/or implementation of this component and the staff of the customer service centers. Implementing contractors and consultants, including the IT firms subcontracting to Chemonics, were also interviewed. Immigration, because it was not selected for in-depth evaluation, did not have equivalent structured interviews but did have open-ended interviews with a group of staff involved with the program. The client surveys conducted for the evaluation included approximately 30 clients of each of the customer service centers at Lands, ZRA and Immigration (see Table 2 on pp. 10 for more information).

## **MINISTRY OF LANDS**

### *Background*

The Ministry of Lands is mandated to assign property rights and regulate the use of land. Land titling for the entire country is handled in Lusaka, obliging citizens to travel sometimes great distances. The TCP called for streamlining procedures and reducing the number of steps to record deeds and titles in order to speed service delivery and minimize corruption. The intended result was to reduce the number of days to register property from 70 to 35 days (as measured by the Doing Business report). The TCP also sought to tighten security of Lands' Information Management System (LIMS) to prevent tampering with land records, one factor in a number of high profile fraudulent land transaction cases.<sup>18</sup> In implementation, it was decided to develop a new software system to replace LIMS and create a customer service center to streamline the issuance of land titles. Technical assistance and capital goods were also provided to improve spatial mapping and document storage to prevent tampering with physical records.

Six months into the ZTP, the President dismissed the Ministry's entire leadership (including the Minister, Permanent Secretary and Commissioner) on corruption charges. This institutional upheaval slowed implementation for much of the first year. Staff at Lands<sup>19</sup> noted that another major challenge in early implementation was disagreement over the scope of work. The TCP called for streamlining land administration in broad terms, but the Doing Business indicator that served as a target for this activity measures the time to transfer land title, called secondary transactions in the Zambian system. The implementers (USAID and Chemonics) therefore sought to limit the scope of work to streamlining secondary land transactions whereas Lands wanted the program to include primary transactions (whereby the government assigns customary, i.e. tribal or public, land in initial leaseholds to private owners) as these are more common, and more prone to fraud and other forms of corruption. In the end, the IT subcontractor

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<sup>17</sup> The OECD defines regulatory reform as "changes that improve regulatory quality, that is, enhance the performance, cost-effectiveness, or legal quality of regulations and related government formalities".

<sup>18</sup> LIMS had been created several years prior with support from the Swedish International Development Cooperation Agency. The system had some functional problems including weak security features and the lack of an audit trail.

<sup>19</sup> The evaluators interviewed Directors of the ZTP Lands Steering Committee, IT staff, customer service center staff, ZRA staff seconded to the Lands customer service center, and human resources staff. Because of high staff turnover, it was not possible to interview as extensively as at ZRA or PACRO.

agreed to incorporate both kinds of transactions into the new software but this increased the scope of work considerably.<sup>20</sup>

A series of short-term international consultants were brought out in succession during the first half of the program to conduct assessments and design activities. Although figures on staff and consultant time were not made available to the evaluators, Lands staff estimate that close to US\$1 million were spent on these inputs, which Lands felt were of limited value.<sup>21</sup> In some cases, consultants' recommendations were too technically sophisticated, expensive, and ambitious to be applied. This indicates that consultants did not have sufficient time or regional knowledge to understand the organization's capacity.

#### *Process Streamlining/Information Technology*

The new software system, Zambia Land Administration System (ZLAS), was the central intervention at Lands and its deployment was meant to improve both efficiency and security of land titling. Given the expanded scope of work and the initial delay in launching activities at Lands, a six month extension was given to complete the work. Despite this, the software was not completed or deployed. Lands continues to use the original, problematic, software and land titling processes at the Ministry remain unchanged with the exception that applications are now dropped off at the customer service center rather than individual offices. Lands is currently seeking donor support to address remaining bugs in ZLAS and cover the cost of data migration from the old system. The subcontract to ILS for the software development was at least \$750,000.

The failure to complete this deliverable is attributed anecdotally to:

- Resistance at all levels of the Ministry to migrating to a more transparent system;
- Conflicting directives within Lands (between organizational decision-makers and frontline technical/implementing staff) and between Chemonics and the IT sub contractor as to priorities, scope, and planned activities which slowed implementation;
- An IT subcontractor who's expertise (and proprietary software) was on secondary transactions but was trying to accommodate primary transactions;
- An inexperienced recipient agency which required lengthy iterative consultation to identify and understand system requirements;
- Challenges posed by not having full-time consultants on site. Software was developed remotely, emailed to Lusaka to be tested, and then comments would be sent back. This was rectified towards the end of the program with the placement of a programmer in Lusaka; and
- Reliance on IT staff to take the lead rather than officers in charge of the functional area.

Although ZLAS was not completed, Lands received over 80 desktop computers, a computer training lab, and 5 servers to deploy the system. These remain in good working condition and appear to be the primary source of computers for the organization. The ZTP also built a website that is no longer used, reportedly due to lack of resources and bureaucratic complications related to the procurement of an Internet Service Provider.

#### *Surveying and File Management*

Related to the planned migration to the IT system, program implementation included two pilot activities to improve the quality of records that would eventually be entered into the new database. These included modern cadastral mapping and the scanning of Lands' paper records. Cadastral software was provided and

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<sup>20</sup> This is not the sole instance in which the inclusion of the Doing Business indicators as explicit program objectives affected program design. Similar misunderstandings occurred at PACRO and ZRA. GRZ agreed to include the Doing Business indicators in the TCP, but may not have understood the repercussions for the original activities.

<sup>21</sup> Because of Lands' concerns with the quality of the technical assistance, an accommodation was reached with USAID whereby Lands had the right to approve deliverables before Chemonics would be reimbursed for the relevant time.

30,000 parcels in Lusaka (per the final report) were mapped on a trial basis. The software cannot be connected to the legacy system and Lands has stopped populating the database. Lands also abandoned file scanning efforts as expensive and time consuming. Both of these factors appear to stem from lack of prioritization by Lands rather than any inherent failing of the ZTP. The reportedly significant numbers of incomplete, erroneous and tampered files implies serious challenges with data migration even if the new software is completed with other donor support. The ZTP also provided high density file compactors that are still used to better manage physical files.

#### *Customer Service Center*

In the absence of a completed ZLAS, staff interviewed point to the establishment of the customer service center as the ZTP's primary accomplishment. The customer service center opened in early 2009, at the end of the ZTP. In contrast to ZRA or PACRO, the customer service center at Lands serves only as a physical location to submit applications and pick up finished titles/registration/licenses. Because procedures were not streamlined outside of ZLAS, the expected efficiency gains in this case would arise primarily from eliminating the need for customers to track down individual officials. Staff described the situation before the creation of the customer service center as "chaotic" with applicants roaming hallways to find staff members and bringing mundane matters to Directors out of concern that lower level staff did not have the competence or authority to help them.

Positive developments at the customer service center include the posting of fees, the distribution of the customer service charter, and the distribution of guidelines on what supporting documentation is required. In an example of successful long-term collaboration between beneficiary MDAs generated under the ZTP, ZRA agreed to locate a full-time tax officer to the Lands customer service center to allow property owners to pay their property transfer taxes on site, reducing time needed to travel to ZRA's headquarters.

The customer service center at Lands was the last activity completed under the ZTP and the issue of staffing was not resolved during the program. Since Lands is a line Ministry (as opposed to a semi-autonomous agency like ZRA or PACRO), creating permanent posts for the customer service center requires Cabinet approval (still pending at the time of the evaluation). Since early 2009 when the customer service center opened, Lands relies on ad hoc assignments of officers from each department for part of each day, to accept applications. This has greatly reduced the ability of the customer service center to function as intended and the customer service charter is not monitored or enforced as a result of the staffing issue.

#### Impact on Processing Times and Corruption

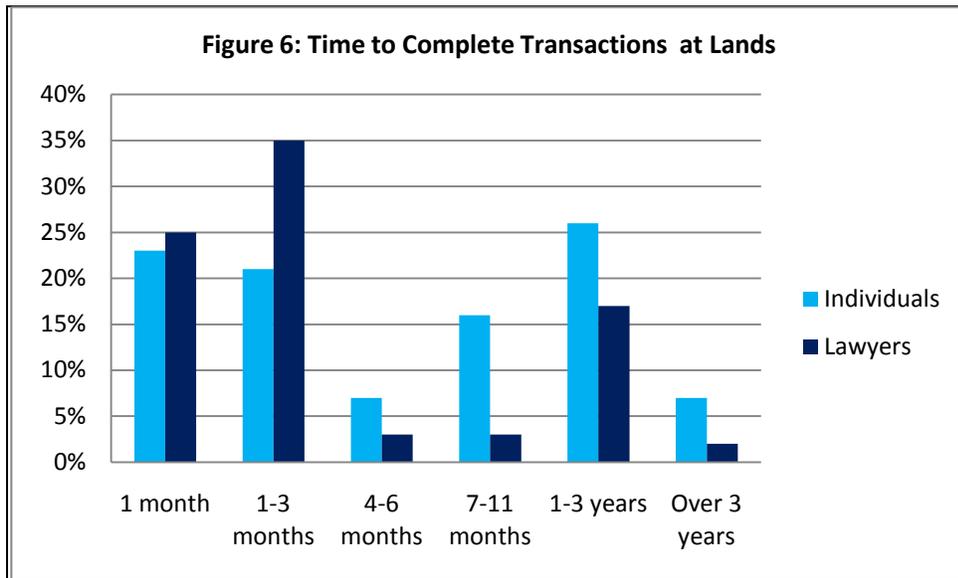
**Comparability of surveys-** The baseline sample included 144 respondents who had filed applications to register a land purchase (transfer of land title). The evaluation survey included 38 individuals selected randomly as they exited the customer service center and 17 agents (primarily staff of law firms).<sup>22</sup> For this reason, respondents in the evaluation were trying to conduct a broader set of transactions than in the baseline.

**Percent Able to Complete Transaction-** Only 3% of baseline respondents had been able to obtain the service they sought, with all other applicants awaiting resolution of their applications. In the evaluation, only 1 respondent (or 2.5% of the sample) had completed their transactions. The data does not indicate an improvement in Lands' efficiency at completing transactions.

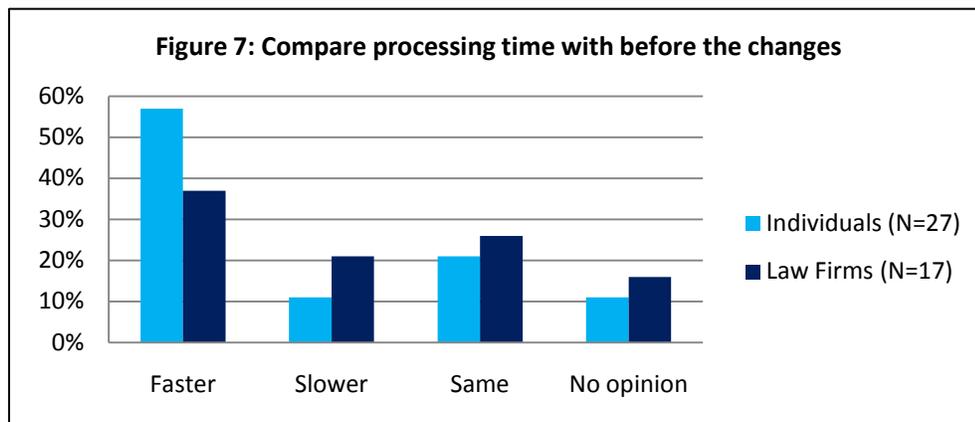
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<sup>22</sup> The evaluation survey included lawyers as they commonly handle a high volume of transactions related to property and are thus more familiar with the regulations and operations of the Ministry. The majority of firms interviewed file between 4-20 transactions per month with Lands. The evaluators note that Doing Business relies on these types of firms for data and the information from lawyers therefore may more closely approximate the targets the implementers were trying to achieve.

**Processing Times-** The baseline did not calculate how long applicants had been waiting for land registration, and so the only available point of comparison is the 2006 Doing Business figure of 70 days, with 52 days being directly related to processing time of the certificate at Lands.<sup>23</sup> In the evaluation, lawyers reported that the majority of applications they were handling (not just land transfer) had taken over a month to complete, as shown in Figure 6. Individual respondents wait much longer, with 33% of individual applications pending for more than a year. These times are significantly slower than in Lands' customer service charter.



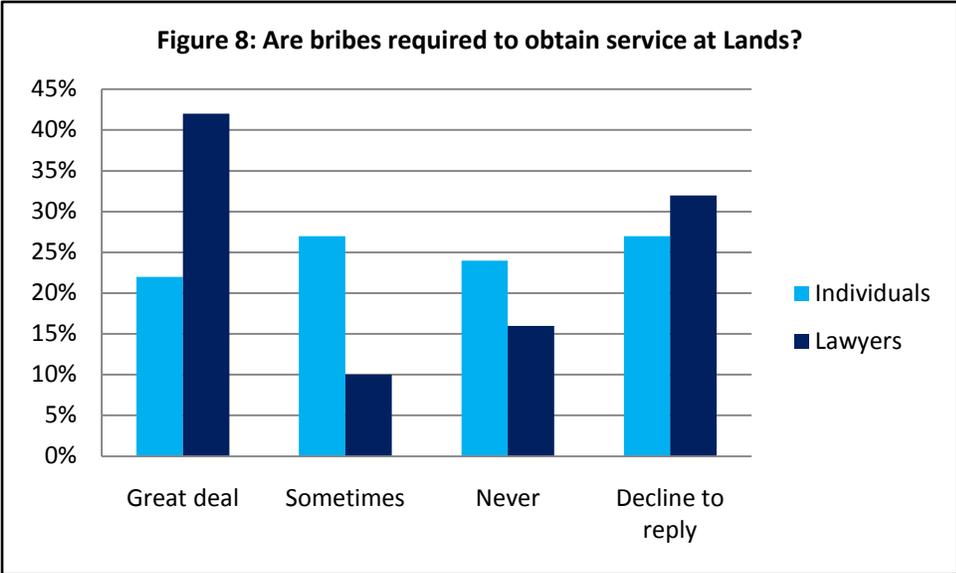
Despite this apparent lack of progress, a slight majority of customers who had experience interacting with Lands prior to the ZTP felt that processing times had improved since the opening of the customer service center, as shown in Figure 7. Lawyers were less positive than individuals, with roughly half of lawyers saying that processing times were the same or slower and a sizable minority reporting that processing times are worse. This divergence of opinion may indicate that the creation of the customer service center has “democratized” access to some extent.



Lands staff acknowledge that the impact of the customer service center on processing times is limited. They attribute this to the failure to complete

...ri. The 70 days included 9 ... es with ZRA. The Doing ... data is collected from a ... comparable to the Doing

Business figures and the 2009 figures are therefore not given. See the World Bank Independent Evaluation Group's note on Methodology and Reliability cited in the Sources. Because of the small sample size, DB figures are likely to significantly understate processing times for non-professionals who are not familiar with the process and for primary transactions which are more complicated in nature.



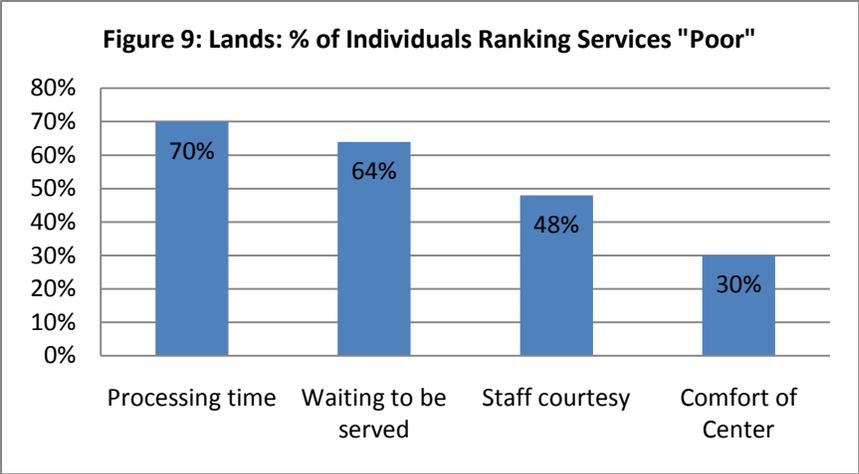
ZLAS and the staffing issues. Among upper management, there is some feeling that the customer service center has actually slowed processing times because in the absence of dedicated staff, existing staff now divide their time between accepting new applications and handling existing cases, further increasing the backlog. Evidence from all sources thus suggests that there

have not been improvements to processing times.

**Incidence of Rent-seeking-** The second objective of the ZTP was to reduce corruption. In the 2007 baseline, 60% of respondents ranked the Ministry as corrupt and only 12% disagreed with the statement “most of the Ministry staff are corrupt”. Although none of the baseline respondents reported paying a bribe, 25% cited the demand for money, or their inability to meet such demands, as the reason they were unable to obtain service. The findings of the 2010 evaluation survey indicate that the situation has not improved significantly. Fewer than 25% of individuals felt that bribes did not occur and this percentage was even lower for lawyers who are more familiar with the institution, as shown in Figure 8. Two of the firms interviewed reported being asked for payments to expedite processing and respondents among law firms and Lands staff spoke of “appreciation” being shown to prioritize an application needing to be handled quickly.

Respondents with prior interaction at Lands were asked whether corruption had improved since the changes were introduced. Between 60-80% of respondents declined to reply to this question and no conclusions can therefore be drawn regarding improvements to corruption.

One rationale for the customer service center is to reduce contact between staff and clients in private offices,



and thus increase transparency. Among lawyers, 60% of respondents still meet staff in private offices in addition to submitting paperwork at the customer service center and 6% said they do not use the customer service center at all. For most lawyers, therefore, the customer service center is “one more step”.

**Customer Service-** Dissatisfaction with service provision at Lands continues to run high, as shown in Figure 9. However, a slight majority of respondents who had interacted with Lands prior to the opening of the customer service center felt that it was an improvement over the previous situation. Just over 60% of lawyers and about 50% of individuals with previous experience at Lands felt customer service had improved with the opening of the Center.

#### Summary of Impact

The data does not indicate improvement to the efficiency of land title administration or on reducing opportunities for corruption. The failure of the interventions to achieve their goals can be attributed to: over-reliance on IT/technical solutions and resource constraints in the beneficiary institution. However, the physical comfort of the customer service center is felt to be of benefit.

### **ZAMBIA REVENUE AUTHORITY**

The ZRA is a semi-autonomous agency mandated to collect revenue on behalf of the Government. It is overseen by a Governing Board and led by a Commissioner-General appointed by the President. The Threshold Country Plan called for interventions to “make tax and customs procedures more efficient” and the development of public outreach tools to distinguish between paying taxes and paying bribes.<sup>24</sup> In implementation, the ZTP focused on streamlining value-added tax (VAT) registration as part of the objective to reduce the Doing Business “days to start a business” indicator from the 21 days cited by the World Bank in 2006.<sup>25</sup> This indicator was used by MCC as an eligibility criterion.

Prior to the ZTP, the ZRA customer service center (which was created in the 1990s) served only as a “window” to drop off and pick up paperwork. Unlike the other customer service centers supported by the ZTP, ZRA did not receive automation as they deemed their legacy system satisfactory. Instead, technical assistance focused on reducing the number of steps and approvals, changing the physical layout (including removing all walls and replacing them with glass dividers to increase transparency), and providing staff training in customer service. The ZTP also supplied computers and conducted an information campaign to publicize that forms were free of charge (one reportedly common source of rents prior to the program) and advertise the improved services.

Interviews with relevant staff indicate that VAT processing was streamlined as follows:

- Reducing the number of approvals required;
- Reducing the number of steps required;
- Parallel processing (applicants can now apply for a Taxpayer ID number and VAT registration simultaneously rather than consecutively);
- Publicizing guidelines for supporting documentation and processing times on posted signs in the customer service center; and
- Physically bringing together functional staff who were formerly spread across numerous offices.

As a result of the ZTP interventions, the customer service center can fully process, approve, and issue certificates on site. This removes the need for applicants to visit several offices in different locations.

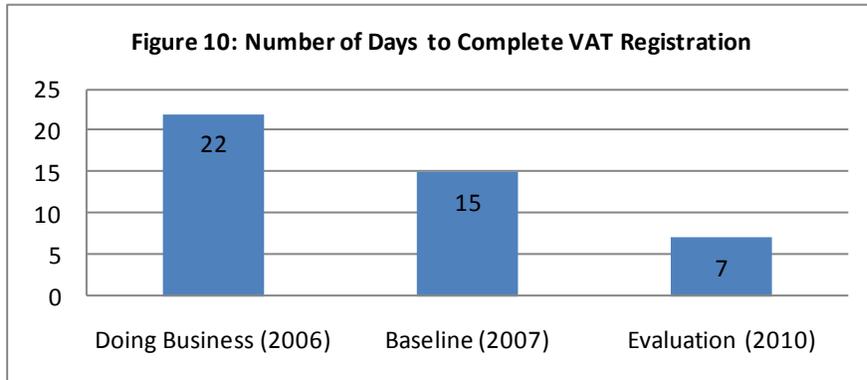
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<sup>24</sup> Activities related to customs are discussed below under the Economic Freedom component.

<sup>25</sup> Methodology used by the evaluation survey is not comparable to the Doing Business methodology and 2009 DB figures are therefore not shown. See World Bank’s Independent Evaluation Group for limitations of the methodology and reliability of data used by Doing Business.

**Impact on Processing Times and Corruption**

The 2007 ZTP baseline survey included 125 respondents completing VAT registration. The survey conducted for the evaluation had 30 respondents completing a variety of transactions, with 87% obtaining a Taxpayer ID number (usually in addition to other transactions) and 33% registering for VAT. Although the methodologies

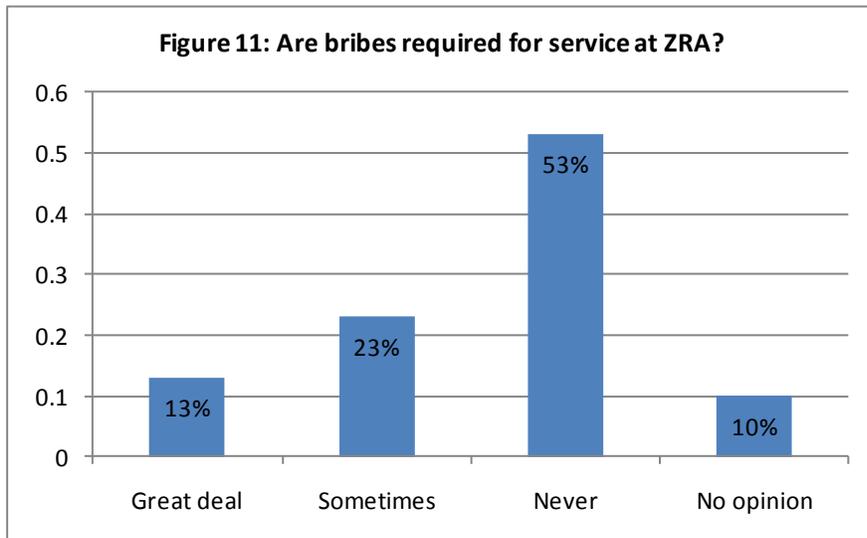


are not directly comparable, the number of days to register for VAT in the 2006 Doing Business report the ZTP baseline and the evaluation (2010) are shown in Figure 10.<sup>26</sup>

Although illustrative only, this suggests that the ZTP contributed to faster processing time for VAT

registration. The evaluation sample is small but the data is quite consistent, with 44% of the evaluation respondents receiving their VAT registration in only 3 days. This number is also corroborated by Center staff. Of those clients who had applied at ZRA prior to the ZTP, 90% felt that processing times are faster than before the ZTP.

The baseline conducted by Chemonics did not ask about perceptions of corruption specific to VAT but found that 18% of respondents had paid for VAT registration, which should be free. (The baseline adds a caveat to this figure as some respondents apparently may have confused paying outstanding VAT taxes and the actual registration process.) In the evaluation survey, 4 respondents (13%) said they were asked for money or favors to issue the registration. Evaluation respondents' perceptions of corruption at ZRA are shown in Figure 11.



Half of the respondents (N=15) had applied at ZRA prior to the ZTP. They were asked whether incidence of corruption had improved but due to a high refusal rate (over 60%), the data is inconclusive. Anecdotal information from these respondents indicates that requests for "speed money" continue to occur, particularly at the cashier where queue times are longer and cash is changing hands.

The impact on customer care is unambiguously positive, with 81% of repeat customers finding that the quality of customer care has improved and 90% of all respondents reporting the quality of customer care and comfort of the customer service center to be satisfactory or very good.

<sup>26</sup> The evaluation survey is not directly comparable to the baseline nor Doing Business figures. They are provided to give some sense of the situation *a priori* and demonstrate the objectives contractors' were working against, but should not be used as a directly comparable measure of performance. See the methodology section for more details.

ZRA is the only one of the pilot MDAs that monitors compliance with its customer service charter, which stipulates that registration should take no more than 3 days and that clients of the customer service center should be attended to within 20 minutes. The Research & Development Department of ZRA monitors compliance using computerized processing data and a customer satisfaction survey that is conducted at the customer service center on a quarterly basis. The results of the survey are reported to the Commissioner General and have been published in the newspaper since 2009 (post-ZTP). According to these reports, from January to September 2009, VAT registration was completed on average in 3 days and clients were attended to in approximately 10 minutes. These times are faster than in the evaluation, which showed average waiting time as 37 minutes.<sup>27</sup> The fact that they are the sole MDA to monitor compliance speaks again to the greater commitment of ZRA leadership to implementing the reforms.

#### Summary of Impact

The customer service center at ZRA has produced faster processing times and improved customer satisfaction. The impact on corruption cannot be determined with available data. The success was achieved by streamlining processes; no work on automation took place. The evaluators note that receptiveness to reforms may have been higher at ZRA given the existence of a customer service center prior to the ZTP and the leadership of the organization.

#### **DEPARTMENT OF IMMIGRATION, MINISTRY OF HOME AFFAIRS**

The Department of Immigration is responsible for regulating the entry and exit of persons across Zambia's borders and issuing work permits for immigrants or investors. Immigration was included in the ZTP after scoring poorly in the NGBS for corruption related to issuance of passports. However, the TCP called for activities focused on streamlining and automating application processes for work permits and visas with the rationale that this would support the business climate work under Component II. (Work on visa issuance was coordinated with the Integrated Border Management activities.) The objective of these activities was to reduce the number of steps and/or time to issue work permits and visas. In implementation, reforms focused on automating the workflow and opening a customer service center. Actual investments for building refurbishments, hardware procurement, high density file compactors and an IT training center was approximately \$435,000 with at least an additional \$239,000 for the subcontract to Alfa XP to design the software (ZIMS) and a website.<sup>28</sup> Immigration was not receiving other donor assistance at the time.

Immigration was not selected for in-depth evaluation interviews as for Lands and ZRA. However, the evaluators conducted open-ended interviews with staff and administered a structured questionnaire to the IT staff person. An exit survey of 35 clients was conducted at the Immigration customer service center.

#### *Information Technology*

Unlike the other MDAs, Immigration did not have a software system in use at the time of program inception and was using entirely manual processes. The program interventions included:

- Creation of two software programs- one for issuing visas and the other for automating the work permit process. This included process mapping<sup>29</sup>, design and testing of software, and end user training;

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<sup>27</sup> According to ZRA's customer survey, over 80% of customers were aware of the customer service charter. This figure is again much higher than the evaluation survey (but reflects a larger sample size).

<sup>28</sup> As for all actual figures given, this does not include Chemonics' staff and management fees.

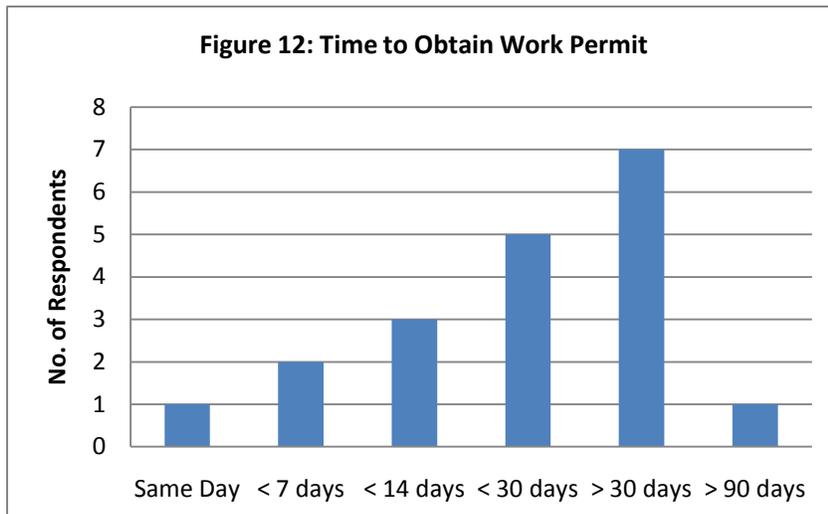
<sup>29</sup> Best practice for process re-engineering calls for technical experts to streamline processes (reducing the number of steps) prior to automation (see *Simplifying Business Permit and Licensing Processes: A Toolkit*). IT staff at

- Procurement of hardware to run the new system;
- Creation of a website with information on how to apply for visas and work permits;
- Disaster and contingency planning; and
- Roll out of the software at the Lusaka Headquarters (for work permits) and at Chirundu, Livingstone Airport and Victoria Falls border stations (for visas).

Immigration has experienced a number of problems with the systems which were already evident during the program. Firstly, the functionality of the software has a number of deficiencies; most significantly, the software application for issuing visas cannot generate reports. A number of transactions must still be done manually because the system does not permit variations from a basic individual application. For example, a visitor accompanied by a minor or an extension of a visitor permit must be handled manually. The IT Department was not given the source code or the system requirements document (which serves as a guidepost for what functionality the system should have) and cannot afford to hire the subcontractor who designed the system to address these issues. Instead, Immigration has hired a local IT company to design a parallel database that they use to generate a limited set of reports with data they input manually.

Immigration staff and the implementers concur that because systems were entirely manual at inception, Immigration staff had insufficient technical capacity to direct inputs. The inability to complete a system with all of the functionality required is attributed by the IT subcontractor to the fact that Immigration as the client organization was not sure what it needed. From Immigration’s perspective, more time to test the BETA version of the software would have allowed them to identify and correct for functionality, and they concede that they did not have the technical experience required to finetune the system but felt that more time to absorb the training that was provided would have allowed them to gain this expertise.

As a result of the low internal capacity to maintain the system compounded by resource constraints, Immigration is confronting sustainability challenges. At the time the evaluation was conducted, the system had been down at Victoria Falls and Livingstone borders for over six months and both border postings have reverted to manual processes. Immigration does not have IT staff at border posts and the five IT staff in Lusaka have insufficient resources to travel to the outstations to address hardware or software failures. IT staff state that the contractors did help them with sustainability planning in the form of revised budget requests to cover the operating costs and one year maintenance agreements for the hardware and software licensing. However, Immigration has not renewed the maintenance agreements due to lack of resources.



Impact on Processing Time and Corruption

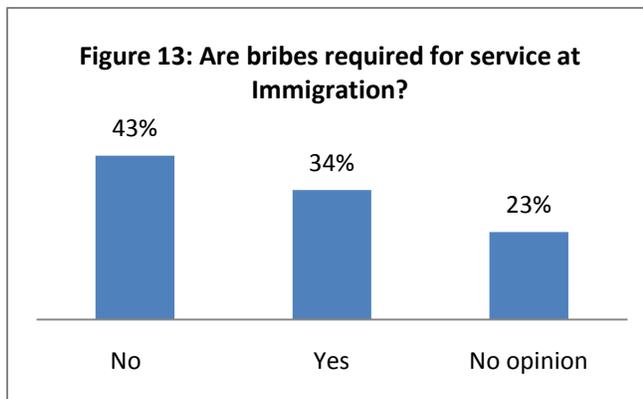
The primary objective of the support to Immigration was to reduce processing time and increase transparency in issuance of work permits and visas. The 2007 baseline survey conducted for the ZTP included 156 respondents who had recently conducted transactions with Immigration (all in Lusaka). The 2010 evaluation survey achieved a sample of 35 clients.

Immigration state that process streamlining was done but in the absence of in-depth interviews with front office staff, the evaluators were not able to verify this.

In the baseline survey, the average time to obtain a work permit was 40 days. The time to obtain work permits among evaluation respondents are shown in Figure 12. A slight majority of respondents (11 out of 19) took less than 30 days to obtain a work permit, indicating that processing times have improved marginally although Immigration is not meeting its commitments under the customer service charter to deliver work permits within 10 working days.

There appears to be stronger improvement in terms of visits required to complete a work permit. The baseline reported an average of 8 visits whereas evaluation respondents reported an average of only 2 (with the caveat that the sample size was smaller). This implies reduced opportunity costs for applicants.

The survey data also provides indications of some impact on reducing corruption. Immigration ranked very poorly for corruption in the baseline, with 78% of recent customers agreeing that the institution was corrupt and only 12% of respondents disagreeing with the statement that “most Immigration staff are corrupt”. Perceptions of corruption among clients in the evaluation are shown in Figure 13 and indicate a slightly more positive perception than in the baseline, although with a 23% no response rate, the data is inconclusive as to whether corruption occurs.



The most unambiguous impact of the reforms was improving customer service. A majority of respondents who had interacted with Immigration before the customer service center was opened (71%) felt service had improved. Among all respondents, satisfaction was high with over 80% of respondents ranking staff courtesy, waiting times to be served, and comfort as good or very good.

### Summary of Impact

Reforms at Immigration have resulted in slightly faster processing times and somewhat improved perceptions regarding corruption. Overall customer satisfaction has improved and applicants are making fewer visits to receive their permits.

## **B. ECONOMIC FREEDOM**

### **1. BUSINESS LICENSING AND INVESTOR SERVICES**

The first half of the Economic Freedom component sought to implement selected parts of the GRZ’s Private Sector Development (PSD) Action Plan to facilitate investment and create an enabling environment for private sector growth. Specifically, objectives were to:

- Make operational the Zambian Development Agency (ZDA). The legislation mandating the creation of the ZDA was signed into law in July 2006, just as the program was commencing;
- Streamline business and investor licensing and

*Activities to improve business licensing focused on automating procedures and opening customer service centers in Lusaka and three regional cities. Work to facilitate investment included technical assistance to merge five agencies into an Investor One Stop.*

*Budgeted investment was **\$5.3 million.***

- automate registration; and
- Decentralize business registration by opening three provincial PACRO offices.

Technical assistance was also included for the Project Coordinating Unit (PCU) of the Ministry of Commerce, Trade and Industry, which was tasked with overseeing implementation of the PSD to help them better monitor performance. The Zambia Business Forum (ZBF), an apex organization of Zambian business associations, was included under a sub-grant to represent private sector interests in the program activities.

#### **ZAMBIA DEVELOPMENT AGENCY**

The ZDA is intended to serve as a One Stop Shop for investors operating under the Ministry of Commerce. It merged five statutory bodies - Zambia Investment Centre (ZIC), Zambia Export Processing Zones Authority (ZEPZA), Export Board of Zambia (EBZ), Zambia Privatisation Agency (ZPA) and the Small Enterprise Development Board (SEDB) - with the objective of improving coordination of economic policies related to the private sector. ZTP support was focused on the substantial institutional and administrative challenges of operationalizing the institution. Planned activities, per the TCP, included:

- Drafting an institutional framework that incorporated all the intended activities of the new institution;
- Designing an organizational structure that would streamline functions and remove redundancies between the multiple agencies being merged; and
- Putting in place a personnel system for the new organization.

Evaluators gave structured interviews to 4 staff of the ZDA, including the Acting CEO at the time of the ZTP. They indicated that the retrenchment costs arising from the merger of the five agencies were not addressed by the enabling legislation and this posed a major challenge to ZTP implementation almost from inception. (The MCC rejected a request to cover an estimated \$4 million in retrenchment costs as part of the ZTP.) This was compounded by the failure of the Government to confirm a CEO for the new organization leaving implementers with no counterpart authority to agree to activities, provide strategic direction, or approve eventual outputs.<sup>30</sup> Staff morale was also a significant challenge. The precursor agencies were formally closed at the end of 2006 and staff retained on two successive three-month temporary contracts while the new organizational chart was finalized. Staff was then required to apply for positions under the new institution.

These obstacles made it difficult to complete deliverables and ZTP resources intended for this MDA were ultimately redirected. Technical assistance included:

- *Human Resource Planning.* The bulk of assistance was devoted to human resources and was deemed by ZDA staff as the most useful ZTP input. This included a proposed organizational chart for the new entity (which was used to finalize how many redundancies would be necessary), drafting of job descriptions, assistance in conducting interviews (including for the CEO), and drafting conditions of service. Respondents felt that this work progressed much faster with the outside assistance than it would have otherwise;
- *An audit of pending liabilities* (including retrenchment costs) and inventory of fixed assets to be transferred to the ZDA. This was not completed because the accounting firm was not given access to necessary financial records;
- *Corporate identity and strategic planning.* This was not completed because no one in the organization had authority to approve the draft products (corporate branding suite, mission statements, etc);

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<sup>30</sup> The Acting CEO was selected from one of the Directors and so was “first among equals”.

- Drafting an *operating budget*. The consultant could not convene the five operating heads and this was not completed;
- An *IT equipment needs-assessment*. Only two of the five agencies merged into the ZDA had legacy programs and these were not compatible. The program did not invest in software but procured 85 computers as well as servers, scanners, and printers. The ZTP also built a website but reportedly without ZDA input. ZDA did not use the site and built a new site after the ZTP had ended;
- *Private sector feedback on the ZDA implementing legislation*. In cooperation with the Zambia Business Forum, workshops were held to solicit ways in which the ZDA implementing legislation could be made more business-friendly. The resulting recommendations were presented to the Minister of Commerce but never acted upon. Attempts to build ties between the ZDA and the ZBF have not been sustained past the life of the ZTP.

### Summary of Impact

The ZTP goal of merging and streamlining functions in the ZDA was not met. The evaluators note that undertaking bureaucratic rationalization on this scale is difficult for any government; while the objective was laudable, the two-year timeframe proved over-ambitious. Anecdotal evidence from staff and private sector respondents indicates that the five former agencies continue to work independently of each other within the new structure, now in the form of Departments rather than separate entities. In addition, the more ambitious legislative and regulatory activities to streamline investor licensing could not be undertaken. The primary benefit is seen to be the technical assistance for human resources and staffing. The implementers noted the challenges to successful assistance from the first progress report, indicating a lack of due diligence on feasibility in program design.

## **PATENT AND COMPANY REGISTRATION OFFICE (PACRO)**

### *Background*

PACRO is responsible for providing business registration for all firms (domestic and foreign, sole proprietor and company) in Zambia. At the time the ZTP was designed, PACRO's only offices were in Lusaka, the capital, and Ndola (the Copperbelt), requiring firms in most of the country to travel to the capital to register. Per the TCP, assistance to PACRO was intended to:

- Review and streamline business start-up requirements;
- Automate business start-up procedures, including building a new information management system and expanding the website; and
- Establish three provincial offices in the Copperbelt<sup>31</sup>, Southern and Eastern Provinces, including the procurement of IT hardware and the establishment of a Wide Area Network to allow digital transfer of forms and payments to the head office in Lusaka.

During implementation, the goal of reducing the Doing Business indicator for “number of days to start a business” from 35 to 10 was added; this indicator tracks two steps under the control of PACRO - name clearance and business registration - in addition to the VAT registration under the control of ZRA.

In implementation, it was decided to open a customer service center in Lusaka as well as the three regional offices, and efforts to create online applications were dropped due to feasibility problems. Actual costs for refurbishments to the customer service centers in Lusaka and Ndola and the subcontract to develop the

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<sup>31</sup> The Ndola office already existed but was acting only as a “window” to drop off and collect applications. All processing continued to be done in Lusaka.

software totaled \$673,000 (exclusive of technical assistance, management and equipment for the other two offices).

The evaluators interviewed the Director, IT staff, and all customer service center staff trained by ZTP (a total of 9 officers in Lusaka, 2 in Livingstone, and 5 in Ndola). In addition, 39 clients of the customer service center in Lusaka and 15 clients of the customer service center in Livingstone were given exit surveys. Sixteen “bulk filers”- agents, notaries or lawyers registering clients (usually for incorporation or businesses located outside of Lusaka) – were also surveyed as part of the evaluation.

### *Customer Service Center*

PACRO’s Director indicated during program inception that regulatory reform of business licensing and registration requirements was not on the government’s agenda and should be dropped. Instead, it was agreed to open a customer service center to improve service delivery. A date of approximately three months from program inception was chosen for the launch of the customer service center which served to visibly launch ZTP in country.<sup>32</sup> A large-scale media campaign publicized the opening of the customer service center; the high profile opening anecdotally helped generate interest among other MDAs to replicate the activity.

Assistance to open the customer service center included building refurbishments, the provision of high density file compactors, training of all customer service center staff (in both IT literacy and customer service), and a large media campaign advertising the service. Center staff indicated that the customer service training was valuable and continues to inform their daily dealings with the public. Anecdotally, a number of staff interviewed cite the commitment of PACRO’s Director as being important in the realization of the reform. Chemonics did not directly address issues of staff incentives (often important when putting in systems that will close rent-seeking opportunities) in any of the customer service centers. The PACRO Director initiated a number of team building activities intended to increase morale and had all staff, including custodial staff and security guards, included in the customer care training to promote a culture of service.

The customer service center served to bring all staff together in one building, whereas they had previously been spread out in private or smaller offices. Fees are clearly marked and payment is made at a cashier. Streamlining reforms that were eventually carried out at PACRO included:

- Fewer steps to complete processing;
- Fewer approvals needed;
- Free provision of the various application forms (where before customers were charged) and the editing of forms to make them more user-friendly;
- Clearer guidelines for supporting documentation; and
- Parallel processing: business owners can now apply for name clearance and business/company registration at the same time instead of consecutively.

### *Information Technology*

One of the main elements of the technical assistance was the creation of new software, ePACRO, for the organization. This replaced a limited database that existed at program inception and allowed the processing of applications rather than just data storage. The most significant impact of the automation is that name clearance is now done in seconds by searching a database rather than over days or weeks in the past when

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<sup>32</sup> PACRO staff, corroborated by interviews with implementing consultants, indicate that the pressure to show results quickly (which was the impetus behind the three month launch date) had a negative impact on programming efficiency. Three months was not sufficient to map processes and reduce steps and this work was done after the customer service center had already begun operating. This necessitated subsequent modifications to the software and changes to the layout of the interior to facilitate the eventual workflow process.

officers had to consult physical records. Staff also cite the security of documents as a large improvement as paperwork frequently got lost under the manual system. The new system creates an audit trail which allows management to see how long the file rested with each registration officer. Another important transparency gain is that certificates cannot be issued if payment is not registered in the system.

Although ePACRO has produced efficiency gains, implementation suffered from a number of management challenges and the software was not completed. As at Lands, the intervention was impacted by discrepancies between the objectives as understood by the contractors, which focused narrowly on improving the Doing Business indicator, and the priorities of the beneficiary institution, which wanted all of its business processes automated. As a result, software development was conducted in three rounds. The first, timed for the opening of the customer service center, automated only name clearance. The second round automated business name and company registration, and was done at the same time as the process improvements. This second version of ePACRO is the one still in use but does not automate a number of transactions, mostly related to publicly listed companies, which continue to be done manually. A third version to automate the remaining functions was undertaken but not completed during the life of the ZTP. At the time the evaluation was conducted, PACRO was still working with the IT subcontractor to finalize and migrate to this version.

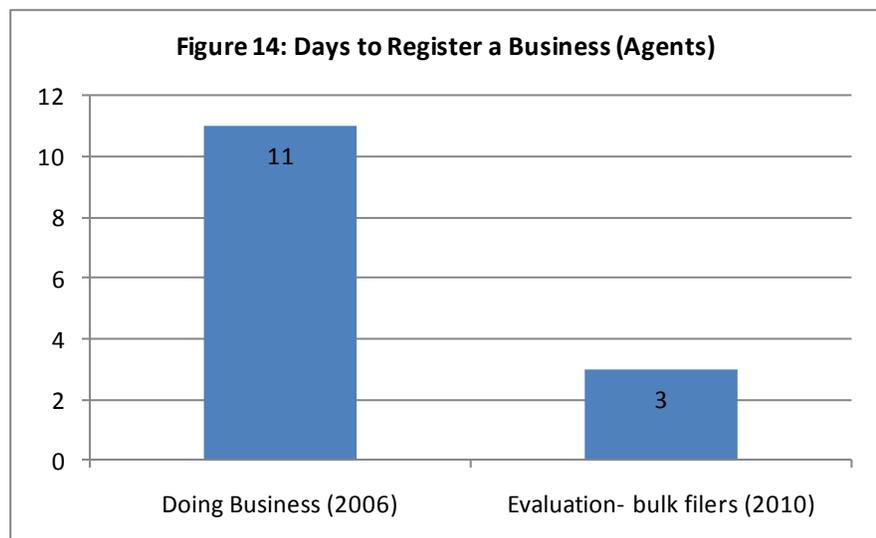
The online application function envisioned in the TCP was abandoned as impractical given the lack of an eGovernance law which recognizes electronic signature and the low penetration of credit cards for online payment, etc. Although various application forms were uploaded to the existing website, the ZTP did not execute other planned reforms to the website.

PACRO received a significant amount of hardware from ZTP, including servers, desktops, laptops, printers, and scanners. Most are still in use (7 of 35 desktops have been retired) although PACRO replaced the servers because they had insufficient capacity. ZTP assisted PACRO with revising their budget to reflect increased maintenance and electricity costs and provided a one year servicing contract for hardware, software and networking. These are similar to the arrangements that were made at Immigration but appear to have been more successful because PACRO has more control over its budget. PACRO also received disaster recovery and contingency support from ZTP to ensure that in the event of problems with the main server farm, their data would be safeguarded.

#### Impact on Processing Times and Corruption

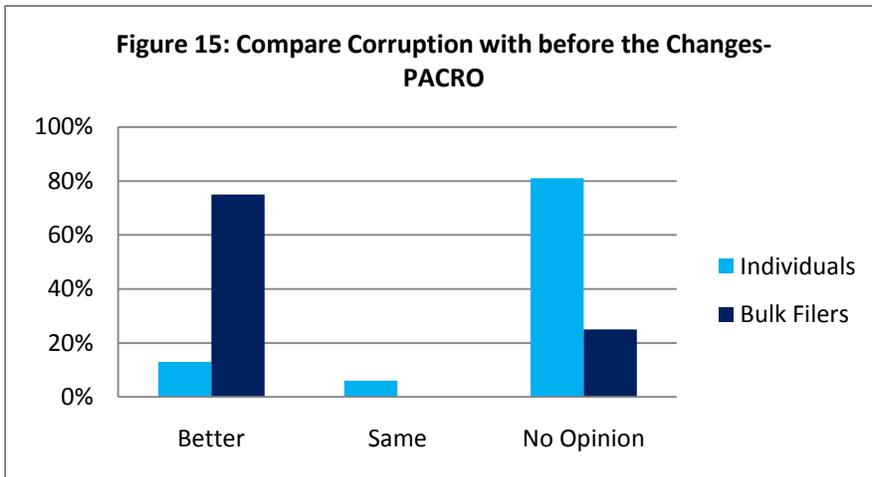
The primary objective of the support to PACRO was to reduce processing time for business name registration. PACRO was included in the ZTP baseline survey that was conducted in April 2007, some months after the Customer Service Center had already opened but before the process changes and second round of automation had been completed. The baseline sample comprised 77 business owners in Lusaka. The evaluation survey included 39 business owners in Lusaka, 46% of whom were completing business registration, and 16 bulk filers.

The baseline survey conducted by ZTP did not



include bulk filers. For this reason, processing times in the 2006 Doing Business report (which draws on data from notaries) are the most comparable to evaluation results from bulk filers. The Doing Business results in 2006 were 11 days for name clearance and company name registration. The respective number of days are shown in Figure 14.<sup>33</sup>

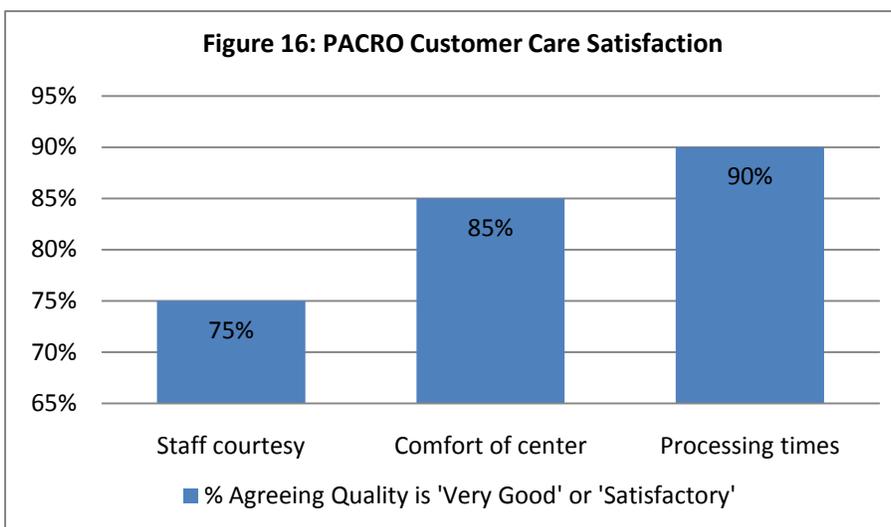
The 2007 baseline, which asked firms directly, shows much higher times than the Doing Business figures: a total of 29 days for name clearance and business name registration. Individual respondents to the 2010 evaluation again showed significant improvement over those times, with 65% of respondents completing both transactions in less than a week. The data therefore demonstrates consistently that times have improved considerably since the reforms.



The streamlined processes also appear to have reduced the need for multiple visits to follow up on applications. Respondents in the baseline made an average of 4.75 visits to complete the name clearance and just over 5 visits to complete company registration. In contrast, 66% of evaluation respondents did not have to make multiple visits.

A secondary objective was increasing transparency. In the 2007 baseline survey, PACRO had a better reputation than the other MDAs, with 34% of recent customers ranking the organization as corrupt, and 6% reporting making unofficial payments to complete their transaction. Evaluation data indicates that while corruption has not been eradicated, the situation has improved slightly with only 25% of individuals stating that corruption occurs and

only 1 respondent reported having seen informal payments take place. Among repeat customers, a convincing majority of bulk filers felt there had been improvements, while results from individuals were inconclusive given the low response rate, as shown in Figure 15.<sup>34</sup>



The capital improvements and customer care training appear to have resulted in

<sup>33</sup> Methodology and sample sizes of the Doing Business survey and the evaluation survey are not directly comparable and the Doing Business figure is given only to provide a sense of the situation experienced by bulk filers *a priori*. See World Bank Independent Evaluation Group for more information on the Doing Business methodology.

<sup>34</sup> Seen together with the data from Lands, this indicates that bulk filers may be more willing (or obliged) to pay informal fees than the general public.

high overall levels of customer satisfaction, shown in Figure 16. In the evaluation survey, 68% of individuals and 87% of bulk filers who had interacted with PACRO before the creation of the customer service center thought customer care had improved.

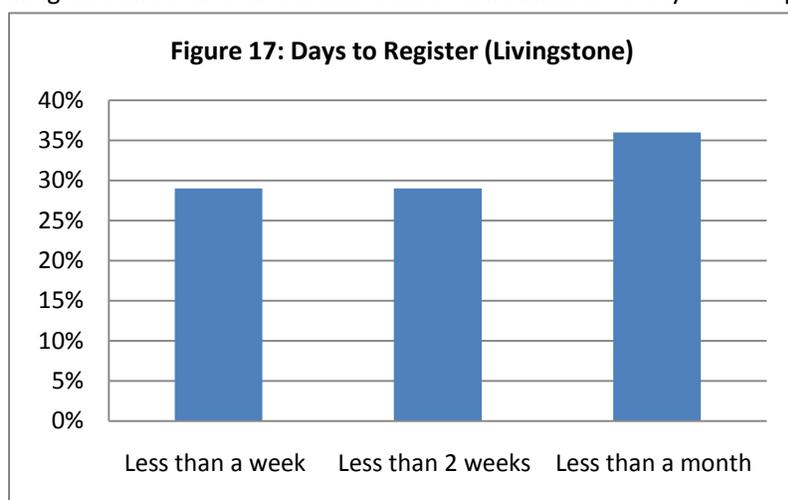
### Regional Offices

Inputs for the regional offices included funds for office refurbishment and equipment including furniture and IT hardware. The opening of the three regional offices met with delays (primarily related to finding suitable office space) outside the control of the contractors. While the ZTP procured equipment for all three offices, only Ndola and Livingstone were opened during the timeframe the ZTP was assisting PACRO. The office in Chipata opened in July 2009 using the equipment that had been procured by the ZTP.

PACRO experienced significant problems with the networking arrangements made by the ZTP to connect the regional offices. The ZTP deemed a Wide Area Network or dedicated line too expensive and instead set up a web-based platform to connect Ndola that collapsed 6 months after launch. Because of these difficulties, the offices served as “windows” with processing done in Lusaka until December 2009. PACRO has invested in more expensive DSL connections to all three sub-offices using its own funds and the software is now in use at all three regional offices for the first time. The fact that PACRO has pursued the deployment with their own funds and technical resources speaks to high potential for sustainability of the outcomes.

Staff at the Ndola office estimate that use of ePACRO has reduced processing times for clients to complete company or business name registration from approximately one month to five days. Physical certificates must still be sent from Lusaka but the fact that name clearance can be done from the regional offices has speeded the process significantly. In addition, staff report that it was common prior to the automation for documents to be lost in transit between Ndola and Lusaka, which no longer occurs. Due to resource constraints, it was not possible to verify this information through a customer survey.

The impact for businesses in Livingstone and Chipata is potentially greater as business owners in these locations had to travel to Lusaka, or hire an agent on their behalf, prior to the opening of the regional offices. Livingstone customer service center clients were included in the evaluation survey to give a better understanding of the impact of the sub-national activities. Of the 15 firms given exit surveys, roughly half were applying for business registration (N=6) and the other half for incorporation (N=5) with the remainder filing annual returns and name clearances. Number of days to complete a transaction, shown in Figure 17,



were not consistent by application type and in most cases did not meet the 5 days quoted by staff, but respondents considered these times to be “very good” or “satisfactory”. While no baseline figures are available, anecdotal evidence indicates that prior to the opening of the regional office the process could take months. The evaluators note that firms were smaller than in Lusaka on average, and thus the impact in terms of opportunity costs related to processing times is proportionally higher.

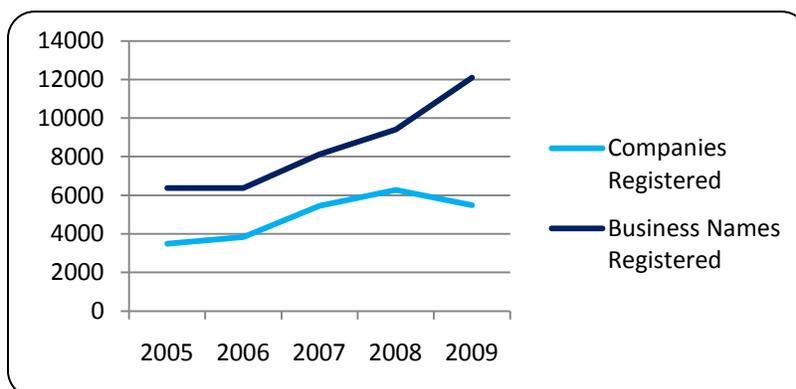
The PACRO Livingstone office also demonstrates strongly positive findings in relation to corruption, with all respondents (100%) saying that corruption does not occur. One respondent anecdotally reported that a

customer offering a bribe had been “chased away”. Respondents were also positive with regard to staff courtesy and knowledge with all respondents rating staff as “very good” or “satisfactory”.

#### *Other Outcomes*

One outcome associated with the improvements, and seen by PACRO leadership as one of the primary unintended outcomes of the reforms, is that the number of firms registering jumped dramatically following the opening of the customer service center, as shown in Figure 18 below. Taking 2006 as the baseline, in which year 3,839 local companies and 6,374 business names were registered, a 64% increase is seen in company registrations in the first full year the customer service center was opened (2008). The corresponding figure for business names is 48%. Other factors beyond improved service effect willingness of business owners to formalize and the lack of a counterfactual does not permit attribution for these changes; for example, the very significant increase in business name registration seen in 2009 corresponded to a government subsidy program for small businesses that required proof of registration. However, the trend of increased registration is consistent with results seen in other countries where successful One Stop Shops have been implemented.<sup>35</sup>

**Figure 18: Registration at PACRO**



NB: Figures include total registration for Zambia.

PACRO’s revenues have grown as a result of the increased registration. In FY2006/2007, PACRO was the first government agency to post a dividend to the Treasury, of 700 million kwacha (approx. \$200,000). This performance was repeated in 2007/2008 with a dividend of 500 million kwacha (approx. \$109,000). Like ZRA, PACRO is a semi-autonomous, revenue-generating entity and has more control over its budget and personnel than line Ministries such as Lands and Immigration. The customer service center’s revenue-generating function contributes to its sustainability. However, the increased demand for services threatens efficiency gains as queues are very long and occasional problems, either electrical outages or the breakdown of computers, cause serious delays in processing applications. This is clear from the customer survey and corroborated by staff interviews.

#### Summary of Impact

The evaluation infers positive impact on business owners, with significantly reduced processing times (and hence lower opportunity costs) and better access to government services for firms outside of Lusaka. The interventions were directly relevant to the MCC’s objectives under Economic Freedom, as “number of days to

<sup>35</sup> Numerous studies speak to the impact of regulation on business entry. See Djankov, S. “The Regulation of Entry: A Survey”, World Bank Working Paper, October 2008 for an overview of studies.

start a business” was one of the eligibility criteria. Reducing barriers to entry can be inferred to have also facilitated increased formalization among firms, demonstrated by the increase in numbers of firms registering. Interventions also appear to have improved transparency, although the data does not allow evaluators to quantify impact. Problems with IT design and delivery were present in this intervention but have not prevented efficiency gains. The sustainability of reforms is promising given PACRO’s revenue-generating function and the widely-acknowledged leadership qualities of the Director, cited by staff and implementers.

## **ZAMBIA BUSINESS FORUM (ZBF)**

The Zambia Business Forum is an apex association which has as its members nine business associations representing all sectors of the Zambian economy, including agriculture, tourism, SMEs and mining. The ZBF was included in the ZTP to represent private sector interests on the two steering committees (one for anti-corruption and the other for economic freedom) coordinating the ZTP activities. The objective of including the ZBF was to ensure private sector input on ZTP activities and, more implicitly, to build long-term relationships and communication channels between the private sector and GRZ entities working on private sector issues.

The organization was found to have extremely limited capacity at program inception. The Secretariat consisted of two professional staff and the organization did not have financial systems in place sufficient to allow Chemonics to make a subgrant to enable their participation in the ZTP. Program documents indicate that ZBF’s capacity to represent the private sector was weakened by the absence of a clear mandate, lack of a mechanism for consulting members, and the need for restructuring the board of directors.

The ZBF received a subgrant of \$326,000 and technical assistance to meet these challenges.<sup>36</sup> Activities conducted with ZBF included:

- *Organizational development*- technical assistance provided to the organization included funds to hire an accountant and create financial systems, advising on a communications strategy, and developing policy analysis and advocacy capacity. Capital funds were provided to refurbish the organization’s offices and purchase IT equipment;
- *Outreach and communications* to ZBF members to publicize the ZTP activities;
- *Workshops* to solicit private sector feedback into ZTP activities. The most concrete example of this communicated to the evaluators was meetings to discuss the ZDA legislation and identify ways to make the ZDA more customer focused, which as discussed above, were never acted upon by the Ministry of Commerce; and
- An *anti-corruption campaign* to discourage corruption by the private sector. This activity was implemented jointly with ACC and TIZ.

### Summary of Impact

The evaluators did not document impact, even anecdotal, for these activities. The ZTP inputs do not appear to have had lasting impact on the organization as evidenced by its continued weak links to the policy making process. ZDA, PACRO, and other MDAs report that they do not have any formal communication with the ZBF post-ZTP and instead communicate with the member associations. PACRO, for example, partners with the Small Business Association to conduct outreach activities on business registration. ZBF staff interviewed for the evaluation acknowledged that their member associations approach government divisions directly without engaging the umbrella organization. While involving the private sector in ZTP activities was clearly relevant to the objectives of the program, the rationale for GRZ to select ZBF as the partner instead of its member

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<sup>36</sup> As for all actual costs given, this does not include Chemonics staff and consultancy fees.

associations is not clear and indicates the need for a greater degree of due diligence and selectivity during program design.

## PROJECT COORDINATING UNIT

The Program Coordination Unit is the division within the Ministry of Commerce, Trade and Industry that monitors the Private Sector Development Reform Program (PSDRP), developed by the GRZ with support from a variety of donors. The TCP included technical assistance to the PCU to assist staff to better monitor progress in the implementation of the PSDRP.

Interviews with the contractors indicate that in implementation, activities were quite limited in scope. Quarterly reports indicate that the following inputs were provided:

- Technical assistance to create a vision statement, select M&E indicators, manage data, and communicate with partners;
- Creation of a web site, intranet, and extranet to allow data capture among the various PSD working groups (the evaluators were not able to access the url and the website appears to no longer be functioning).

The evaluators were not able to meet with PCU staff and so could not assess any impact for these activities.

## 2. BORDER MANAGEMENT OF TRADE

The second part of the Economic Freedom component focused on improving efficiency and transparency at the borders with the ultimate goal of establishing a Comprehensive Integrated Tariff System (CITS) unifying all border-related fees and procedures. Customs had been identified in the NGBS as among the most corrupt public institutions. Given Zambia's landlocked status, which raises transport costs, reducing bureaucratic barriers to trade was considered essential to supporting private sector growth. An integrated border management system was to be piloted at two borders: Chirundu, a land crossing on the border with Zimbabwe, and Lusaka International Airport (LIA). The integrated management system was envisioned to operate under the auspices of the ZRA, which has the largest presence at the border, with other agencies seconding their officers to the unified structure. The primary objective of these reforms was to facilitate trade by reducing cost and time at the border. The quantitative target set for the activities was to reduce the Doing Business indicator for number of days to export from 60 to 30 days and number of days to import from 62 to 30 days.<sup>37</sup>

*To reduce the impact of corruption on trade, activities focused on streamlining border management under a unified structure and modernizing operations at Customs, Bureau of Standards and Phyto-Sanitary Services, key agencies that inspect goods at the country's borders.*

*Budgeted investment was \$6.1 million.*

In addition to creating the unified structure, planned activities included:

- Implementation of paperless transactions (including electronic fund transfers) and greater system automation;

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<sup>37</sup> The selection of these indicators was particularly problematic as they include days to transit other countries. The GRZ therefore had no authority over some of the steps.

- Procurement of capital goods (including mobile weigh bridges, forklifts and IT equipment) and building refurbishments at the two sites;
- Training border agents in risk management and audit-based controls;
- Strengthening the Plant Quarantine and Phyto-Sanitary Services (PQPS) unit to provide efficient and transparent service that better supported exports of agricultural products; and
- Strengthening the Zambia Bureau of Standards (ZABS) to better fill its mandate of ensuring the quality and safety of goods and products imported or exported from Zambia.

The evaluators conducted semi-structured interviews with staff of ZRA, Immigration, ZABS, and PQPS, followed by structured interviews with staff at ZRA and PQPS, which were selected for in-depth evaluation. In addition, a customer survey was conducted to interview the 14 firms enrolled in the ZRA Customs Accredited Client Program created with technical assistance from the ZTP. Because of a low response rate, the achieved sample was 9 firms.

### **INTEGRATED BORDER MANAGEMENT/CITS**

The primary objective of this part of the ZTP was integrated border operations at Chirundu and Lusaka International Airport. A Border Management Task Force (BMTF), with representation from all GRZ entities operating at the border (a total of ten agencies including Immigration, Interpol, Department of Agriculture, and Ministry of Health), was created to guide the process of streamlining and integrating border processes. Full-time staff from the main institutions involved in the ZTP- ZRA, PQPS, ZABS, and Immigration- were seconded to the BMTF to carry out the work.

Technical assistance included:

- Developing flowcharts of border processes for the main pilot agencies and making recommendations to streamline operations. For example at PQPS, business process mapping was conducted for import and export of plant materials, and flower and vegetable exports at LIA. A total of 22 processes across the MDAs was eventually mapped. The output of these activities was a new flowchart for the integrated system;
- Conducting risk analyses with each of the agencies and entering these risk profiles into the ZRA ASYCUDA++ system so that shipments would be flagged for inspection only if the system assigned the cargo to the yellow or red lanes, thus reducing discretion by staff; and
- Physical refurbishments to the pilot sites to make the work space conducive to integrated operations. This included removing walls at Lusaka Port to improve transparency and wiring the offices for the intended IT inputs. However, the other capital goods listed in the TCP were not procured.

During implementation, the completion of the deliverables was significantly set back by delays in the construction of the Chirundu border crossing. Numerous high-profile attempts to convince the Ministry of Public Works, which was building the site with funding from other donors, to complete the site were unsuccessful.<sup>38</sup> It was eventually decided to add Lusaka Port and Nakonda as pilot sites since it was not possible to advance the work in Chirundu. Both LIA and Lusaka Port handle relatively small volumes of trade in comparison to the land crossings and the relevance of these two sites to meeting the program goals is therefore unclear. ZABS does not have a presence at either border station. The work at Nakonda was

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<sup>38</sup> The refurbished Chirundu border crossing officially opened in December 2009, nearly one year after the completion of the ZTP.

initiated too late to be completed; an assessment was undertaken but it appears that very limited activities were implemented there.

Interviews with staff at all three of the primary beneficiary agencies indicated that the integrated systems were only ever piloted at Lusaka Port. It was impossible to confirm this for the evaluation as the systems, if they were in place at the time the ZTP ended, are no longer being used. PQPS and ZABS are not present at Lusaka Port, although work space has been prepared for them there. Treatment of exports and imports at all other borders reportedly remain as they were prior to the ZTP with PQPS and ZABS using manual processes and continuing to physically inspect all shipments, regardless of whether they were flagged as high risk in ASYCUDA. Operationalizing the Integrated Border Management would have required the other agencies to delegate some authority to ZRA because the risk profiles were held in ASYCUDA (and ZRA refused to give the other institutions access to the system out of security concerns). Anecdotal evidence from all parties indicates that the heads of the various entities were ultimately unwilling to merge functions in this way.

The other intended deliverable, the CITS, was also not completed and ZRA staff state that they were told by Chemonics that this was due to budget and time constraints. Chemonics reporting documentation refers to the refusal of the General Printing Office to allow the publishing of all tariffs on the Internet as one factor which prevented completion of the deliverable. A prototype was demonstrated to the BMTF staff at the end of the ZTP and handed over to the IT staff at ZRA, but no progress on developing the system for use in Zambia has been made since the ZTP. As a result, paperless transactions also were not undertaken.

#### Summary of Impact

The Integrated Border Management System is not operational at any of the intended borders. Agencies that were supposed to defer to automated inspection decisions are not using the system and continue to inspect cargo at the border as they did prior to the ZTP. The failure of MDAs to adopt the reforms anecdotally stems from resistance by agents at the border to use the system and unwillingness of upper management to oblige them.

It was impossible to verify any impact on the number of days to cross the border, which was the primary focus of the ZTP, because PQPS and ZABS are no longer tracking this information. Times at Customs appear to have been reduced, based on their administrative records, although this could not be verified by the evaluators. Ironically, processing times for Custom declarations is slowest at Lusaka Port (where the integrated system was supposedly piloted) at 3.3 days compared to an average across stations of 1.1 days according to the ZRA's internal records (2009 Q2 data, ZRA).

The failure of the integrated border management system, or CITS, to be realized indicates over-ambitious program design. This is true in a logistical sense, with the progress of the program dependent upon a third-party at Chirundu, and a political-economy sense since the intervention required a willingness to delegate authority and cooperate across agencies that did not materialize.

#### **PLANT QUARANTINE AND PHYTOSANITARY SERVICE**

The Plant Quarantine and Phytosanitary Service (PQPS) under the Ministry of Agriculture and Cooperatives is mandated to protect agriculture and plant life in Zambia. PQPS was recognized as having weak capacity to fulfill its mandate of monitoring imported food stuffs and supporting exports of agricultural products to regional markets. Inspections by PQPS are inferred in the TCP to be one source of delays and rent-seeking at the border. The objective of the technical assistance was to improve capacity in these areas with the ultimate goal of integrating plant protection and quarantine functions in the Integrated Border Management System.

Investments in software and capital improvements were at least \$164,000. ZTP technical assistance to the organization included:

- Capacity building in the form of training. Assistance included training for technical and administrative staff in sanitary and phytosanitary (SPS) needs assessments, certification and data management, developing training manuals, and support for PQPS staff to attend the WTO SPS meeting in Geneva;
- Capacity building in the form of equipment and capital goods, including establishing a reference library and conference room at Headquarters, and a laboratory, furniture and equipment for Chirundu, LIA and Nakonda;
- Automating permit application processes; launching PQPS' website, which made available an online facility to request import licenses; and procuring IT equipment to support the new software (20 work stations and 5 printers). Staff also received basic computer training as well as training in the software application; and
- Outreach to the private sector on SPS requirements, including publication of SPS requirements on the internet.

Interviewed staff indicated that PQPS was severely under-resourced and in that context, they consider the capacity building interventions to have had the greatest impact on the organization. The training manuals developed under the ZTP and the reference library remain in use. The IT interventions, on the other hand, were not successful. The software to automate the application process is not in use and the website created for the organization is intermittently offline. PQPS staff cite resource constraints as the primary reason that these interventions were not sustainable. Interviews with other MDAs involved in the BMTF anecdotally indicate that high end user resistance by PQPS staff at the border to migrating to the software also contributed to the lack of any substantial impact by the ZTP. PQPS is not participating in the integrated system at Lusaka Port and interviews with the Customs Accredited Companies indicate that PQPS staff continues to inspect routinely without any change from the situation prior to the ZTP. During the first year of ZTP implementation, staff monitored how long it took to conduct inspections and what percentage of cargo (high or low risk) was inspected but this is no longer done. Overall, the impact of ZTP inputs appears marginal.

Summary of Impact- The evaluation did not document any impact for these activities. Customized software is not being used and procedures at the border remain unchanged.

## **ZAMBIA BUREAU OF STANDARDS**

The mandate of the Zambia Bureau of Standards (ZABS) is to enforce safety, quality, and other standards for products produced in, or being imported to, Zambia. ZABS plays a key role at the borders as it examines and tests products for import and export and must give clearance for certain items (e.g. cement, electronics, etc.) Similar to interventions at PQPS, the objective of work with ZABS was to reduce the number of physical inspections to speed border processing times and reduce opportunities for corruption and increase the capacity of the organization to fulfill its role of enforcing standards that are accepted in important export markets, thus promoting the safety and quality of Zambian products. Investments were at least \$170,000. ZTP inputs at ZABS included:

- Capacity building in import and export quality management and improved capacity to undertake standardization and certification. The ultimate goal of these activities was for ZABS to become certified by the International Organization for Standardization (ISO certified). This was not accomplished as ZABS was unable to pass the certification process;

- Capacity building in risk management techniques related to the Integrated Border Management System. This included identifying products that were potentially high risk to be flagged for inspection in ASYCUDA and then tracked within ZABS' inspection software;
- Creation of customized software to track imports/exports requiring inspection, installation of a local area network (LAN), and launching of a website that would make information on standards and requirements more readily available to the private sector and allow online application for pre-clearance of shipments. None of the IT inputs, which formed the bulk of the assistance, are in use by ZABS. The failure of these inputs to have any impact or be sustainable is attributed anecdotally by staff to the following: bugs in the system that was delivered by the consultants; low technical capacity to maintain the system; budget constraints which meant that the Internet Service Provider hosting the software, database, and website was not paid; and high end user resistance to using the new system; and
- Provision of capital goods (office furniture, 38 computers, a server), the refurbishment of the conference room, and operating budget support for a marketing manager to inform the public of compliance requirements.

ZABS staff interviewed for the evaluation state that the entire standards inspection process at the border continues to be done manually, using the forms that ZTP created for the automated system. Computers that were given to the border stations are being used for email and word processing rather than to run the software. According to the staff at ZABS and other MDAs involved in the BMTF, ZABS inspection officers at the border have refused to participate in the integrated border system and are continuing to physically inspect cargo even when the system indicates it should be directed to the green lane. Staff at ZABS indicated that upper management at ZABS was not willing to insist on this issue or enforce use of the new software. Overall, the ZTP had negligible impact on the institution.

Summary of Impact- The evaluation did not document any impact for these activities. Customized software is not being used and procedures at the border remain unchanged.

### **ZAMBIA REVENUE AUTHORITY (ZRA)**

The Customs and Excise Department of ZRA is the primary agency responsible for border management and took the lead in the BMTF activities. In addition, the Ruling Justly component called for streamlining Customs procedures as Customs had been ranked very high for corruption (after only the Police Service) in the NGBS. ZTP conducted two interventions to support improved operations at Customs:

- **Centralization and upgrading of ASYCUDA**- the software used to record and manage the assessment and payment of duty. ZRA's primary interest at program inception was not in reducing processing times, per the TCP, but rather centralizing their system to address difficulties they were experiencing with bond clearances. At program inception, ZRA was operating a decentralized system in which each border post ran its own database. This posed a problem related to trans-shipment of goods in which a bond would be paid at one border but when the goods exited the country at another border, there would be no record of the bond and thus the company would experience delays in receiving their refund.

ZTP provided a full-time consultant and procured equipment to allow ASYCUDA to be centralized in one main server farm in Lusaka and upgraded the system to allow for increased functionality.<sup>39</sup> ZRA claims that the bond clearance issue has been resolved with this intervention and considers this one of the primary outcomes of the ZTP assistance (unintended outcome from the perspective of the TCP). The interviews with firms enrolled in the Accredited Economic Operator Program (see below) corroborate this; three of the firms trans-ship goods and all stated that repayment of bonds is faster than before. However, these firms report that the reform has had an unintended negative consequence: because Customs can now manage all bond payments centrally, firms are given 5 calendar days to clear their bonds, whereas under the decentralized system they had 15 days. Payments for shipments arriving late in the week often fail to clear in time which means that a company's imports at all borders are blocked until the payment is posted. Four of the nine firms interviewed say this problem affects their goods at least once a month.

In addition to changing the architecture, the ZTP assisted Customs to modify their software for tracking duty assessments and payments to reduce opportunities for corruption and monitor efficiency. The software tracks how long it takes from lodgement of the customs declaration to assessment of duty and this is monitored by the Research and Development unit that monitors customer service charter compliance. ZRA staff claim the new systems have allowed them to reduce time in Customs from 5 days to 1.5 days. Elements to increase transparency include the automatic assignment of customs officers by the system so that clearance agents cannot pick who inspects their shipment. Private clearance agents have also been given individual passwords to access the system so that the company which manages the customs declarations on behalf of ZRA is no longer able to open (and potentially manipulate) any file in the database. Due to resource constraints (and because the integrated border structure was never operationalized) the evaluation did not survey agents or truckers at the border to verify these claims.

Unlike the more problematic IT interventions seen under the ZTP, the success of this case is attributed by respondents at ZRA and the implementing contractors to:

- Higher capacity and resources within the beneficiary institution; ZRA has a large, well-trained IT staff compared to the other MDAs and a budget sufficient to maintain the system without any external support;
  - Longer-term technical support with a ZTP staff member working full-time from ZRA's offices to oversee the installation and migration to the new system. This is in contrast to the remote site approach seen in the other IT interventions; and
  - Insignificant end user resistance because they were already using a version of the same software.<sup>40</sup>
- **Accredited Economic Operator Program**- As part of the modern risk management techniques being introduced to the BMTF, the ZTP assisted Customs to set up the Customs Accredited Client Program (CACP). Per guidelines from the World Customs Organization, the objective of the CACP was to identify low risk, high volume importers/exporters at the border and reward firms able to show voluntary compliance with border laws and regulations by extending preferential treatment. This included being given a 5-day line of credit for duty assessments and automatic assignment to the green lane. Ensuring that the highest volume importers/exporters were automatically channeled to

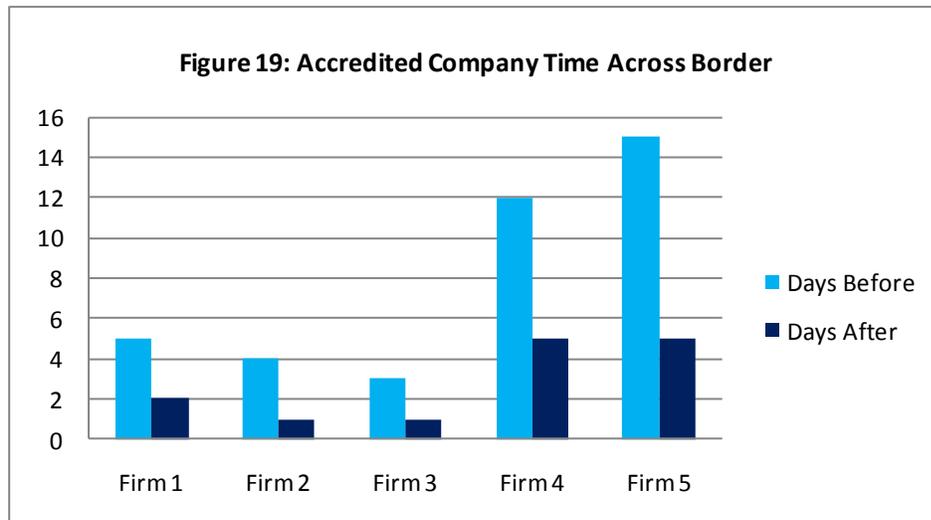
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<sup>39</sup> The work on ASYCUDA was included in the Year Two work plan, and appears to have supplanted (or replaced) the CITS, which is the primary focus of the Year One Work plan but does not feature in the Year Two work plan.

<sup>40</sup> Low end user resistance refers only to use of the system. However, managers at ZRA acknowledged that it has been difficult to get customs agents to respect the automated risk profile. Anecdotal evidence is that there continues to be manual inspection of cargo that is assigned to the green lane.

the green lane was intended to reduce processing times at the border and address the significant congestion suffered at many of Zambia’s land crossings.

Under the ZTP, four firms- large multinational companies with significant trade volumes- were invited to enroll on a pilot basis. The methodology used by the ZTP consultants involved a checklist completed by the firms. ZRA was extremely uncomfortable with an entirely voluntary system (which they feel the contractors pushed through because of the pressure to complete the deliverables in the two-year timeframe) and post-ZTP initiated a full audit of firms as one of the conditions of firms to enroll. A total of 14 firms have been invited to enroll. Four firms have been suspended as a result of the audits and all but one stated that they plan to reapply because they want the preferential treatment.



The evaluation included interviews with 9 of the 14 firms (the remaining firms declined to participate). Of those, 5 are currently enrolled. Enrolled firms report significant improvements in the time it takes their cargo to cross the border, as shown in Figure 19. As a result of the improved processing time, all the enrolled respondents but one stated that the program has very much benefited their company. However, firms indicate that improved times are not the result of fewer manual inspections, as originally envisioned; only one firm reports that its cargo is subject to fewer inspections. Firms were not able to say whether corruption had improved; they all use agents to handle transactions at the border and have official company policies that prohibit paying informal fees.

Summary of Impact- The improvements to ASYCUDA have improved the timeliness of reimbursement for customs bonds and were the sole ZTP IT intervention that did not encounter serious implementation challenges. The creation of the Accredited Economic Operator Program was the first program of its kind in Africa and was considered an improvement by a majority of participating firms. The reforms appear to be sustainable and are funded by service charges levied on companies.

## V. KEY FACTORS AFFECTING RESULTS

In addition to the impact findings above, the evaluators found a number of more qualitative factors that influenced the achievement of objectives, or lack thereof. The evaluators consider these qualitative aspects of the program to be important in explaining outcomes and informing lessons learned, discussed in Chapter VI.

### A. QUALITY OF PROGRAM DESIGN

Zambia was the fifth threshold program initiated by the MCC. The MCC's methodology and programming style was intentionally different than traditional donors (i.e. focused on Compact Eligibility, large volumes of aid in a short timeframe, and demand driven) and at this early stage many of the structures currently in place to guide and manage threshold programs were not yet created. MCC, USAID and the host country were operating in an environment in which systems and policies were still being created. This appears to have contributed to confusion on a number of issues that impacted program design, with two of the most important being:

- **Meaning and Relevance of the Eligibility Criteria-** The scorecard which the MCC uses to evaluate countries' eligibility for funding is a composite of rankings from a large number of third-party indicators. The scorecard was shared with USAID and the GRZ to inform program design but no indicator analysis was provided to explain in detail the country's ranking on the indicators (and the policies that may contribute to that ranking). At the same time, USAID and GRZ understood the objective of the threshold program to be aimed at directly improving the scores so that Zambia would qualify for a Compact. This led USAID to include the Doing Business indicator targets as an explicit result of the ZTP.<sup>41</sup>

Building the program design around these indicators was problematic on two levels. First, while they are useful to identify general areas needing improvement, for a number of methodological reasons the eligibility criteria and the Doing Business indicators have limited value in guiding specific bureaucratic reforms or monitoring program progress.<sup>42</sup> As a result, the implementers were working towards goals with performance indicators that were difficult to track and impossible to attribute impact on. Second, government staff were generally unfamiliar with the indicators, contested their validity, and did not understand their relevance (as corroborated in interviews with USAID, Chemonics, and GRZ staff).

- **Country Ownership-** The MCC model calls for beneficiary countries to take leadership in designing interventions. The ZTP was awarded in a context where the President of Zambia had taken a high profile stand against corruption and for improved economic management. The ZTP design process was driven at the highest levels, with Cabinet input in a process chaired by the Secretary of Treasury.

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<sup>41</sup> This may have been a result of confusion as to which indicators were used by MCC to create the scorecard.

<sup>42</sup> One criticism of the Doing Business Report is small sample sizes that call into question the reliability of data (World Bank Independent Evaluation Group, 2008) and very specific scenarios (created to allow cross-country comparisons) that may not be relevant to the majority of the domestic private sector. In this case, the use of the indicators was also problematic because in some cases GRZ did not control all of the parameters included in the indicator. For example, indicators related to export and import times include time spent outside of Zambia's borders.

Staff at USAID and the Ministry of Finance agreed in interviews that while there was a winnowing process to reduce the number of activities initially proposed, no political economy analysis or substantive due diligence was conducted to inform program design or determine the feasibility of those activities that were included. MCC had limited involvement in the design process. USAID respondents did not see it as their role to question GRZ proposals given the model of country ownership the MCC was requesting. The Ministry of Finance was not necessarily in a position to question the feasibility of proposals by the Cabinet. Interviewees from both USAID and GRZ agree that this led to the inclusion of activities, with the border work at Chirundu being the prime example given, that with information available at the time were deemed unlikely to be completed in the allocated timeframe. Lack of due diligence also led to the inclusion of institutions which were not on a strong reform path and thus unlikely to implement the reforms called for in the TCP, certainly within a two-year timeframe.

There also appear to have been miscommunication between Ministries and line departments in the consultative process that went into design. Operational staff did not always understand program objectives or deliverables and a number of departments claim they were included in the ZTP without any input on design. Respondents in MDAs understood that large revenue streams would be allocated to their departments and provided wish lists for programs they could not complete with internal resources, without necessarily understanding what the program was meant to achieve. Disagreements over what the scope of the technical assistance should include slowed down program inception at ACC, Lands and PACRO. Respondents also reported large-scale confusion about deliverables, as activities were proposed and considered on an ongoing basis throughout the two-year timeframe.

A final aspect of this problem was a misconception on the part of GRZ recipients that the Threshold program constituted budget support rather than program support that would be implemented by a consulting firm, Chemonics.<sup>43</sup> Budget support is common among donors to Zambia, but is not a USG practice. There are conflicting opinions among respondents as to whether the erroneous expectation was based on the precedent set by other donors, or the MCC's model of country ownership, or simply a desire by MDAs to control procurement of services and goods. What is clear is that MDAs resented not knowing how much budget had been allocated to them and having greater control over procurement. This reportedly slowed down program inception and contributed to confusion on what deliverables could be supplied. In the end, USAID instructed Chemonics to share a breakdown of "other direct costs" in a Special Activity Fund that would allow beneficiaries to see how much they had received vis-à-vis other MDAs while obfuscating what percent of the budget was absorbed by the contractors.

## B. ROLES AND RESPONSIBILITIES BETWEEN THE IMPLEMENTING ORGANIZATIONS

The MCC does not have a country presence in threshold countries and therefore subcontracts the management of these programs to USAID, which in turn subcontracts the implementation to consulting firms or non-governmental organizations. MCC provides the broad parameters for program design and

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<sup>43</sup> This confusion was serious enough that the Secretary of Treasury called USAID to an emergency meeting of beneficiary MDAs who reportedly were taken off-guard when contracting firms began scouting missions following the release of the Request for Proposals.

implementation and, as the funder, has ultimate authority and fiduciary responsibility over the program. In practice, however, it is reliant on USAID to manage the day-to-day relationship with the beneficiary government and contracting firms.

By all accounts, the MCC played a supportive but largely distant role in directing the ZTP. MCC staff responsible for backstopping the program had a large number of country programs in their portfolio and limited budget for site visits. Participating MDAs had almost no contact with MCC officials except during ribbon-cutting ceremonies and short field visits. MCC approved strategic documents, such as the TCP, but key management documentation, such as annual work plans and the performance monitoring plan, which would allow MCC to monitor planning were not shared. MCC staff did not directly participate in program design workshops or in selecting the contracting firms.

Given the lack of a country presence, MCC's primary means of exercising its oversight of the program was through narrative and financial reports from USAID (submitted on a quarterly and annual basis). Unfortunately, the quality of this reporting is very weak. There was a tendency in the reporting to overstate achievements and omit mention of problem areas. For example, quarterly reports refer to "establishing" the VAT Customer Service Center and Integrity Committees when in fact these already existed. The results reporting framework, a one page matrix meant to show progress against objectives, was limited to the Doing Business indicators and was of limited value. Even more egregiously, the final reports fail to mention deliverables that were not completed (e.g. the Integrated Border Management system, automation of manual processes at Lands). Identifying these discrepancies would have been difficult without stronger reporting and oversight mechanisms, including active participation by MCC staff requiring more frequent and extended field visits. USAID also did not consistently store program documents, complicating the ability to conduct an evaluation. In many cases, evaluators had to obtain program documents (reports from contractors, working documents) from the partner agencies because neither MCC nor USAID had the records.

Weak reporting mechanisms extend to budget information. For example, the final report from USAID to the MCC shows total estimated cost of the ZTP at roughly \$22,500,000, shows amount sub-obligated to Chemonics as being about the same amount, and gives a total for accrued expenditures at about the same amount without any disaggregation whatsoever.<sup>44</sup> The obscurity of financial information made it impossible for the evaluators to properly assess the cost effectiveness of the program since expenditures cannot be broken down by activity or beneficiary MDA.

It is not clear how the MCC can practice sufficient oversight given this quality of reporting. The relatively removed level of oversight was viewed by USAID as appropriate to such a fast-moving program, but a more active role by MCC could have been useful in improving program design, ensuring program quality, and playing a more assertive role to redirect resources from activities that were failing to gain traction. It would have also facilitated the evaluation effort to learn from the experience of these activities.

### C. QUALITY OF PROGRAM IMPLEMENTATION

With the few exceptions noted in the Impact Findings, USAID and participating MDAs reported being satisfied with the quality of technical assistance and ZTP management. Chemonics was able to field a very large team

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<sup>44</sup> The USAID accounting system does not disaggregate financial information for its implementing partners by expenditure type or code making it impossible to identify how much has been spent on each program area.

of consultants quickly and generally built effective relationships with participating MDAs. However, the evaluators note several management challenges or approaches raised by respondents that had implications for the program:

- **Absence of formal needs assessments.** Needs assessments in most of the MDAs consisted of a series of meetings between consultants and relevant staff to learn what the GRZ wanted and to agree upon implementation parameters (often equipment or technical services procurement specifications). In most cases, contractors did not undertake an objective analysis based on data to decide upon the best course of action. This was agreeable to the recipient agencies and increased country ownership but resulted in a number of instances of poorly designed or wasteful activities.<sup>45</sup>
- **Problematic IT programming.** Information technology (IT) emerged as a central focus of the ZTP, with major interventions planned for almost every participating MDA. The evaluation demonstrates that these interventions, while in line with GRZ's e-governance plans, were ill conceived given the low capacity of the participating MDAs to engage with consultants and maintain the systems. Activities were conducted even in MDAs where a cursory needs assessment should have identified the likelihood of sustainability problems. For example, the sub-contracting firm that provided IT services for ZABS was unable to house the server on site because of such basic problems as frequent power outages and the lack of a dust and mildew-free office space.

Respondents across MDAs indicate that automation of business processes took precedence over reducing steps or streamlining processes manually. In many cases, respondents report that IT consultants rather than regulatory experts were mapping out MDA processes, although their expertise was not in regulatory streamlining. This resulted in a number of occasions (PACRO, Immigration) where extensive revisions to the original software were required because the recipients weren't experienced enough to identify their needs or because automation was initiated before reforms could be agreed. Chemonics' final report cites this difficulty, saying "it was too much to ask the MDAs to change their processes and become computerized at the same time".<sup>46</sup> In fact, process changes should have been completed before any automation was initiated (and if the two year timeframe was insufficient for both, than only the process changes should have been undertaken).

IT programming was also directly impacted by the differing views as to the appropriate scope of work. MDAs logically sought to include their primary business functions, which might not relate to the Doing Business indicators, as the target of the TA. USAID/Chemonics' interest in moving the indicators meant that in many cases they wanted a more narrow focus. Creation of software for some business processes to the exclusion of others meant that manual systems are still being used in parallel to the automated systems at Immigration and PACRO. Greater selectivity over which MDAs should receive IT would have allowed the contractor to focus on fewer institutions more likely to absorb and sustain the technical assistance.

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<sup>45</sup> Although project documents sometimes refer to needs assessments, the evaluators could only locate reports that had been done at Ministry of Lands. This was supplied by the Ministry; USAID appears not to have kept these records.

<sup>46</sup> Chemonics, Final Report to USAID, pg. 35.

Another factor which reportedly affected IT programs was the separation of technical assistance- conducted by IT firms- and procurement of computers- conducted by Chemonics. Sub-contractors and participating MDAs report that because they had no understanding of how much budget was allocated for them, they would draft plans based on desired technical inputs only to be refused by Chemonics. Respondents from within the sub-contracting organizations and the MDAs agree that better communication, more frequent tripartite meetings with Chemonics, and more transparent treatment of the budget would have mitigated some of these problems. Additionally, sub-contractors felt that using resident advisors during program implementation, rather than flying consultants back and forth, would have increased efficiency. This is supported by the positive outcome at ZRA where this approach was taken for the ASYCUDA upgrade.

- **Conflicting or distorted incentives.** Chemonics has very strong incentives to demonstrate to USAID (essentially its sole client) that it is completing all deliverables on time.<sup>47</sup> This appears to have distorted incentives related to satisfying the intended beneficiary (GRZ). In some cases, the imperative to finish planned activities appears to have led contractors to complete deliverables on behalf of MDAs (e.g. codes of ethics, websites) when staff were not able to complete the task in time, lowering internal ownership and likelihood for impact and sustainability. It also appears to have led the contractor to move on from one deliverable to the next even when the first did not meet the beneficiary's needs. For example, IT subcontractors were told to stop working on fixes for the Immigration database so that they could move on to another MDA.

A related problem is that incentives are very low for contractors to question program design or feasibility due to an incentive structure which rewards achievement of outputs instead of outcomes. For example, IT consultants interviewed for the evaluation stated that in several instances it was clear that the network infrastructure and technical abilities of the recipients were not conducive to sustainability but they did not see it as their role to question whether the activity should be undertaken. These factors indicate a need for much stronger and open dialogue between all parties and performance measured by outcomes rather than outputs.

- **Weak sustainability planning.** Implementers discussed recurring costs associated with reforms (particularly the need to budget for the IT maintenance) with staff in the receiving institutions and higher level officials but did not coordinate directly with other donors to ensure continued funding and support of the activities. Assumptions that GRZ would find sufficient internal resources to maintain reforms prove to have been over-optimistic in all cases where the partner institution does not generate revenue and control its own budget.
- **Awarding sole vs. multiple contracts.** USAID chose to contract one firm for the entire ZTP in order to reduce its management burden. This undoubtedly reduced opportunity costs related to coordinating multiple contractors. However, awarding multiple bids might have allowed USAID to ensure that sufficient attention and expertise was brought to bear on each of the activity areas. It would also have addressed the disconnect experienced by participating MDAs working with subcontractors who didn't know their budget positions.

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<sup>47</sup> See [www.chemonics.com](http://www.chemonics.com) for a list of projects and clients.

- **Capital improvements.** Unusually for a governance program, the ZTP provided capital investments to MDAs in addition to technical assistance. This included numerous cases of building refurbishments and office furniture. This was greatly appreciated by participating MDAs, which in most cases could not have afforded these improvements out of the own budgets. However, it is not always clear whether the investments were made strategically, as there are numerous examples of institutions receiving investments even when they were failing to adopt reforms (e.g. computers at ZDA, building reconfiguration at Chirundu). This raises issues about the absorption capacity of these institutions and whether threshold programs need to invest such large amounts to achieve the same outcomes.

#### D. INFLUENCE OF TWO-YEAR TIMEFRAME AND COMPACT INCENTIVE

Two aspects of threshold programs which are intended to distinguish MCC funding from traditional donor programs are the two-year timeframe and the prospect of eventual Compact funding (which are much larger grants to undertake income-generating investments) to encourage recipient countries to undertake difficult governance reforms.<sup>48</sup> Respondents across populations (GRZ staff, implementing organizations and third-party donors) uniformly noted that the two-year timeframe of the program was unprecedented in the local donor context, particularly for work on structural issues relating to corruption and the economy. Leaving aside subjective responses as to whether the two-year timeframe is desirable, respondents consistently indicated the following effects:

- Regulatory reform and administrative reform, which is often the most effective way to reduce corruption and improve the business environment, was considered impractical in this context given the timeframe.<sup>49</sup> This affected a number of the outcomes: for example, at PACRO, regulatory reform to reduce the number of requirements on companies would have eliminated the need to automate so many processes; at Lands, administrative reform to staff the Customer Service Center or create and enforce an explicit human resource policy against accepting “tips” would have increased the impact of interventions significantly.
- The two year timeframe appears to have been sufficient to complete activities when institutional leaders were willing to engage in reforms at inception and activities were well-defined and relatively discrete. In cases where a constituency for reform had to be nurtured, or there were significant differences of opinion over what objectives should be or the reform was more complicated, the timeframe was not sufficient.

Respondents did not cite the Compact incentive as particularly important to motivating reforms. This appears to stem from limited awareness or understanding of the Compact among mid-level management of the MDAs where concrete operational changes take place. These findings, while limited to the case in question, do not provide evidence to support the assumption that the Compact incentive can speed up difficult reforms.

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<sup>48</sup> See “The MCC Effect” and Geertson “Achieving Quick Impact in MCC Threshold Projects” for more on the theoretical underpinnings of this approach.

<sup>49</sup> Evaluators acknowledge that countries with strong commitment to regulatory reform have accomplished significant changes in very short timeframes.

## VI. CONCLUSION AND LESSONS LEARNED

The ZTP was an ambitious program that sought to address fundamental, often intractable, governance challenges across a wide set of government institutions in the space of two years. At their most basic, program objectives were to increase efficiency and transparency in the provision of government services (land title, business registration, work permits and clearance of goods at the border) important to economic activity. The evaluation finds that the ZTP had significant impact on reducing times for business registration and for Accredited Companies to clear goods in Customs, and some impact on increasing customer satisfaction through the Customer Service Centers but that the majority of interventions had limited documentable results. Interventions as a whole were more successful at increasing efficiency than combating corruption.

The data indicates that ZTP's primary impacts were at PACRO and ZRA and included:

- Faster processing times for Taxpayer ID and VAT registration;
- Faster processing times and lower administrative corruption for Name Clearance and Business/Company registration;
- Improved access to business registration services for firms outside of Lusaka;
- Faster time to reimburse bonds (through the upgrade and centralization of ASYCUDA++); and
- Faster cargo clearance for firms enrolled in the Accredited Economic Operator program.

The data also indicates slight improvements in processing times and perceived corruption at Immigration. Creation of the customer service centers is shown to have a positive impact on customer satisfaction among clients at all four MDAs.

Implementers undertook most planned interventions, but several were not completed, including:

- Operationalizing the integrated border management system;
- Integration and improved investor services at ZDA;
- Creation of public feedback mechanisms within Immigration, Lands and ZRA;
- Automation and streamlining of land titling at Ministry of Lands.

Two of these interventions- establishment of the ZDA and the piloting of the integrated border management system- required merging large bureaucracies or bureaucratic functions. The inclusion of reforms requiring such extensive administrative restructuring was clearly over-ambitious given the resistance to the reforms, ZTP timeframe, and number of competing reforms to be achieved.

The remaining interventions- at ACC, PQPS, TIZ, ZABS and ZBF- were completed but demonstrate little or no verifiable, sustained, impact. Anecdotal evidence indicates that the creation of the Integrity Committees increased an institution's willingness to discuss administrative corruption, although they have not in general been effective at responding to complaints or initiating anti-corruption activities. In many cases, it appears that activities or systems put in place by the ZTP were functioning during the program, but collapsed quickly upon withdrawal of external support. The two year timeframe was clearly insufficient to complete and institutionalize reforms. Sustainability planning which relied on GRZ committing internal resources to maintaining reforms proves to have been unrealistic.

The number of low impact interventions can also be attributed in large part to poor program design. The sheer number of planned activities - often on a very ambitious scale as described above- and participating MDAs would have been challenging to accomplish in two years in a conducive environment. In the actual context of conflicting objectives, low levels of buy-in, and constrained capacity, these challenges proved difficult to surmount. Nonetheless, the ZTP created a new model for increasing efficiency and generating a customer service mentality through the customer care centers and customer service charters. These innovations (in the Zambian context) may eventually prove to be the basis for subsequent reforms.

## LESSONS LEARNED

Threshold programs commonly focus on governance issues similar to those seen in Zambia, and the evaluation findings suggest a number of lessons learned that could benefit similar programs in the future:

**Need for Improved Due Diligence and Political Economy Analysis** - MCC did not take an active role in the program design process of the ZTP and did not require a structured due diligence process, as it does for Compacts. The ZTP would have benefited from increased attention to technical feasibility (for example, whether the building at Chirundu was likely to be completed on time or whether IT interventions were likely to be sustainable), and most importantly, an objective political economy analysis of whether proposed MDAs were likely to embrace planned reforms.<sup>50</sup> Due to political realities and incentives in the field, it should not be assumed that MCC can delegate due diligence to involved parties. This implies that the country-led nature of the design process may require modification to allow for external due diligence.

**Importance of Leadership at Multiple Levels**- The importance of strong leadership commitment to achieving reforms is well accepted and reflected in MCC's model. As noted, the highest levels of the GRZ were committed to ZTP reforms at the time the program was designed. However, it is clear from the results that it should not be assumed that government leaders can push reforms through a bureaucracy without the cooperation of reformers at operational levels. The evaluation results are notable in that successful interventions are clustered in two institutions that respondents cite as having had "champions of reform" as their operational heads. ZRA and PACRO are also semi-autonomous and revenue-generating agencies that have much more flexibility in undertaking administrative reforms compared to line Ministries and this was cited by respondents as being important in achieving and maintaining reforms.

**Service Improvements Demonstrated Better Outcomes than more Explicitly Anti-Corruption Efforts**- Increasing transparency through process simplification and workspace improvements had more impact than attempts to prevent corruption by changing staff behavior (for example through the dissemination of "core values" or ethics), particularly when these were not coupled with a credible threat of disciplinary action.<sup>51</sup> The motivation and ability to implement service reforms was higher in revenue-generating, semi-autonomous agencies. This may indicate that institutional leaders are more willing to overcome staff

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<sup>50</sup> Political economy approaches examine institutional and incentive structures affecting organizational performance and are commonly used by donor agencies to assess the feasibility of reform options. See the Governance and Social Research Centre ([www.gsrdc.org](http://www.gsrdc.org)) for examples and reviews of the utility of this approach to donors.

<sup>51</sup> This finding is echoed in recent evaluations of World Bank programs. See "Public Sector Reform: What Works and Why? An IEG Evaluation of World Bank Support", 2008.

members' resistance to losing rent-seeking opportunities if the institution as a whole stands to retain some part of increased earnings.

**Avoid Over-Reliance on IT Solutions-** The ZTP provided IT inputs to almost all of the participating MDAs, and with the exception of ZRA, relied on automation as an integral means of streamlining performance and reducing opportunities for corruption. With the exception of ASYCUDA, all of the software development was problematic and in half of the interventions (Lands, PQPS and ZABS)- customized software systems are not being used at all. (With the exception of Immigration, and possibly PQPS (whose website is up intermittently) all the websites created by ZTP were also abandoned or replaced.) IT interventions are attractive to beneficiaries (who in the case of ZTP had requested the IT inputs, even when they eventually failed to adopt them) and to implementers (who are often judged on their ability to disburse funds). However, as the ZTP experience demonstrates, IT is likely to be beneficial only as the last step in the reform process, not the first, and should be used to incentivize concrete regulatory or process re-engineering rather than replacing them. The cases in which processing times are seen to have a demonstrable improvement- PACRO and ZRA- both involved a number of significant process streamlining reforms (particularly parallel processing).

**Managing Towards Outcomes Rather than Outputs-** Management practices that could have improved effectiveness include: directly engaging firms under multiple contracts in cases where highly specialized technical knowledge was required (e.g. land titling), and related to this, placing long-term resident advisors in institutions rather than relying on short-term technical assistance, which was shown to be less effective in supporting institutions to implement reforms. Finally, sustainability planning should be incorporated into performance targets, for example, by requiring that ministries identify and allocate budget for the final year of the project.

**Need for Improved M&E and Reporting-** The MCC oversees threshold programs without directly managing them; this reinforces the importance of effective M&E and reporting mechanisms. In the case of the ZTP, poorly chosen performance indicators that could not be directly attributed to the activities complicated the work of the implementers and presumably limited MCC's understanding of the real progress of the program. Evaluators were constrained by the absence of a logical framework, monitoring data, and the failure to systematically store program documentation. Financial reporting was clearly inadequate and the failure to show costs broken down by intervention, or at least beneficiary, precluded analysis of the program's cost effectiveness. Direct involvement by the MCC, which has elaborated M&E policies since this program took place, in assuring the quality of M&E frameworks and reporting would enhance the organization's internal ability to oversee these programs successfully. MCC may also wish to approve important implementation documents such as Annual Workplans and Performance Monitoring Plans so that it can provide inputs before implementation rather than just monitoring progress after the fact. This implies possible staffing changes at MCC to increase backstopping of Threshold programs.

**Create Criteria for Modifying Planned Interventions-** ZTP progress reports noted potential challenges and low likelihood for success at some of the MDAs almost from inception and two interventions- the piloting of the integrated border management system and ZDA integration- were noted as being behind schedule in every quarterly report. Despite requests by implementers to abandon certain interventions it was politically sensitive to do this and only in the case of ZDA was Chemonics eventually authorized to redirect resources from the original design. While improved due diligence may obviate the need to make significant deviations from planned activities, it is important to maintain flexibility in programming to take advantage of new

opportunities and reduce investment in cases where success is unlikely. Setting pre-agreed progress milestones that determine whether or not to continue interventions *as a standard feature of threshold agreements* could assist in de-politicizing such decisions.

## ANNEX 1: LIST OF INSTITUTIONS CONSULTED<sup>52</sup>

### I. Government Counterparts

1. Anti-Corruption Commission
2. Ministry of Finance
3. MCA
4. Ministry of Lands
5. Ministry of Home Affairs, Department of Immigration
6. PACRO
7. PQPS
8. Zambia Bureau of Standards (ZABS)
9. Zambia Development Agency (ZDA)
10. Zambia Revenue Authority (ZRA)

### II. Civil Society Organizations

11. Transparency International
12. Zambia Business Forum

### III. Implementing Organizations

13. Contractors
14. Beto Brunn- Chief of Party, ZTP (Chemonics)
15. Mr. Kim Shelsby, Deputy Chief of Party, (The Services Group)
16. Nigel Edmead-ILS London (By phone)
17. Sergey Chapkey-CEO Alpha XP, Virginia, USA (By phone)
18. USAID Zambia
19. Ms. Melissa Williams, Mission Director
20. Mr. Sydney Watae, MSC Program Specialist
21. Jim Barnhart- USAID (former ZTP Coordinator) (By phone)
22. Mr. Ryan Washburn, GDO
23. Ms. Sheila Lutjens, DMD

### IV. Donors

24. Mr. Wilfred Mwamba, Governance Advisor, UK Department for International Development
25. Ms. Natalie den Breugom de Haas, First Secretary Private Sector Development, Royal Embassy of Netherlands
26. Ms. Monde Mukela, Program Officer, Royal Embassy of Netherlands

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<sup>52</sup> Names are not listed to protect confidentiality.

## ANNEX 2: DOCUMENTS REVIEWED

### *Planning Documents*

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2. Threshold Country Plan, Submitted by the Republic of Zambia to the Millennium Challenge Corporation (December 2005).
3. MCC Investment Committee Opportunity Memo, Zambia Threshold Country Plan, (February 2006).
4. 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. (May 2006) USAID Grant Agreement No. GR-611-0010-G-06-0000. (SOAG)
5. Request for Task Order Proposal (RFTOP): *Promoting Sound Economic Governance and Reducing Barriers to Trade and Investment (SEGTI)*, USAID Zambia, Statement of Work.
6. Request for Task Order Proposal (RFTOP): *Promoting Sound Economic Governance and Reducing Barriers to Trade and Investment (SEGTI)* – Amendments 1 & 2, Questions and Answers (May 2006) USAID
7. Chemonics International technical proposal, Zambia Threshold Project

### *Project Documents*

8. Zambia Threshold Project Performance Management Plan, (Prepared by Chemonics) September 2006.
9. Chemonics, Impact Analysis Assessment, June, 2008.
10. ZTP Final Project Work Plan (Prepared by Chemonics), September 2006.
11. ZTP Final Year Workplan (Prepared by Chemonics), July 2007-June 2008.
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15. ZLAS Final Report, Paul Eaton, ILS, February 2009.
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22. Special Report: Number of Days to Register Property in Zambia (prepared for the World Bank), April 2008.
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### *Progress Reports*

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25. Chemonics Zambia Threshold Project, Second Quarter Report 2006: October-December
26. Chemonics Zambia Threshold Project, Third Quarter Report 2007: January-March
27. Chemonics Zambia Threshold Project, Annual Report, July 6, 2006-June 30, 2007
28. Chemonics Zambia Threshold Project, Fifth Quarterly Report, July-September, 2007

29. Chemonics Zambia Threshold Project, Sixth Quarter Report, Oct-Dec 2007
30. Chemonics Zambia Threshold Project, Seventh Quarterly Report, January-March 2008
31. Zambia Threshold Project Quarterly Reports (prepared by USAID for MCC):
  - a. Quarterly Report, July –September 2006,
  - b. Quarterly Report, October-December 2006,
  - c. Quarterly Report, January-March 2007,
  - d. Quarterly Report, April-June 2007,
  - e. Quarterly Report, July 2007-September 2007
  - f. Quarterly Report, October-December 2007
  - g. Quarterly Report, January-March 2008
  - h. Quarterly Report, April-June 2008
32. Zambia Threshold Project Results Reporting Tables (prepared by USAID for MCC):  
FY07 Q1, Q2, Q3, Q4 and FY08 Q1, Q3
33. Chemonics Zambia Threshold Project, Mid-term Progress Report on GRZ's Five Key Indicators
34. Zambia Threshold Project, Promoting Good Governance, Summary Report on Special Activities Fund (SAF) to GRZ Partners, January 31, 2008.
35. Chemonics Zambia Threshold Project Final Report, *Good Governance through Transparency, Accountability, and Improved Services*, August, 2008.
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52. World Bank Independent Evaluation Group, *Doing Business: An Independent Evaluation*, (2008).
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57. ACC Central Information Unit, Annual Report Summary of Complaints for 2008
58. ACC Central Information Unit, Mid-Year Report Summary of Complaints (Jan-June 2009)
59. ACC Central Information Unit, Third Quarter Report Summary of Complaints (July-Sept 2009)
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