

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.¹ 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),

¹ 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.² The sheer number of planned activities and participating MDAs, and the fact that some

² 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.

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