

PCR EVALUATION NOTE
ZAMBIA: SUPPORT FOR FISCAL TRANSPARENCY AND ACCOUNTABILITY (S-FTA)

1. THE PROGRAM

Appraisal Date	<i>March 2001</i>	Loan #	<i>21001550000491</i>	Loan Amount	<i>16.2 m 0.53 m</i>
Approval Date	<i>28 June 2001</i>	Loan Signature Date	<i>17 July 2001</i>	Project Completion Date	
Loan Effectiveness Date	<i>1 October 2001</i>			PCR Date	<i>6 March 2007</i>
NA= Not Available. Source: Bank Staff PCR					

1.1. Objectives

1.1.1. The principal development objective of the program was to improve economic management, good governance, capacity building and strengthen poverty reduction efforts in Zambia. Program-specific objectives aimed at creating the institutional capacity to promote transparency and accountability in fiscal management included: i) creating capacity for domestic debt management; ii) supporting public procurement reforms and strengthening operations of the ZNTS; iii) supporting capacity building in the Office of the Auditor General; iv) supporting capacity building in the Office of the Accountant General; iv) supporting capacity building for the Anti-Corruption Commission; v) public procurement reforms; vi) public accounts audit reforms; vii) domestic debt management; viii) combating corruption and ix) strengthening the Governance Development Unit (GDU).

1.1.2. The objectives stipulated above formed part of a broader strategy for promoting transparency and accountability under the aegis of the GOZ's National Capacity Building Program for Good Governance in Zambia (NCBGGZ), whose main areas of focus included: i) constitutionalism and human rights; ii) accountability and transparency; iii) economic management; and iv) democratization, decentralization and strengthening of local government. The Bank's participation in financing the capacity building program in Zambia was confined to accountability and transparency component, which formed the basis for the Support for Fiscal Transparency and Accountability (S-FTA).

1.2. Program Components

1.2.1.: The principal components of the program comprised of: i) budget reforms; ii) domestic debt management; iii) public procurement reform; iii) public accounts audit; iv) combating corruption; and v) decentralization.

1.3. Program Results (Outputs and Outcomes)

1.3.1. On the whole, program implementation was satisfactory as evidenced in the outputs and outcomes achieved under the various components as summarized below.

Macroeconomic Performance. The objective of reducing the magnitude of the external debt service was achieved. The debt service ratio in 2005 was 7 %. Growth in real GDP stood at 2.8% in 2005, thus exceeding appraisal target aimed at attaining "beyond 1.5%".

The rate of inflation was reduced substantially to 17.8% in 2005 and then to 8.9% in 2006 compared to the appraisal target which envisaged reducing the inflation rate from 26.8%.. The net school enrollment rate increased to 92.3% from the base figure of 68.1% at appraisal. Lastly, the poverty rate remained high at 68% in 2005, a somewhat small reduction from 73% in 2000.

1.3.2. Public Financial Management. Outputs and outcomes achieved under this component comprised of the following: i) transparency was achieved through the publication of the annual budget and preparation of Quarterly Releases and reports as well as the preparation of the Five-Year National Plan indicating cost estimates. ii) Budget reforms undertaken included the establishment of a multi-year budget programming system through the introduction of the Medium-Term Expenditure Framework (MTEF) and the publication of quarterly budgets and expenditure reports. Budget related quarterly cash releases and reports were also introduced as new elements in the reformed budgeting process. iii) In the area of domestic debt management, a database for domestic debt management was introduced. This contributed to the reduction of domestic debt and improved debt management and debt records. Debt policy and strategy and integrated financial management system were introduced. iv) Public procurement reforms envisaged were far from being achieved. The National Tender Board Act was reviewed. The work envisaged in producing the Procurement Act and Bidding Documents was not undertaken to completion as envisaged. v) With regard to public accounts audit reforms, the main output consisted of the development of auditing standards and associated operational manuals. vi) Capacity building in accountability structures included the training of personnel through training workshops and the provision of logistical support facilities such as vehicles, equipment. The Office of the Auditor General (OAG) and the Anti-Corruption Commission benefited from this kind of support. vii) Decentralization aimed at enhancing efficiency in accountability institutions involved the opening of new offices for the Office of the Auditor General and the Anti Corruption Commission as well as the establishment of Tender Units in the periphery.

1.3.1. The program aimed to build capacities in key institutions concerned with transparency and accountability. The major institutions identified for this purpose included: i) the Governance Development Unit; ii) the Anti corruption Commission; iii) the Office of the Auditor General; iv) the Zambia National Tender Board and v) the Ministry of Finance and Economic Development.

1.3.2. An assessment of program performance indicates that it suffered from weak implementation and failed to achieve expected results in a number of areas including domestic debt, public tendering system and public audits.

1.3. Program Financing

1.3.1. The bank's loan had two components, a loan of UA 16.2 million and a technical assistance grant in the amount of 0.53 million.

2. PCR CONCLUSIONS AND PERFORMANCE RATINGS

2.1. Principal Conclusions

2.1.1. S-FTA was conceived within the context of Zambia's 10-Year National Capacity Building Program for Good Governance in Zambia (NCBGGZ), of which the Bank selected to participate in financing the accountability and transparency component. Zambia and the Bank have had a track record of collaborating in the implementation of reform programs in the country and the program under review benefited from various earlier reform efforts which included the first Economic Recovery Loan (ERI) in 1991 and the Second Economic Recovery Loan (ERII) provided in 2000. Also running parallel with the Bank's S-FTA facility was the World Bank's Fiscal sustainability Credit (FSC-I). The Bank's program was not only consistent with the country's development priorities but was also in line with the Bank's own Country Strategy Paper for Zambia, which laid emphasis on good governance and poverty reduction. Since Zambia was a beneficiary under the HIPC initiative at both decision and completion points, it implies that it has pursued economic reforms satisfactorily and to the satisfaction of the multi donor community supporting the implementation of the country's poverty reduction strategy.

Although there was time slippage of three years in implementing the project, some progress was made but the implementation of the domestic debt component did not take place as envisaged mainly due to a reduction in ADF/TAF financing without a corresponding scaling down of the scope of the project.. Considerable delays were also encountered in the implementation of conditions whose responsibility belonged to other branches of Government. This is true of conditionalities that require legislative action. The decentralization component progressed well as devolution of procurement practices contributed to the strengthening of the anti-corruption crusade.

2.2. Performance Ratings

2.2.1. Performance ratings for the project are mixed. Implementation performance assessment is judged satisfactory with an average rating of 2.0 while Bank performance is assessed as unsatisfactory, with an average rating of 1.5. Overall project results have been assessed and accorded a satisfactory rating of 2.09, within it, the institutional development impact has an unsatisfactory assessment rating of 1.83; however, average ratings for sustainability and relevance and achievement of objectives are judged satisfactory, at 2.0 NS 2.16, respectively.

3. LESSONS LEARNED

3.1. The PCR identified and documented appropriate lessons in the report. The major lessons emphasized the following issues: i) the need to foster an orderly use of counterpart funds; ii) if not remedied, identified institutional weaknesses could seriously jeopardize policy interventions; iii) that it is not realistic to stipulate 22 condition precedent to be met within a short timeframe between the initial and last disbursement; that cascading of conditions renders prompt fulfillment of conditions difficult because if one condition remains unmet other reliant conditions cannot similarly be met; and iv) that conditions that fall outside the realm of the Government, such as the legislature, result in delays in the fulfillment of conditions that call for parliamentary action.

4. BORROWER'S PCR AND INPUTS TO BANK STAFF PCR

4.1. It is not known whether the borrower prepared and submitted to the Bank a project completion report as required under the facility terms of agreement.

5. PCR QUALITY RATINGS

5.1 PCR quality ratings stand high and are assessed as satisfactory on all counts, as indicated in Annex 1. These ratings have been validated without any changes as indicated in the Annex.

6. PRIORITY TASK RECOMMENDATION

6.1. A PPER is not recommended for the project. However, it is recommended that the project has useful lessons and could be useful inputs for a study on The bank's role in Financing Capacity Building Operations in Regional Member Countries.

ANNEX 1				
ASSESSMENT OF IMPLEMENTATION AND BANK PERFORMANCE AND PROJECT RESULTS/OUTCOMES				
ZAMBIA: SUPPORT FOR FISCAL TRANSPARENCY AND ACCOUNTABILITY (S-FTA)				
	Component Indicator	PCR Rating (1-4)	Evaluation Rating	Comments
1. IMPLEMENTATION PERFORMANCE ASSESSMENT				
i)	Adherence to implementation schedule	1.0	1.0	Validated.
ii)	Adherence to cost schedule	3.0	3.0	Validated.
iii)	Compliance with covenants and conditions	2.0	2.0	Validated.
iv)	Adequacy of monitoring evaluation and reporting	2.0	2.0	Validated.
v)	Satisfactory operations	2.0	2.0	Validated.
	Total Scores	10.0	10.0	
	Average Rating	2.0	2.0	Satisfactory
PERFORMANCE OF THE BANK				
	Component Indicator			
i)	Identification	NA	NA	
ii)	Preparation	NA	NA	
iii)	Appraisal	2.0	2.0	Validated.
iv)	Supervision	1.0	2.0	Validated.
	Total Scores	3.0	3.0	
	Average Rating	1.5	1.5	Unsatisfactory
PROJECT RESULTS/OUTPUTS AND OUTCOMES				
	Component Indicator	Rating (1-4)		Comments
1. Relevance and achievement of objectives				
i)	Macro-economic policy	3.0	3.0	Validated.
ii)	Sector policy	2.0	2.0	Validated.
iii)	Fiscal Policy			
iv)	Financial aspect	2.0	2.0	Validated.
v)	Poverty reduction, social impact and gender	2.0	2.0	Validated.
vi)	Environment	2.0	2.0	Validated.
vii)	Private sector development	2.0	2.0	Validated.
	Total Scores	13.0	13.0	
	Average Rating	2.16	2.16	Satisfactory
2. Institutional Development				
i)	Institutional framework including restructuring	2.0	2.0	Validated.
ii)	Financial and integrated systems of management including audit systems	2.0	2.0	Validated.
iii)	Transfer of Technology			
iv)	Staffing by qualified/skilled personnel (including turnover), training and counterpart staff.			

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	Component Indicator	PCR Rating (1-4)	Evaluation Rating	Comments
	Program audit	1.5	1.5	Validated.
	Total Scores	5.5	5.5	
	Average Rating	1.83	1.83	Unsatisfactory
3.	Sustainability			
i)	Continued commitment of borrower	2.0	2.0	Validated.
ii)	Environmental policy	NA	NA	
iii)	Institutional framework	2.0	2.0	Validated.
iv)	Technical viability and staffing	2.0	2.0	Validated.
v)	Financial viability (including cost-recovery)	2.0	2.0	Validated.
vi)	Economic viability	NA	NA	
vii)	Environmental viability	NA	NA	
viii)	O & M facilitation (foreign exchange and recurrent cost financing availability,etc)	2.0	2.0	Validated.
	Total Scores	10.0	10.0	
	Average Rating	2.0	2.0	Satisfactory
4.	Economic rate of return	NA	NA	
	OVERALL RATING	2.09	2.09	Satisfactory

	Priority of Project for Performance Evaluation Report, Impact Evaluation, Country/Sector Reviews or Thematic Evaluation Studies: A PPER is not recommended for the project. However, it is recommended that the project has useful lessons and could be useful inputs for a study on The bank's role in Financing Capacity Building Operations in Regional Member Countries.
	Major Issues of Focus in the Performance Evaluation Report: Not applicable in view of the recommendation made above.
	Follow-Up Action/Decision: There not known outstanding issue for which an immediate follow-up action is called for on the part of the Bank.