



<b>1. Project Data:</b>		<b>Date Posted :</b> 03/21/2001	
<b>PROJ ID:</b> P003258		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Financial & Legal Management Upgrading Project (FILMUP)	<b>Project Costs (US\$M)</b>	19.6	16.9
<b>Country:</b> Zambia	<b>Loan/Credit (US\$M)</b>	18.0	16.7
<b>Sector(s):</b> Other Public Sector Management	<b>Cofinancing (US\$M)</b>	0.0	0.0
<b>L/C Number:</b> C2535			
	<b>Board Approval (FY)</b>		94
<b>Partners involved :</b> None	<b>Closing Date</b>	06/30/1999	06/30/2000

<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>

**2. Project Objectives and Components**

**a. Objectives**

The primary objective of the project (as described in President's Report) was to improve standards of accounting, public sector procurement and legal services, by strengthening key institutions involved in these activities through improvements in their human and material resources.

**b. Components**

**Financial Management Upgrading Component** (original cost: US\$ 4.6 million) was expected to: a) upgrade the level of accounting and auditing services in Zambia by providing technical support in introducing local qualifications and examinations in the Zambia Institute of Chartered Accountants (ZICA); b) increase the output of intermediate level accounting personnel through the provision of accountancy lecturers to three training institutions (CBU, ATC and NSBM); c) improve national procurement performance by clarifying relationships between the Zambia National Tender Board and line ministries, and providing necessary training.

**Legal Management Upgrading Component** (original cost: US\$ 12.6 million) was expected to: a) build up the legal drafting, prosecution and legal aid, and other capacities of the Ministry of Legal Affairs (MOLA), the Law Practice Institute (LPI) and the Institute of Legislative Drafting (ILD) through training and equipment; b) improve the administration of justice through the provision of training, equipment and additional court space to the judiciary, including the Industrial Relations Court (IRC); c) print the revised Laws of Zambia; and d) improve the availability of information on corporate affairs to investors by providing training and improved equipment to the Registrar of Companies.

**c. Comments on Project Cost, Financing and Dates**

The final project cost was US\$ 16.9 million (86% of original) because physical contingencies (US\$ 2.4 million) were not necessary and because planned Government counterpart funding (US\$ 1.6 million) fell short of commitment. Government provided only 12 percent of its original commitment, or just one percent of project costs. The project was approved in July 1993 and effective in December of the same year. Project closing was extended by one year, largely to accommodate early delays in the public procurement sub-component.

**3. Achievement of Relevant Objectives:**

Performance indicators on component objectives /activities (2b, above) were heavily input/output oriented, no baseline data were collected and no systematic follow-up occurred, despite efforts to strengthen M&E prior to the Mid-term Review. Hence, evaluation of outcomes is extremely difficult, and assessment of outputs is only partial.

**Financial Management Upgrading Component** : a) internationally-acceptable auditing and accounting standards were adopted, a National Technicians' Qualification (NATECH) was established by ZICA, with 700 NATECH graduates by project closing; b) the number of graduates of intermediate level accounting personnel was doubled from the three selected institutions (no actual data presented) following placement of lecturers and complementary equipment/vehicles; c) a diagnostic study of public procurement (a legal covenant) was completed with lengthy delay, a public procurement action plan agreed, tender evaluation in ZNTB was computerized, procurement thresholds for line ministries were increased, procurement guidelines were adopted and cadres were trained to permit decentralized procurement. However, public sector restructuring needed to permit decentralized procurement

(and absorb trained cadres) did not occur, and ZNTB computerization was delayed, and not fully functional during ICR. No data were presented in ICR to support claims of accelerated tender processing . Capacity building at ZICA and ZNTB was undermined by attrition of trained cadres, as well as insufficient attention at ZICA to overall institutional sustainability.

**Legal Management Upgrading Component** : a) training in legal drafting occurred, although attrition of trained cadres (to private sector) was significant. No indicator of increased legal drafting capacity presented . No mention in ICR of outputs or outcomes with respect to prosecution and legal aid; b) administration of justice with respect to commercial cases considerably strengthened through advent of specialized judges, establishment of a commercial list, computerization/reorganization/revitalization of Industrial Relations Court. Administration of justice with respect to criminal cases not visibly effected; c) 1,200 copies of the 26-volume set of revised laws were printed, plus 500 copies on CD-ROM; d) computerization and streamlining of procedures at Registrar of Companies has cut registration time and increased demand for information .

**4. Significant Outcomes/Impacts:**

- With FILMUP support, Zambia finally has internationally -acceptable accounting and auditing standards, although implementation/enforcement remains weak. Supply of intermediate-level accountants increased .
- FILMUP helped revolutionize the functioning of the Industrial Relations Court, increasing case processing from 150 to 700 cases annually, through use of the commercial list, streamlined procedures, computerization and specialized judges.
- FILMUP supported the first updating and consolidation of Zambia's laws in twenty years, and disseminated them widely throughout the legal and judicial professions --although cost of the 26-volume set remains an obstacle.
- Since 1997, the Registrar of Companies has been financially independent of Government, due to increased revenues resulting from improved service delivery (fees from registration and information requests)

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

- The public procurement sub-component did not demonstrably improve public procurement performance, nor achieve the expected level of procurement decentralization (to line ministries) due to lagging public sector reform and restructuring.
- Impact and sustainability were undermined by weak Government commitment to counterpart funding (resulting in suboptimal recurrent cost financing during implementation and since project closing ) and public sector reform, as well as Government's failure to invoke its rights under contracts where suppliers underperformed .
- Bank and Borrower paid insufficient attention at the design phase to the sustainability of net benefits, including the sustainability of key implementing agencies (e.g. ZICA), the sustainability of investments in equipment and vehicles (through appropriate maintenance and depreciation allowances ), the sustainability of increased capacity (e.g. legal drafting, accounting lecturers) in the absence of better incentives for public service and broader public sector reform.
- Bank and Borrower failed to establish a monitoring and evaluation system related to project objectives and able to systematically assess expected project outcomes . Remedial data collection efforts prior to mid-term review were not systematically followed-up at project completion.
- Borrower did not adequately prepare civil works activities, which were cancelled when Government did not have clear title or legal right to renovate selected sites .

<b>6. Ratings:</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Satisfactory	Moderately Satisfactory	Most major relevant objectives were achieved, but with significant shortcomings in strengthening and decentralizing public procurement processes and in capacity building for accountancy training, legal education and public procurement.
<b>Institutional Dev .:</b>	Substantial	Modest	On balance, modest. Substantial improvements in "rules of the game" (laws, accounting/auditing standards, procurement guidelines) and in several organizations (Industrial Relations Court, Registrar of Companies). However, institutional development was modest in the key areas emphasized in the project objectives--public procurement, legal education and drafting, accountancy training and professional regulation .

<b>Sustainability :</b>	Likely	Unlikely	OED rating reflects lack of sustainability of most net benefits--including physical assets and institutional capacity--due to weak government commitment, lack of maintenance and replacement arrangements for physical assets, attrition of qualified civil servants. Benefits to the legal/regulatory/procedural framework are sustainable. ICR rating justified solely by existence of a follow-on IDA credit (PSCAP) which should address sustainability shortcomings of FILMUP: ICR states: "Sustainability is rated as likely, mainly because there is a follow-up PSCAP. Otherwise, the sustainability rating would be less likely...the potential for losing some of the gains is significant...sustainability is a key issue for FILMUP...[PSCAP will carry out] more fundamental public sector reforms that would enhance the sustainability of injections of hardware and training...The major weakness was not to build in a way to sustain the gains of the project..."
<b>Bank Performance :</b>	Satisfactory	Satisfactory	On balance, satisfactory, but shortcomings at appraisal in design of M&E system, insufficient attention to sustainability and recurrent cost financing issues, insufficient focus on comprehensive public sector reform. Highly satisfactory procurement packaging into six bundles for 12 implementing agencies.
<b>Borrower Perf ..</b>	Satisfactory	Unsatisfactory	OED rating reflects highly unsatisfactory performance by Government, despite satisfactory performance by most implementing agencies. Government rating based on: 1) non-performance on counterpart funding (non-compliance with section 3.05, Article III of Development Credit Agreement); 2) lack of agreed public sector restructuring to absorb trained procurement personnel 3) lack of attention to financial sustainability of project through budgetary process 4) inadequate preparation of civil works activities 5) failure to invoke legal rights when contracted suppliers underperform.
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### **7. Lessons of Broad Applicability:**

- Basic physical and training inputs can revitalize and motivate institutions, but it is important at the project design stage to consider the sustainability of project benefits in order to achieve durable institutional development impact.
- Weak commitment by government to agreed financial requirements and institutional reforms can undermine outcomes and sustainability, even where implementing agencies perform satisfactorily and, in some cases, highly satisfactorily.
- Careful sequencing of public sector reform and capacity -building is critical. Capacity-building efforts, in the

absence of needed public sector reforms, will have suboptimal impact and /or be short-lived.

- Multiple implementing agencies need not generate excessive complexity if procurement packaging is carefully designed.

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

Satisfactory--with unavoidable shortcomings in assessment of project outcomes . Annex 1: Key Performance Indicators does not comply with ICR guidelines, due to weaknesses of M&E system throughout life of project . Annex 1 summary of objectives includes only objectives partially or totally achieved .