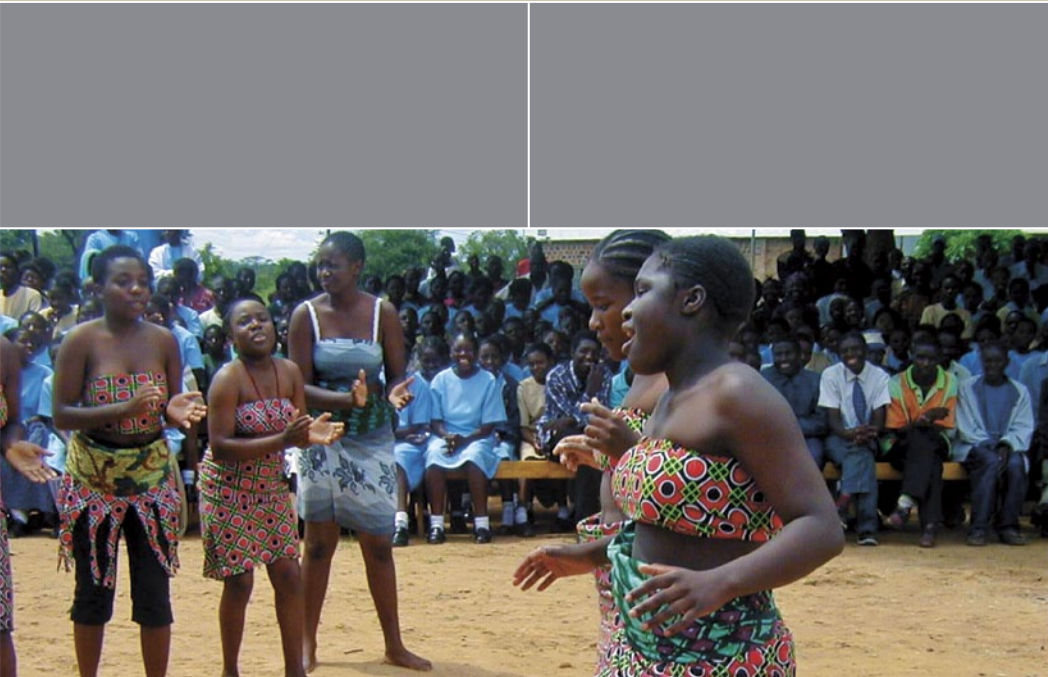




# Joint Evaluation of Support to Anti-Corruption Efforts Zambia Country Report

Report 6/2011 – Study



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# **Joint Evaluation of Support to Anti-Corruption Efforts**

**Zambia Country Report**

**June 2011**

Submitted by  
ITAD  
in association with  
LDP



## Preface

Donor agencies have increasingly included the fight against corruption in their overall governance agenda. In preparation for this evaluation, a literature review<sup>1</sup> was undertaken which showed that our support for anti-corruption work has sometimes had disappointing results.

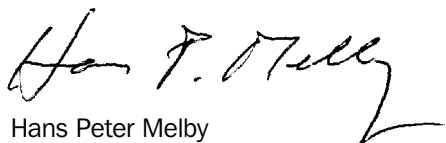
Has the donors' approach to anti-corruption work been adapted to circumstances in the countries? What are the results of support for combating different types of corruption, including forms that affect poor people and women in particular? These were some of the overarching questions that this evaluation sought to answer.

The evaluation provides insights for the debate, drawing on recent evidence from five countries. The main conclusions and recommendations are presented in the synthesis report. In addition, separate reports have been prepared for each of the case countries Bangladesh, Nicaragua, Tanzania, Viet Nam and Zambia.

The evaluation was managed by the Evaluation Department of the Norwegian Agency for Development Cooperation (Norad) and commissioned by this agency together with the Asian Development Bank (ADB), the Danish International Development Assistance (Danida), the Swedish Agency for Development Evaluation (SADEV), the Swedish International Development Co-operation Agency (Sida) and the UK Department for International Development (DFID).

The evaluation was carried out by consultants lead by the consultancy company ITAD. This company is responsible for the content of the reports, including the findings, conclusions and recommendations.

September, 2011



Hans Peter Melby  
Acting Director of Evaluation

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<sup>1</sup> Anti-Corruption Approaches. A Literature Review. Study 2/2008. [www.norad.no/evaluering](http://www.norad.no/evaluering)



## Acknowledgements

The evaluation team would like to thank the many people who contributed their time and insights to this evaluation. They include headquarters and country office staff of the four commissioning donors present in Zambia, government officials, representatives of donor agencies and civil society organisations. Special thanks are due to the staff of DFID and the Denmark Embassy in Lusaka for assisting with the arrangements for the evaluation visit. The evaluation represents the combined effort of a team including consultants who participated in the country visit and support staff at ITAD and LDP.

Full responsibility for the text of this report rests with the authors. We have attempted to record and interpret the information from various sources up to our best capacity and without any bias within the constraints arising from the arrangements for the country visits. The views contained in this report do not necessarily represent those of the commissioning donors or of the people consulted.





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## List of abbreviations and acronyms

AC	AC
ACC	AC Commission
ACCES	AC Commission Enhanced Support
ACT	Against Corruption Together (DFID programme)
BPI	Bribe Payers Index
CP	Cooperating Partner
CPG	Cooperating Partner Group
CPI	Corruption Perceptions Index
CSO	Civil Society Organisation
DAC	Development Assistance Committee
Danida	Danish International Development Assistance
DFID	UK Department for International Development
DPP	Director of Public Prosecution
EC	European Commission
EITI	Extractive Industries Transparency Initiative
EU	European Union
FIU	Financial Intelligence Unit
FNDP	Fifth National Development Plan
FRA	Fiduciary Risk Assessment
FSDP	Financial Sector Development Plan
GRZ	Government of the Republic of Zambia
HIPC	Heavily Indebted Poor Countries
HQ	Headquarters
JASZ	Joint Assistance Strategy for Zambia
M&E	Monitoring and Evaluation
MCA	Millennium Challenge Account
MDG	Millennium Development Goal
MeTA	Medicine Transparency Alliance
MoFNP	Ministry of Finance and National Planning
MoH	Ministry of Health
MOU	Memorandum of Understanding
MTR	Mid-Term Review
NACP	National AC Policy
NGBS	National Governance Baseline Survey
NGO	Non-Governmental Organisation
NHSP	National Health Sector Plan
NIS	National Integrity System
Norad	Norwegian Agency for Development Cooperation

OAG	Office of the Auditor General
PAC	Public Accounts Committee
PACRO	Patents and Companies Registration Office
PAF	Performance Assessment Framework
PEFA	Public Expenditure Financial Accountability
PEMFA	Public Expenditure Management and Financial Accountability
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PMEC	Payroll Management and Establishment Control
PSM	Public Sector Management
PRSP	Poverty Reduction Strategy Paper
PSDRP	Private Sector Development Reform Programme
PRBS	Poverty Reduction Budget Support
RIZES	Revenue Institutions in Zambia – Enhanced Support
SADEV	Swedish Agency for Development Evaluation
SAG	Sector Advisory Groups
Sida	Swedish International Development Cooperation Agency
SDIF	Service Delivery Improvement Fund
SWAp	Sector-Wide Approach
TI	Transparency International
TI-Z	Transparency International-Zambia
TFC	Task Force on Corruption
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
ZAWA	Zambia Wildlife Authority
ZRA	Zambia Revenue Authority

# Executive Summary







## Executive summary

### Introduction

S1 This evaluation is concerned with Denmark, Norway, Sweden and the United Kingdom (UK) Anti-Corruption (AC)-related programmes over the period 2002-10. It was produced on the basis of a documentation review; interviews with stakeholders; a civil society organisation (CSO) workshop in Lusaka; and field visits (Chirundu, Livingstone and Siyavonga district) in February-March 2010.

### The context in Zambia

S2 Corruption is Zambians' top concern after the cost of living and inflation. The level and patterns of corruption vary remarkably from one sector to the next, with bribe frequency ranging between 1% (health) and 29% (police). Petty corruption is more prevalent in urban than in rural areas.

S3 Public resource mismanagement is widespread. The mechanisms of corruption are also evidently a two-way street: allegations of high-level corruption involving the private sector are frequent and red tape is a major incentive for businesses to pay bribes.

S4 There is no empirical evidence on the causes and drivers of corruption in Zambia. Studies nonetheless agree that liberalisation in the 1990s introduced a 'new culture of corruption' in the country. A presidential slush fund, infamously used to obtain political buy-in during Frederick Chiluba's regime, and privatisation, supported by World Bank-led structural adjustment programmes, have allegedly triggered high-level corruption.

S5 The fight against corruption has remained largely ad hoc. Transparency International's (TI) Corruption Perceptions Index (CPI) scored 2.6 every year between 2004 and 2007, improving to 2.8 in 2008 and 3.0 in 2009. Under President Levy Mwanawasa, a Task Force on Corruption (TFC) was established to fight grand corruption during the previous regime. Under President Rupiah Banda, former president Chiluba was acquitted of public theft and TFC was disbanded. On a positive note, the National Anti-Corruption Policy (NACP) was approved and actions were taken against those involved in the 2009 health scandal scam involving donor money.

### Relevance of donor programmes

S6 Donor AC interventions in Zambia have been closely aligned to the country's own strategies and responsive to government priorities, making them relevant overall. Their support to TFC and key institutions, starting with Anti-Corruption Commis-

sion (ACC), with DFID support, and the Office of the Auditor General (OAG), with Norway support, were deemed highly relevant.

S7 In the first half of the evaluation period, Denmark, Sweden, Norway and the UK essentially focused on grand corruption and the work of TFC. Selected donors also gave support to the ACC and TI-Zambia (TI-Z). Their approach to AC broadened in the second half. The Public Expenditure Management and Financial Accountability (PEMFA) programme, for example, which started in 2006, comes with a strong focus on financial accountability and includes support to OAG and parliamentary committees. Elsewhere, DFID supported the drafting of the Zambia NACP and initiatives were launched to support Zambia's ratification of UN Convention against Corruption (UNCAC). Donors have also turned their attention to other institutions of relevance to AC, such as the Ombudsman and the Financial Intelligence Unit (FIU).

S8 This evaluation finds that this wider approach to AC remains relatively recent, if not still forthcoming (especially with regard to AC in social and economic sectors) as well as in some places insufficient (such as dealing with corruption within the private sector). Gaps in funding were also noted with regard to CSOs and law enforcement agencies.

S9 Planned interventions, including DFID's Against Corruption Together (ACT) programme, will seek to take a more holistic approach to AC, including balancing prevention with prosecution, focusing more on strengthening accountability, and working more in sectors.

S10 Donor analysis of corruption in Zambia has remained succinct and principally focused on policy measures, grand corruption and country system issues. Donors have failed to produce a differentiated analysis of corruption across sectors to inform their decisions. Although donor support to TFC was conditional on further government spending on poverty reduction, no analysis has been produced to assess the impact that all forms of corruption have on poor people, including women.

S11 The lack of comprehensive analysis was also noted in many project documents. For example, key corruption issues – notably political party financing, the purchasing of positions in the civil service, and the influence of large businesses on State House – were left out of the analysis of donor-supported governance programmes. This, combined with the lack of target indicators on reduced corruption or increased accountability, make donor-supported governance programmes only moderately relevant.

### **Effectiveness of selected programmes**

S12 Donor support has been effective in building key AC institutions in the country. Progress in building these institutions has nonetheless been slower than expected and necessitated higher than planned investment overall. The effectiveness of donor support has been hampered by ACC and TI-Z's ambitious mandates and an evident lack of prioritisation. The partnership between the ACC and CSOs

(including the media) on one hand, and between OAG and the Supreme Audit Institution of Norway on the other, were identified as key factors behind successes.

S13 Although TFC's pace of investigation and prosecution was slow, the experience of TFC showed that it is possible to fight grand corruption and recover stolen assets on a large scale. TFC was successful in recovering US\$36 million worth of assets and delivered convictions of high ranking civil servants and service chiefs. TFC was highly and uniquely relevant to the fight against corruption in Zambia, because of its inter-agency linkages and its focus on international cooperation. For this, US\$18 million was invested, mostly on foreign legal fees. As well as being expensive, TFC lacked transparency and drained rather than built the capacity of the main AC agencies involved; with questions over TFC's temporary mandate and the use of the recovered assets further undermining the sustainability of the initiative.

S14 The performance of the public sector- (and with it, private sector-) wide reform programmes has not been satisfactory. Many factors explaining slow progress can be traced back to incentive issues, from the misuse of per diem money to the collusion between the private and public sector.

S15 System strengthening and computerisation may have helped to reduce corruption. For example, computerisation within the Zambia Revenue Authority (ZRA) was said to have prevented tax fraud. Similarly, a marked reduction in payroll fraud could soon become apparent, now that the payroll management system funded by DFID has been fully rolled out. Evidence, however, remains largely anecdotal in the absence of regular monitoring as well as effective and transparent sanction mechanisms.

S16 An intervention that is tailored to the needs, strengths and culture of an institution; integrated – i.e. linking service delivery back to system strengthening and AC prevention, investigation, and sanction mechanisms – and monitored (including by end users) is likely to show better results. Demand-led initiatives, such as the Service Delivery Improvement Fund (SDIF), confirm that strong government ownership in the design and implementation of a project can also help.

S17 Some CSOs' education, monitoring, reporting and advocacy activities have shown good success over the evaluation period. Collective action, however, has been characterised by a history of fits and starts and CSOs' role in the fight against corruption, including in service delivery monitoring, remains untapped, in part (but not only) because of limited access to funding and a non-conducive dialogue environment.

### **Tackling corruption in the health sector**

S18 Notwithstanding government commitment to improving health services in Zambia, the public health sector is characterised by financial mismanagement, acute staff and drugs shortages and slow progress in service delivery outputs. It also remains opaque because of the plethora of funding that it receives.

S19 As part of their move to basket funding mechanisms (Sweden, with Netherlands) and general budget support (DFID), donors have principally focused on Public

Financial Management (PFM) issues. Donors increased their scrutiny and provided technical assistance in PFM to the Ministry of Health (MoH) during the 2006 organisational reforms. None, however, have produced a comprehensive analysis of corruption issues in the health sector.

S20 Donor response to the 2009 health scandal was well coordinated. Zambians criticised Sweden and other basket fund donors for freezing essential development assistance, although Sweden quickly resorted to different funding mechanisms to address the gaps. A Governance Action Plan focusing on internal audit, financial reporting, and audit issues, was successfully negotiated with the MoH. A number of short-term safeguard measures, including additional reporting, were also introduced. The MoH had met the first tranche disbursement requirements by September 2009 but was delayed in meeting the second tranche disbursement requirements at the time of our country visit.

### **Donor ways of working**

S21 In addition to the 2004 National Governance Baseline Survey (NGBS) and the forthcoming State of Governance Survey, a handful of policy indicators of relevance to the fight against corruption exist in the country's Fifth National Development Plan and in the Performance Assessment Framework (PAF) used by budget support donors. The launch of NACP comes with a risk of proliferation of indicators, which may not be monitored effectively, given the weak monitoring and evaluation (M&E) capacity of Zambian institutions.

S22 Donor coordination on AC issues has been effective overall, although more coordination is needed on the ground. Partly in response to a 2007 review, which finds that *"with regard to support to AC initiatives, donor were not coordinating their support effectively"*, an AC Group was launched in 2008, under DFID and Norway's leadership.

S23 Despite all being signatories of the Paris Declaration and sharing similar fiduciary risk diagnoses, donors have adjusted differently to the risk of corruption in the country, as demonstrated by their different funding modalities and level of alignment to the country's systems.

S24 By and large, donors have assumed that the government's financial reporting systems, upon which they have come increasingly to rely, were sufficient safeguard mechanisms and that the government commitment to PFM reforms would together entice a positive direction of change. Since the 2009 health scandal, donor confidence has waned in the country's financial reporting and (to a lesser extent) auditing systems. In addition, donors have become increasingly concerned about the way their money is being used, especially with regard to workshops, training and seminars.

S25 Donors have combined effectively high-level ministerial visits with joint donor-government dialogue in response to recent corruption scandals. The year 2009, when Sweden single-handedly decided to freeze budget support, nonetheless demonstrates the difficulties encountered by donors in harmonising their stance on AC, while at the same time responding to the demands of their own constituencies.

## **Conclusion, lessons and recommendations**

S26 Donor efforts have yet to translate into increased domestic accountability, and with it, entice behavioural changes. Yet they have evidently contributed to building the capacity of key AC actors and/or institutions in Zambia. Their efforts have also provided a unique insight in ways of fighting corruption at a global level. Part of their alignment to country systems, donor support to OAG and parliamentary committees, have also proved essential first steps to increase transparency in the way both government and donor money is used.

S27 Key lessons are:

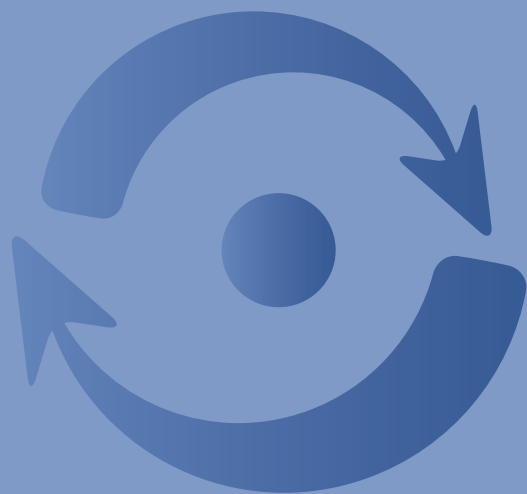
- Donor AC efforts have required significantly higher-than planned investment; this calls for more realistic expectations and an emphasis on prioritisation.
- Strengthening systems will only reduce the opportunity for corruption in the public sector and state agencies if external and internal monitoring mechanisms are firmly in place.
- Coalition building and partnership working are essential ingredients for success. Promoting a genuine participation from key partners, notably CSOs, media, trade union and private sector associations, remains part of the solution.
- Recent scandals and poor programme performance combined show that, as well as being prone to corruption, some workshops, training and seminars are poor value for money.
- The risk of aid misuse remains high, whatever the choice of aid delivery mechanisms and partners may be. What varies are the sums involved and donors' abilities to prevent and detect aid misuse.

S28 Top recommendations for donors are:

- Sharpen and share donor analysis on sector corruption and its impact on poor people (including women).
- Go beyond identifying the lack of political will as a main risk and come to a better understanding of how all forms of corruption (petty, political and administrative) may slow down reforms and how programmes of reforms may help the fight against corruption or reinforce the status quo.
- Design a tailored and integrated approach to fighting corruption and promoting good governance in public administration, linking system strengthening and streamlining with preventive, detection and sanction AC mechanisms. These include service delivery charters, internal auditing, external oversight and disciplinary actions.
- Specifically design project components that focus on building essential partnerships between state and non-state actors and/or agencies that have a key role to play in AC, with all parties concerned involved at design stage.
- Favour developing a robust and effective baseline on AC over encouraging a proliferation of indicators that the country's weak M&E capacity cannot absorb.
- Be watchful of the 'lowest common denominator syndrome' – whereby donors may be bound by political decisions to stay in a particular sector that affects their commitment to real reforms or restricts use of government systems or participation in harmonised approaches.



# Main Report







# 1. Introduction

## Background

1.1. Five cooperation partners (CP): the Asian Development Bank, the Danish International Development Assistance (Danida), the Swedish International Development Cooperation Agency (Sida), the UK Department for International Development (DFID), and the Norwegian Agency for Development Cooperation (Norad, lead agency), together with the Swedish Agency for Development Evaluation (SADEV) have commissioned a joint evaluation of anti-corruption (AC) efforts over the period 2002-09.

1.2. The evaluation took place during 2009 and 2010, with case study fieldwork in Zambia, Bangladesh, Nicaragua, Tanzania and Viet Nam.

1.3. The commissioning CPs claim to have paid considerable attention to AC in their development cooperation in recent years. Given that levels of corruption remain high in many countries, they wish to find out how support in this area can become more effective. They are the primary audience for this evaluation. Secondary audiences include interested parties in the case countries (national authorities, civil society and others), other countries and donor organisations. The purpose and objectives of the evaluation (as defined in the terms of reference) are presented in Box 1.1.

### **Box 1.1: Purpose and objectives of the evaluation**

#### **Purpose of the evaluation**

The purpose is to obtain knowledge regarding the relevance and effectiveness of support to reduce corruption, both through specific AC efforts and in other programmes – in order to identify lessons learned regarding what kind of donor support may work (for poor people, and women in particular), what is less likely to work and what may harm national efforts against corruption.

#### **Objectives**

The objectives are to obtain descriptive and analytic information related to actual results of the support provided by the five commissioning donors, both overall and for each of them in each of the selected countries, regarding:

- corruption diagnostic work (highlighting, where relevant, information disaggregated by gender)
- underlying theory, AC Strategy and expected results of their support to reduce corruption
- the implementation of support to specific AC interventions and achieved results
- other donor interventions or behaviour relevant for corruption and AC efforts, and achieved results in terms of corruption
- the extent of coherence of AC practice between specific AC activities and other programmes, for individual donors
- the extent of coherence of AC practice within the donor group
- the extent that gender and other forms of social exclusion have been taken into account in donor interventions.

### **The report**

1.4. This evaluation is concerned with Denmark, Norway, Sweden and the United Kingdom (UK) Anti-Corruption (AC)-related programmes over the period 2002-10. It was produced on the basis of a documentation review; interviews with stakeholders; a civil society organisation (CSO) workshop in Lusaka; and field visits (Chirundu, Livingstone and Siyavonga district) in February-March 2010. The mission team comprised Charlotte Vaillant (team leader), Imran Ahmad, Paul Harnett, Deborah Mansfield, Gilbert Mudenda and Stephen Tembo. Henry Malumo supported us in securing meetings during the field visit and Goodwell Lungu, Transparency International-Zambia (TI-Z), facilitated the discussion during a civil society workshop.

### **Methodology**

1.5. Full details of the methodology for the evaluation can be referenced from the Synthesis Report. Denmark facilitated arrangements for the country visit with support from DFID. Details specific to the Zambia visit are set out in Chapter 2, with supporting material in the Annexes. The definition of corruption used in this evaluation is ‘the abuse of entrusted authority for illicit gain’. Individual donor projects and programmes are the units of study under the evaluation.<sup>2</sup> The approach to the country evaluations was based on a review of available secondary data (including evaluation reports) and extensive interviews with a range of stakeholders, including donor country staff (past and present), government officials, non-governmental organisations (NGOs), and consultants. The country evaluation is thus neither a primary evaluation in which original data are collected, nor a ‘meta-evaluation’ (in

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<sup>2</sup> For simplicity, the words ‘project’ and ‘programme’ are used interchangeably in this report. ‘Project’ is used as the default term for donor-supported interventions.

which findings from primary evaluation studies are synthesised). A list of persons consulted is given in Annex 3 and of documents in Annex 4.

### **Report structure**

1.6. The report is structured as follows: Chapter 2 describes the methodology and analytical framework used for the evaluation. Chapter 3 looks at the country context for Zambia over the period. This leads to a review of the relevance of donor AC programmes in Chapter 4, where the programmes are examined against the UN Convention against Corruption (UNCAC) framework and the host country's priorities. In Chapter 5, we review the effectiveness of selected programmes in tackling corruption. Chapter 6 examines the ways in which donors have tackled corruption in the health sector. Chapter 7 looks at how donors have mainstreamed AC in their programme management and ways of working with specific reference to: monitoring and evaluation (M&E); coordination and dialogue; safeguard against fiduciary risk; and response to corruption cases. Chapter 8 draws out conclusions followed by broader lessons in Chapter 9 and some recommendations to the commissioning donors in Chapter 10.

## 2. Methodology and analytical framework

### Methodology

#### Approach

2.1. **Use of evaluation matrix:** The questions in the terms of reference have been rationalised and simplified into an evaluation framework that is reproduced at Annex 1. This provides a working structure for all analysis of documents and interviews with key respondents. In accordance with the requirements of the terms of reference, the framework deals only with the evaluation criteria of relevance and effectiveness.

2.2. **Use of UNCAC:** In order to structure the diverse range of projects supported by the five donors, we use the categories in the UNCAC as an organising framework. This has enabled the evaluators to understand the scope of coverage of the projects with known or potential links with AC, and identify any significant gaps in efforts to tackle corruption.

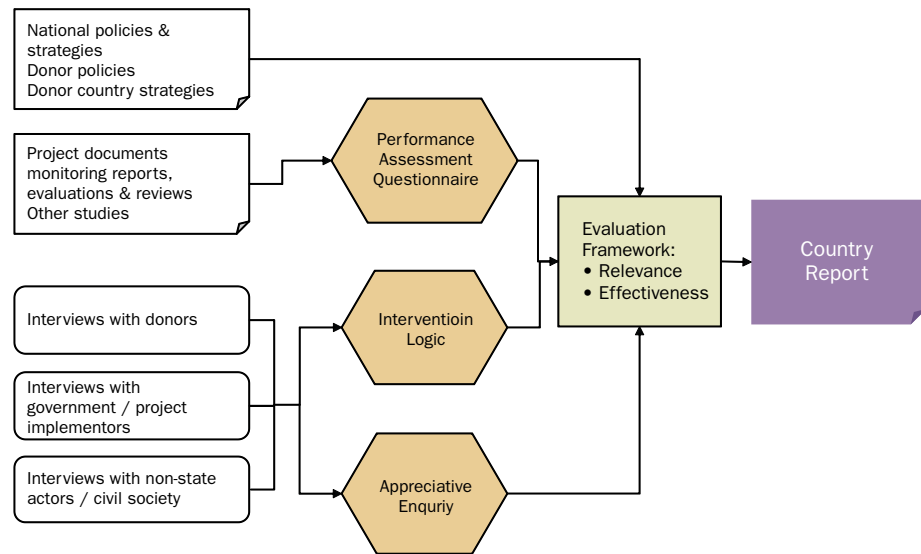
2.3. **Focus on donor behaviour:** We have paid particular emphasis on donor ways of working both in their attempt to fight corruption within their agencies and in the use of their development assistance and in their commitment to donor coordination and dialogue with the government.

2.4. **Sampling:** We have described the way in which we have selected and reviewed projects as a 'table-top approach'. This means we have made a broad but 'thin' or 'light' evaluation of all donor programmes in all five countries (the 'table top'), and then chosen major programmes or sectors to examine at greater depth (the 'table legs').

#### Data collection tools

2.5. A number of conventional data collection tools were adapted for the specific requirements of this evaluation. First is the programme performance assessment questionnaire. This is a document review questionnaire that examines the logic and consistency of the project design, the nature of indicators, and M&E. Results are cross-checked during interviews before the findings are finalised. An example of a completed form is at Annex 1. Next are interview topic lists. These are used to ensure that interviews with respondents follow the issues as set out in the evaluation framework and are structured consistently by all members of the evaluation team (Annex 1). Figure 2.1 illustrates how these tools combine to support the country report.

**Figure 2.1: Joint external evaluation of anti-corruption – data collection flowchart**



## Application of the methodology in Zambia

### Inception phase

2.6. Progress was made during inception, with:

- a comprehensive overview of the contextual and situational analysis in each country (Annex 6)
- a review of all donor programmes in each country.

2.7. Annex 5 contains a full presentation of project mapping against UNCAC.

The projects were identified from three sources:

- scrutiny of donor websites and published lists of projects
- review of donor country strategy documents and, where available, progress reports against those strategies
- cross-checking with donor staff in Zambia.

2.8. An inception visit to Lusaka followed in February 2010 to brief commissioning donors, verify the donor mapping and scope of programmes to be considered by the evaluation team, agree the in-depth themes (table legs) of the country visit and to initiate the collection of documents.

2.9. The final list of donor projects was updated during the inception visit itself as more details became available to the team and the majority of the documentation was collected.

2.10. In reviewing the projects we found that a significant number are supported by more than one donor, that many projects are follow-on support for which titles and specific objectives may change from phase to phase but the central features are unchanged, and that some projects contribute to more than one of the UNCAC categories.

2.11. The following legs or themes were chosen in consultation with all four CPs:<sup>3</sup> support to the AC Commission (ACC) and the Task Force on Corruption (TFC), support to public sector management (PSM), support to private sector as a victim and/or driver of corruption,<sup>4</sup> and participation of society.

2.12. These table legs were chosen on the basis of their relevance to the evaluation, the level of donor support they have received; and their potential for lessons and/or success stories. In addition, the health sector was confirmed as the non-AC leg, this sector being highly relevant to the evaluation and the context of Zambia.

**Table 2.1: Selection of projects for study**

Themes	UNCAC	Table legs
<b>1) Establishing preventive AC policy and practices</b>	Articles 5 and 6 Article 36 (covering criminalisation)	Support to TFC (DFID, Sweden, Norway and Denmark) DFID ACC Enhanced Support (ACCES), DFID Against Corruption Together (ACT)
<b>2) Dealing with corruption in the public sector</b>	Civil service reforms (Article 7)	PSM Reform Programme (DFID and Sweden)
<b>3) Dealing with corruption in the private sector and financial institutions</b>	Private Sector (Article 12)	Private Sector Development Reform Programme (PSDRP) (DFID and Sweden) DFID support to Zambia Revenue Authority (ZRA) (RIZES) Support in Mining Audit (Norway)
<b>4) Participation of society</b>	(Article 13)	Support to TI-Z and other relevant CSOs (Denmark, Norway and Sweden)
<b>Non-AC sector: health</b>		Support by donors through sector basket funding, general budget support and some specific health sector projects

### Main country visits

2.13. A first country visit focusing on TFC and ACC took place in February 2010; this entailed a field visit to Choma and Livingstone. A second country visit took place in March 2010; as well as meeting key stakeholders in Lusaka, field visits were organised in Chirundu (one-stop border post with Zimbabwe) and the Siyavonga District, visiting the district hospital, a rural health centre and a rural health post.

2.14. In addition, a civil society workshop, hosted at the Danish Embassy, took place on 17 March. A total of 13 civil society organisations (CSOs) were represented. This workshop discussed the role of CSOs in monitoring and fighting grand, medium and petty corruption; areas of success and reasons for failures; with a plenary session focusing on lessons and recommendations for donors. A list of people who were consulted and list of CSOs is given in Annex 4.

<sup>3</sup> The Asian Development Bank does not have a programme in Zambia

<sup>4</sup> This theme seeks to read across a number of donor-supported programmes, from private sector development to donor support to increase tax compliance (also a component of public financial management).

2.15. A formal feedback session to commissioning CPs and other donors of the AC Group was finally held on 27 March 2010 to discuss our preliminary findings.

2.16. These country visits, together with our final documentation review, form the basis of this country report. The main limitation that the evaluation team faced was the lack of comprehensive analysis of corruption issues by donors. The evaluation team noted more detailed and regular analysis was available towards the end of the evaluation report, including for example DFID fiduciary risk assessment (FRA).

## 3. Context

### Summary of key points

- TI's CPI scored 2.6 every year between 2004 and 2007 but improved consecutively in 2007 and 2008.
- Local surveys show that the incidence of petty corruption in the form of bribe payment remains high, although some agencies or sectors are more affected than others. While less visible to the public eye, public resources mismanagement is widespread.
- There is no single cause of public sector corruption, although privatisation and democratisation have been identified as conducive to fuelling corruption at the top.
- The fight against corruption has remained ad hoc and not systematic. Late President Mwanawasa's fight against grand corruption during the previous regime dominated the political agenda from 2002 until 2008.
- President Banda's commitment to AC was described as ambivalent, after former president Chiluba was acquitted of public theft in a Zambian court; TFC was disbanded; and a major health scandal with links to donor money broke out in 2009.
- Some trends were also evidently positive, as National AC Policy (NACP) and its implementation plan were approved and actions were taken against those involved in the health scandal scam.

### Petty and grand corruption in Zambia<sup>5</sup>

3.1. Transparency International (TI)'s Corruption Perceptions Index (CPI) in Zambia consistently received a perception score of 2.6 between 2004 and 2007, making the country join the rank of the 9th to 10th most corrupt countries in the world. Zambia's CPI score improved to 2.8 in 2008 and to 3.0 in 2009, as confidence in the fight against corruption in Zambia strengthened as a result of measures initiated by the Government of the Republic of Zambia (GRZ) under President Levy Mwanawasa (2001-08).

3.2. CPI scores, however, only reflect the perception of international business people<sup>6</sup> and local surveys available over the evaluation period reveal a more detailed and complex picture of the level and forms of corruption affecting most directly the population in Zambia.<sup>7</sup>

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5 Political corruption (as linked to elections) is both a form and a cause of corruption and is hence described in the subsequent section.

6 The sources for Zambia CPI 2009 included surveys by the World Bank (Country Policy and Institutional Assessment), World Economic Forum, Institute for Management Development, World Economic Forum, Bertelsmann Foundation and Economist Intelligence Unit, all covering two years starting from 2007-08.

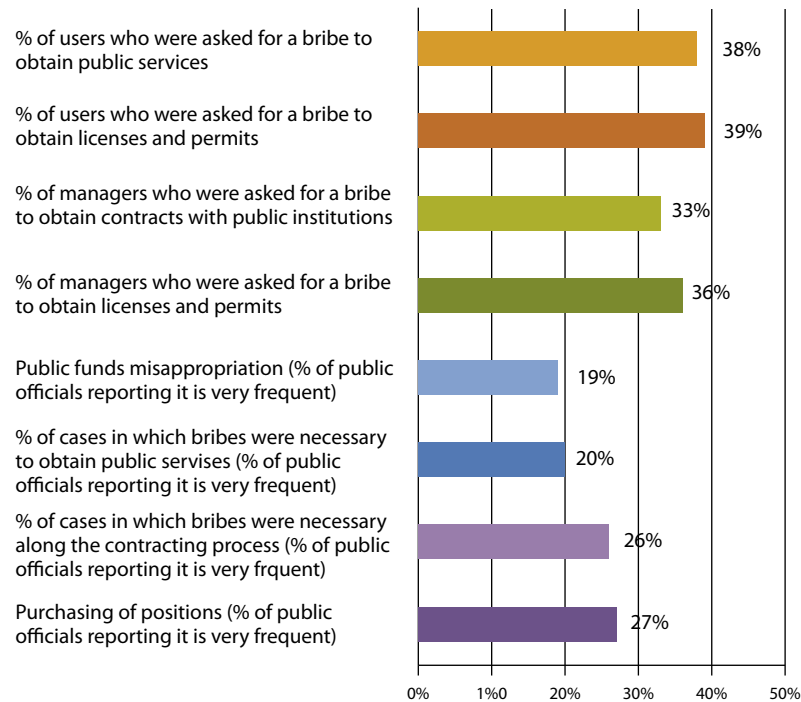
7 Local surveys on governance and corruption issues show wide difference in their results. These differences may be equally explained by their timeframe, sampling and research methods.



3.3. The 2004 National Governance Baseline Survey (NGBS) (see Figure 3.1) shows that public sector corruption in Zambia has many faces, from administrative corruption to nepotism and procurement mismanagement. Corruption is among the three top concerns of citizens, after the high cost of living and inflation. The state agencies perceived as the most corrupt were the police, the National Registration Office, the Lands Department, ZRA, councils and courts of law.

3.4. Petty corruption in the form of payment of bribes remains widespread. According to TI-Z Bribe Payers Index (2007), more than half of household respondents were asked for bribes to access services over the past 12 months; with 11% of them responding affirmatively that they had paid a bribe.<sup>8</sup> TI-Z has also warned that there is “a clear indication that the incidence of bribery is on the increase”.<sup>9</sup> According to NGBS, the amounts involved in bribe payment remain relatively moderate, which means that many bribe-payers (households and businesses) may be taking bribery for granted, only making bribery more endemic.

**Figure 3.1: National Governance Baseline Survey, 2004**



Source: National Governance Baseline Survey, August 2004.

3.5. It is worth noting that the frequency of bribes in the police is well above anywhere else.<sup>10</sup> This indicates that the forms and patterns of corruption will vary from one state agency to the next. The judiciary, for example, is perceived by citizens and the business community as “not entirely independent and sometimes influenced by

8 These statistics are in line with an Afrobarometer survey (2005), which concluded that 79% of respondents never had to use bribe for access to services.

9 The BPI shows that a total 26.8% of respondents agreed that the frequency of bribe demands had reduced/significantly reduced; 27% remained the same; and 41.9% increased/significantly increased.

10 See for example NGBS (2004), which reports a rate of frequency of 36% and 16% in police and courts respectively; TI-Z BPI, which reports a frequency rate of 29.6% and 9.2% respectively.

members of government, citizens or companies”<sup>11</sup> in its rulings, whereas tax administration under ZRA is prone both to bribe payment and diversion of public funds. According to TI BPI (2007), bribe prevalence and frequency<sup>12</sup> in the Ministry of Health (MoH) hospitals and clinics was 6.2% and 1% respectively, both relatively low figures compared to other sectors.<sup>13</sup>

3.6. A comparison of survey findings between rural and urban areas also shows some interesting results. According to TI-Z, although the incidence of bribery is roughly similar in urban and rural areas, its prevalence is higher in urban areas. Similarly, NGBS finds that that corruption is more prevalent in urban areas, but notes that the biggest challenge in service delivery is in the rural areas. Access to public services in rural areas is hampered by both the low income of the rural population and by significant losses in fiscal transfers (which is in turn compounded by the slow progress in decentralisation). NGBS estimates also show that low income households are disproportionately penalised by paying bribes that represent a greater share of their income.

3.7. Petty corruption remains the most visible form of corruption and one that has immediate consequences for those accessing public services. While less visible to the public eye,<sup>14</sup> public resource mismanagement is also highly prevalent in Zambia. TI-Z’s *Show me the Money!* report identifies the MoH, the Ministry of Work and Supply, and the Ministry of Communication and Transport as the worst sectors for financial audit irregularities. This same report estimates that ZMK 348.244 billion worth of public funds (US\$74.891 million when converted at the exchange rate value at the time of evaluation) was misappropriated every year from 1984 to 2004.

3.8. Finally, the mechanisms of corruption are also evidently a two-way street: according to NGBS, whereas households and managers say that public officials are those to ask for a payment in most of the cases, public officials say that the initiative to pay is in fact more likely to come from their clientele. Collusion between public and private sector is further described in Box 3.1.

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11 Business Anti-Corruption Portal: Zambia Country Profile, Judicial System. Retrieved 3 May 2011 from [www.business-anti-corruption.com/country-profiles/sub-saharan-africa/zambia/corruption-levels/judicial-system/](http://www.business-anti-corruption.com/country-profiles/sub-saharan-africa/zambia/corruption-levels/judicial-system/)

12 The incidence of bribe is the number of times public officials asked people for bribes; prevalence of bribe is the percentage of people that actually gave the bribes.

13 According to Afrobarometer (2009), 79% of respondents never had to pay a bribe to a health worker in the past year.

14 NGBS notes that the organisation rated the most honest are the Ministries of Health and Education, the Postal Services and church and religious organisations. Given the scale of financial mismanagement in some ministries (notably health, see Chapter 7), this results in all evidence reflecting households’ own exposure to corruption in the public sector.

**Box 3.1: Private sector as a driver and victim of corruption  
– the case of Zambia<sup>15</sup>**

**The Zambian private sector is stratified and divided:**

- A small group of multinational, international and large Zambian companies dominates political and economic power in the country. Monopolies are found in almost every sector, leading to the suspicion of the existence of cartels, collusion in relation to government contracts and other distortions of the market. This small group of powerful companies do not tend to engage with government other than at State House level and inhabit a different world to the smaller Zambian companies for whom doing business is less easy. It is argued by many that the increased presence of the Chinese in mining, construction and banking in Zambia has only added to the problem.
- Another stratum of business in Zambia is that owned by non-indigenous Zambian communities, such as the Indians, Lebanese and Greeks. These business owners are perceived as continuing to drive corruption even where the public sector is attempting to put in systems and regulations to reduce it.
- The majority of indigenous Zambian businesses are in the informal sector. It is here that the impact of constraints including corruption on the cost of doing business is most felt, and more in rural than urban areas, although corruption is perceived to be a greater obstacle for urban than for rural small and medium enterprises.

**The private sector is viewed as both a victim of and a driver of corruption:**

- Red tape is a major incentive for the private sector to engage in corruption: attaining licences, infrastructure and public utilities can involve long bureaucratic processes – and often bribes are paid to speed up the process.
- Corruption drives the manner in which much of the private sector interacts with government. It is how things are done.
- The types of corruption experienced (whether driven or suffered) by the private sector include:
  - petty corruption such as the collection by political parties of dues from market stalls, speed payments requested for licensing and registration at local and national government offices, levies on goods and tolls on transport demanded by police and local government officers at roadblocks and tax inspectors taking advantage of the complexity of the tax system to confuse small business owners into making a deal with them
  - collusion with government officials over procurement of government contracts – this leads to overpricing of sub-standard goods and services
  - mining as the most favoured sector in the Zambian economy. Mining development agreements are individually negotiated and dialogue with the industry is now ongoing. Manipulation of prices, transfer prices and tax evasion are perceived to be rife in the mining sector. There is a suspicion of high level corruption in the mining companies' negotiations with the government. Similar fears are being expressed in relation to the negotiation of oil exploration agreements, where the government has rejected Norway's offer of assistance.
  - poor quality or non-existent roads serving the rural areas, thereby impacting on the ability of rural businesses to transport goods to markets.
- Liberalisation and privatisation of the economy in Zambia, as strongly promoted by CPs, have given rise to new forms of corruption in the capture of valuable assets and interests by the political elite.

<sup>15</sup> Analysis compiled by the evaluation team, on the basis of key donor documentation and interviews with key stakeholders.

## Causes and drivers of corruption

3.9. The empirical evidence on causes and drivers of corruption in Zambia remains extremely limited.<sup>16</sup> No cause of corruption has been prioritised or singled out, with low salary of public officials, the lack of transparent and accountable political process, poor economic policies and the lack of effective enforcement mechanisms joining a long list of other factors.<sup>17</sup>

3.10. Nonetheless, many Zambian government and civil society representatives alike concurred during interviews that the economic and political liberalisation process following the 1991 transition introduced a ‘new culture of corruption’ in the country.<sup>18</sup>

3.11. Privatisation, supported by the World Bank-led structural adjustment programmes, has been held responsible for triggering high-level corruption cases.<sup>19</sup> Reforms, whereby Permanent Secretaries are now nominated by the government for a three-year period, also seem to have only made things worse, by further politicising public administration in the country.

3.12. Greater political competition since the advent of multi-party system in 1991, has also encouraged corruption. A presidential slush fund was infamously used to buy political buy-in during Frederick Chiluba’s regime. Although Zambia’s elections in 2006 and 2008 were said to have become fairer and more transparent, vote-buying remained prevalent, and political analysts have warned of a similar risk during the 2010 election campaign.

3.13. Despite a stronger Electoral Commission, the electoral code of conduct in Zambia still allows the President and Vice President to use public resources during elections.<sup>20</sup> Furthermore, party funding mechanisms are such that they also encourage state capture; according to NGBS, about 10% of firms report to have made political contributions during the last elections to receive favourable treatment.

3.14. This analysis indicates that rising corruption in Zambia was, at least initially, mostly driven from the top. Examples over the years indeed provide ample evidence of top-ranking civil servants and government officials being involved in abuses of power related to drug trafficking, theft and financial mismanagement, looting of commercial banks, privatisation, electoral fraud, nepotism in public appointments,<sup>21</sup> and wider rent-seeking behaviour.<sup>22</sup> This analysis also demonstrates the need for stronger risk analysis when pushing for political and administrative reforms.

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16 For example, the World Bank-led PEMFA Review (2003) analyses the link between low pay and corruption, mostly using Tanzania as an example.

17 NGBS, TI-Z.

18 See also Rakner, et.al. 2004. *Reaction to National Integrity System Study: Zambia*. Norad.

19 For example, the sale of the Luanshya mine to India’s Binani Group in June 1997 has been subject to various allegations of corruption, and so has the privatisation of the Zambia National Commercial Bank.

20 Simutanyi, N. 2010. *The 2008 Presidential Elections in Zambia: Incumbency, Political Contestation and Failure of Political Opposition*. Lusaka: Centre for Policy Dialogue.

21 According to NPRBS, corruption is indeed widespread in the public sector’s human resources management. Although transparency and merit criteria were said generally to be followed in recruitment procedures, according to 25-35% of respondents, illicit payment to secure public administration positions remains a very common practice. The traffic police, ZAMPOST, the Judiciary, and the Public Service Management Division were identified as the agencies where this practice is most frequent. There is also a perceived gender bias in human resource management, with regard to personnel decision (recruitment, promotion and transfers).

22 Chiluko. 2000.

## Tackling corruption

3.15. Although the CPI failed to improve until 2008, the World Bank's Governance Indicators suggest a steady improvement in the control of corruption since 2002.<sup>23</sup> A number of steps were taken to reduce corruption under former President Mwanawasa:

3.16. The fight against corruption was included in the Fifth National Development Plan (FNDP), finalised in December 2006. Furthermore, a main objective of 2004 NGBS was to obtain information that would assist GRZ in designing a comprehensive public sector reform strategy, entailing three components (decentralisation, PFM and PSM).

3.17. CPs strongly supported President Mwanawasa in his fight against corruption, which they nonetheless described as remaining 'ad hoc and not systematic'.<sup>24</sup> The TFC was established in 2002 to prosecute former president Frederick Chiluba and other leading figures responsible for the plunder of public funds during the previous administration (1991-2001).<sup>25</sup> The Mwanawasa administration also investigated its own government officials,<sup>26</sup> but was also criticised for evidently interfering in some prosecution cases (see Chapter 6).

3.18. These efforts took place against a backdrop of continued constitutional debate, as a Constitution Review Commission was appointed in 2003 under the chairmanship of a prominent Lusaka lawyer, Willa Mung'omba, and a National Constitution Conference to review Mung'omba recommendations was enacted towards the end of 2007.

3.19. In the meantime, with donor encouragement, Zambia ratified international treaties, including UNCAC in 2007,<sup>27</sup> and new bills (including procurement, public finance act and a new AC Bill) were enacted. GRZ, however, continued procrastinating the approval of the NACP, drafted by the ACC in 2006.

3.20. Some donors feel that the record of President Banda's government in tackling corruption is mixed.<sup>28</sup> To many people's dismay, former president Chiluba was acquitted of embezzling public funds in a Zambian court in August 2009; this, despite the fact that Chiluba had been found liable for defrauding GRZ of US\$46 million (GBP 23 million) by a UK civil court two years before. The head of the TFC (who was acting since 2007) requested the Director of Public Prosecution (DPP) to appeal, but his contract was not renewed; and TFC was disbanded. Corruption scandal allegations continued to leak in the press, one related to an oil procurement deal that allegedly involved President Banda.

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23 World Bank Institute. 2009. *Governance Matters, Country Data Report for ZAMBIA, 1996-2008*.

24 Issues Paper on the risk of corruption (October 2008, Donor AC Group).

25 President Chiluba also faced a civil case in the UK.

26 Over 30 government officials (including three ministers and seven permanent secretaries) were removed from their posts over 2005-08.

27 The Southern African Development Community Protocol Against Corruption (signed in August 2001 and ratified in July 2003); the African Union Convention on Preventing and Combating Corruption (signed in August 2005 and ratified in 2007); and UNCAC (signed in December 2003 and ratified in 2007).

28 CP Anti-Corruption Group. March 2009; DFID internal documentation. 2009.

3.21. At the same time, President Banda did take action after a health corruption scandal, involving GRZ and donor money, was leaked to the press in May 2009 (See Chapter 6), and announced that comprehensive audits was undertaken in all major ministries and public agencies. Some progress was also made on the legal and policy front, with GRZ approving the NACP in August 2009. The NACP implementation plan was subsequently launched in March 2010, which is also when a Whistleblower Protection Bill<sup>29</sup> was passed by parliament.

3.22. Looking at the institutional landscape, progress (albeit slow and uneven) has been recorded since TI-Z conducted its 2003 National Integrity System (NIS) country report.<sup>30</sup> Back then, the AC institutions lacked capacity to fight corruption effectively and there was also little formal coordination among them. Today, many Zambian institutions continue to face serious capacity, integrity and independence issues. TI-Z's 2006 NIS country report further notes that only international institutions, private media and CSOs have a high degree of independence. The same report warns of a poor track record in the private sector, both formal and informal.

3.23. As summarised by the World Bank (2008), *“Zambia today is in many ways a hybrid case: the rent-seeking state has been partially supplanted by a nascent institutional environment that nominally/rhetorically rejects rent-seeking and corruption, but is powerless to stop individual (including petty) rent-seeking and corruption.”*

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29 The Whistleblower Protection Act has been received with mixed enthusiasm, as it does not guarantee the whistleblowers' confidentiality.

30 NIS. 2003.

## 4. Relevance of donor interventions

### Summary of key points

- As well as being responsive to the national context and to a large extent coordinating their approach to AC, Denmark, Norway, Sweden and the UK have retained their own specialised areas of AC interventions, which reflect both their own HQ policy and history of engagement in the country.
- While helping GRZ to finalise an AC action plan, donors' own analysis of corruption issues has remained succinct, incomplete, and not used in a systematic manner in the design of their AC and governance interventions. The situational analysis supporting donor-supported governance programmes has often left key corruption issues out.
- Focus has been on grand rather than petty corruption, with no differentiated approach across sectors and only partial or implicit links with their poverty reduction mandate.
- CPs support for key institutions (from TI-Z to ACC, TFC and the Office of the Auditor General) and the Public Expenditure Management and Financial Accountability (PEMFA) programme were seen as highly relevant. Some AC interventions – such as multi-donor support to TFC and Norway's support to ZRA and the Ministry of Finance and National Planning (MoFNP) – have also been innovative, focusing on international cooperation and revenue generation respectively.
- Donor acceptance of the need for a holistic approach to AC – balancing prevention with prosecution; supporting key actors outside ACC; and mainstreaming AC in social sectors – has yet to materialise, although planned interventions will help.

### Evolution of donor approach to anti-corruption and alignment to government policies

4.1. The evaluation finds that in the first years of the evaluation period, Denmark, Sweden, Norway and the UK principally focused their approach to AC on grand corruption and the work of TFC, which they all supported from 2002 onwards. Grand corruption dominated the political agenda at the time, although selected donors also gave support to ACC and TI-Z.

4.2. In the second half of the evaluation period, CPs progressively began to articulate their approach to AC more widely, to include the following:

- helping the government set up institutions with a key role in preventing or fighting corruption<sup>31</sup>
- supporting TI-Z and other CSOs

31 According to NACP, institutions relevant to AC are: ACC, Zambia Police Force, the Anti-Money Laundering Authority and Anti-Money Laundering Investigations Unit (hosted by the Drug Enforcement Commission), the OAG, the PAC, the Commission for Investigations or Ombudsman, the Public Procurement Authority, and the Judicial Complaints Authority.

- supporting essential reforms, notably (but not only) in relation to financial governance and civil service reforms
- mainstreaming AC in all key sectors of interventions, including in their support to government policy in social and economic sectors.

4.3. It is also in the latter part of the evaluation period that some donors introduced corruption as a cross-cutting issue in their strategies.<sup>32</sup>

4.4. As discussed further in this section, this holistic approach to AC, however, remains relatively recent, if not still forthcoming, (especially with regard to AC in social and economic sectors), as well as in some places insufficient (such as dealing with corruption in the private sector).

4.5. Looking over the evaluation period, a number of common and inter-related events shaped the scope and nature of CPs' AC interventions. These are:

- President Mwanasana's pledge to fight grand corruption leading to the establishment of TFC in 2002
- the adoption of a Poverty Reduction Strategy Paper (PRSP) in 2003 and FNDP in 2006 as the country's poverty reduction frameworks, which led to the adoption of the Joint Assistance Strategy for Zambia (JASZ) by like-minded donors in 2007<sup>33</sup> (Paris Declaration principles)
- a transition from projects to a programme-based approach (including Sector-Wide Approaches (SWAp) and Poverty Reduction Budget Support (PRBS)) from the mid-2000s; and CPs pledge to support the strengthening of the country's systems (Paris Declaration principles)
- the health sector corruption scandal in 2009, which acted as a wake-up call for CPs, prompting them to give more acute attention to fiduciary issues in social and economic sectors
- the adoption of UNCAC by CPs and the host country (December 2007), leading to a more holistic approach to AC and a renewed focus on revising Zambia's legislative framework.

4.6. From 2003, donors aligned all their interventions within the framework of the country's development strategies, first with the PRSP then FNDP.<sup>34</sup> This explains why none of them chose to make AC an explicit goal or objective in their country strategies (UK, Sweden and Denmark),<sup>35</sup> instead focusing on wider governance issues.

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32 For example, Denmark added good governance as a fourth cross-cutting theme after gender, environment, human rights and democracy in its 2007-10 Country Strategy. Thematic priorities for the Sweden Country Strategy (2008-11) also include a reference to good governance under democracy and human rights.

33 JASZ is the outcome of the Harmonisation in Practice agenda, which was launched by the Nordic Plus countries in 2003 and subsequently became a Wider Harmonisation in Practice.

34 The FNDP seeks to institutionalise corruption prevention in all public institutions in its Governance Chapter and addresses all major public sector reform components in its Government Administration Chapter. Zambia's Vision 2030, the government's plan to make Zambia a middle-income economy by 2030, hardly mentions the challenge of corruption.

35 Norway did not have a Country Strategy over the evaluation period (outside JAS), but is working according to rolling three-year plans for the development cooperation.



4.7. As part of its support to ACC, DFID supported the drafting of the Zambia NACP. Donors also supported UNCAC ratification and U4 donors (Sida, DFID and Norway) organised a workshop on NACP implementation in Zambia in 2009. The main features of the NACP are summarised in Box 4.1.

**Box 4.1: Zambia National Anti-Corruption Policy and its implementation plan**

The NACP enshrines government’s commitment to:

- implement provisions from international treaties, particularly the Southern African Development Community and African Union protocols against corruption and UNCAC
- strengthen oversight institutions, build capacity and increase accountability and transparency in the exercise of public authority
- integrate corruption prevention into the routine business of public and private institutions and implement measures to control, monitor and report corruption at service delivery points
- work with civil society and the public on corruption prevention and to coordinate prevention initiatives
- strengthen inoperative or weak laws and regulations.

According to DFID, “*although the policy is not explicit on how government intends to address grand and political corruption, it provides the first coherent and visible plan on AC*”. The NACP also clearly links with UNCAC. The NACP implementation plan further identifies three levels of interventions (legal, social and institutional), with measures further scaled down to activities and inputs.

4.8. At the same time, each donor has also retained their distinct approach to AC – a reflection of their own history of engagement in Zambia and the policy and guidance of their respective headquarters (HQ). Greater division of labour under JASZ has also meant that some CPs have pulled out of some sectors (such as Denmark in health), while others have become silent partners (such as Sweden in public service reforms) (see Box 4.2).

## Box 4.2: Donors' distinctive approaches to anti-corruption in Zambia

**DFID** has been at the forefront of donor AC efforts in Zambia and started its ongoing support to the ACC in the 1980s. In the early years of the evaluation period, the UK also actively canvassed and coordinated donor support for the TFC. DFID's other traditional areas of engagement of relevance to this evaluation have been the Payroll Management and Establishment Control (PMEC) and since 2006, PSM; support to the ZRA; and, since 2004, PEMFA programme. In 2010, DFID launched its new ACC support programme, ACT to support the NACP implementation plan, which it had helped drafted under the previous programme.

**Norway's** long-term support to Office of Auditor General (OAG) is its main entry point to AC in the country. Norway also provided funding for TI-Z and the media in the early years of the evaluation period. Norway started to engage with GRZ on setting up the Financial Intelligent Unit (FIU) from 2007. This initiative reflects HQ priorities as defined by the 2008-09 White Paper, which focuses on capital, climate and conflict. Other Norwegian initiatives focusing on domestic revenue generation have included support to ZRA to conduct three mining cost audits and support the MoFNP to increase domestic revenue collection.

The **Danida** Action Plan to Fight Corruption has shaped Denmark's approach to AC in Zambia. This Action Plan, agreed at HQ in 2003, combines internal procedures with external interventions that prevent corruption at three levels: within Danida, in the use of Danish development aid, and in the countries receiving Danish development aid. Denmark's traditional areas of engagement in Zambia have entailed access to justice and participation of society (including TI-Z). Denmark is soon to support the Commission for Investigations.

**Sweden** has been at the forefront of donor response to the health scandal in 2009. Elsewhere, its approach to AC has traditionally focused on support to TFC and PEMFA (heightened by its decision to move to PRBS) and democratic governance.

### Quality of donor analysis

4.9. DFID, Denmark, Norway and Sweden, along with other CPs, including the European Union (EU) and United States Agency for International Development (USAID), have produced and shared a number of governance diagnosis studies to support their country strategies. They also shared regular analysis and updates on the state of corruption in Zambia as part of their support to the TFC and since 2008, as part of the CP's AC Group (Chapter 7).<sup>36</sup>

4.10. In all these documents, however, donor analysis of corruption in Zambia remains relatively succinct and principally focused on policy measures, grand corruption and public financial management (PFM)/country system issues; there is no differentiated analysis of petty corruption across sectors; political economy analysis (in relation to corruption) remains sparse; and no analysis was produced specifically to assess the likely impact that all forms of corruption – grand and petty – may have on poor people, including women.<sup>37</sup> The evaluation also finds that much of the information generated through the NGBS, TI BPI and NIS studies, is hardly used.<sup>38</sup>

<sup>36</sup> The main references to corruption can be found in DFID *Drivers of Change* analysis, 2003; EU Governance Profile, 2005; JASZ, 2007; DFID's internal documentation, 2009; DFID's internal documentation and Sweden Fiduciary Risk Assessments, 2009 and 2010; and USAID Governance Profiles, 2007 and 2010. Some of these documents (some shared with the evaluation team) remain confidential.

<sup>37</sup> Analysis was also sometimes erroneous, e.g. USAID mentioning that 21% of respondent experienced bribes in the health sector (instead of 79% not experiencing it, 9% experiencing it only a few times) or lacking evidence (such as an internal issue paper by donors, October 2008, identifying low salaries and a disregard for control mechanisms as major drivers).

<sup>38</sup> DFID's ACT programme uses some indicators from some of these sources.

4.11. The same lack of comprehensive analysis was noted in most project documents as well as in specific sector, including health (Chapter 6).

### Relevance of individual programmes

4.12. Annex 7 provides a detailed assessment of the level and relevance of donor interventions, as mapped against UNCAC. The relevance of a project was assessed, using two criteria:

- The project design focuses explicitly on corruption and/or is based on a detailed analysis of corruption issues and how they relate to their programmes.
- The project is designed alongside a well articulated intervention logic/results-chain linking key interventions with behavioural changes related to reduced corruption or increased accountability.

4.13. Amongst all the interventions that we pre-selected for their known or potential links with AC, only a few were found to be highly relevant to the fight against corruption in their design. These are donor support for institutions including the ACC, TFC and OAG, and support to TI-Z under Participation of Society. Denmark's forthcoming support for The Commission for Investigations or Ombudsman will also be highly relevant.<sup>39</sup>

4.14. The PEMFA programme, which comes with a strong focus on financial accountability and includes amongst others, support to OAG and parliamentary committees, is also assessed to be highly relevant. There were also some highly-relevant, albeit largely insufficient, attempts by CPs to prevent corruption within the judiciary.

4.15. DFID's support to the ZRA was found to be moderately relevant, despite its objective being to improve tax compliance, because not enough attention was given to fighting corruption within ZRA itself. The link with ACC work (and in particular the piloting of Integrity Committee) was not made either.

4.16. Donor-supported governance programmes (outside PEMFA) – including PSM, United Nations Development Programme (UNDP)-led election support, and PSDRP – were found to be only moderately relevant, mostly because key corruption issues were left out of their analysis.

4.17. CPs explain that not mentioning the word 'corruption' in interventions designed to support government programmes, is in large part tactical. Yet this seems to have come at the expense of an in-depth analysis of corruption. This evaluation in particular identified the issues of party financing for the elections, recruitment and the purchasing of positions for civil service reforms, and the influence of large businesses on State House for private sector reforms (see Annex 7) – as important gaps in donor situational analysis supporting their programme design.

4.18. In addition, their main (but not only) point of departure is to focus on streamlining/strengthening systems, which they implicitly assume will reduce opportunities for public officials to be involved in corruption practice. There is no intervention logic

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<sup>39</sup> The Ombudsman inquires into the conduct of any public office holder in the exercise of his/her office or authority.

linking their interventions to behavioural changes. Specific components within these programmes were nonetheless found more relevant than others: The production of service delivery charters in four selected ministries and departments – a PSM component – fits well with UNCAC's particular emphasis on promoting a code of conduct for civil servants, and indeed directly focuses on behavioural changes.<sup>40</sup>

## Conclusion

4.19. In conclusion, the main strengths of donor AC interventions in Zambia with regard to their relevance and appropriateness to the Zambian context are to be found in their close alignment to the country's own strategies and government priorities; support to enhanced AC laws and policy; and relatively long-term support to key institutions, starting with ACC.

4.20. Main lessons from past interventions in Zambia with regard to the fight against corruption, which are now well accepted by donors, are: the importance of a holistic approach to AC that combines both prosecution and preventive approaches; the need to look beyond the ACC and to strengthen the role of civil society, media and parliament; the need to strengthen sector AC efforts and to ensure that AC reforms are prioritised, sequenced and coordinated; and the need for AC efforts to be linked with and reinforced by international efforts to fight corruption.<sup>41</sup> Many of these lessons resonate with the use of UNCAC as an organising framework to test the relevance of AC interventions, as proposed in this evaluation. Another lesson is the need to focus on coalition building and partnership.

4.21. On this basis, the evaluation finds that TFC was highly and uniquely relevant to the fight against corruption in Zambia, because of its inter-agency linkages and its focus on international cooperation. Looking forward, CPs remain in principle committed to continuing their support to fighting grand corruption in the country by facilitating asset recovery through international cooperation.<sup>42</sup> Yet the disbanding of TFC clearly leaves a gap in those areas, which the serious fraud unit within ACC and Norway's forthcoming support to FIU will only partly fill (see Chapter 5).

4.22. The move to programme-based approaches has also been positive because it has opened access to donor funding to key actors, including notably the OAG (which already received support from Norway) and the Public Accounts Committee (PAC).

4.23. There are nonetheless some gaps in donor funding, notably with regard to CSOs and the law enforcement agencies. Donor support to CSOs as AC watchdogs has remained low in Zambia. The relatively nascent CSOs dealing with advocacy (compared to those providing services) and CP concerns that some CSOs may lack sufficient independence, integrity and representation (in particular in rural areas) may partly explain this (see Chapter 5). Media has also received limited support. Similarly, law enforcement agencies (including justice and police) did not receive as much donor

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40 Typically, these client service charters lay out service standards as well as what is expected from customers, which includes not to offer any bribe. Values in Zambian Code of Ethics for the public service (financed by the UNDP) does not mention corruption, but does commit civil servants to selflessness (to be noble and avoid seeking personal gain or benefits for one's family or friends through one's official position).

41 DFID. 2006. *ACCESS Review*; 2009. *Acting Against Corruption Project Memorandum*; 2010. Internal CPG discussion.

42 DFID, for example, is expecting the effectiveness of the ACT programme to be "strengthened by linking different components of internal UK anti-corruption initiative, such as DFID's engagement to combat international drivers of corruption" (Project Memorandum).

assistance as other key institutions. CPs decided to support the TFC instead, but the TFC mandate drew on, rather than built, the capacity of the institutions involved.

4.24. The lack of prioritisation is also evident, which in turn shows a lack of differentiated approach to the different forms and levels of corruption in Zambia as well as limited attention to the impact that all forms of corruption have on poor people (including women). Donor efforts to link their support to TFC to poverty reduction, by making it a condition that all assets recovered be spent on the country's FNDP are commendable. Yet the link between the donors' approach to corruption and their poverty reduction mandate remains all in all slim and/or mostly implicit and was found not to have truly informed their spending decisions.

4.25. For example, further analysis could give donors reason for focusing cases of public financial mismanagement rather than (relatively rare) cases of bribe payment in the health sector, yet their decision was not taken on this basis. It is also worth noting that no donor paid particular attention to the need for addressing corruption within the police, a sector riddled with bribe payment issues.<sup>43</sup> As discussed, donor-supported governance programmes have also failed to be exhaustive in their analysis of corruption in their respective areas.

4.26. Finally the evaluation finds that until recently there has been a lack of attention to strengthening institutional linkages, and dealing with the issue of overlaps between the mandates of different institutions, with donors mostly working with AC institutions in silo. The shared roles and responsibility of the private and public sector in the fight against corruption have also been overlooked.

4.27. It is expected that the following planned interventions will help to remedy some of the mentioned weaknesses:

- the launch of new programmes, including the *Zambian Governance Foundation for Civil Society (2009-11)*, to be co-financed by DFID, Irish Aid, Danida and Sida. In addition, some donors (at least Sweden) are now envisaging support to grassroots organisations, such as the *National Health Committees* to strengthen their role of monitoring government services at grassroots level.
- DFID ACT programme, which will entail further support to CSOs and support to coordination and partnership
- DFID and Norway forthcoming support to judicial training on the handling of serious economic crime
- Norway forthcoming support to FIU and ZRA; and Danida to the Ombudsman.

4.28. Our recommendations on relevance are given in Chapter 10.

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<sup>43</sup> For example, the decision by the Lusaka police in 2005 to cease most roadblocks in the city was a positive move, but this initiative was not rolled out nationwide (USAID, 2007).

## 5. Effectiveness of selected programmes

### Summary of key points

- While benefiting from long-term donor support, the ACC faces significant external constraints, which donors can do little about. ACC's low capacity and ambitious mandate make prioritisation and partnership essential.
- TFC proved a unique, yet expensive and time consuming, experience in promoting international cooperation on AC. More donor scrutiny on the use of asset recovery for poverty reduction; discussion on the sustainability of the initiative; and allowing for CSO involvement could have made TFC more effective.
- Many factors explaining slow progress in public sector (and with them, private sector) development reforms can be linked to corruption and collusion issues. Some of these issues could have been better addressed at design stage.
- Demand-led initiatives, such as SDIF, have shown that strong ownership in the design and implementation of a project can help, as can genuine participation of key actors – notably private sector and CSOs – and better systems linking implementation with monitoring and sanctions.
- CSO education, monitoring, reporting and advocacy activities have shown some good success. Participation of society could be made more effective by increased donor support both financially and through dialogue.

### Support to anti-corruption bodies

#### Anti-Corruption Commission

5.1. An independent review<sup>44</sup> of the ACCES programme was carried out in November 2008 to assess the effectiveness of the programme against its objectives. The review concludes that the ACC “made desirable progress towards the attainment of the ACCESS project purpose, which is to improve [its] management and operational capacity”.<sup>45</sup>

5.2. As the ACC depends on donor support to fulfil its mandate, CPs funding and their technical assistance have in all evidence helped ACC to meet its institutional targets, from drafting its strategic plans to building its prevention, investigation and prosecution capacity. Main areas of progress over the evaluation period were promoting enhancements to the legal framework for AC and drafting the NACP,<sup>46</sup> making AC a widespread social agenda in partnership with CSOs,<sup>47</sup> and investigations.

44 Mufalo, M. and Chikalanga, D. November 2008. *The Anti-Corruption Commission Enhanced Support Project (ACCESS), Report of the Review.*

45 It is worth noting that 2002, the first year under review, coincides with DFID's move from project support (Corruption Prevention and Education Project) to institutional support.

46 ACC management for example, submitted the Draft ACC Bill to Cabinet for consideration and made submissions to the Mung'omba Constitutional Review Commission, the result of which has been the entrenchment of the ACC in the Draft Republican Constitution.

47 One indicator being that the number of complaints received by ACC has increased due to the increased awareness and concern of the citizens (Final report of the Norad programme). It is worth noting however, that there had also been difficulties in operating the Civic Education and Corruption Prevention Fund in the past, leading to delays in funding decisions and a lack of focus in the activities.

Importantly, ACC was left to play a role in the investigation of selected grand corruption cases, either directly or through the TFC. Recent statistics indicate the following over the period 2004-08:

*The Commission received a total number of 8,452 reports out of which 4,040 were corruption related. Investigations in 2,261 of these cases were undertaken of which 2,044 were successfully investigated and concluded and a total of 53 convictions were recorded. A total number of 4,412 cases which were not corruption related were referred to other relevant agencies for administrative action.<sup>48</sup>*

5.3. Performance was below expectation with regard to prosecution, communication; research, M&E and feedback mechanisms.<sup>49</sup> Furthermore, some activities, including the work of Integrity Committees, had only just begun and no evaluation of their work had yet been carried out.<sup>50</sup> ACC has also continued to face managerial issues.

5.4. ACC faces a number of structural weaknesses – all seen as major constraints to the attainment of the corruption reduction goal. Some, previously identified in the 2008 review and ACC's 2009-12 Strategic Plan, were confirmed during the field visit. More specifically, the effectiveness of DFID support to ACC has been hampered by ACC's ambitious multi-disciplinary mandate and the following constraints:

- As a government agency, ACC will continue to depend on government funding to support its activities: whereas GRZ funding was increased from circa ZMK 16 million in 2004-06 to a bit more than ZMK 23 million in 2007-09, donor support has remained constant, at about ZMK 7.5 million (falling to ZMK 4.2 million in 2009).
- DFID provided key managerial and technical expertise to ACC over the years. What donors cannot do, however, is to compensate for the lack of skilled labour in a country like Zambia. The Commission should be staffed by 318 management, professional, technical and support staff but its current strength is 217, mostly support staff.
- Capital investment under ACCES has allowed the ACC to move to new premises in Lusaka and opened some offices in some provinces, albeit not all. Yet, activities under corruption prevention and community education have continued to take place predominantly in urban and quasi-urban areas. The lack of rural representation is a phenomenon that affects all private and public institutions in Zambia, which is only made worse by the lack of progress in decentralisation.

5.5. The above constraints make strategic prioritisation and partnership essential. Integrity Committees – a flagship ACC initiative which uses NGBS results to select the most corrupt state agencies as pilots (see Annex 7 and Chapter 5)<sup>51</sup> – provides a good but rare example of diagnosis studies being used to prioritise interventions.

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48 ACC Strategic Plan, 2009-12.

49 For example, public perception is that the ACC does not provide sufficient information on corruption cases expedition, nor whether the individual is adequately protected if they blow the whistle.

50 Interviews conducted during the country visit pointed to the fact that performance of the Integrity Committees had been mixed.

51 Activities carried out are mostly institutionalisation of Integrity Committees; training; internal and external sensitisation programmes; service charter and code of ethics and conduct development; and, dissemination of core values. The role of the ACC within this initiative is to provide technical assistance and advice on the prevention of corruption and other malpractices to private and public institutions and to provide investigations and prosecution services when corrupt practices become apparent.

5.6. Partnership with CSOs helped to compensate for ACC's reduced capacity and was identified as a key success factor behind ACC's past and ongoing education, awareness-raising, and investigation activities. The ACC claims to have reasonably well established operational linkages with other law enforcement organisations, but at the same time has continued to struggle to secure convictions, with only a limited number of low and high level prosecution cases reaching the courts. On prevention, linkages with ministries, departments and other state agencies remain disparate.<sup>52</sup> ACC's work with government agencies is also found to be poorly articulated with other relevant initiatives led by Cabinet Office and PSM Division.<sup>53</sup>

5.7. DFID's ACT programme, which was launched in 2010, intends to improve the coordination of the ACC, police and OAG in relation to response to irregularities raised in audit reports. However, the bulk of DFID support will stay with ACC and there is still a need to clarify mandates and improve co-ordination and capacity of all agencies, including the Cabinet Office, for preventive and disciplinary actions in the public sector; the ZRA; private sector associations; and the justice sector.<sup>54</sup> Working partnership will be all the more important as ACC starts overseeing the implementation of NACP.

### **Task Force on Corruption**

5.8. Despite slow progress, an independent evaluation of the TFC on corruption, completed in May 2007, concludes: *"the experience of the Task Force has illustrated that it is possible to investigate and prosecute grand corruption and to recover stolen assets on a large scale"*. As well as clearly demonstrating shared responsibility in the fight against global corruption,<sup>55</sup> the TFC was also said to have been instrumental in changing the mindset of the Zambia ruling elite that became more worried about the repercussions of their behaviour.<sup>56</sup>

5.9. TFC provides a unique AC case study under which high level donor support has combined with strong political will and an inter-agency setting to investigate and prosecute grand corruption. Notwithstanding these unique features, TFC's pace of investigation and prosecutions was well below expectation. By March 2006, less than half of selected cases had made it to courts, with TI-Z's 2006 NIS concluding *"unfortunately TFC has struggled without much success. In its first five years of operation, only three convictions have been secured"*. The number of prominent people arrested, investigated and convicted nonetheless increased subsequently, with some convictions taking place under President Banda. Similarly, latest figures show that TFC established claims for US\$87 million and recovered US\$36 million worth of assets – a small proportion of the estimated US\$300 million embezzled

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52 During our country visit, we found that the private sector representatives, Public Service Commission and OAG, (outside being ACC auditor) had little contact with ACC. A more established relationship was found between ACC and ZRA, whereas others, such as the Ministry of Trade, said they felt *"very much monitored by ACC"*.

53 As well as launching service delivery charters as part of the PSM component, Cabinet has also launched a Code of Ethics for the Public Service (with UNDP support). The Cabinet PSM Division in collaboration with Public Service Institutions is responsible for conducting the sensitisation programmes. How this links with ACC remains unclear.

54 The need for greater coordination between sector institutions (a key element for successful prosecution of corruption cases) is highlighted in Phase II (2009-10) of Denmark's Access to Justice Programme and is anticipated to be a priority area in the Sixth NDP.

55 For example, the civil case brought by GRZ against Chiluba in the UK courts named two UK law firms amongst the 20 defendants. The law firms were alleged to have assisted in the laundering of funds stolen by Chiluba. They successfully appealed the decision against them and, after investigation by the Serious Fraud Office and City of London Police, no criminal charges were brought against them.

56 On the basis of interviews.



during Chiluba's years and below government previous claims that US\$60 million had been recovered.

5.10. In this sense, the TFC strongly illustrated how slow and expensive the fight against global corruption can be. In total, US\$18 million was invested, with the bulk of the money being spent on foreign investigations and lawyers. That cases were successfully raised against international businesses, using platforms such as the International Court of Arbitration, remains nonetheless commendable. TFC also successfully contested payment claims by a vulture fund, Donegal, and Agrima.

5.11. Although external constraints explain much of TFC's lower than expected performance, some areas of improvement that could have been better tackled by those supporting the TFC follow:

5.12. Firstly, donor efforts to link their support to TFC with poverty reduction, while commendable, largely failed. The work of TFC indeed came with public expectations that recovered plunder would rapidly translate into development projects. Yet despite CPs' pressure, GRZ never articulated the formal policy on the use of money realised from the disposal of recovered assets. As a result, only 45% of forfeited assets were sold allegedly to the 'benefit of the Zambian population' and following the closure of TFC, a number of these assets are now being said to be 'rotting away'.<sup>57</sup>

5.13. Secondly, TFC lacked transparency in the way it worked: CSOs were not involved, leading to the accusation that President Mwanawasa had in effect 'hijacked' the fight against corruption; instead of making it a social agenda.<sup>58</sup> On transparency, the government came under pressure to carry out a full audit of TFC after it was disbanded. The audit report (yet to be made public during the country visit) confirmed that there were some irregularities with bank accounts and the use of procurement.

5.14. Thirdly, because TFC was temporary in nature and was never meant to be institutionalised, it was criticised for not benefiting Zambia's AC fight in the long term. GRZ has now taken the political decision to establish a serious fraud unit within ACC to take over from the TFC. But it might now be too late to institutionalise the experience of the TFC so that it can benefit the ACC, as it largely relied on a handful of dedicated individuals, as well as international lawyers that Zambia will no longer be able to afford.

5.15. In conclusion, TFC's clear mandate to investigate grand corruption during the previous regime was instrumental in allowing some progress during President Mwanawasa. The subsequent acquittal of former president Chiluba and dismantling of TFC under President Banda equally showed that in a country like Zambia, success in the fight against grand corruption ultimately hinges on the President's will.

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57 On the basis of interviews with Zambian AC experts, civil society and trade unions.

58 On the basis of discussion during the CSO workshop.

## Public Sector Management reforms

5.16. In the first half of the evaluation period, Zambia continued to make slow but steady progress with systems-wide improvements under the Public Sector Capacity Building Programme. This included with DFID funding, a first PMEC data-cleaning exercise in 2002/03 and the introduction (with some delays) of PMEC in 2004. The pace of reforms and consolidation of the gains made in the past appear to have considerably slowed down under the 2006-10 Public Sector Reform Programme, bringing disillusion amongst CPs and a tense relationship between them and the government during the Mid-Term Review (MTR) of the PSM component.<sup>59</sup>

5.17. The performance of the PSM components in the first three years of operation is summarised in Box 5.1.

### Box 5.1: Public sector management progress so far

- PMEC (which is due for an upgrade) has now been rolled out to all the ministries, provinces and public agencies (including notably the MoH); and progress has also been made in some selected areas. This is still a relatively recent advancement, however. In October 2009, the Luapula province PMEC system was the last of the eight decentralised systems to be launched across the country.
- Civil servants received a significant pay increase (40%) in 2007 and a pay policy was approved by Cabinet in November 2009. Government commitment to pay reforms is nonetheless at doubt. Although the trade unions were given the opportunities to comment on the pay policy, expectations were that the pay policy would be the outcome of protracted salary negotiation between the government and public sector workers, which is far from what happened in reality. CPs are also concerned over likely delays in the finalisation of the pay policy implementation plan.
- GRZ finally accepted a consultant report on revised performance management systems after two years work, but the MTR has raised doubt that the consultant report, would be of sufficient depth and quality to replace the current systems.
- A 2009 evaluation of the Service Delivery Improvement Fund (SDIF) – an important spending in the PSM programme – shows that 6 out of 18 projects have shown satisfactory results, with good prospects for replication and feeding into service delivery reforms. Most of these projects have helped make services more readily accessible, reliable and/or of higher quality, and an average 58% of the beneficiaries did find the projects' staff behaviour to be "*more friendly*" than that of other public institutions. This itself indicates that strong ownership in the design and implementation of projects can make changes possible.
- Service delivery charters have been produced in four ministries to make people more aware of their rights. According to the MTR, "*the utility and therefore relevance of these charters are likely to be lost because of a lack of an integrated approach*". This evaluation also confirms that a more integrated approach, such as that promoted by USAID, appears more effective.

5.18. The MTR concludes that the result of the PSM programme between 2006 and 2009 was not satisfactory. Because of slow progress, CPs have increasingly started to question whether their money could buy reforms and whether their financial contribution to PSM was justified.<sup>60</sup> In its response, the government argues that processes – such as those involving the commissioning and drafting of new policy documents – need time to ensure good quality. It also reiterated frustrations that

<sup>59</sup> Interviews with World Bank and Cabinet Office.

<sup>60</sup> CPs noted that the government budget was initially overinflated, at US\$26 million, before being revised down to US\$20 million.

already characterise previous programmes – such as the slow disbursement from CPs and the World Bank’s ‘no-objection’ on procurement processes.

5.19. The immediate factors behind the slow progress in public sector reforms have remained almost unchanged, compared to previous years, and include first of all inadequate political sponsorship.<sup>61</sup> There are also more intricate explanations for failure – many linked to corrupt practices discussed in the previous Chapters (and Annex 7):

- The MTR of the PSM Component partly blames slow reforms on the system of allowances that “are obtained by creating opportunities that disrupt regular, efficient and timely performance of tasks”.<sup>62</sup>
- On the pace of reforms, PSM shows that resistance to rolling out new systems are likely to be found at different stages of the process, as vested interests are threatened and opportunities for leakages are reduced.<sup>63</sup> As acknowledged by the Cabinet Office (2005),<sup>64</sup> “the current culture ... has little regard for processes and controls, changing this culture is very crucial to the sustainability and stability of the system”.
- The PSM programme does not tackle key areas in need of reforms, notably recruitment, transfers and promotion. P MEC<sup>65</sup> may indeed prevent people from being ‘put on the payroll’ but alone cannot prevent malpractices linked to interference in the recruitment and promotion process. This interference has evidently contributed to an over-bloated and ineffective public service in Zambia.
- Key linkages have also been left out within components of the PSM programme. These include linkages between systems enhancement and monitoring; and those between monitoring and an effective system of sanctions.<sup>66 67</sup>

5.20. The evaluation concludes that if the issues of ‘negative incentives’ are to be addressed, donors will need to go beyond simply recognising the ‘lack of political will’ as a main risk to their programme. Main constraints highlighted so far are, in this instance, often similar to those that we had identified as lacking in the project design (see Chapter 4 and Annex 7). To support public sector reforms in a way that contribute to increased accountability and reduced corruption, donors will need to put more emphasis on check-and-balance institutions, starting with trade unions, the Public Service Commission – which presently does not receive donor support and has little capacity to play its role as watchdog effectively<sup>68</sup> – and the Ombuds-

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61 For example, as early as January 1999, DFID identified the following weaknesses as the main reasons for the closure of its first P MEC project: incomplete and unclear design, weak project management, poor government-consultant donor working relationship and inadequate political sponsorship.

62 In the private sector, a number of special funds to support investment have been put in place, some supported by the World Bank and EU. These have taken various forms and include funds for new business enterprises such as coffee and horticulture as well as those directed at a more general sub-sector such as tourism, irrigation, forestry and small-scale mining. These funds have been administered through financial institutions or through government ministries and departments. The difficulties associated arising from the administration of these funds – inaccessibility of funds managed by banks, and poor recoveries due to corrupt practices from funds administered by government – these specialised funds have since been pooled in the Citizen’s Economic Empowerment Fund which was established in 2006.

63 One lesson coming from DFID is the “retention of ghost works can be a source of patronage for different people in existing systems. Strategies will need to be developed for overcoming resistance at different times” (Annual Review, 2007).

64 Oxford Policy Management. 2006.

65 The interfacing of the P MEC system with third parties was to some extent taken on board in the design of PSM. This included, for example, the relationship with P MEC and the Department of National Registration (to prevent identity fraud).

66 As stated by the World Bank (2008), “the monitoring of the improvements achieved by system installation has been piecemeal, and it is difficult to say exactly what savings have accrued from its implementation”. The MTR also concludes that “a notable major drawback to the achievements made is that by the time of the MTR there had been no sanctions against officers who have been found with major payroll and establishment control audit queries”.

67 There is currently no mechanism for lower ranked public service officers to report on disruptive behaviour by their superiors.

68 An interview with the Public Service Commission – which seats in the same building as the Cabinet Office – showed that the recently restructured Commission was operating with almost no computerised systems. No M&E systems were in place to generate statistics on recruitment, number of disciplinary actions, etc. Its role should entail approving appointment decisions, monitoring and evaluating the selection and placement system, and dealing with grievances and disciplinary procedures.

man or Commission for Investigations – which deals with abuse of power and also lacks capacity.<sup>69</sup> Full AC mechanisms should also be looked at, notably those to referred in the NACP as the “*administrative options by the employer or administrative tribunals as a necessary alternative to criminal law in restraining the abuse of official discretion*”.<sup>70</sup>

## Private sector as a victim and driver of corruption

### Reduction in business cost

5.21. One main area of progress of relevance to this evaluation is the marked reduction in some administrative barriers – formal and informal. The World Bank’s Enterprise Surveys have found that the percentage of firms ranking ‘corruption’ as a serious or major obstacle to their business dropped from 46% in 2002 to 12% in 2007. Those who expected to ‘pay informal payment to public officials’ to get things done dropped from 44% in 2002 to 14% in 2007. And those who expected to give gifts to secure a government contract dropped from 36% in 2002 to 27 % in 2007.<sup>71</sup>

5.22. Yet, there is an agreement amongst donors that these statistics have to be treated with caution and that perceptions may have reflected optimism at the time. In any case, the contribution of the PSDRP is thought to be insignificant: the evaluation of Phase I<sup>72</sup> concludes that the programme was relevant yet largely ineffective.<sup>73</sup>

5.23. The main reason for failure of the PSDRP (outside proposals for policy, legal and regulatory reforms by public-private working groups) is that neither GRZ nor the private sector has shown the long-term commitment required to push through reforms and make use of the three funds established under PSDRP (communication, research and activities). Political will in the early years of the evaluation period has waned and support for the PSDRP has become inconsistent.

5.24. A main lesson from PSDRP is that private sector representation is key and that a strong lead from the private sector might have conserved momentum. Yet public/private dialogue has been pitched at too high a level, so that many private sector actors have felt that their participation is not relevant. The Zambia Business Forum, a main interface in the PSDRP, is perceived as the creation of donors and not representative of traditional business associations and as such, not a true representative of the private sector actors in the country.<sup>74</sup> It has in fact been criticised<sup>75</sup> for taking on an unintended and unforeseen ‘gate-keeper’ role resulting in an additional layer of bureaucracy between the private sector and government.<sup>76</sup>

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69 TI-Z. 2006-07. NIS.

70 NACP Implementation Plan (p. 10).

71 Enterprise Surveys. Retrieved 3 May 2011 from [www.enterprisesurveys.org](http://www.enterprisesurveys.org)

72 Somssich, S. and Weltzien, C. 2009. *Evaluation of Private Sector Development Reform Programme (PSDRP)*. Republic of Zambia, Ministry of Commerce, Trade and Industry. Lusaka.

73 The lack of effectiveness in Phase I has now resulted in donors leaving the basket for Phase II, although the PSD donor group is currently engaged on raising the political profile of private sector development and has agreed with the Deputy Secretary of Cabinet on regular (quarterly) policy discussions at ambassador level with the CPG Troika, Netherlands, US and World Bank. Phase II support is likely to comprise the Netherlands and Finland, each doubling their contribution to the basket. The government will also make a financial contribution. Sweden will not continue basket funding in Phase II and will withdraw for reasons of harmonisation. The UK is currently reviewing its contribution to the basket for Phase II and it is likely to join the non-basket funding donors (e.g. US and World Bank) in seeking alternative approaches to supporting private sector development in Zambia.

74 Zambia Business Forum (ZBF) is an umbrella association set up to coordinate the voice of the many private sector associations in their dialogue with government. It receives donor funding and is one of the main partners in the PSDRP. A broadening of the membership base of the ZBF (one of the PSDRP’s major partners) has been highlighted as a priority by the Netherlands that directly funds the ZBF. The Netherlands has recently completed a mapping of all business associations that it will share with partners.

75 PSDRP evaluation. 2009.

76 Funding of business associations by donors can also skew the debate around a programme, such as the PSDRP creating a vested interest on the part of business associations in maintaining the status quo and restricting constructive criticism.

Furthermore, the Zambia Business Survey found that 81% of micro, small, and medium enterprises are located in rural areas and that very few belong to business associations. Interaction with this stratum of the private sector is therefore unlikely to be effective through business associations alone.

5.25. Furthermore, the lack of political will to push for reforms is itself largely explained by the collusion – both political and administrative – between government and businesses. This also explains Norway’s experience in working with the GRZ on introducing an effective mining tax regime. (see Box 5.2)

**Box 5.2: Norway’s support to improved revenue management in the mining sector in Zambia**

Norway has, since 2007 led support to the MoFNP to improve revenue management in the mining sector. The UK, World Bank and EU are partners in the initiative to reform the mining fiscal and regulatory regime, and have all signed a multi-donor Memorandum of Understanding (MOU) to this respect.

This initiative has wide support in the donor community. It is seen as essential to Zambia’s long term self-sufficiency and poverty reduction that potential revenues from the mining sector are maximised. In 1969, the nationalisation of mining revenues provided 66% of government revenue. This has dropped to a low of 8% due to large levels of reinvestment and fiscal concessions granted by the government on privatisation in the 1990s. The rise in copper prices over the last decade prompted an attempt by the government to renegotiate its agreements with the mining companies. Support to this renegotiation process formed a component of Norway’s support, as did advice to the government on a revised revenue structure for the mines, improved mining tax administration and the introduction of the Extractive Industries Transparency Initiative (EITI).

In 2008, the government terminated mining development agreements containing fiscal concessions, and a revised taxation structure was imposed. Company income tax rose from 25% to 30%, mineral royalty rose from 0.6% to 3%, a graduated windfall tax was introduced and hedging income was separated from mining income for tax purposes. Mining companies protested and few complied with the new windfall tax although payment of royalty and company income tax met targets. The government scrapped the windfall tax in March 2009 citing the effect of the world economic downturn on the mining companies as the reason behind its actions.

The Norway-funded technical assistance had advised that the GRZ retain a deductible and indexed windfall tax at the highest threshold level. This advice was not followed. Norway is currently taking a long view on the success of its initiative and is also (from Oslo) working with CSOs such as Caritas and Norwegian Church Aid to increase the amount of information available on the finances and operations of mining companies.

The government announced in January 2010 that they were discussing the transition from the development agreements to a new fiscal regime, with the view to ‘iron out’ the differences. Suspicion remains that the close relationship between the mining companies (mostly foreign owned) and the government will make it difficult to achieve and enforce a new regime to increase the revenue received by Zambia from the mining sector. Over the last 15 years, there has been a steady rise in personal income tax but a fall in corporation tax, due to tax holiday and other concessions being given to large companies. More poignantly, the incentives given to foreign companies tend to put local companies at a disadvantage.

5.26. Looking outside the commissioning donors' areas of intervention, business reforms appear to have been more effective when donor support targeted a specific state agency that plays a role in servicing businesses. A number of lessons can in particular be learned from the US Millennium Challenge Account (MCA) Threshold programme (See Box 5.3).<sup>77</sup>

5.27. The size of USAID investment and strong leadership within the institution, were in all evidence two major positive factors – which will be hard to replicate elsewhere. In addition, sustainability issues were identified for some of the target institutions, suggesting longer-term support may be in some cases required. Nonetheless, the main success behind the MCA Threshold programme interventions lies in its design. Its tailored and integrated approach to service delivery improvement indeed ensures that all key interventions along the service chain are accounted for. The MCA Threshold programme also shows that, although it is important for CPs to work at a high level with government (e.g. on law reform, as PSDRP aimed to) CPs should not lose touch with what corruption means for the customers and/or person on the street, and should seek ultimately to involve beneficiaries.<sup>78</sup>

### **Box 5.3: USAID support to business reforms in Zambia**

The focus of the US\$22 million MCA Threshold programme interventions (2006-08) was on reducing corruption and improving the business environment. Target institutions (Ministry of Lands, Patents and Companies Registration Office – PACRO, ZRA and the Immigration Office) were selected based on their impact on the business environment and interventions were designed in partnership with those institutions (and particularly with integrity committees) to reduce corruption at service delivery level.

Successes in reducing the number of and increasing the transparency of processes were achieved and sustained in PACRO and ZRA (in VAT registration). The MCA programme aimed to fight corruption; reduce the number of days it took to register; and increase the transparency of the process.

Key success factors included:

- PACRO receiving proportionately more funding than did other institutions in the programme where reforms were not taking hold, enabling PACRO to build on and institutionalise its successes
- strong leadership with a clear vision of what was required backed by a management team that had bought into the reform process
- strong in-house IT manager with necessary skills to implement, support and sustain the computerisation process
- a source of funds independent of the government budgetary allocation to enable predictability and fiscal planning
- the provision of clear and easily accessible information to customers on fixed fees and procedures
- a multi-stakeholder approach involving the active participation of the ACC (Integrity Committee) and CSOs. USAID/MCA funded TI-Z to establish an Advocacy and Legal Advice Centre to monitor customer service and to receive complaints.

<sup>77</sup> There are already indications that the MCA approach will be piloted with some licensing processes in PSDRP II.

<sup>78</sup> Lessons on factors important for success in government reform programmes in Zambia can be learned from the Financial Sector Development Plan (FSDP) Phases I and II, including that FSDP was managed by a highly functional government institution: the Bank of Zambia, and that it built on a prior relationship between the implementing institution (Bank of Zambia) and the private sector. FSDP was the sister programme to PSDRP and has run in parallel. It does not have a focus on reducing corruption so is not reviewed as part of this evaluation but it is nevertheless useful as a comparison to PSDRP to identify what factors are important for success.

### **Increase in tax compliance**

5.28. Donor support for ZRA illustrates practices and challenges in contributing to the fight against corruption by both building the capacity of a law enforcement agency (in this case enforcing the country's tax regime) and fighting corruption within it.

5.29. DFID long-term support for ZRA scored relatively well,<sup>79</sup> indicating continued progress in strengthening ZRA's internal management, operational systems and service delivery. Computerisation has contributed to a significant strengthening of ZRA's systems, and was said to have allowed increased tax compliance.<sup>80</sup> Other compliance initiatives under DFID support included tax payer education and registration, investigations, prosecution and litigation activities. VAT and procurement audits were also undertaken and from 2007, Norway provided technical assistance to ZRA to conduct cost audits of mining companies.<sup>81</sup>

5.30. Elsewhere, the ZRA has had some success in the streamlining of procedures, as best illustrated by the one-stop-border post at Chirundu. This initiative<sup>82</sup> has indeed significantly reduced the time that trucks need to spend at the border – a cost saving for business, which has also minimised the interface between Customs officials and customers, and hence reduced opportunities for corruption.<sup>83</sup>

5.31. Key efforts to fight corruption within the ZRA – some initiated under the MCA Threshold programme; others through the ACC – are summarised in Box 5.4. A first survey undertaken in 2009 shows that customer satisfaction had improved following the introduction of the Service Delivery Charter in February 2008. But public opinion at large seems to indicate that the move to a more accountable, customer-focused culture has still a long way to go. Furthermore, the number of cases of fraud and misconduct, as well as the number of staff dismissals reported by ZRA in their annual reports (only a handful) are in stark contrast with public perceptions that fraud within ZRA units remains widespread, some involving top management.

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79 The DFID Project Completion Report rates RIZES with a '2' output-to-purpose score.

80 RIZES. October 2007. *Project Completion Report*.

81 One of the three planned had been completed at the time of our visit.

82 This initiative is supported by a group of donors and private sector including UK, Norway, Denmark and Sweden under the North-South Corridor Programme and the Sub-Saharan Africa Transport Policy Programme.

83 By contrast, although the one-stop-border at Chirundu was overall a success, there are 15 other government agencies present at the border post such as the Bureau of Standards, MoH and Ministry of Agriculture, with whom importers interact. There are also police checkpoints on the road between Lusaka and Chirundu where load inspections take place. All of these potential interactions between the private sector and government are opportunities for delay and corruption.

**Box 5.4: Preventing and fighting corruption within Zambia Revenue Authority**

**Level of corruption in ZRA**

As at 2004, over 40% of households reported that they did not seek to obtain a service from the ZRA, though needed, because they could not afford the unofficial payments. In addition, 15% of businesses reporting being asked for a bribe in return for services from ZRA Customs Division.

**Key measures to improve internal governance**

*Fighting Corruption Remains one of the Major Priorities (ZRA Annual Report 2007)*

**Internal audit:** The internal audit department of the ZRA assesses the reliability of internal controls, risk management and governance processes. From 2006 to 2008 the number of process audits and special investigations conducted (and completed) within the financial year increased and staff received training on specialised software to improve performance.

**Internal Affairs Unit:** Investigates corruption, fraud and other malpractice involving ZRA employees. The Unit refers cases to the ACC and police and also accepts referrals from the ACC for investigation.

**Integrity Committees:** The ZRA Integrity Committee was launched in 2007, one of the ACC's eight pilots. It is responsible for implementing ZRA's Corruption Prevention Action Plan and has overseen the revision of the Code of Ethics and the monitoring of the Taxpayers Charter.

**Use of regular public reporting**

Investigation statistics are reported annually and public reporting on performance on the Taxpayers Charter is now on a quarterly basis.

**Cases of fraud and misconduct, 2007 and 2008**

Year	Number of cases investigated	Dismissal	Referral to police	Referral to ACC	Convictions
2007	17	7	3	0	3
2008	25	6	3	5	0

**Participation of society**

5.32. There has been a relatively effective, yet not sufficient, participation of society in AC issues, with some success (and attribution to success) more verifiable than others.

5.33. Documents made available to the evaluator<sup>84</sup> indicate that TI-Z has overall made satisfactory progress towards its main objectives. TI-Z has evidently become the most recognised institution in the fight against corruption in Zambia, and through CPs support, TI-Z has been able to build its capacity and enhance its operations.<sup>85</sup>

84 This included annual reports, an MTR, a summary of achievements and challenges for TI-Z Strategy for 2004-07 and TI-Z Strategy for 2007-11; and Denmark's project completion report, 2007.

85 After almost a decade since its creation, the TI-Z secretariat increased from 8 in 2001 to 12 in 2009. The budget totalled US\$1,074,468 in 2009 (of which 57% was TI-Z core support and the rest TI-Z projects) against US\$ 261,788 in 2001.



5.34. Importantly, TI-Z has been able to keep AC high on the government agenda. It has significantly contributed to the drafting of the NACP and led a number of successful advocacy campaigns. The launch of the *Show me the Money* book in 2007 was also a major success, and received broad national coverage thanks to partnerships between the OAG, TI-Z and the Post Newspapers.

5.35. Elsewhere, TI-Z has successfully undertaken a number of civic education and corruption prevention outreach activities through the ACC (with DFID support) and has continued to receive numerous complaints of corruption by phone, email, letter and mostly, in person (most of these being referred to relevant law enforcement agencies, in particular ACC). More recently, support received by TI-Z towards the scorecard system in Nyimba has exposed corruption cases in the Fertiliser Support Programme.<sup>86</sup>

5.36. The organisation is nonetheless facing a number of internal and external challenges – many similar to those faced by the ACC:

- TI-Z heavily relies on consultants to run its activities. Staff turn-over remains high, jobs poorly defined, and the involvement of TI-Z members in programme implementation remain limited.
- CPs (including Denmark, Sweden and Norway) have shown enough confidence in TI-Z strategic plans and governance capability to provide basket funding to the organisation. Many donors, however, continue to support TI-Z projects on a short-term and ad hoc basis, hence leaving no room for recruiting new staff. There have also been some instances of delays in finalising audited reports, leading to delays in donor funding.
- The prioritisation of activities and the focus on measuring impact have overall remained limited. As summarised by TI-Z itself *“it is the hope and believe of TI-Z that the over 70 activities that were implemented in [2004] are all contributing to the institution’s vision of building a Zambia that is anchored on citizens and institutions of integrity”*. This statement demonstrating a lack of strategic approach to the fight against corruption in the country in the early part of the evaluation period.
- A major weakness for the organisation is also the lack of a permanent presence in the provinces outside Lusaka. This was confirmed in the MTR of TI-Z’s 2004-07 Strategy, which notes that TI-Z has contributed significantly to the fight against corruption but reveals that one big challenge was that *“it needed to go down and do more work at the grassroot level in districts”*.

5.37. Other CSOs have also been active in the AC drive in Zambia. Activities identified during the CSO workshop included raising awareness and disseminating information to the wider population, lobbying for legislative and policy reforms, budget tracking and monitoring activities (such as Medicine Transparency Alliance –

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<sup>86</sup> TI-Z. *Report to the Annual General Meeting, April 2008 to March 2009*; and; Lungu, G. 2010. There have since been two arrests of the Agricultural Extension staff involved. Others have run away.

MeTA),<sup>87</sup> budget tracking by Civil Society for Poverty Reduction,<sup>88</sup> and reporting, and sometimes exposing, cases of corruption to the relevant institutions and the press.

5.38. At the same time, collective AC action in Zambia has largely been characterised by a history of fits and starts,<sup>89</sup> with successful advocacy campaigns indicating that coalition building (including with the media), community involvement, and a joint coordinated approach by CSOs are essential factors for success.

5.39. CSO partners remain highly dependent on external funding for their survival. As discussed in the Chapter 4, donor support has been relatively low when compared to the country's needs and CSO potentials, yet has overall been effective where it was spent. There are still concerns, however, over CSO legitimacy and governance. Throughout the years, some donor funds that were disbursed to some of the CSO partners were not accounted for, putting into question their credibility.

5.40. As much as dialogue with government has become a complementary tool to financing in the area of governance and AC (Chapter 7), the evaluation shares CSOs' views that donors have not always been consistent in their opening to dialogue with CSOs. In the absence of an effective strategic forum for dialogue with GRZ and CPs, CSOs feel excluded from the decision-making process. During the workshop, CSOs complained that they were discouraged from raising their voice to protest at some government decisions under Mwanawasa, but that CPs changed their tactic under the new government and are now encouraging CSOs to speak up.

5.41. A coherent donor approach to partnership with CSOs is important to counterbalance the relatively high level of distrust between the ruling party and CSOs, in part stemming from, the slow and divisive nature of Constitutional Review Process. Political interference has hampered CSOs (as partly led by the Oasis forum) contribution to the constitutional debate and the resulting Non-Governmental Organisation (NGO) Act could potentially provide the government with relatively wide powers over CSOs, including the ability to deregister them.

## Conclusion

5.42. In conclusion, long-term donor support has been largely effective in building key AC institutions in Zambia, notably ACC, TI-Z, but also OAG (see Box 5.5). Donor support for TFC uniquely tested an integrated approach to the fight against global corruption.

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87 MeTA is a multi-stakeholder alliance working to improve access and affordability of medicines for the one-third of the world's population unable to access essential medicines due to high cost or local unavailability. This initiative is funded by DFID and Zambia is one of the pilot countries. Retrieved 3 May 2011 from [www.medicinestransparency.org](http://www.medicinestransparency.org)

88 Civil Society for Poverty Reduction has also shown some relatively good success in corruption-related activities. This includes an initial attempt to track the national budget, leading to the production of Civil Society for Poverty Reduction Zambia "Budget Analysis and Review for the Five-year Period, 2006-2010. Although this review is a step in the right direction, the analysis is focused at macro level and there is need to realign and to sufficiently simplify the analysis in order to allow those at district and sub-district level to appreciate the issues

89 Successful advocacy campaigns linked to AC were identified as follows: advocacy to remove the presidential slush fund (under the leadership of the Jesuit Centre for Theological Reflection); reporting (including *Show me the Money* by TI-Z); the Dora Siliya case; and lobbying government for legal and policy reforms (AC Policy, Asset Declaration Bill and Protection of Whistleblower Bill). On the other hand, the National Movement against Corruption, a collection of NGOs involved in AC that was launched under President Mwanawasa in 2002, is become moribund. Public campaigns – such as that of beeping its car horns on Friday afternoon, and the use of red cards – have also come to a halt, in large part because of a lack of grassroots mobilisation.

5.43. Donors have also been able to contribute to system strengthening, including computerisation, in the public sector. A marked reduction in payroll fraud (mostly ghost workers) should become more apparent now that the whole system has moved to PMEC. Much, however, will depend on the frequency and coverage of the cleaning up/verification exercises, which according to the MTR have remained consistently below target.

**Box 5.5: Norway's support to Office of the Audit General**

Norway's 1997-2009 support for OAG focused on institutional development, restructuring, capacity building and training. According to Norway, progress made a leap forward from 2003 onwards, when OAG also received funds from the Netherlands and PEMFA.

Operational changes included a 40% increase in staff, an increase in real budget; operational offices in all nine provinces; the establishment of specialised audit departments (performance, forensic, environment and IT); and the introduction of modern audit methodologies. In terms of positive impacts, audit reports are now submitted to parliament within 12 months of the end of the fiscal year; an increase in audit coverage to 70-75% of all expenditures; and importantly (but cautiously), a reduction in the observed mismanagement of public funds to an equivalent of 2% of Gross Domestic Product (GDP) when comparing the period 1995-2003 to 2004-07. In addition, follow up on OAG and PAC recommendations has strengthened though further improvement is needed and there is a need for better dissemination to the public.

A success factor included the intensified cooperation between the OAG and the Supreme Audit Institution of Norway. There are still some key challenges, however. First, the quality of individual ministries, department, agencies, and local authorities audit reports varies significantly, in part reflecting the level of information made available to the auditors – audits are mostly of financial nature, with audit routines mostly consisting of checking the auditees' book-keeping. Second, the country's Public Audit Act needs strengthening. And third, most of the OAG and PAC recommendations are not followed up by the executive.

5.44. These main areas of progress have all necessitated much higher-than-expected investment, both in cost and in time: after a decade of support from DFID, ACC is still working below capacity; in the public sector, the PMEC took overall a considerable amount of time to install – and was introduced with some delays in 2004 at cost of US\$8 million. The system has now been fully rolled out, but is in need of updating. The TFC also ended up being a much more time consuming and costly exercise than originally intended.

5.45. Slow progress is both explained by external constraints – such as low skilled labour in the country; the country's geography; and slow pace of decentralisation – and the lack of incentives within government, the public sector and the targeted institutions. Reasons for the relative failure of governance reform programmes can in fact be traced back to corrupt practices linked to collusion between government and businesses at service delivery and political levels.

5.46. Looking forward, donors and GRZ are presently finalising plans to adopt a more targeted, integrated approach to PSM, focusing on a smaller number of ministries.<sup>90</sup> In light of the MCA Threshold programme and SDIF experience, an approach that is better tailored (and in so doing captures the needs, strengths and culture of an institution), as well as integrated (linking service delivery back to system strengthening and work re-engineering), and monitored is likely to show better results, as long as government ownership allows for sufficient sustainability.

5.47. Further recommendations on effectiveness are given in Chapter 10.

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<sup>90</sup> These plans remained quite unclear by the time of our country visit, however, despite the fact that the programme was due for completion a year later.

## 6. Tackling corruption in the health sector

### Summary of key points about the health sector

- High profile corruption scandals in 2005 and 2009 confirm that corruption in the public health sector cascades down from the ministry to every level in the sector, resulting in poor service delivery.
- The 2009 corruption scandal demonstrated on one hand, the lack of oversight by donors in the use of their own money and on the other, the important role that a whistleblower can play in AC.
- Progress in strengthening MoH systems (including procurement and PFM) as part of the National Health Sector Plan (NHSP) IV has been slow, notwithstanding donor support.
- In response to the 2009 health scandal, CPs have combined forces to negotiate a Governance Action Plan with the MoH, which focuses on short-term and long-term safeguard mechanisms concerned with internal audit issues, financial reporting and independent auditing.
- Plans for supporting grassroots oversight mechanisms are going ahead.

### Introduction

6.1. Improved performance in health appears to be a high priority of GRZ through its commitment to NHSP III (2001-05) and NHSP IV (2006-11), the poverty reduction agenda and the Millennium Development Goals (MDG) targeted by the PRSP/ FNDP. The health sector in Zambia also receives significant funding from various donor agencies and in the last ten years, the country has made some progress towards MDGs (Table 6.1).

**Table 6.1: Progress towards the millenium development goals**

Indicator	Baseline	2002	Sept 2008
Infant mortality rate (IMR per 1,000)	109 (1996)	95	70 (MDG target 36)
Under-fives mortality rate (U-5 MR per 1,000)	197 (1996)	168	119 (MDG target 63)
Maternal mortality ratio (MMR per 100,000)	649 (1996)	729	449 (MDG target 162)
Total fertility rate (TFR)	6.1 (1996)	5.9	6.2
HIV sero-prevalence + (%)	19.7 (1999)	16	14
Under-weight under-fives (%)	26 (1999)	22	15

6.2. The public health sector is nonetheless best described as a sector in crisis, which is characterised by acute staff shortage,<sup>91</sup> lack of drug availability,<sup>92</sup> and other systemic issues, leading to an overall lack of progress in service delivery outputs, such as the percentage of births attended by skilled health workers.

6.3. In addition, the health sector remains opaque, because of the plethora of funding that it receives. Since the mid-2000s, vertical funds bypassing the MoH budget have become more prevalent in Zambia, to the extent that it is estimated that only about 25% of sector funding is channelled through the MoH.<sup>93</sup> As the 2007 Public Expenditure Tracking Survey (PETS) suggests *“The GRZ health budget and ‘basket funds’ by cooperating donor partners is being ‘overrun’ by large global disease initiatives”*, and according to the same report, *“the flow of funds in Zambia’s health sector is a complicated and fragmented system, where salaries, drugs, and other recurrent expenditures are disbursed separately by different [donor and government] agencies.”* This has made sector planning by the MOH particularly difficult, as it has little control over the interventions of vertical funds, though attempts are made to incorporate them into the sectoral planning process.

6.4. That Zambia has been able to demonstrate progress in health indicators over the last ten years suggests that resource shortfalls in the public health sector have been partly accommodated by vertical fund donors and private sector implementers, such as USAID, Churches Association of Zambia and Catholic Relief Services. Yet progress at present is unlikely to be fast enough for the country to meet the MDG 2015 targets. The 2009 Health Public Expenditure Review (PER) concludes: *“First of all, there must be recognition at the highest levels of Government that the health sector is in a state of crisis—the increasing flows of external assistance notwithstanding—and that the crisis must be dealt with in a coordinated manner.”*

### Issues of corruption in the health sector

6.5. Corruption has long pervaded Zambia’s health sector. The risk of financial misappropriation in the health sector is relatively well known, as demonstrated by two major grand corruption scandals: the annual audit reports produced by the OAG (which Sweden compiled in 2009),<sup>94</sup> and other diagnosis studies, notably PETS 2007 and PER 2009. Box 6.1 describes the two major grand corruption scandals that rocked the MoH over the evaluation period.

6.6. Public finance mismanagement, as reported by OAG in the health sector is systemic and entails cases of misappropriations, lack of reconciliation of bank accounts, unretired imprest, loss of stores, poor project management and failure to follow procurement rules and procedures. This has contributed to significant prob-

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91 As outlined in the 2009 Report Sector Budget Support in Practice: Case Study. Health Sector in Zambia, *“one major problem is a lack of human resources. It was estimated in the health sector JAR in 2007 that there was a 40 per cent shortfall in staffing. This shortage of qualified staff is due to low numbers of people being trained by health institutions, high mortality levels among health workers due to HIV/AIDS and the migration of staff to developed countries, which is probably the biggest contributory factor. This has also led to an imbalance of staff between rural and urban areas.”* The shortage of qualified health staff in Zambia is further exacerbated by the practice of maintaining MOH positions whilst also working for NGOs associated with vertical funds, in particular those working on HIV/AIDS. It is worth noting, however, that official statistics show a slight improvement in doctor:population ratio from 1:18,100 in 2002 to 1:14,423 in 2008.

92 The 2007 PETS notes that *“From the survey data, there is evidence of drug diversion. Essential drugs are widely unavailable. Life-saving drugs are also widely unavailable. Prolonged drug stock-outs are common across health facilities. Many health facilities have expired drugs and inappropriate drugs.”*

93 World Bank. 2009. Zambia Health Sector Public Expenditure Review.

94 Embassy of Sweden. September 2009. Mapping and analysis of the Office of the Auditor General’s reporting and procedures with a focus on the health sector in the Republic of Zambia.

lems in the procurement and delivery of drugs to end users,<sup>95</sup> as well as up to 50% loss in fiscal transfers from central government to districts.<sup>96</sup>

6.7. Although the above irregularities can be attributed to poor systems (especially with the internal audit) and practice, the 2009 health corruption scam tends to indicate that these are most likely directly linked to corruption, by which civil servants take advantage of loopholes in financial and procurement systems to use their positions for private gains.

6.8. Anecdotal evidence further seems to indicate that corruption in the health sector occurs at almost every level along the value chain with the exception of policymaking and regulation, namely: planning and budgeting (including budgets for training and workshops), donor financing (Swedish and Dutch basket financing as well as GRZ financing), fiscal transfers, management and programme design, tendering and procurement, construction, operations and maintenance, and payment for services.

### **Box 6.1: The 2005 and 2009 health sector scandals**

The sector was first rocked by a major corruption scandal in 2005, when Dr Bulaya, a former Permanent Secretary in the MoH was charged with abuse of office involving misappropriation of about ZMK 3.1 billion meant for the procurement of HIV/AIDS drugs. As best summarised by TI-Z, when “the Bulaya case was still proceeding in the courts of law, the DPP suddenly entered a *nolle prosequi*. This *nolle* caused so much public discussion, [...] and attracted heavy criticism of Government by the Church, demanding that the President, Justice Minister and DPP apologize to the nation for acting corruptly. Dr Bulaya was eventually arrested on 20th June, 2005 to continue with the court proceedings. He was subsequently convicted by the Magistrate’s court and was sentenced to five years imprisonment with hard labour. In May 2007, Bulaya was granted bail and has since appealed to the High Court.” Public knowledge has it that the main reason for the late president’s reluctance to address issues of grand corruption in the health sector was that public money in this ministry had been used to finance general elections.

The more recent case of corruption (or ‘theft’ as GRZ prefers to name it) started in March 2009, when a whistleblower tipped off the ACC on a scam involving *per diems* payment for high-level government officials on training and workshops that did not take place. In mid-May, the ACC announced it had unearthed a scam in which over ZMK 10 billion (US\$1.7 million) from the MoH had been misappropriated. The OAG conducted a forensic audit under President Banda’s request (with donor support), with interim results showing a misappropriation over ZMK 27 billion. A total 32 senior civil servants, including the Permanent Secretary, were suspended as a result in late May. The OAG handed over its final forensic report (yet to be submitted to the Parliament Account Committee) to ACC in early July. This report identifies ZMK 32 billion (US\$5.7 million) had been embezzled during the period January 2008-31 May 2009, including ZMK 17 billion (US\$3 million) from the donor basket fund (Sweden, Netherlands and Canada), the rest being embezzled from the Global Fund, and from government money. The report also confirmed that the paper trail was essentially ‘clean’, indicating a significant degree of collusion, with some documents requiring over ten signatures.

95 The Procurement and Supplies Unit within MOH appears the weakest link in the chain of the various support systems. The MTR team concluded that the situation in the Unit was unacceptable and recommended that an external audit of the 2006-08 procurement activities be conducted as a matter of urgency, which has still not occurred.

96 According to OAG 2007 report, whereas GRZ reported disbursement to the nine provinces, totalling ZMK 3.6 billion, these same provinces reported receipts from GRZ, totalling ZMK 1.8 billion only.

6.9. Whereas cases of petty corruption in hospitals and clinics have received less attention, local surveys carried out in the latter part of the evaluation period show that the majority of the population did not have to pay bribes to health workers.<sup>97</sup> Yet fraud at all levels of the public health sector (including districts) has evidently resulted in poor service delivery, especially in rural areas, in effect making the GRZ policy of free healthcare, introduced (with donor support) in 2006, almost redundant. Collusion with the private sector – and in particular the pharmaceutical industry – must also be looked at.

### Donor financing

6.10. Support to the sector by the commissioning donors has been significant, in particular by Sweden and DFID. The nature of support over time has been a general shift away from projects towards basket funding mechanisms (Sweden, with the Netherlands) and general budget support (DFID), a shift in line with the Paris Declaration principles.

6.11. Sweden's contribution to the basket fund amounted to US\$15 million in 2003-05 with plans to release about US\$95 million in 2006-11. DFID contributed to the basket fund from the early years of the evaluation period until 2006, when it moved to PRBS. In the first year of PRBS, DFID allocated extra for payment of free healthcare, after concerns were raised by the MoH that less money will reach them. Denmark also contributed to the basket fund until 2006, when it pulled out as part of Danish plans to streamline interventions in the country.

6.12. In parallel, all three donors have continued to finance specific health projects as part of the SWAp. This included the Community Health Waiver Scheme (2002) for Danida and support to a Lusaka peri-urban health centre for the improvement of maternal care to the most vulnerable groups; and for DFID, support to the Medical Stores Limited.

### Alignment to government policy and systems

6.13. Denmark, DFID and Sweden's programme-based approach to the health sector mean that they are fully aligned to government policies. Basket fund donors have also come to rely on the government's reporting and accounting systems, which entails Sector Advisory Group (SAG) reports (including Joint Annual Reviews); semi-annual financial reports (unaudited); and OAG annual audit reports.

6.14. Donors were aware of the risk of corruption in the health sector (prompting the World Bank to exit funding this sector). Their scrutiny increased in advance of some organisational reforms in 2006, when the Central Board of Health (service delivery/implementing agency), which they supported, was abolished and control was transferred to the MOH (policy/regulation), in effect reverting to Zambia's old system. In particular, DFID funded a financial systems consultant in 2004-05 to assist the MOH to implement PFM reforms and respond to other financial reporting issues. According to the DFID SWAp Annual Review, *"any emerging financial problems are likely to be identified early on due to the close involvement of the DFID*

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<sup>97</sup> Afrobarometer. 2009; and TI-Z BPI. 2007. Also see footnote 14.



*financing consultant*". Not all CPs supported the 2006 reform, and in retrospect, this merger appears to have led to a further weakening of governance in this sector, because of the weak systems and accountability mechanisms within the MOH.<sup>98</sup>

6.15. In subsequent years, CPs did not commission their own FRA for the health sector and instead relied on reporting procedures similar to those they had used when working with the Central Board of Health. Only Sweden's decision to commission an analysis of the OAG's reports in the health sector in 2007 indicated a more cautious approach to the sector. This report highlights a number of system issues at the MoH, including poor book-keeping, weak internal audit and the lack of follow-up of audit issues.

6.16. Donors generally assumed that MoH commitment to PFM reforms under NHSP IV would together entice a positive direction of change in the sector. The strategic plan does not have an explicit analysis of corruption in the sector but does address issues of financial management: NHSP IV has three main components: service delivery, supporting systems and governance in the health sector. Strengthening health systems includes M&E, human resources, procurement and logistics, infrastructure, PFM and healthcare financing, whereas governance in the health sector deals with restructuration, decentralisation and aid coordination. However, progress has been slow, as confirmed by the MTR of NHSP IV,<sup>99</sup> which notes *"with concern the weaknesses in MOH financial management and internal (audit) control systems, as highlighted by the most recent report by the OAG"*, and concludes *"in Public Financial Management, the strong planning and budgeting processes are being undermined by the less effective accounting and financial reporting systems"*.

6.17. Finally, the evaluation finds that donor alignment to MoH policy has meant that the role of local communities in monitoring healthcare delivery has been overlooked. Furthermore, Joint Annual Assessment carried out by SAG hardly addressed issues of corruption in the health sector.

6.18. Most NGOs, including church associations, involved in the health sector act as service providers rather than watchdogs, many depending on government funding. Communities have not been encouraged, or given substantial means, to monitor the quality of service through tools such as the scorecard on a systematic basis. Neighbourhood Health Committees do operate in some areas and are charged with monitoring drug deliveries, staffing and general service delivery as well as assisting in health campaigns. However, they are not widespread and have little power. Looking forward, Sweden now has plans to provide CSO support alongside government support to deal with governance concerns in the sector, including at community level.

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98 Governance issues within Central Board of Health were well documented. According to TI-Z *"In the recent AG's report for the year ending 31st December 2005, it was revealed that the now abolished Central Board of Health failed to follow procurement guidelines involving over K3.7 billion. Further, there were missing payment vouchers in amounts totalling K3.1 billion and unretired imprest of K5.1 billion."*

99 The Independent Review Team. October 2008. *Report of the Mid-Term Review of The Zambia National Health Strategic Plan, 2006-2010*. Lusaka.

## Donor response to the 2009 corruption scandal

### Freeze in development assistance

6.19. Sweden's decision to delay a payment to the MoH worth SEK 113 million (US\$12 million) was confirmed in the press two weeks after the health scandal broke out. Netherlands (a silent partner to Sweden) also suspended its annual Euros 13 million (US\$18 million) contribution to health services in rural areas, pending further investigations into the affair. And so did Canada. These decisions were made before the OAG forensic audit confirmed how much of the donor health basket and Global Fund had been affected.<sup>100</sup>

6.20. As a result, CPs faced accusations in the press that they only took taking action when donor money was allegedly misused and that by freezing their assistance, they were being blind to the poor. Shortages of drugs at every level in the districts were at least partially blamed on the donor freezing of funds.<sup>101</sup> In response, Sweden rapidly provided additional funding to support drug provision under a different funding mechanism in July 2009 and other donors plugged other funding gaps in hospitals and clinics.<sup>102</sup>

6.21. Donors rightly argue that corruption (not aid) is the main cause of poor service delivery in the health sector. With donor support amounting to 40% of the MoH budget, the gradual resumption in Swedish and Dutch assistance to the MoH nonetheless does not go without any consequences.<sup>103</sup>

### Dialogue and the Governance Action Plan

#### Box 6.2: Governance Action Plan, July 2009

The Governance Action Plan lays out immediate actions to be taken in the health sector to address the current corruption scandal and put into place immediate safeguards. This Action Plan was drawn up in three stages, involving:

**Stage 1:** commitment that funds alleged to be misappropriated will be recovered and repaid to CPs; the drafting of terms of reference for a comprehensive systems audit; drafting an action plan for strengthening internal audit, accounts and procurement; and appointing OAG; and pursuing ongoing investigations further; and sharing the initial findings of the OAG forensic report with CPs (July 2009)

**Stage 2:** finalising the system audit and action plans; reconstituting the MoH audit committee and implementing measures outlines in the action plan for internal audit, account and procurement (September 2009)

**Stage 3:** drafting an implementation plan for the MoH Governance Strategy (March 2010).

Conditions under each stage also entail GRZ commitment to ongoing investigations. At the completion of each stage, under Sweden's insistence, an independent verification mission is to be conducted by an external audit firm, allowing CPs to release a tranche of funds to the MoH. It was agreed that normalisation of funding will only resume when all three stages are completed satisfactorily.

100 IRIN Press Release, May 2009.

101 During our interview with MOH, CPs were accused of being blind to human life and that their fight to AC should be pro-poor, by letting the support continue until the end of the financial year, then take necessary measures (including audits). It was alleged that the suspension of disbursement of funds by donors has had a number of negative effects including: financial resources reaching districts are down to one third of the total district budget; the medical supplies to the Rural Health Posts have reduced from monthly to every three months; five new hospitals that were ear-marked for completion have not been completed; access to health services have dramatically declined (for instance, at Kaoma district hospital, at one point all patients who had been admitted left because there was no food).

102 Sweden financed the distribution of drugs through Medical Stores Ltd. in July 2009 and UNICEF and other donors financed the 'Child health week' in June 2009 to mitigate some of the consequences of the freezing of funds.

103 In addition, despite a resumption of first tranche payment, these allegations still persisted during the time of our country.

6.22. The CP Group (CPG) Troika started dialogue with the MoH, in mid-May 2009, when Sweden informed the MoH that they have had to put their disbursement to the sector on hold and CPs offered technical support to the OAG to conduct a forensic audit. Further discussions resulted in a Governance Action Plan being drafted in consultation with the acting Permanent Secretary, the MOH (See Box 6.2) under the SAG for the health sector (then chaired by DFID – with Sweden taking over in 2010). The corruption scandal was also addressed under the PRBS platform (See Chapter 7).

6.23. Donor response to the health scandal was well coordinated. It took three months for the MoH to satisfy the actions required under Stage 1 (the TOR for the external audit being the major hurdle), and after verification of external audit firm, Sweden and the Netherlands resumed their first tranche payment in December 2009. In effect, the Governance Action Plan has both effectively addressed the immediate crisis as well as introduced a number of immediate safeguard measures for donors. Negotiations have also been effective in having GRZ firm up commitments to PFM reforms in the health sector.

6.24. Importantly, the Governance Action Plan was signed by the MoH and MoFNP, enabling completion outside the MoH's remit. Yet, it is also worth noting that the implementation of Stage 2 of the Governance Action Plan (due for completion in September 2009) was slower than expected, and had yet to be completed by the time of our visit. This stage of the Governance Action Plan not only committed the GRZ to finalising action plans but also to start implementing some of the outlined measures. GRZ's genuine commitment to fight corruption and improve systems within the MoH will only be properly tested when long-term measures for strengthening of governance, accountability and transparency in the health sector are introduced in the National Health Sector Strategic Plan (2011-15).

6.25. Finally, CPs were also accused of putting unrealistic demands on the MoH on certain issues, such as the ongoing investigations and legal actions against the corrupt officers, which it has little control over.

### **Strengthening of safeguard measures**

6.26. With the health scandal, it became apparent that donors had put too much faith in the country's financial reporting and auditing systems to assess and monitor the financial performance of their programmes. More specifically, the health scandal has demonstrated that using the country's financial reporting and auditing mechanisms to monitor their programmes come with the following restrictions:

- Under SWAp mechanisms, the MoH is not compelled to report level of expenditure per source of funding. Similarly, OAG reports do not isolate expenditure of their own funds from other sector expenditures. This prevents total oversight on the use of their own resources.

- The health scandal also confirmed that corruption practices are often hidden, as collusion with accountants allows the paper trail to remain clean. Only when a forensic audit was conducted in the health sector in 2009 did it show that the donor health basket, the government and Global Fund had been subject to financial malpractice.

6.27. In response, Sweden, DFID and other CPs (including Global Fund and the Global Alliance for Vaccines and Immunisation) have now introduced a number of short-term safeguard measures in the health sector, including the use of an independent verification mission for the Governance Action Plan; the posting of officers at the MoH to perform pre and post audit checks on all transactions; and the request for a comprehensive systems and procurement audit and a financial audit of the donor expanded health basket, and use of DFID funds in the MoH from 2006 to 2009 (to be conducted by the OAG in early 2010). The MoU between CPs and the MoH – which entailed ambitious demands, such as the publication of annual audited financial reports – was also revised.

6.28. On strengthening safeguard mechanisms, CPs were criticised for taking over OAG (although they provided extra resources (including auditors) for much of their commissioned work), but most of all, for by-passing domestic accountability processes, linking ACC and OAG with Parliamentary Committees, as they took remedial actions before the OAG handed over final results of its forensic report to Parliament.<sup>104</sup> In addition, some CPs have also started putting additional reporting demands on the MoH. For example, DFID has asked for a separate report on how their support to Medical Stores Limited through SWAp mechanisms was used, following reports that contactors on the project have not been fully paid. This has prompted senior MOH officials to warn that the SWAP arrangement (and with it alignment to the country's reporting mechanisms) was now on 'shaky ground'.

## Conclusion

6.29. Following the health scandal, CPs reluctance to entrust funds with GRZ systems, despite the resumption of budget support, has been evidenced by internal dialogue regarding the possible reduction of budget support (Norway's agreement on budget support was due to expire in 2010); the stalling of plans to reallocate sectoral budget support to general budget support (the European Commission – EC – and Sweden); and the planning of interventions bypassing GRZ financial management systems (such as the forthcoming DFID Human Resources for Health Sector Programme).<sup>105</sup>

6.30. By-passing the MoH budget is not advisable in the long-term, however, and runs counter to commitments made by donors under the Paris Declaration. The CPs' move to programme-based approach has indeed helped to put additional

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<sup>104</sup> For example, in Interviews with MoH government officials.

<sup>105</sup> DFID stated as part of its Human Resources for Health Sector Programme (approved in early 2010): "The recent allegations of corruption in the MoH have been taken into consideration when designing this project. We have decided not to transfer the funds for the proposed activities directly to the MoH but will disburse funds to the Managing Agent who will be responsible for accounting for and verifying expenditure. In addition we will not use MoH procurement processes. Instead the Managing Agent will be tasked with procuring any required ICT/project equipment through international competitive bidding. This approach deviates from the Paris principles but is deemed necessary considering the current situation."

pressure on the government to strengthen its PFM systems. As a result, DFID's fiduciary risk declined from *high* in early 2000s to *substantial* at time of evaluation.

6.31. The tensions between Paris Declaration commitments and the risk of donor money misuse are further addressed in Chapter 7. With regard to tackling corruption in the health sector, we note as ways of conclusion that:

- Donors did not carry out a comprehensive corruption analysis along all stages of the value chain and have failed to complement their support to the MoH with support for external oversight mechanisms at service delivery level. Their support did not link up with grassroots CSOs and other initiatives, such as MeTA.
- Donors' focus on PFM issues seems appropriate in the case of the health sector: the evaluation team, however, suspect that donor focus on strengthening PFM and procurement systems (as well as the ongoing investigations into the health scandal) was equally driven by internal concerns<sup>106</sup> and the impact that poor systems have on poor service delivery for the population as a whole.
- The Governance Action Plan will in part address the lack of progress in strengthening systems at the MoH in recent years. This shows that donors can (and should) step up as well as tailor their demands for PFM reforms in SWAp mechanisms.

6.32. The health corruption scandal also shows that a coordinated response to corruption can work well. CPs that were not part of the negotiation process have nonetheless warned of a 'lowest common denominator syndrome' amongst donors, whereby country offices that are bound to a political decision by HQ not to leave a particular sector, will show more leniency in their demands on the government.<sup>107</sup> The MoH commitment to plans of actions will not per se be sufficient to address long-term system issues (notably internal auditing, but also MoH reluctance to adopt IFMIS, instead preferring Navision). The issues of sanctions and recovery of the money stolen also need to remain at the top of donor priorities.

6.33. Further recommendations are made in Chapter 10.

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<sup>106</sup> Strengthening PFM systems target cases of middle to grand corruption that drain public funds for personal gains. By contrast, petty corruption – which typically entails bribery payment by low-rank officers to supplement their meagre income – does not cause a drain on public resources per se and therefore does not directly affect donor money in the public health sector.

<sup>107</sup> By contrast, country offices that are bound to a political decision by HQ to leave a particular sector can no longer seat at the policy discussion table to press for harder actions with the government.

## 7. Donor ways of working

### Summary of key points

- The launch of NACP, coupled with the introduction of AC indicators in PRBS, could, in principle, help CPs monitor progress of the fight against corruption more closely. But Zambia's M&E capacity overall remains very weak.
- CPs' platforms for coordination and dialogue on AC issues have overall been effective, although more coordination is needed on the ground.
- The recent health scandal has shown that CPs have not paid sufficient attention to the impact that high levels of fiduciary risk in some sectors may have on the use of their own money.
- The 2009 PRBS case study also demonstrates the difficulties encountered by CPs in harmonising their stance on AC, while at the same time responding to the demands of their own respective constituencies.
- CPs' confidence in the country's financial reporting and (to a lesser extent) auditing systems has waned and Sweden and other CPs have tightened their safeguard mechanisms in SWAp.

### Monitoring and evaluation: focus on results

7.1. That very few donor-supported governance programmes focus explicitly on corruption, is reflected in the range of M&E indicators that they use in their logical frameworks. None of them use citizens' perceptions of corruption as indicators, nor make reference to the 2004 NGBS and/or the indices periodically produced by TI-Z.<sup>108</sup>

7.2. Furthermore, the first wave of donor support for key AC institutions, including ACC, ZRA and TI-Z, focused on capacity building, which means that lower level outcome indicators, rather than results and/or impact indicators, were used to monitor progress against the programme goals and objectives.

7.3. At a macro-level, a handful of key performance indicators relevant to AC can be found in the FNDP monitoring framework, which all four CPs are committed to use.<sup>109</sup> Overall, the most referred statistics by CPs involved in AC work remain those produced by the OAG and the ACC.<sup>110</sup> The Performance Assessment Frameworks (PAFs), used by PRBS CPs, are also based on a subset of FNDP indicators, with additional indicators focusing on relevant policy areas (including PFM and PSM)

<sup>108</sup> More recently, DFID's ACT logframe makes reference to citizens' perceptions of corruption and refers to the NGBS.

<sup>109</sup> These include, for example, the proportion of recommendations from the PAC based on OAG reports that have timely and adequate action taken by responsible government institutions (FNDP governance); and the number of ministries and local authorities with a Service Delivery Charter (FNDP government administration).

<sup>110</sup> ACC statistics include number of complaints received, number of investigations and cases in court.

introduced into the interim PAF and PAF 2006-08. Importantly, that ‘the National Anti-Corruption Strategy be Developed and Implemented’ was introduced as a performance indicator in PAF 2009-11.<sup>111</sup>

7.4. Partly under donor encouragement, the country’s M&E landscape for governance and AC issues is soon to improve, but also become more complex and demanding. It is now likely that all key governance institutions<sup>112</sup> will face additional demands, as the Governance Unit<sup>113</sup> launches its new M&E FNDP Governance framework (which entails 45 indicators compared to 6 today) and ACC begins monitoring the NACP implementation plan. The NACP implementation plan indeed comes with an elaborated M&E framework that entails annual policy milestones and quantitative indicators to measure progress against its six outputs, all clearly linked to the fight against corruption. At project level, TI-Z indicators focused on the programmes that TI-Z was implementing until 2007, but an attempt has been made in the 2007-11 logical framework to include a column on ‘impact indicators’.<sup>114</sup> Similarly, selected impact indicators have also been introduced in the ACC Strategic Plan 2009-12.<sup>115</sup>

7.5. Furthermore, after more than three years of delays, the Governance Unit was soon to finalise the country’s first State of Governance Survey, with support from Denmark. This report will produce both progress and perception indicators on governance, including some related to the awareness of, and actions against, corruption. As the methodology has changed, however, there will be limited scope for trend analysis against the 2004 NGBS.

7.6. These developments should help GRZ – in partnership with CPs – to monitor AC in Zambia more closely. It is worth noting, however, that neither FNDP/PAF nor NACP M&E frameworks come with a disaggregation of data on gender and urban/rural areas. Furthermore, the country’s M&E capacity, and with it, government leadership, remains weak.<sup>116</sup> This evaluation warns that too much attention has been put on defining indicators but not enough on the institutions’ capacity to both generate and monitor these indicators. This is an area of particular concern for ACC. Ownership is also an issue, given overlaps in the institutions’ M&E mandates, starting with ACC and the Governance Unit.<sup>117</sup>

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111 A second indicator on OAG (the proportion of recommendations in the Auditor General’s Report acted) was also introduced. Furthermore, the PRBS PAF 2009-11 also splits the ZRA indicator into two, measuring separately: the ability of the ZRA to collect domestic taxes (increased % of GDP); and mining taxes (increased capacity of ZRA to conduct mining audits in 2010 and a fully operational mining tax unit by 2011).

112 Governance institutions involved in the implementation of the FNDP Governance Chapter are a) The Human Rights Commission; b) Police Public Complaints Authority; c) National Assembly of Zambia; d) ACC; e) Commission for Investigations; f) Judicial Complaints Authority; g) OAG; h) Judiciary; i) Ministry of Justice; j) Electoral Commission of Zambia; and k) Office of the Vice-President (Parliamentary Business Division).

113 The Governance Unit replaced the Governance Development Unit in 2007, which was responsible for PSRP monitoring and produced the NGBS.

114 This includes: the percentage of respondents who are becoming more active in governance/AC activities as a result of TI-Z advocacy strategies; reduction in the incidences of corruption in various areas as a result of TI-Z advocacy; increase in the number of citizens reporting they are accessing public services in a transparent manner.

115 The main one being : “annual percentage reduction in incidences of corrupt practices where corruption prevention interventions have been implemented”.

116 Similar concerns were raised in a statement by PRBS CPs on the new PAF 2009-11.

117 The ACC and Cabinet Office will share the responsibility for overall M&E of the NACP, whereas the Governance Unit is responsible for monitoring and evaluating activities related to the FNDP Governance Chapter. Currently, the relationship between ACC and Governance Unit is a one-way process, with ACC being one of the key governance institutions to feed into the FNDP Governance M&E.

## Donor coordination and dialogue with government

7.7. The aid architecture has evolved continuously over the evaluation period to follow the Paris Declaration principles of donor coordination and alignment. In the early years of the evaluation period, contributing CPs used the TFC as the main multi-donor umbrella for sharing information and making public statements on corruption. This included for example, a June 2002 statement defining 'A Common Donor Strategy on the Fight Against Corruption'. CPs that supported TFC agreed there was still a need to support the Zambian AC initiatives in a coordinated manner after the TFC was dismantled.

7.8. Partly in response to a 2007 review, which found that *"with regard to support to AC initiatives, donors were not coordinating their support effectively. AC initiatives are being funded as projects with limited reference to a common goal"*,<sup>118</sup> an AC Group was launched in 2008, under DFID's leadership and with initial participation from Denmark, Netherland, Norway, Sweden and the US.<sup>119</sup> Moving up a level in Zambia's CPG, Troika (chaired by the Netherlands, the US and the World Bank in 2009; with DFID becoming a member from July 2010); the Governance Group (co-chaired by DFID and UNDP in 2009, to which the AC Group belongs); as well as the Macro-Group, are also platforms of high relevance to donor coordination on AC and governance issues.

7.9. The effectiveness of these platforms has been mixed. They have been relatively effective in coordinating CP approaches and sharing information, but more needs doing in ensuring donor projects are complementary and mutually reinforce each others on the ground. The governance sector in particular remains complex overall and some donors still continue with separate and uncoordinated support. According to the Denmark country assessment of 2008, *"This has negatively affected the spirit of harmonization and alignment due to non involvement in meetings by such donors. More specifically, initiatives to promote code of ethics in the public sector have also remained largely uncoordinated"*.<sup>120</sup>

7.10. Concerning dialogue with government, Ambassadors and Heads of Mission have drafted and submitted common positions to the President of Zambia, raising concerns and/or reiterating their support to AC in the country throughout the evaluation period. In addition, bilateral discussions with the GRZ on AC issues have continued to take place at ambassadorial level, including during high-level ministerial visits. Since being formed, the main platforms for dialogue with GRZ – namely, the SAGs, the annual High-Level Forum and the PRBS framework – have also been used to discuss AC issues. Dialogue has also taken place under the Cotonou Article VIII (for EU member states).

7.11. These platforms for dialogue have recently played an effective role in dealing with specific corruption cases. In 2009-10, Troika and PRBS CPs supported negoti-

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118 South Consulting Africa. 2007. *Harmonisation of Initiatives to Prevent Corruption in Zambia, the Way Forward on AC*.

119 Priority areas identified for the AC Group in its first year of operation were to offer strategic guidance, lobby for the approval and implementation of the national AC Policy and Strategy, lobby for various legislative and institutional reforms; broaden donors' focus of support beyond individual institution and give greater emphasis to corruption prevention strategies and programmes (such as money laundering).

120 Another example is with the recent launch of a Code of Ethics for the Public Service, which UNDP supported. The Cabinet Public Service Management Division, in collaboration with Public Service Institutions, will be responsible for conducting the sensitisation programmes.



ations between CPs and the MoH (all represented in the Health SAG) in the aftermath of the health scandal. This coordinated approach was identified as key in allowing CPs to unify their demands for additional safeguard measures and corrective actions and increase the leverage they had on the government. This approach also reduced the transaction cost of dealing with CPs' demands for an already overstretched MoH.

7.12. At the same time, a joint donor response to corruption, while preferable, has not always proved possible. In 2009, for example, the PRBS's underlying principles were revised and a PRBS Roadmap, covering governance issues was drawn up. In November 2009, PRBS CPs agreed satisfactory progress had been achieved in most areas of the Roadmap and, as a result, agreed to disburse their PRBS as normal in 2009, while pledging US\$215 million for 2010. After consultation with Stockholm, Sweden, however, decided to freeze its 2009 PRBS assistance, citing concerns not only in the health sector but also the Chiluba acquittal and the proposed NGO Act. This particular example demonstrates the difficulties encountered by CPs in harmonising their stance on AC, while at the same time responding to the demands of their own constituencies. It is worth noting, however, that all PRBS CPs, including Sweden, were able to make indicative commitments for 2010.

7.13. In conclusion, multi-donor support for the TFC and the launch of the AC Group have helped to reinforce donor coordination on AC issues in Zambia. Donors have also combined an effectively high-level ministerial visit with joint donor high-level dialogue with GRZ to address specific corruption cases. Looking further, as well as being an indicator in the PAF 2009-11, the NACP should be able to provide an opportunity for further donor coordination on the ground. Presently, themes currently identified as part of the AC Group<sup>121</sup> do not yet match NACP and instead, their themes remain principally defined by their own individual projects.

### **Fiduciary risk and the choice of aid delivery mechanisms**

7.14. Despite being all signatories of the Paris Declaration and sharing similar diagnosis on the level of fiduciary risk in the country, Norway, Denmark, Sweden and the UK have adjusted differently to the risk of corruption in the country, as demonstrated by their choice of funding modalities (see Table 7.1) and different level of alignment to the country's PFM and procurement systems (see Table 7.2).

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<sup>121</sup> As of March 2008, themes were identified as follows: support to ACC (2005-08); support to civil society; strengthening civil society; financial support to Zambia's PFM reform; support to mining fiscal and tax framework; anti-money-laundering; drafting of key AC legislation; Freedom of Information Bill; implementation of a single treasury account; MCA Threshold programme; financial support to the OAG; possible support to prosecutors and judges/magistrates; access to justice; accountability and transparency.

**Table 7.1: Use of the country's systems, 2007 (US\$ millions)**

	Denmark	Norway	Sweden	UK
<b>Total aid</b>	<b>41</b>	<b>69</b>	<b>73</b>	<b>74</b>
Of which: aid for government sector	33	46	69	67
<b>Programme-based approaches</b>	<b>26</b>	<b>42</b>	<b>52</b>	<b>64</b>
Of which: budget support	0	18	14	8

Source: OECD-DAC, 2008 Survey on Monitoring the Paris Declaration, 2009.

**Table 7.2: Use of the country's systems, 2007 (US\$ millions, unless otherwise stated)**

	Denmark	Norway	Sweden	UK
Use of PFM – Budget execution	19	22	17	61
Use of PFM – Financial reporting	23	21	54	61
Use of PFM – Auditing	30	43	54	61
Total (% aid for government sector)	73%	63%	60%	92%
Procurement systems	29	44	53	62
Procurement systems (% aid for government sector)	87%	100%	76%	93%

Source: OECD-DAC, 2008 Survey on Monitoring the Paris Declaration, 2009.

7.15. DFID was one of the first CPs (with EU) to actively prepare the grounds for budget support<sup>122</sup> and all commissioning CPs but Denmark now provide PRBS to GRZ.<sup>123</sup> In 2007, Denmark rating for PRBS provision improved from (c) to (b), which is when Denmark gained status as PRBS observer, but the quality of the partnership and dialogue between CPs and GRZ – one of the ten criteria for Danish provision – was considered too weak to move to PRBS.

7.16. All commissioning CPs moved to SWAPs over the evaluation period.<sup>124</sup> Yet contrary to PRBS, SWAPs modalities entail very different degrees of alignment to the country's PFM and procurement systems, allowing for some flexibility for donors in relation to their respective HQ policy.

122 In a diagnostic study carried out for DFID in 2003, Oxford Policy Management concluded that, although progress had been made, Zambia was not ready for PRBS. In subsequent years, DFID worked hard to rally support from other donors and help the country meet the criteria to qualify for Heavily Indebted Poor Country (HIPC) debt relief. By 2005, DFID felt that fiduciary risk (while still rated as high) had decreased sufficiently to embark on general budget support.

123 The PRBS Group includes DFID, the EC, Finland, Germany, the Netherlands, Norway, Sweden, the World Bank and the African Development Bank.

124 SWAPs can be supported using basket funding mechanisms, such as PEMFA, PSRP (PSM component), PSDRP, and the Health Sector Basket Fund, as well as bilateral projects. Whereas general and sector budget support uses the country's PFM and procurement systems fully, other forms of sector support do not. Basket funds are similar to projects, in that they provide line ministries with direct access to funding. Their degrees of alignment to financial reporting, auditing and procurement systems also vary.

7.17. At the beginning of the evaluation period, donors – while well aware of the issue of public financial mismanagement in sectors such as health – saw the move to SWAp as an opportunity to monitor more closely the state of public finances in these sectors. For example, in 2001, Sweden affirms that “*working with the framework of a SWAp means that Sweden and other contributing CPs have an overview of all resources including GRZ to the health sector. This implies that Sweden may be more aware of mismanagement of funds and corruption than would otherwise be the case*”.<sup>125</sup> Contrary to PRBS, donor support in SWAps (outside Sweden) does not come with a requirement for an independent FRA.

7.18. Since the health scandal, CPs in Zambia have become increasingly concerned about the way their money is being used by government ministries in sector programmes. These concerns are not specific to the health sector, but also expand to other sectors, including the governance sector – where concerns are made worse by the lack of progress in public sector reforms.<sup>126</sup>

7.19. A significant amount of donor money<sup>127</sup> is allocated to workshops, training and seminars: the health scam in 2009 has shown that such a spending category is prone to corruption, the scam in large part consisting of per diem money being paid for seminars and workshops that never took place.

7.20. The MTR of the PSM component also raises issues over the use of money going towards consultancy, describing weaknesses in the current procurement process, including political interference, as well as the overall poor quality of consultancy services.<sup>128</sup>

7.21. The link between corrupt practices and the system of allowances in Zambia is well known. GRZ describes some allowances as “*obscure and benefiting a handful of staff*”;<sup>129</sup> the Consolidation of allowances with base salaries being part of the pay reforms. CPs talk of ‘a silent killer’ in the public sector (including health). Yet public statements, both by CPs and GRZ, forbidding the use of sitting allowances have not worked, calling for new avenues.

7.22. The risk of misuse of donor money is also deemed high for bilateral projects. In 2008, Sweden started compiling mismanagement/corruption reports for all projects, as summarised in Table 7.3. This table, combined with other examples of corruption mentioned during interviews with commissioning CPs, shows that although bilateral projects involve a smaller spend, the risk of misuse of donor money can be just as high, whether the money goes towards strategic plans or (less frequently) is tied to specific activities.

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<sup>125</sup> Sector Programme Support to the Zambia Health Sector 2002-05. Assessment Memorandum.

<sup>126</sup> Recent statistics produced by the PSMP Accounts Office show that out of a budget totalling US\$7.4 million: US\$2.5 million was spent on consultancy services/technical assistance; US\$1.9 million on trainings, seminars and workshops; US\$0.9 million on equipment, software and furniture; and US\$0.9 million on operating costs (mostly covered by the government). Details shared by the PSM Division with our consultant, but with no date.

<sup>127</sup> Typically, donor money in support of public sector reforms has typically gone towards short-term and long-term assistance to support systems development, revision of policies, production of manuals and on the job training for end-users.

<sup>128</sup> See Box 2.1: *Weaknesses and risks in the current procurement process*. (p. 12).

<sup>129</sup> PSM Component, August 2005 (p. 18).

**Table 7.3: Corruption in supported programmes (2001-07)**

Programme	Nature of Corruption	Period
Oasis Forum	project accountant embezzled funds using counterfeit cheques	2001-07
Foundation for Democratic Process (FODEP)	financial malpractices involving the National Executive Committee of FODEP. No Swedish funds were involved in the corruption case. Support was provided by Sweden to strengthen the organisation's governance and capacity to effectively and efficiently implement their programme. The support was concluded following the fulfilment of all agreement conditions	2003-07
Chaisa Ubarn Development Project (Implemented by CARE International)	theft of US\$21,000 by a sub-contractor	2004-07
Zambia Initiative Programme	theft of ZMK 97 million	2002-07
PRIDE Zambia (Private Sector Development)	corruption allegations regarding the Chief Executive Officer and three staff. Loan facility, was not affected by the corruption allegations though the repayment capacity of PRIDE was damaged by this.	2007
Support to Planned Parenthood Association of Zambia through an Institutional Collaboration with Kvinnoforum	suspicion of double financing of Kvinnoforum. An audit was ordered by the Embassy of Sweden and Forum Syd, the other financier of the programme, to investigate this. The report showed that there was no evidence of double financing.	2004-06

Source: Report on Corruption in Sida's Development Cooperation with Zambia, 2008.

7.23. Paradoxically perhaps, given the larger sums involved, PRBS CPs have been less directly exposed to the risk of specific cases of corruption. The fungibility of PRBS – which is fully aligned to the country's PFM systems – means that there is no way of tracing public fund mismanagement back to donor funding. This explains why DFID, by moving from basket funding to general budget support, has not been directly exposed to the health corruption scandal although it is concerned by it as a responsible donor.

7.24. In the PRBS Dialogue (25 November 2009) it was indeed stated that:

*It must be stressed that the most regrettable case in the health sector as well as other concerns in high spending sectors have dented the reputation of Zambia as a country committed to the fight against corruption, and eroded our confidence in the systems. Understandably, our constituencies back home have been questioning our budget support to Zambia. Given these concerns systems improvement is crucial to ensure more efficient and effective use of public resources aimed at pro-poor service delivery and development of the whole country.*

7.25. Concerning PRBS, donors have relied on independent (yet occasional) Public Expenditure and Financial Expenditure (PEFA) reviews to assess fiduciary risk in the country. Sweden and DFID produce their own FRA, mostly using PEFA indicators and highlighting direction of changes in PFM reforms. Furthermore, all DFID country offices have been required to include a specific assessment of corruption risk in their overall FRA since 2009.<sup>130</sup> A joint FRA for 2010 for Zambia concludes that the fiduciary risk in the country is *substantial* (from *high* in the first half in the evaluation period), while the risk of corruption is *high*. It is worth noting, however, that DFID FRAs do not assess the extent to which corruption may translate into state misuse of budget support.

### Use of safeguard measures

7.26. The evaluation finds that donors knew that the levels of fiduciary risk in the country were high, but put too much faith in the existing safeguard mechanisms. Donors' main tools to minimise the risk of corruption of aid money entail contractual arrangements with the beneficiaries; monitoring through financial and non-financial reporting and auditing; and identification of complementary interventions to reduce the level of fiduciary risk.

7.27. All commissioning CPs set financial reporting and auditing requirements in the MOU signed with the implementing agencies and/or beneficiaries. These requirements change on a case-by-case basis and vary with the type of aid delivery mechanisms. As they switched to programme-based approaches, the commissioning CPs came increasingly to rely on the country's own reporting and auditing procedures to monitor their programmes. This trend was encouraged by CPs' increased confidence in the pace of PFM reforms and the capacity of OAG to produce good quality and credible reports. The health scandal has prompted donors to reduce their alignment to the country's reporting systems, with additional audit requirements likely to persist until they regain confidence in the quality of the country's financial reporting systems at sector level. Some CPs, notably DFID, have also started asking for separate reports to safeguard the use of their own funds (see Chapter 6).

7.28. Table 7.4 summarises the reporting and auditing procedures required for PRBS and SWAps.

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<sup>130</sup> DFID. March 2009. *Managing fiduciary risk when providing Financial Aid*. How to Note.

**Table 7.4: Cooperating partners' reporting and auditing requirements**

<b>PRBS</b>	<p>PRBS reporting and auditing requirements as set out in the PRBS MoU are as follows:</p> <ol style="list-style-type: none"> <li>1. Annual PAF performance report to be submitted at least 2 weeks before June PRBS review</li> <li>2. GRZ Annual Financial Report (Blue Book) submitted to National Assembly (within 9 months as set out in the Constitution)</li> <li>3. Annual Progress Report on FNDP (within 2 weeks of PRBS review)</li> <li>4. Annual OAG Report on GRZ Annual Financial Report submitted to Parliament (within 12 months)</li> <li>5. Annual flow of funds audit for PRBS</li> </ol> <p>In addition, underlying principles agreed in the joint MOU between PRBS CPs and GRZ were as followed:</p> <ul style="list-style-type: none"> <li>• GRZ's commitment to peace, democratic principles, the rule of law, good governance and integrity in public life, including the fight against corruption</li> <li>• GRZ's commitment to PFM reforms</li> <li>• GRZ's commitment to pursuing sound macro-economic policies, as evidenced by a positive International Monetary Fund assessment of overall macro-economic performance</li> <li>• GRZ's commitment to poverty reduction is an important part of PRBS and the MOU.</li> </ul>
<b>SWAp</b>	<p>CPs do not always agree to use the same government's reporting and auditing procedures when joining a SWAp. For example vertical funding requires their own reporting and auditing reports. CPs have nonetheless tried to harmonise their demands where they could. Basket funding mechanisms for PEMFA and the PSM Component of the PSRP share similar reporting requirements, including quarterly and annual reports (narrative); quarterly financial reports; and annual audits (Annual Audited Statements and Management letter). Most MOUs also allow CPs occasionally to ask for additional audit reports. For example, in 2006, CPs funded a quality of expenditure audit for PEMFA.</p>

7.29. Looking at complementary interventions, CPs remain committed to strengthening the country's PFM system – which, alongside the Underlying Principles and PAFs, is a main mitigation instrument for PRBS. Similarly, SWAp support typically entails specific actions to strengthen systems and governance within a particular sector. In this sense, slower than expected progress on strengthening PFM across the government, has had a negative impact on the effectiveness of donor risk mitigation strategy.

7.30. It is also instructive to show that Sweden under the leadership of Swedish government took a more cautious stance towards fiduciary risk in the country from 2006, introducing the following safeguard measures to protect themselves against the risk of misuse of their own money:

- the introduction of new audit rules, requiring audit reports to be carried out for all projects (except the UN) on an annual basis rather than just at the end of the projects

- the introduction of pre-award audits for all projects and partners (including ministries) as a pre-condition before starting a new project.<sup>131</sup> These pre-audits, which are carried out under a framework agreement with an independent audit firm, seek to identify weaknesses in the management set-up and systems of the organisation, looking at financial, procurement and human resources management. These pre-audits are then used to identify and introduce specific capacity building measures as part of their programme of support, which are then followed on a yearly basis through project health checks.
- training staff on corruption issues across the whole Embassy and increasing the controller function of the Embassy with three new recruits.

7.31. Sweden also requested independent verification mechanisms to monitor the Governance Action Plan in the health sector.

### **Donor response to cases of corruption**

7.32. The evaluation finds that commissioning CPs have been highly responsive to corruption cases involving the use of their own funds. Allegations of corruption has prompted them to freeze disbursements and engage in negotiation with the beneficiary partner, during which further investigation is carried out and the conditions for the resumption of their funding are agreed. The conditions for the resumption of their assistance typically, but not always, entail the recovery of the misappropriated funds and remedial measures to strengthen beneficiaries' systems. It is worth noting that all commissioning CPs have stopped short of reporting cases of irregularities to the ACC or police for legal prosecution.

7.33. The same response mechanism broadly applies to bilateral and joint donor funding. Box 7.1 gives an example of Norway's response to corruption in the Zambia Wildlife Authority (ZAWA).

#### **Box 7.1: Norway's response and the case of Zambia Wildlife Authority**

A good example of how Norway's zero-tolerance to AC works in practice is Norway's support to the ZAWA. Funding stopped as a result of misappropriation linked to procurement irregularities in the case of road construction. This instance of misappropriation of funds came at a stage where donor support was being phased out. Norway's response to this case of misappropriation involved:

- withdrawing money while maintaining dialogue, with the direct involvement of the Ambassador and the Ministry Counsellor Head of Cooperation, who met with the head of ZAWA
- commissioning an audit report from a private audit firm, and supporting it with extra resources leading to a joint audit team (external and OAG staff).

This process took time. It took 6-9 months to put together the forensic evidence and up to 18 months for the funds to be recovered. Although Norway did not specifically ask for a change in board, this happened eventually. The funds have now been recovered.

131. Pre-award assessments recently carried out have included the Pre-award Assessment, of Ministry of Agriculture and Cooperatives, Republic of Zambia, Final Report, in 2009.

7.34. CPs in Zambia have also successfully coordinated their response to allegations of fund misappropriation in the health and road sectors. In response to the health scandal, Sweden and the Netherlands promptly froze their assistance and started negotiation with the MoH. By the time of our country visit, Denmark<sup>132</sup> (with EC) had also suspended funding to the Road Development Agency following allegations of fraud in 2009.<sup>133</sup> A financial, technical and procurement audit was being completed by the OAG at the time of the country visit.<sup>134</sup>

## Conclusion

7.35. In conclusion, donors have effectively used and coordinated their various platforms to discuss AC with GRZ. Relationships between CPs and GRZ became tense during 2009, but the situation has now improved and GRZ had made good progress in dealing with the various governance action plans negotiated with CPs. The ongoing investigation in the road sector also show that more cases of corruption involving donor money are likely to emerge in the future. Lessons have been learned from the health scandal, and corruption issues have moved up the PRBS agenda.

7.36. Donor commitment to the Paris Declaration principles of coordination, dialogue and alignment, have also brought up new challenges in donors' internal ways of assessing, preventing and responding to corruption in Zambia:

7.37. **Coordination and dialogue:** Under a Swedish initiative, the AC Group has started discussion on drafting a joint code of conduct on AC in line with the Development Assistance Committee (DAC) Principles,<sup>135</sup> and drawing from the health scandal experience. The health corruption scandal illustrates the risk that, in the absence of a graduated approach to corruption, donors may be seen as by-passing domestic accountability processes and causing harm to the country by freezing essential funds. In their dealing with the health corruption scandal, CPs were also criticised for only taking actions when donor money is misused.

7.38. The 2009 PRBS case study shows that donors are likely to face some tension between, on one hand, managing spending expectations at home and on the other, addressing corruption issues in the partner country in a way which is both credible, harmless to the population, and coordinated amongst donors.

7.39. **Alignment to country systems:** The health corruption scandal has confirmed the need for a more cautious and thorough approach to identifying and addressing weaknesses in the country's financial reporting systems at sector level; donors also need to appreciate better what those weaknesses mean with regard to the risk of misuse of their own money.

7.40. Further recommendations are given in Chapter 10.

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132 Denmark had previously planned to be more fully aligned with GRZ procedures and policies (as is the EU) in the second phase of its road sector programme support. Actual disbursements through the national systems had been approximately 10% under the first phase.

133 Discovery by the World Bank of a US\$1.5 billion over-commitment.

134 The OAG forensic report was presented before PAC in April 2010.

135 DAC Principles for a Code of Conduct on Joint Response to Corruption



## 8. Conclusion

8.1. In conclusion, donors will only be in a position to claim substantial progress when their efforts to strengthen the country's institutions and systems begin to translate into increased domestic accountability, and with it entice behavioural changes or a cultural shift.

8.2. Although the population has become more aware of the issue of corruption, they have yet to feel empowered (and given the tools) to fight it back. According to BPI 2007, when asked for bribe by officials, 51% of respondents keep quiet, 23% negotiate the bribe down, while less than 5% report it to the ACC, an NGO and other law agencies. Elsewhere, OAG and PAC recommendations are still largely being ignored by the executive, indicating strong reluctance by line ministries to take remedial actions and strengthen their PFM systems.

8.3. Donor AC efforts in Zambia over the evaluation period nonetheless provide a unique insight in ways of preventing and fighting corruption at service delivery; in public finance mismanagement; and at a global level. Isolated areas of success clearly point to partnership working being key to the fight against corruption. Examples include partnership working between ACC and OAG in the health sector scandal; ACC and CSOs in prevention activities; CSOs and media in disseminating new findings; and, ACC, DPP and the Drugs Enforcement Agency as represented in TFC. This main finding goes against donor current practices, which tend to work with institutions in silo from design to implementation.

8.4. This evaluation also confirms that even when forthcoming donor AC programmes are accounted for, there are areas or sectors overlooked by donors. These include the role of the judiciary in the fight against corruption; the need to address petty corruption issues, especially within the police; and the importance of sanction (and to a lesser extent monitoring mechanisms) within public administration.

8.5. Interviews with government and CSO counterparts also indicate that donors are still perceived as not being as transparent and neutral as they should be in their support to AC in the country. More specifically, donors have been criticised for being too close to former President Mwanawasa, as well as to a large extent, ignore the role of foreign businesses in fuelling corruption. The 2008 change in government, recently launched EITI and pilot Construction Sector Transparency Initiative<sup>136</sup> may help donors to thwart these criticisms.

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136 Construction Sector Transparency Initiative, Zambia stakeholder page. Retrieved 5 May 2011 from [www.constructiontransparency.org/CountriesSupporters/Countries/Zambia/](http://www.constructiontransparency.org/CountriesSupporters/Countries/Zambia/)

8.6. Finally, this evaluation also illustrates the new challenges – and opportunities – that donors have encountered in their committing to the Paris Declaration principles, and with it, their move to a programme-based approach. It shows that donors have effectively used and coordinated various platforms for dialogue to discuss specific AC issues with GRZ. It also shows that donors have started tightening their safeguard mechanisms, because of concerns over the quality of the government's financial reporting and auditing system which they increasingly came to rely upon.

8.7. Key lessons and recommendations are given in Chapter 9 and 10.

## 9. Lessons

9.1. In line with the terms of reference, this evaluation has identified key lessons produced by government, donors and civil society in previous evaluation documents and during the CSO workshop. This evaluation finds these lessons are all valid and that many have yet to be integrated into programme design and ways of working. The full list is given in Annex 9.

9.2. The following sections capture key lessons in relation to the relevance and effectiveness of donor interventions and their ways of working in the Zambia context.

### Relevance and effectiveness of donor interventions

9.3. **Lesson 1:** Donor AC efforts have required significantly higher-than-planned investments, both in cost and in time. The need for a long-term view and realistic expectations, while acknowledged by donors, has not yet been integrated into their programme design. DFID's ACT programme, for example, remains highly ambitious. More realistic expectations should start by taking on board the country's own geographical and human resources constraints, which means that AC actions should be better sequenced and prioritised.

9.4. **Lesson 2:** Reasons for the relative failure of public sector (including private sector development) reform programmes can be traced back to incentive issues. Many, such as the purchasing of positions in the public sector (Figure 3.1); collusion between private companies and government officials (Box 3.1); and the misuse of per diem in the health sector (Box 6.1), were identified as key features of the state of corruption in Zambia. A main lesson is that a more thorough diagnosis of corruption issues could have helped donors to strengthen both their programme design and risk analysis.

9.5. **Lesson 3:** As well as confirming the need for inter-agency partnership working, donor support for TFC also shows that establishing a clear and transparent mandate from the outset can help provide the right signals in the fight against grand corruption.

9.6. **Lesson 4:** Coalition building and partnership have been identified as essential ingredients for success. Partnerships worked between AC agencies within TFC; ACC's partnership with CSOs and media explains successful AC activities; OAG's partnership with the Supreme Audit Institution of Norway was seen as highly effective; whereas the lack of negotiation with trade unions in civil service reforms or

lack of credible representation of small and medium sized enterprises in private sector reforms were identified as main reasons for failure.

9.7. Promoting a genuine participation from key partners, notably CSOs, media, trade unions, and private sector associations, will therefore remain part of the solution – many of whom have yet to be supported fully by donors – through dialogue and access to funding. Whereas previous lessons from donors point towards the need to look beyond the ACC and strengthen the role of civil society, media and parliament, this evaluation goes further, by prompting donors to stop working with AC agencies and actors in silo and instead to encourage coalition building and partnership between them.

**Lesson 5:** Targeting a specific agency or sector at service delivery level is likely to be more effective in the fight against corruption as it specifically focuses on well-defined forms of corruption while allowing for a multi-stakeholder approach involving beneficiaries. Indeed, a similar lesson from the government (NGBS, 2004) is that lower levels of administrative corruption are associated with the availability of mechanisms for citizens to express their opinions.

**Lesson 6:** Strengthening/streamlining systems will reduce the opportunity for corruption, if external and internal oversight and reporting mechanisms are firmly in place. For example, Chapter 6 on fighting corruption in the health sector indicates that a conducive environment for whistleblowing (by individuals or media) is often a necessary condition for detecting rent-seeking and corrupt practices. It also shows that strengthening internal audit mechanisms should receive more attention. This is in line with NGBS, which indicates that the existence of appropriate audit mechanism (internal and external) is related to lower levels of corruption,

**Lesson 7:** Although examples are far and few between, our analysis also points towards the need for well-established sanction mechanisms; as mentioned in NGBS, better enforcement of rules is related to lower levels of corruption in personnel.

### Donor ways of working

**Lesson 8:** AC efforts by CSOs start with enhancing their own internal governance systems and effectively complying with their own regulations, often upon donor request. This makes capacity building support to strengthening governance and financial management within CSOs – a major strand of the Zambia Governance Fund – highly appropriate. CPs' move to support domestic financial accountability processes – from OAG to parliamentary committees – has also proved an essential first step to increase transparency in the way both government and donor money is used.

**Lesson 9:** Donor money cannot buy reforms. Recent scandals and poor programme performance combined show that, as well as being prone to corruption, some workshops, training and seminars are poor value for money.<sup>137</sup>

**Lesson 10:** The risk of aid misuse remains high and in equal proportion to the level of donor funding, whatever the choice of aid delivery mechanisms and partners may be. What varies significantly is donors' ability to prevent it and detect it:

- Project support has allowed closer donor monitoring and scrutiny, with capacity building and regular (rather than end-of-project) auditing remaining the most effective risk mitigation strategies.
- Donors approach to Paris Declaration principles, whereby full reliance on the government's financial reporting and auditing systems characterised their move to basket funding, has proved over-ambitious. Additional reporting requirements (for example using external audit) seems required to ensure effective donor scrutiny over the use of aid money.
- While well aware of the high fiduciary risk in some sectors, notably road and health, donors have likewise put too much faith in their support to PFM reforms as an effective risk mitigation strategy.
- Paradoxically, given the large sums involved, donors are less directly exposed to the risk of aid misuse when providing PRBS because of the latter's fungibility.
- Aid misuse cannot be traced back to donor PRBS, because of the latter's fungibility, but the reputational risk remains high.

**Lesson 11:** Managing expectations from HQs is key to ensuring that CPs can successfully coordinate their response to corruption in a way that reflects ongoing negotiations in the country. As strengthening PFM systems at sector level takes longer than expected, donors can decide to :

- align gradually to the country's reporting system until they become more confident in the MoH PFM and the national auditing process in Zambia
- tailor their support to PFM reforms in line ministries (using assessment tools, such as those used by Sweden), while continuing their support to OAG and PAC
- continue to use a mix of basket funds and project support as a way both to mitigate risk and ensure a visibility of results.

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<sup>137</sup> GRZ officials noted during interviews that capacity building provided by CPs through training, seminars and workshops were mostly ad hoc and sometimes irrelevant to their needs. Furthermore, the availability and quality of training for civil servants has reduced significantly over the years, prompting DFID to work with the National Institute of Public Administration on revamping the curricula.

## 10. Recommendations

10.1. This evaluation identifies eight top recommendations, for which opportunities, implications and trade-offs are discussed, and which we think all four donors could take on board collectively or individually in the near future.

### Relevance and effectiveness of donor interventions

10.2. All donor interventions need to be based on a thorough and comprehensive analysis of corruption and have AC explicit in their design. Four practical recommendations ensue:

10.3. **Recommendation 1:** Donors need to sharpen, and regularly update, their analysis on sector corruption and its impact on poor people (including women) to inform their spend and non-spend interventions.

10.4. This will come with a cost implication as donors clearly need to invest more in-house, dedicated, resources to strengthen their understanding of all forms of corruption in Zambia and how those relate to their poverty reduction mandate.

10.5. However, the AC Group could be used as an opportunity for donors to focus on their respective sectors of intervention, and in so doing, share their analysis. The use of primary data generated locally by CSOs, starting with TI-Z, could also be made more effective.

10.6. **Recommendation 2:** As they sharpen their appreciation of all forms of corruption in the country, donors should be encouraged to become more thorough, bolder and systematic in the way they prioritise and sequence their AC actions in a resource-scarce country like Zambia. Similarly, they could further encourage and support the ACC and CSOs in prioritising actions on the basis of existing and forthcoming diagnosis. Identifying where corruption is perceived as the highest as well as the most intolerable is key: fighting corruption in the police, for example, could be seen as a priority.

10.7. **Recommendation 3:** Donors need to go beyond identifying the lack of political will as a main risk to their governance programmes, and instead seek to identify how all causes, drivers and forms of corruption (including petty, political and administrative) may reinforce the status quo and/or explain slow progress.

10.8. At a practical level, this means that all forms of public sector corruption, as identified in NGBS and forthcoming governance survey, should be discussed with GRZ counterparts and be incorporated into the programme design. For example, donors, under UNDP leadership, could make the issue of party funding and political corruption more explicit in their analysis, discussion, and support to the forthcoming 2011 national elections.<sup>138</sup>

10.9. **Recommendation 4:** As the Public Sector Reform Programme draws to a close, DFID, with Sweden and the World Bank, should take the lead in designing an integrated approach to fighting corruption and promoting good governance within the public sector. This will imply linking system strengthening with preventive, detection and sanction administrative AC actions, from service delivery charters to internal auditing, external oversight and disciplinary actions. A similar approach should be encouraged in their support to all state agencies.

10.10. **Recommendation 5:** Donors should seek to kick-start projects, or add project components, that aim at building essential partnerships between key actors with a role to play in AC, including the private sector. This will imply that all parties concerned are involved at design stage; that they mutually benefit from the partnership; and are mutually accountable to its success.

10.11. This approach could be further encouraged as part of DFID's ACT programme (focusing initially on partnerships between ACC, police and OAG, as envisaged in the project MOU); in Norway's support to FIU; and in Danida's support for the Ombudsman. Essential partnership alongside the financial/public service delivery accountability chains – linking for example OAG to Parliamentary Committee; and state agencies to end users (in particular rural and membership-based representation) – could receive special emphasis.

10.12. Other forms of partnership that donors could encourage include:

- Partnership linking government departments and/or state agencies with the private sector, starting with international initiatives, notably MeTA and the EITI, which some donor HQs already support. Customer/service delivery charters, which both lay out service standards as well as what is expected from customers, could be used to promote such partnerships elsewhere.
- Another partnership of significance to Zambia is that between trade unions and GRZ over pay reforms; donors could support the negotiation process.
- Twinning arrangements between the host country's and donor country's institutions, including national audit offices, lawyers associations, and communications or M&E experts.

### Donor ways of working

10.13. **Recommendation 6:** Donors should as a priority help the country to develop a robust and effective baseline on AC and refrain from encouraging a proliferation of indicators that the country's weak M&E capacity cannot absorb.

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<sup>138</sup> Presently, the NACP does not address the issue of political corruption in Zambia, notwithstanding the alleged links with grand corruption cases as well as high cost of elections.

10.14. Donors will need to strengthen the country's weak M&E capacity in a more coordinated manner. Given the country's capacity constraint, they also need to lower their expectations in the role that key institutions (ACC, Governance Unit and CSOs) can play in carrying out effective monitoring.

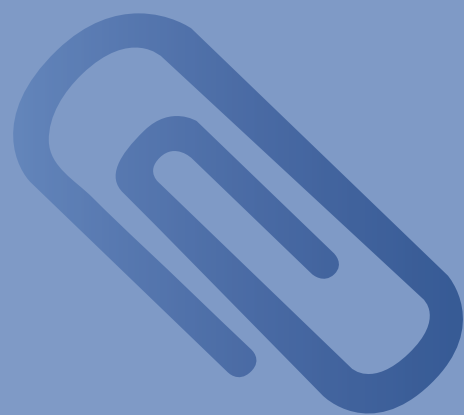
10.15. **Recommendation 7:** Donors need to be more watchful of the risk of the 'lowest common denominator syndrome' – whereby donors that are bound by a political decision to stay in a particular sector could show leniency in their demand for actual reforms.

10.16. In practice, this means that they should agree to a course of actions, should GRZ fail to implement the agreed action plans and push through essential reforms. It is also important that donors work towards a more balanced dialogue with state and non-state actors, the latter playing a significant role as gate-keepers. This means combining policy support with grassroots support for oversight AC mechanisms.

10.17. **Recommendation 8:** As donors coordinate their response to specific corruption cases in social and economic sectors, they should seek to (1) identify and announce alternative channels of funding (such as through NGOs) at the same time as they decide to freeze their assistance to governments; (2) withhold funds but refrain from starting negotiations with governments until the OAG reports confirm the allegations and submit its recommendations to parliament; and (3) have a clear communications strategy, seizing the opportunity to insist that both the host country's taxpayers money and donor money are being misused. (2) and (3) have already been taken on board in donor responses to corruption in the road sector.



# Annexes





## ANNEX 1: Definitions, data & survey instruments

### Definitions

Working definitions used in this evaluation:

- Corruption – *“the abuse of entrusted authority for illicit gain”*.
- Our understanding of corruption versus governance is that an act of corruption is intrinsically linked to a specific transaction between two (or more) parties.
- By contrast, governance can be defined as *“The traditions and institutions by which authority in a country is exercised”*.

## Joint External Anti-Corruption Evaluation Framework

**a) Relevance: Are the approaches employed by the five donors to address corruption (including its negative effects on poor people and women in particular) appropriate to country circumstances, and how could they be made more relevant?**

Revised questions	ToR questions	Evidence/ indicators	Sources of data	Data collection tools
1. Are approaches responsive to country circumstances?				
a) Was a state of corruption and political economy mapping and analysis done prior to AC interventions, and if so, what was the quality of this work? Were entry points and major obstacles clearly identified? Were gender and poverty taken into account?	2	Clear references to analysis in programme design documents	Donor programme and project documents	Performance assessment questions 1.2; 1.3
b) How far did donors use national strategies as well as analytical work carried out by non-state actors to support their choice of AC specific interventions? Were their AC-specific interventions designed in discussion with the government and non-state actors?	3	Clear references to analysis in programme design documents	Donor programme and project documents	Performance assessment questions 1.4; 1.5
c) Did donor approach to address corruption in the country change over the evaluation period? And did this match changes in the country context?	1	Changes in approach identified from timeline analysis	Donor policy documents Interviews with donor policy-makers and planners	Country context and donor policy timelines
d) Was the UN Convention Against Corruption used and promoted as a binding legal and political international commitment to further good governance?	5	Reference to UNCAC and structuring of interventions in line with UNCAC articles	Donor policy documents Interviews with donor policy-makers and planners	Donor interview questions
2. How coherent are donor approaches?				
a) Have donors been coherent and complementary in their choice of AC interventions? Are there any gaps in terms of funding? Was sufficient attention given to platforms for donor coordination and dialogue with government and non-state actors?	4	Gaps/overlaps between context analysis and areas of donor support	Donor programme and project documents Interviews with donor planners Interviews with state and non-state actors	Donor mapping Interview questions
b) How far do donors assess the risk of misuse of donor money across their entire programme? How far did they follow a zero-tolerance policy to corruption?	2	Documented analysis	Donor programme and project documents Interviews with donor policy-makers and planners	Performance assessment question 1.8

Revised questions	ToR questions	Evidence/ indicators	Sources of data	Data collection tools
3. Are approaches responsive to implementation experience?				
a) To what extent did donors monitor and evaluate the performance in their AC interventions? What was the quality of the indicators used? Were they in line with national indicators? Were gender and poverty taken into account?	7	Existence of review, monitoring and evaluation documents with appropriate indicator quality and coverage	Donor programme and project documents Interviews with donor policy-makers and planners	Performance assessment questions 2.1-2.5
b) Have there been changes in the donors' AC agenda, implementation, and result monitoring as a result of observed problems (or success) in the implementation of existing activities?	8	Changes to donor programme composition and content	Donor programme and project documents Interviews with donor policy-makers and planners	Performance assessment question 2.6 Donor interview questions

**b) Effectiveness: How effective have donor interventions been in addressing different types of corruption, including forms of corruption affecting poor people and women in particular?**

Revised questions	ToR questions	Evidence/ indicators	Sources of data	Data collection tools
4. How effective have donor interventions been?				
a) ... in fostering institutional monitoring and evaluation mechanisms to fight corruption? (parliament, civil society, etc)?	11	Demonstrably functioning institutional systems that are being utilised	Donor programme and project monitoring and evaluation documents Interviews with donor advisors Interviews with state and non-state actors	Performance assessment questions 3.1-3.7 Interview questions Focus group discussions Intervention logic analysis
b) ... in fostering a culture of openness and supporting progress in the area of transparency, ethics, and public reporting?	9, 10	Examples of increasing open, transparent processes and information	Donor programme and project monitoring and evaluation documents Interviews with donor advisors Interviews with state and non-state actors	Performance assessment questions 3.1-3.7 Interview questions Focus group discussions Intervention logic analysis

Revised questions	ToR questions	Evidence/ indicators	Sources of data	Data collection tools
c) ... in dealing with the forms of corruption affecting poor people and women in particular?	-	Findings from evaluations Perceptions of stakeholders	Donor programme and project monitoring and evaluation documents Interviews with donor advisors Interviews with state and non-state actors	Performance assessment questions 3.1-3.7 Interview questions Focus group discussions
5. Within donor organizations, how extensive and effective are preventive measures, such as financial management and control of programmes? What is the burden on country systems?	13	Internal audit findings Perceptions of state actors	Donor audit reports Interviews with state actors	Document review Interview questions Focus group discussions
6. How effective is dialogue as a tool for coordinated donor response in monitoring and fighting corruption? Have stated intentions with regard to anti-corruption been matched by follow through on implementation, and have intended results achieved?	9, 14, 15	Findings from evaluations Perceptions of stakeholders	Donor programme and project monitoring and evaluation documents Interviews with donor advisors Interviews with state and non-state actors	Interview questions
7. To what extent are donor actions in line with the current international agreements with regard to harmonisation of aid and the OECD/ DAC Principles for donor action on anti-corruption?	17	Degree of alignment	Donor programme documents	Document review
<b>Lessons Learned</b>				
8. What do the donors see as the main lessons learned after years of anti-corruption support?	Lessons Learned 1		Interviews with donors	Interview questionnaire
9. What do the national authorities see as the main lessons learned after years of receiving donor support to reduce corruption?	Lessons Learned 2		Interviews with national authorities	Interview questionnaire
10. What do non-state actors including groups representing the poor and women, consider as main lessons for future work to address corruption?	Lessons Learned 3		Interviews with non-state actors	Interview questionnaire
11. What are the main lessons for future work in corruption?	Lessons Learned 4-7		Analysis by evaluation team	Focus group discussions

	<b>Revised questions</b>	<b>ToR questions</b>	<b>Evidence/ indicators</b>	<b>Sources of data</b>	<b>Data collection tools</b>
12	What are the main areas of, and reasons for, success?	Lessons Learned	4-7	Analysis by evaluation team	Focus group discussions Appreciative enquiry
13	What are the main areas of, and reasons for, failure?	Lessons Learned	4-7	Analysis by evaluation team	Focus group discussions Appreciative enquiry

### Interview Topic Lists

<b>Donor</b>	<b>Implementor</b>	<b>Non-state actor</b>
1d. Was the UN Convention Against Corruption used and promoted as a binding legal and political international commitment to further good governance?		
2a. Have donors been coherent and complementary in their choice of AC interventions? Are there any gaps in terms of funding? Was sufficient attention given to platforms for donor coordination and dialogue with government and non-state actors?		2a. Have donors been coherent and complementary in their choice of AC interventions? Are there any gaps in terms of funding? Was sufficient attention given to platforms for donor coordination and dialogue with government and non-state actors?
3a. To what extent did donors monitor and evaluate the performance in their AC interventions? What was the quality of the indicators used? Were they in line with national indicators? Were gender and poverty taken into account?		
<i>Does the donor promote systematic studies (such as drivers of change, power analyses), information collection, dissemination, discussion on corruption issues?</i>		
3b. Have there been changes in the donors' AC agenda, implementation, and result monitoring as a result of observed problems (or success) in the implementation of existing activities?	3b. Have there been changes in the donors' AC agenda, implementation, and result monitoring as a result of observed problems (or success) in the implementation of existing activities?	

<b>Donor</b>	<b>Implementor</b>	<b>Non-state actor</b>
4. How effective have donor interventions been?	4. How effective have donor interventions been?	4. How effective have donor interventions been?
... in fostering institutional monitoring and evaluation mechanisms to fight corruption? (parliament, civil society, etc)?	... in fostering institutional monitoring and evaluation mechanisms to fight corruption? (parliament, civil society, etc)?	... in fostering institutional monitoring and evaluation mechanisms to fight corruption? (parliament, civil society, etc)?
... in fostering a culture of openness and supporting progress in the area of transparency, ethics, and public reporting?	... in fostering a culture of openness and supporting progress in the area of transparency, ethics, and public reporting?	... in fostering a culture of openness and supporting progress in the area of transparency, ethics, and public reporting?
... in dealing with the forms of corruption affecting poor people and women in particular?	... in dealing with the forms of corruption affecting poor people and women in particular?	... in dealing with the forms of corruption affecting poor people and women in particular?
5. Within donor organizations, how extensive and effective are preventive measures, such as financial management and control of programmes? What is the burden on country systems?	5. Within donor organizations, how extensive and effective are preventive measures, such as financial management and control of programmes? What is the burden on country systems?	
6. How effective is dialogue as a tool for coordinated donor response in monitoring and fighting corruption? Have stated intentions with regard to anti-corruption been matched by follow through on implementation, and have intended results achieved?		6. How effective is dialogue as a tool for coordinated donor response in monitoring and fighting corruption? Have stated intentions with regard to anti-corruption been matched by follow through on implementation, and have intended results achieved?
8. What do the donors see as the main lessons learned after years of anti-corruption support?	9. What do the national authorities see as the main lessons learned after years of receiving donor support to reduce corruption?	10. What do non-state actors including groups representing the poor and women, consider as main lessons for future work to address corruption?



## Joint External Anti-corruption Evaluation Programme Performance Assessment<sup>1</sup>

Project Title/Details
Donor
Documentation available

### Project/ programme purpose & design

1.1: Is the project/programme purpose clear and realistic for the resources available?	Yes	
<p><u>Purpose:</u> To determine whether the programme has a focused and well-defined mission. Determining this purpose is critical to determination of useful performance measures and targets.</p> <p><u>Elements of Yes:</u> A Yes answer needs to clearly explain and provide evidence of the following:</p> <ul style="list-style-type: none"> <li>• A clear and unambiguous objective that describes a behavioral or performance change among a target entity. Considerations can include whether the programme purpose can be stated succinctly.</li> </ul> <p><u>Elements of No:</u> A No answer would be appropriate if the programme has multiple conflicting purposes or if the purposes describe activities or the delivery of outputs.</p>		
<u>Statement of evidence and document reference to support the finding:</u>		

1.2: Does the programme address a specific and existing problem developed from situational analysis?	Yes	
1.3 Does the situational analysis take adequate account of corruption?		No
1.4 Does the situational analysis take adequate account of gender and poverty dynamics (including in relation to corruption)?		No
1.5 Were national strategies taken into account in the analysis?	Yes	
1.6 Was analysis by and interaction with non-state actors taken into account?		No
<u>Statement of evidence and document reference to support the findings:</u>		

<sup>1</sup> The proforma is developed from the approach used by the US Government for its Programme Assessment Rating Tool (PART)

1.7: Which UNCAC headings (and sub-headings) does the programme relate to?	Tick
<b>Prevention</b>	
a. Preventive AC policies and practices	
b. Preventive AC body or bodies	
c. Public sector	
d. Code of conduct for public officials	
e. Public procurement and PFM	
f. Public reporting	
g. Measures relating to the judiciary and prosecution services	
h. Private sector	
i. Participation of society	
j. Measures to prevent money-laundering	
<b>Criminalisation and law enforcement</b>	

1.8: Does the programme make the fight against corruption an explicit goal and/or purpose?		No
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Statement of evidence and document reference to support the finding:

1.8: Does the programme clearly identify links with broader governance reforms?	Yes	
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Statement of evidence and document reference to support the finding:

1.9: Does the programme identify the risk of misuse of donor money? (If 'Yes' What preventive measures are identified)		Not sufficiently?
--	--	-------------------

Statement of evidence and document reference to support the finding:

Danida confident that project strict reporting and auditing procedures will be enough – MoU signed between government and Denmark.  
 Project document concludes: Based on the previous good experiences of providing 'budget support' to TRA for implementation of the TAP, it is proposed that Denmark contributes to the proposed basket fund.

## Monitoring and management

### 2.1 List project goal and purpose indicators

Goal	Purpose

2.2: Does the programme have a limited number of specific performance indicators that focus on outcomes and reflect the purpose of the programme?

Yes

**Purpose:** To determine if the programme has long-term performance measures to guide programme management and budgeting and promote results and accountability. This question seeks to assess whether the programme measures are salient, meaningful, and capture the most important aspects of programme purpose and appropriate strategic goals.

**Elements of Yes:** A Yes answer needs to clearly explain and provide evidence of the following:

- The programme must have a few, easily understood long-term outcome measures that directly and meaningfully support the programme’s purpose. “Long-term” means a long period relative to the nature of the programme, perhaps 5-10 years, and consistent with time periods for strategic goals used in the donor’s strategy.
- The outcome measures should reflect objectives set in the country’s PRSP or equivalent national strategy.
- The performance measures should focus on outcomes, although in some cases output measures are permissible.

[Output measures only meet the standards of a Yes answer if the programme can produce sound justification for not adopting outcome measures. Whenever output measures are proposed, the programme must clearly show how such measures reflect progress toward desired outcomes. The justification for not adopting outcome measures and the explanation of how output measures show progress toward desired outcomes must be clearly presented in the explanation and/or evidence sections.]

**Elements of No:** A No must be given for long-term measures that do not directly and meaningfully relate to the programme’s purpose or are unnecessarily focused on outputs and lack adequate justification. A programme should not receive a No for having too many measures, if it has identified a few high-priority ones that represent important aspects of the programme.

**Statement of evidence and document reference to support the finding:**

2.3 Do the indicators include citizen's perceptions on governance and/or corruption?	Yes	
2.4. Do the indicators include progress indicators in the fight against corruption (number of audits, prosecution cases etc)?		To some extent
2.5 Are the performance indicators in line with national indicators and/or use national sources as means of verification?	Yes	
2.6: Do the indicators take gender and poverty adequately into account?		No
<u>Statement of evidence and document reference to support the findings:</u>		

2.7: Does the donor regularly collect timely and credible performance information, and use it to manage the programme and improve performance?	Yes	
<u>Statement of evidence and document reference to support the finding:</u>		

## Results & accountability

3.1: Is there a results-chain that is being monitored?	Yes	
<p><u>Purpose:</u> To determine whether the programme design has established a clear causal pathway that enables managers to take stock of progress towards long term goals</p> <p><u>Elements of Yes:</u> A Yes answer needs to clearly explain and provide evidence of each of the following:</p> <ul style="list-style-type: none"> <li>• A description of the intervention logic of the programme design with clear distinction between outputs and outcomes.</li> <li>• Awareness of the desired cause &amp; effect processes designed to lead to changes in behaviour.</li> <li>• A set of output and outcome performance measures that reflect the results chain</li> </ul>		
<u>Statement of evidence and document reference to support the finding:</u>		
From project doc:		

3.2: Has the programme demonstrated progress in achieving its outcomes?	Yes	
<u>Statement of evidence and document reference to support the finding:</u>		

<i>In relation to the fight against corruption, has there any evidence that the programme has contributed to ...</i>		
3.3... foster institutional monitoring and evaluation mechanisms to fight corruption? (parliament, civil society, etc)?		No
3.4 ... foster a culture of openness and supporting progress in the area of transparency, ethics, and public reporting?	Yes	
3.5 ... deal with the forms of corruption affecting poor people and women in particular?		No
<u>Statement of evidence and document reference to support the finding:</u>		

3.6: <i>Do independent evaluations indicate that the programme is effective and achieving results?</i>	Yes	No
<u>Statement of evidence and document reference to support the finding:</u>		
(check if independent evaluation was carried out)		

3.7: <i>What have been the results on the level or trends of corruption?</i>
<u>Statement of evidence and document reference to support the finding:</u>

## ANNEX 2: Terms of reference

### Joint External Anti-Corruption Evaluation

#### 1. Background

Corruption undermines democratic values and institutions, weakens efforts to promote gender equality, and hampers economic and social development. In recent years, donor agencies have increasingly made the fight against corruption part of their larger governance agenda.

The Asian Development Bank (ADB), the Danish International Development Assistance (Danida), the Swedish Agency for Development Evaluation (SADEV), the Swedish International Development Co-operation Agency (SIDA), the UK Department for International Development (DFID), and the Norwegian Agency for Development Co-operation (Norad) will undertake a joint evaluation of anti-corruption (AC) efforts. Norad, on behalf of the six agencies, seeks consultants to undertake the evaluation.

The evaluation will take place in 2009 and 2010, with case study fieldwork expected to take place in Vietnam, Bangladesh, Tanzania, Zambia, and Nicaragua.

In preparation for the evaluation, a pre-study was undertaken in 2008. It included a literature review<sup>1</sup> an outline of a possible analytical framework for the evaluation (the evaluation team is not restricted to use this approach), and a partial mapping of donor support<sup>2</sup>.

The donor mapping survey showed that each of the five<sup>3</sup> commissioning donor agencies supports efforts to improve overarching anti-corruption frameworks, including laws and specialised anti-corruption bodies. Agencies also provide considerable resources for public finance accountability, in particular general public financial management systems and ministries of finance, often in conjunction with budget or large-scale financial support. The survey showed less support for financial accountability at lower levels of government, while state accountability bodies like supreme audit institutions and in some cases also parliamentary oversight bodies receive some capacity development assistance.

The pre-study reveals that while much of the corruption takes place in connection with service delivery, there seem to be only limited donor support at this level.

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1 A published version, Anti-Corruption Approaches. A Literature Review, can be downloaded from [www.norad.no/evaluating](http://www.norad.no/evaluating)

2 The pre-study can be obtained from Norad.

3 SADEV is not a donor

There is little documented evidence of work to specifically address gender dimensions. The donors had different priorities when it comes to supporting non-state actors, though in the aggregate there was considerable aid to civil society actors and the media, but little to the private sector or political parties.

## **2. Rationale and Audience**

### *Rationale*

The commissioning donors have paid considerable attention to anti-corruption in their development cooperation in recent years. Levels of corruption remain high in many countries, however, and there is a wish to find out how support in this area can become more effective.

### *Audience*

The primary audience for the evaluation is the agencies commissioning the work. Secondary audiences include interested parties in the case countries (national authorities, civil society, others), other countries and donor organisations.

## **3. Purpose, Objectives and Scope**

### *Purpose of the evaluation*

The purpose is to obtain knowledge regarding the relevance and effectiveness of support to reduce corruption, both through specific anti-corruption efforts and in other programs – in order to identify lessons learned regarding what kind of donor support may work (for poor people and women in particular), what is less likely to work and what may harm national efforts against corruption.

### *Objectives*

The objectives are to obtain descriptive and analytic information related to actual results of the support provided by the five commissioning donors, both overall and for each of them in each of the selected countries, regarding:

1. corruption diagnostic work (highlighting, where relevant, information disaggregated by gender)
2. underlying theory, AC strategy and expected results of their support to reduce corruption
3. implementation of support to specific AC interventions and achieved results
4. other donor interventions or behaviour relevant for corruption and AC efforts, and achieved results in terms of corruption
5. extent of coherence of AC practice between specific AC activities and other programs, for individual donors
6. extent of coherence of AC practice within the donor group
7. the extent that gender and other forms of social exclusion have been taken into account in donor interventions

## Scope

The evaluation shall cover all major specific AC activities of the five donors in the selected countries, as well as a selection of other programs of the five donors of relevance to the reduction of corruption.

The other, not-AC specific programs should preferably be found within one single area or sector in a given country. If necessary to study substantial programs of all of the commissioning donors present in the country, programs may be drawn from different areas. Preferably, the overall selection in the five case countries should comprise different areas (e.g. infrastructure, extractive industries, social sectors and budget support).

The evaluation shall include the issues of gender, poverty and social exclusion when possible and relevant, both as to whether these issues are dealt with by the donor interventions and the results achieved.

The initial mapping of donor work should build on and extend the information made available by the pre-study mapping, producing a comprehensive overview of the five donors' AC engagement and other major programs in the selected countries. The main emphasis shall be on the period from 2002 to the present, but the previous period shall be included whenever necessary to answer the evaluation questions or understand later engagement.

The evaluators are not supposed to prepare an extensive analysis in terms of the political economy and corruption context of the case countries. The evaluation should, however, be made against the background of a thorough understanding of this context, and this should be evident in the reports.

## 4. Evaluation Criteria and Questions. Lessons Learned

The evaluation shall concentrate on the evaluation criteria of relevance<sup>4</sup> and effectiveness<sup>5</sup>.

Due to the complexity and learning purpose of the exercise, it has been deemed less relevant to focus on efficiency, concentrating instead on effectiveness, related to results at output and outcome level. An assessment of impact would require a substantial increase of time and resources and is also not included.

Although efficiency, impact and sustainability are not specifically addressed, the evaluators are expected to include limited assessments of these and other aspects that may emerge from the analyses of relevance and effectiveness or otherwise be deemed important.

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4 Definition of relevance: "The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies" (Glossary of Key Terms in Evaluation and Results Based Management, OECD/DAC).

5 Definition of effectiveness: "...an aggregate measure of (or judgement about) the merit or worth of an activity, i.e. the extent to which an intervention has attained, or is expected to attain, its major relevant objectives" (ibid.).



### *Relevance*

The questions should be answered descriptively and analytically for each donor in each case country. The extent of important commonalities and differences between the donors should be addressed.

#### General question:

Are the approaches employed by the five donors to address corruption (including its negative effects on poor people and women in particular) appropriate to country circumstances, and how could they be made more relevant?

#### Specific questions:

1. When did any increase in emphasis on anti-corruption efforts take place, and what were the reasons given for this change?
2. Was a state of corruption and political context mapping and analysis done prior to AC interventions, and, if so, what was the quality of this work? Were entry points and major obstacles clearly identified? Did the analysis consider possible corruptive effects of donor interventions? Were gender and poverty taken into account?
3. Did there exist venues for communication and discussion with government and non-state actors before defining the AC support programs?
4. What mechanisms have been in place for coordinating AC interventions among donors, with national authorities, and with non-state actors – at national and local levels?
5. Was the UN Convention Against Corruption, as a binding legal and political international commitment to further good governance, used and promoted?
6. What are the donor supported activities and interventions explicitly addressing corruption? Are these and other programs in agreement with prior analytic work and the priorities of national AC reforms?
7. To what extent have the donors evaluated the development of their AC approach? Has there been sufficient understanding of the nature and impact of corruption on different groups in society?
8. Have there been changes in the donors' AC agenda, implementation and results monitoring as a result of observed problems in the implementation of existing activities? Are previous analyses and approaches relevant against the current understanding of the country's corruption situation?

### *Effectiveness*

The questions should be answered descriptively and analytically, for each donor in each case country. The extent of important commonalities and differences between the donors should be addressed.

General question:

How effective have donor interventions been in addressing different types of corruption, including forms of corruption affecting poor people and women in particular?

Specific questions:

1. To what extent and how do donors promote open and transparent dialogue between governments, themselves, parliament and non-state actors to assess progress concerning anti-corruption measures?
2. To what extent and how do donors contribute to increasing the knowledge and understanding of corrupt practices, their forms, manifestations and dynamics, (including in service delivery), and are the findings widely disseminated to ensure public access to them?
3. To what extent and how do donors invest in fostering effective internal and non-state monitoring and evaluations of anti-corruption policies, e.g. from parliaments, universities and women's and civil society organisations? Does monitoring enable gendered forms of corruption to be captured and understood?
4. Do donor efforts contribute to strengthen the links between anti-corruption and governance reforms and the integration of specific anti-corruption components into core reforms?
5. Within donor organisations: what measures are taken (including risk identification and management) and what practices of financial management and control of programs are implemented to prevent corruption? To what extent have donors assessed the administrative burden for the recipient in this regard?
6. Have stated intentions with regards to anti-corruption been matched by follow-through on implementation, and have intended results been achieved?
7. What is the nature of diagnostic tools and donor reactions, individually and collectively, when partner governments do not live up to mutual agreements? What are the commonalities and differences between the donors in this regard?.
8. Do donors portray a contradiction between non-tolerance towards corruption and support to achieve development goals, or do they pursue a pragmatic middle ground?
9. Are the donor actions in line with the current international agreements with regard to harmonisation of aid and the OECD/DAC principles for donor action in anti-corruption?

#### *Lessons learned*

The evaluators should identify major lessons learned about increasing the relevance and effectiveness of donor support to anti-corruption efforts, including for improving the lives of poor people and women. Where applicable they should relate these to

individual or collective donor programs and partner countries. The following specific questions should be addressed:

1. What do the donors see as the main lessons learned after years of anti-corruption support?
2. What do the national authorities see as the main lessons learned after years of receiving donor support to reduce corruption?
3. What do non-state actors including groups representing the poor and women, consider as main lessons for future work to address corruption?
4. What does the evaluation team see as the reasons behind successful interventions?
5. What does the evaluation team see as the reasons for major disappointments?
6. Did disappointments happen after deliberately taking risks, because of poor planning and understanding, or because of changes in circumstances?
7. What can be learned from the positive and negative cases?

## **5. Methodology**

It will be part of the assignment to develop a methodological and conceptual framework to ensure objective, transparent, gender sensitive, evidence-based and impartial assessments as well as ensuring learning during the course of the evaluation. The following methods should, as a minimum, be considered:

1. Document analyses
2. Interviews of key stakeholders
3. Field visits to the five selected countries to complement and correct information, reaching out to public officials, non-state actors, donor representatives and others. The field-based evaluations may be done as one joint exercise between an international and a national team, or be divided into phases.

*Some guiding principles:*

1. Triangulate and validate information
2. Assess data quality (strengths and weaknesses of information sources).
3. Highlight data gaps.
4. Base assessments on factual findings and reliable and credible data and observations.

## **6. Organisation and requirements**

### *Evaluation Team*

The evaluation team is expected to consist of an international team plus national teams for each of the study countries.

The international team will consist of a minimum of four persons, and will report to Norad through the team leader. The team leader will be responsible for the contact with key national stakeholders and ensure that they are allowed to contribute and comment as appropriate. The team leader should meet these requirements:

- Substantial experience in the area of development cooperation.
- Proven successful team leading; preferably with multi-country teams in complex tasks on sensitive issues
- Advanced knowledge and experience in evaluation principles and standards in the context of international development.
- Experience in reviewing principles and standards related to work against corruption

The international team as a whole should have competence, expertise and experience in relation to the following areas:

- donor policies, modalities and aid delivery systems;
- public financial management
- survey and data analysis
- political economy, governance, work against corruption, anthropology, gender
- relevant regions, countries and cultural contexts.
- Languages: English. In addition, since part of the documentation will be in Danish, Norwegian or Swedish, at least one team member should be able to read Scandinavian languages.

Gender balance will be regarded as an asset of the team.

### *National Teams*

Each team should consist of not less than two persons, one of whom should be a senior person with experience and solid knowledge in the study subject. The joint team in each country (national and international) should be gender balanced.

The national teams are expected to contribute with compilation of an inventory of relevant studies, surveys and disaggregated data (if possible), participate in the field work and contribute, as agreed with the international team, to the analysis and drafting of reports.

### *Data collection*

Each evaluation team will be responsible for data-collection. Access to archives will be facilitated by the commissioning donors.

The evaluation team may consider using research assistants in data collection. Where relevant, gender specific data shall be collected and accounted for in the findings and analysis of the report.

### *Organisation*

The evaluation will be managed by a management group of the commissioning agencies, lead by Norad's Evaluation Department (Norad). An independent team of researchers or consultants will be assigned the evaluation according to the standard procurement procedures of Norad (including open international call for tenders). The team leader shall report to Norad on the team's progress, including any problems that may jeopardize the assignment. The team is entitled to consult widely with stakeholders pertinent to the assignment. All decisions concerning these ToR, the inception report, draft report and other reports are subject to approval by Norad on behalf of the management group.

The evaluation team shall take note of the comments from stakeholders. Where there are significantly diverging views between the evaluation team and stakeholders, this should be reflected in the report.

### *Budget*

The tender shall present a total budget with stipulated expenses for fees, travel, field work and other expenses. The evaluation is budgeted with a maximum of 150 consultant person weeks for the international team plus a maximum of 75 person weeks to be distributed between the national teams, excluding possible national research assistants. The team is supposed to travel to the five case countries as well as to the five donor headquarters. Additionally, two team members are expected to participate in the following four meetings in Oslo: A contract-signing meeting, a meeting to present the inception report, and two meetings for presenting draft and final reports. The consultants may be requested to make additional presentations, but the cost of these will be covered outside the tender budget.

The budget and work plan should allow sufficient time for presentations of preliminary findings and conclusions, including preliminary findings to relevant stakeholders in the countries visited and for receiving comments to draft reports.

## **7. Reporting and Outputs**

The Consultant shall undertake the following:

1. Prepare an inception report providing an interpretation of the assignment. This includes a preliminary description of the country context, a description of the methodological design to be applied and suggested selection of donor supported programs in the five case countries. The inception report should be of no more than 10 000 words excluding necessary annexes.
2. At the end of each country visit, present preliminary findings, conclusions and recommendations in a meeting to relevant stakeholders, allowing for comments and discussion.
3. Prepare draft country reports not exceeding 20 000 words plus necessary annexes, comprising an overview of the donors' AC support, key findings, conclusions, possible recommendations, lessons learned and an executive summary (of not more than 2000 words).

4. After receiving comments, prepare final country reports.
5. Prepare a work progress report not exceeding 2000 words, informing about the progress of the evaluation and possible obstacles encountered by the team.
6. Prepare a draft synthesis report not exceeding 30 000 words plus necessary annexes, based i. a. on the country reports and presenting the preliminary findings, conclusions, possible recommendations and lessons learned across countries and donors. The report should contain an executive summary of not more than 2500 words).
7. After receiving comments, prepare a final synthesis report.
8. Upon further confirmation, prepare a series of up to 6 short (4-6 pages) briefing papers summarising key findings and policy messages in an accessible format, to ensure dissemination of the most important findings of the evaluation to particular groups. The specific structure, content and audience of each paper will be agreed with the management group on completion of the synthesis report. Costs related to the preparation of these reports should appear separately in the tender budget and payment is subject to later confirmation.

All reports shall be written in English. The Consultant is responsible for editing and quality control of language. The country reports and final synthesis report should be presented in a way that directly enables publication. Report requirements are further described in Annex 3 Guidelines for Reports.

The evaluation team is expected to adhere to the DAC Evaluation Quality Standards as well as Norad's Evaluation Guidelines<sup>6</sup>. Any modification to these terms of reference is subject to approval by Norad. All reports shall be submitted to Norad's Evaluation Department for approval.

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6 See. [http://www.norad.no/items/4620/38/6553540983/Evalueringpolitikk\\_fram\\_til\\_2010.pdf](http://www.norad.no/items/4620/38/6553540983/Evalueringpolitikk_fram_til_2010.pdf)

## ANNEX 3: List of people met

Family Name	First Name	Organisations	Positions
Ala-Rantala	Anu	Embassy of Finland, Lusaka	Programme Officer (governance)
Banda-Bobo	A.M., Mrs	Patents and Companies Registration Office	Registrar
Beaume	Eric	European Union – European Commission	Counsellor – Head of Operations
Briseid	Marte	Royal Norwegian Embassy	Second Secretary – Governance and Gender
Bwalya	Samuel	ZRA	Director Research and Planning
Bowa	M	ACC	Director Legal & Prosecutions
Chilanga	Isaac	ACC	Chief Investigation Officer
Chona	Mark	Matantala Rural Integrated Development Enterprise	Chairman
Di Mauro	Francesca	European Union – European Commission	Counsellor – Head of Section
Edwards	Michael G	US Department of State	Political Economic Officer
Eldon	Christian	Republic of Zambia Governance Secretariat	Access to Justice Advisor
Geinitz	Dedo	German Technical Cooperation	Senior Governance Adviser
Hapunda	Frederick S	Zefa Lodges Ltd, Siavonga	Owner Manager
Harris	Clare	DFID	Economist
Jere	Gabriel	Zambia Chamber of Small and Medium Business Associations (ZCSMBA)	Capacity Building and Programmes Manager
Jul Larsen	Peter	Royal Danish Embassy	Minister Counsellor
Kaluba	Matteo	Ministry of Commerce, Trade and Industry	Chief Planner
Kanema	Rickson	Youth Association in the Fight against Corruption	Executive Director

<b>Family Name</b>	<b>First Name</b>	<b>Organisations</b>	<b>Positions</b>
Kanyuka	Mr	Ministry of Commerce, Trade and Industry	Assistant to Director of Human Resources
Katongo	Monday	Zambia Revenue Authority (ZRA)	Assistant Director IT
Kawatu	George T	Office of the President – Public Service Management Division	Permanent Secretary
Kayukwa	Godfrey Robert	ACC	Director-General
Kondowe	Moses	Cabinet Office – Management Development Division	Director
Lubinda	Ronah	Royal Norwegian Embassy	Programme Officer
Lungu	Goodwell	Transparency International Zambia	Executive Director
Luukkanen	Ville	Embassy of Finland, Lusaka	Counsellor (Economic Growth, Private Sector Development)
Malumo	Henry	CHAS	Health specialist
Malupenga	Amos	The Post	Managing Editor
Mfalo	Mbinji	University	AC specialist / Professor
Mmembe	Fred	TI-Zambia	Chairman
Morgan	Viola	UNDP	Country Director
Mubanga	Benny	ZRA	Ethics Officer
Mudenda	Nana	ZRA	Commissioner – Corporate Services
Musepa	Pamela	ZRA	Acting Assistant Director Purchasing and Supplies
Muyunda	Arthur	Youth Development Organisation	Programme Manager
Mwanba	Wilfred Kupelelwa	DFID	Governance adviser
Mwansa	Louis	OAG	Director – Planning and Information
Mwale	Francis	TI-Zambia	ALAC Project Coordinator
Mwape	Ernest	Governance Secretariat, GRZ	Accountability and Transparency Specialist
Mwendapole	Audrey	Embassy of Sweden	Operations Controller / Planning Officer
Nchito	Mutembo	MNB	Legal Practitioner
Nganga	Mr		Retired businessman



<b>Family Name</b>	<b>First Name</b>	<b>Organisations</b>	<b>Positions</b>
Ng'andu	Mrs K	ACC	Director – Prevention and Education
Nhekamo	Wisdom	ZRA	Commissioner Domestic Taxes
Nkoma	Arnold	ZRA	Assistant Commissioner, Chirundu
Nsunka	Michael	ZRA	Assistant Director
Nyirongo	MacLeod G	UNDP	Resident Representative
Palale	Patricia	World Bank	Senior Public Sector Specialist
Phiri	Masautso		MISA Zambia Trustee, Chair Zambia Committee for Communication and ex-journalist
Phiri Yezi	Ngoza	TI-Zambia	Programmes Manager
Raballand	Gael	World Bank	Senior Economist
Riby	Henrik	Embassy of Sweden	First Secretary
Safwila	Girland Limpo	Public Service Commission	Commission Secretary
Sakala	Edwin	ACC	Director of Investigations
Sheppard	Marie	World Bank	Senior Private Sector Specialist
Sichula	Maxwell	Zambia Chamber of Small and Medium Business Associations (ZCSMBA)	Executive Secretary
Sverkén	Karin	Embassy of Sweden	Economist / Deputy Country Director
Valvaten	Sigurd Lars	Royal Norwegian Embassy	Counsellor (Governance)
van den Dool	R.J (Robert)	Embassy of the Kingdom of the Netherlands	Deputy Head of Mission Head of Development Cooperation
Wandi	Rosewin	ACC	Deputy Director General
Watae	Sydney	USAID	Governance Advisor

### List of CSO participants

<b>Name</b>	<b>Organisation</b>	<b>Position</b>
Chimunya Chiboola	ZYAFA	Programmes coordinator
Hope Mubanga	FODEP	Programmes manager
Norman Chavula	Women for Change	Programme Officer M & E
Emily Siilazwe	Women for Change	Executive Director
Goodwell Lungu	TIZ	Executive Director
Angelina M Chibwe	MISA Zambia	Executive office assistant / adminisitrator
Jane Chiwa	MISA Zambia	Information and research officer
Golden Nachibinga	NGOCC	Documentation officer
Lee Habasonda	SACCORD	Executive Director
Charity Musamba	FODEP	Executive Director
Patrick Mucheleka	CSPR	Executive director
Chilufya Chirwa	JCTR	Programme officer – debt, aid and trade
Kafula Mwila	Citizens Forum	chairperson
Steven Moyo	Integrity Foundation Zambia	Executive secretary
Rickson Kanema	ZYAFAC	Executive Director

## ANNEX 4: List of documents consulted<sup>1</sup>

ACG May 2007 *Evaluation of the Task Force on Corruption, Part II*  
Afrobarometer 2005 Round 3 *Afrobarometer Survey – Zambia*  
Anti-Corruption Commission 2009-11 *Strategic Plan*  
DFID 2007 *Country Programme Evaluation*  
DFID February 2009 *Country Governance Analysis*  
DFID Zambia 2009 *Fiduciary Risk Assessment*  
Embassy of Denmark *Zambia Country Reports 2005-09*  
Embassy of Sweden *Zambia Country Reports 2005- 2009*  
European Commission 2005 *Governance Profile Zambia*  
GRZ 2009 *National Anti-Corruption Policy*  
GRZ 2010 *National Anti-Corruption Implementation Plan*  
GRZ August 2004 *National Governance Baseline Survey*  
GRZ July 2009 *Public Service Policy*  
GRZ November 2008 *Mid-Term Review of the Public Service Management (PSM) Support Programme*  
GRZ October 2009 *Evaluation of the Impact and Implementation of the Service Delivery Improvement Fund*  
Marie Chêne October 2008 *Overview of Corruption in Zambia U4*  
Mbinji Mufalo and Davies Chikalanga November 2008 *The Anti-Corruption Commission Enhanced Support Project – Report of the Review*  
Ministry of Health 2007 *Joint Annual Review*  
Ministry of Health 2008 *Joint Annual Review*  
South Consulting Africa April 2007, *Harmonisation of initiatives to Prevent Corruption in Zambia – the way forward on anti-corruption*  
Transparency International Zambia 2007 *Show me The Money*  
Transparency International Zambia June 2008 *Bribe Payers Index 2007*  
Transparency International 2003 *National Integrity Systems Zambia Country Study*  
USAID 2007 *Zambia Indicators Analysis*  
Zambia Business Forum 2010 *Zambia Business Survey*  
Zambia Revenue Authority 2007 *Annual Report*  
Zambia Revenue Authority 2008 *Annual Report*  
World Bank 2008 *Governance Report*

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1 Not all documentation relating to commissioning donor programmes are listed here. For each programme reviewed the following documentation was consulted where available: Programme descriptive document, annual or mid term review, final evaluation.

## ANNEX 5: Donor mapping – Zambia

UNCAC Headings	Donors	Title	Project duration
<b>Article 5</b> Preventive AC policies and practices  & <b>Article 6</b> Preventive AC body or bodies	<b>Denmark</b>	Support to the Task force on Corruption	2002-09
		Good Governance Programme, Phase I Component A - ACC	2005-08
		Support to Good Governance, Phase II Component A – Commission for Investigation	2009-12
	<b>Norway</b>	ACC Support	2000-02
		Anti-Corruption Fund	2002-04
		Anti-Corruption Fund Phase II	2004-?
		Additional Support to Task Force on Corruption Phase II	2007-?
	<b>Sweden</b>	Support to the Task Force	2005-07
	<b>UK</b>	Support to ACC (ACCES)	2000-09
		Acting against Corruption Together	2009-12
Support for African Parliamentarians AC Network			
<b>Article 7</b> Public sector	<b>UK</b>	PEMEC (Payroll Management) – incl in. Public Sector Capacity Building Project (PSCAP)	2001-04
	<b>UK, Sweden, World Bank</b>	Public Service Management	2006-10
<b>Article 8</b> Code of conduct for public officials	<b>Denmark</b>	Support NGOs – Ambassador’s Fund	
	<b>Norway</b>	MfA Study on Election Management	2008
	<b>Norway, Sweden, UK</b>	Through UNDP	2008
	<b>Norway, Denmark, UK</b>	Inter-party dialogue	2009
	<b>Sweden</b>	Support to CSOs- 2008 elections	2006
	<b>UK</b>	Support political parties	2006
		Support political parties and elections	2008
		Deepening Democracy	forthcoming
Parliamentary Reform Programme		2008-2011	

UNCAC Headings	Donors	Title	Project duration
<b>Article 9</b> Public procurement and PFM	<b>UK</b>	Public Expenditure Review: Analysis of the Planning and Budget Process	2009
	<b>Denmark, Norway, Sweden, UK,</b>	Public Expenditure Management and Financial Accountability (PEMFA) <i>(Denmark, Good Governance Programme, Phase I, Component B)</i>	2005-09
	<b>UK</b>	Support to Zambian Revenue Authority	
	<b>Norway</b>	Consolidation of Capacity Development in the Office of the Auditor General	2006-?
		Support for the Office of the Auditor General	1999-?
		Bridging specialised audit support to OAG	2009-?
		Reform of mining fiscal framework and tax administration	
		Mining Tax Audit	2009- ?
<b>Article 10</b>	Public reporting		
<b>Article 11</b> Measures relating to the judiciary and prosecution services  & <b>Criminalisation</b>	<b>UK</b>	Support to Judiciary to Undertake to Improve Processing of Serious Economic Crime and Corruption Cases (PILOT)	2003-05
	<b>Denmark</b>	Good Governance Programme, Phase I, Component C : Access to Justice	
		Good Governance Programme, Phase II, Component C : Access to Justice	
	<b>Sweden</b>	Juvenile Justice Programme	-09
<b>Article 12</b> Private sector	<b>Sweden, UK</b>	Financial Sector Development Plan (FSDP) (Financial Intelligence Units)	2006-08
	<b>Sweden, UK</b>	Private Sector Development Reform Programme	
<b>Article 13</b> Participation of society  (see Article 8 for elections)	<b>Denmark</b>	Good Governance Programme, Phase II, Component D: Strengthening civil society's engagement in governance	2009-12
		Core Support of Transparency International, Zambia	2002-2003
		Good Governance Programme, Phase I	
		Ambassadors Fund	
	<b>Norway</b>	TI-Zambia	2000-03 2004-06
		Media Trust Fund assistance for strengthening media in Zambia	2004-2007
	<b>Denmark, Sweden, UK</b>	Support to Civil Society for Poverty Reduction	2006-2010
		Zambia Governance Foundation	forthcoming

<b>UNCAC Headings</b>	<b>Donors</b>	<b>Title</b>	<b>Project duration</b>
<b>Article 14</b> Measures to prevent money-laundering		<i>See donor support to AC Task Force</i>	
<b>Criminalisation and law enforcement</b>	<i>See Article 11</i>		
<b>International cooperation</b>			
<b>Asset Recovery</b>	<i>See Article 14</i>		

## ANNEX 6: Country context

### Executive Summary

Zambia has experienced declining standards of living since independence with increasing poverty. HIV/AIDS is highly prevalent at 14.3% among the population of 12.9 million. Zambia is one of the most urbanised countries in Africa. Despite declining standards of living the country has experienced good growth rates in recent years averaging at 6% between 2005 and 2008. The economy's dependence on copper led to large fiscal deficits running up to the 1990s with government interventionist agendas requiring big budgets. This resulted in Zambia's accession to the Heavily Indebted Poor Countries (HIPC) Initiative orienting development strategies towards poverty reduction. The Government of Zambia has since pursued diversification to build up agricultural, tourist, gemstone and hydroelectric sectors (US State Department 2009).

Zambian politics play a huge role in government effectiveness and corruption. Since independence in 1964 the country has gone through various political transitions. The country was governed under a multi-party democratic system until 1972 when the ruling United National Independence Party (UNIP) imposed a one-party system under the excuse of rising ethnic factionalism and political breakdown. Increasing public and political pressure saw the reintroduction of a multi-party system in 1991 when the Movement for Multi-party Democracy came to power led by Frederick Chiluba until 2001. This decade saw corruption grow to endemic levels throughout all levels of society at petty, grand and political levels.

Since 2001, the government of Zambia has pursued various measures to curb corruption under the leadership of both Mwanawasa (2001-2008) and Banda (2008-present) with some success. However, Zambia still lacks an effective institutional system to provide checks, balances and wider accountability to produce the change needed. Political commitment improved steadily until recently and has not gone far enough although there have been some relative improvements in increasing transparency and addressing political corruption. Political actors are still wary of opening their doors to scrutiny while in office.

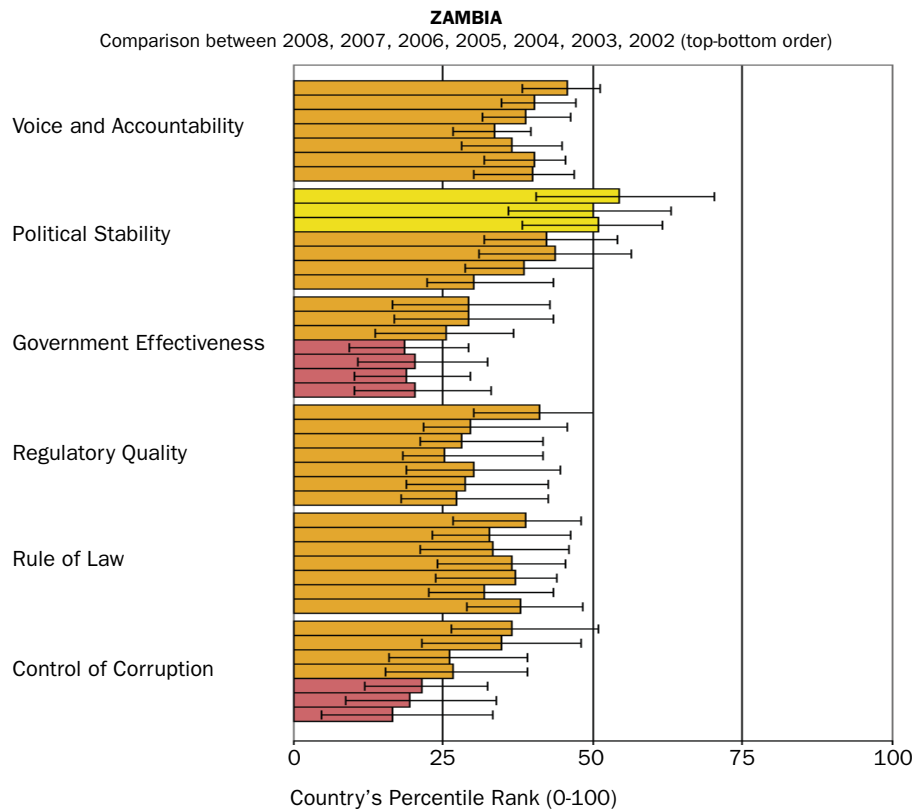
The pillars of government that potentially have the capacity to address corruption suffer from limited autonomy from executive power and some are desperately underfunded. Corruption has become endemic in all levels of society and it is debateable whether the fight against corruption is reaching the lower levels of public institutions. Bureaucratic systems impede the ability of the state apparatus to step up the fight against corruption and are in danger of neglect.

# 1 Corruption Measures

## Overall Corruption

The World Bank’s Governance Indicators suggest that there have been steady improvements in the control of corruption since 2002. In conjunction with this there have also been steady improvements of similar magnitude in political stability and more muted improvements in government effectiveness and regulatory quality. Both voice and accountability, and rule of law on the other hand appear to have improved in the last year but have fluctuated since 2002 (see figure 1.1).

**Figure 1.1 World Governance Indicators for Zambia**



Source: taken from (World Bank 2009)

On Transparency International's Corruption Perception Index Zambia has hovered around the 100<sup>th</sup> worst performer since 2003. Zambia has consistently received a perception score of 2.6 for a number of years apart from marginal improvement in 2008 up to 2.8 (See table 1.1).



**Table 1.1 Transparency International's Corruption Perception Index**

Year	Rank (total)	Total Countries	Position from bottom	Score
2008	115	180	65	2.8
2007	123	179	56	2.6
2006	111	163	52	2.6
2005	107	158	51	2.6
2004	102	145	43	2.6
2003	92	133	41	2.5
2002	77	102	35	2.6

Source: Compiled from (Transparency International 2009)

Despite improvements in the control of corruption and wider governance systems there is still speculation as to whether these changes reflect real, sustained improvements. This is explored in detail below.

### **Causes of Corruption**

Causes of corruption in Zambia are due to a variety of factors. At petty levels poor conditions of public service are often blamed resulting in service providers extorting bribes from clients. Grand corruption is made possible due to weak mechanisms of financial control combined with ineffective management mechanisms. In addition regulatory bodies have limited capacity to provide effective oversight and have restricted legislative powers to investigate and bring cases to trial.

Poor leadership and abuse of positions of power reinforce many legislative failings. Public officials have the freedom to act according to their own discretion with few checks and balances. This, combined with a broader societal acceptance of corruption, allows the exploitation of cultural norms to extort gifts and bribes. A culture of using positions of office for personal gain rather than pursuing national interests contributes to a system of patronage and corruption. Political patronage is based on mutually beneficial patron client relations preventing meritocratic systems of employment in public sectors. Instead relations are driven by careerism and power accumulation between the civil service and political leaders rewarding loyalty over achievement.<sup>1</sup> These systemic problems are reflected in the lack of political will to tackle corruption, which presents one of the foremost obstacles to combating corruption.<sup>2</sup>

### **Costs of Corruption**

The costs of corruption to Zambia are relatively difficult to assess. However, Transparency International's investigation into the Auditor-General's records since independence estimated that K348.244 billion (USD74.891 million when converted at current exchange rates) is misappropriated every year. This figure is a conservative estimate as it does not account for off budget embezzlement, nor does it account

1 Chiluko 2000

2 Transparency International 2003

for wider societal consequences and implications<sup>3</sup> borne by political, economic, social and environmental arenas:

- The fraudulent award of public sector contracts and poor quality of public services, in part due to corruption, has undoubtedly compromised efficiency, further requiring government resources to maintain provision.
- Political corruption undermines democracy and the rule of law constituting a major obstacle to democratic functioning
- Corruption engenders citizen apathy to democratic processes, in turn maintaining a weak civil society inadequate to provide checks and balances on political action and leadership.
- A poor regulatory system allows environmental degradation with over exploitation of natural resources. Those projects that do the most environmental damage are often the ones that are pushed through via corrupt practices as these offer the greatest opportunities to extract surpluses.<sup>4</sup>

### **Political Corruption**

Political corruption is an endemic problem in Zambia. Systems of patronage were entrenched during the 1990s. The Mwanawasa and Banda administrations subsequently pushed anti-corruption to the forefront of the political agenda. There have been improvements to the control of political corruption but it still remains one of the foremost challenges in Zambia today.

### **Political corruption in the Third Republic (1991-present)**

The Third Republic saw a time of economic liberalisation and increasing political freedoms, which had little effect on controlling corruption. During the period of MMD rule with President Chiluba (1991-2001) corruption became pervasive and endemic. Transparency was actively prevented with corruption investigations taking place behind closed doors. Corruption became a subject that was not open for debate, aptly demonstrated in 1992 when parliamentary debate on corruption was silenced by a number of influential politicians.<sup>5</sup> As a result government ministers were able to extract huge rents while in office with little oversight to restrict them.

Problems regarding political corruption appear to be widely known with good press coverage. Numerous examples provide evidence that political figures have been involved in abuses of power while in office related to drug trafficking, theft and financial mismanagement, looting of commercial banks (resulting in considerable bank closures), privatisation (state enterprises were often sold to their previous owners, or to politicians and their associated at highly depreciated values), electoral fraud, nepotism in public appointments, and wider rent seeking behaviour. In short, corruption reached all areas of political and governmental activity.<sup>6</sup>

Chiluba left office in 2001 following an unsuccessful attempt for constitutional reform to allow him to run for a third term. There has since been a reduction in instances of political corruption. The subsequent administration led by Mwanawasa put anti-corruption as the foremost pillar of government. This largely resulted in

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3 Transparency International Zambia 2007

4 Transparency International Zambia 2008

5 Chiluko 2000r

6 Chiluko 2000

holding the Chiluba administration to account for abuses of office while in power. The immunity that was previously held by outgoing presidents was relinquished and a Task Force on Corruption (TFC) was set up to deal with appropriations from office between 1991-2001.<sup>7</sup> Chiluba was brought to trial but was acquitted in August 2009 due to lack of evidence connecting his personal finances to public resources.<sup>8</sup> The TFC has struggled to bring other cases to trial successfully with only 3 convictions by 2007.<sup>9</sup>

Various gaps exist in the government's fight against corruption. The TFC has no powers to address current abuses of office and only has capacity to work retroactively. Many of those holding prominent cabinet positions have also been implicated in corrupt activities previously, compromising the integrity of parliament. There is still excessive executive power with little scope to curtail the abuses of those currently in office.<sup>10</sup> Preoccupations with maintaining a majority in a highly divided parliament detract presidential focus from issues such as corruption.<sup>11</sup>

### **Public Sector Corruption**

Petty corruption is a common feature of public services. With poor salaries, junior level staff have strong incentives to supplement incomes through extracting bribes from service users. This is the most visible form of corruption and one that has immediate consequences for those accessing public services. The scale of the problem is large and abuses of office through the misappropriation of public sector budgets are also prevalent. In 2007 Mwanawasa announced that K3tn had been appropriated by public sector workers over a four year period, though this figure was later revised to K36 billion.<sup>12</sup>

The Anti-Corruption Business Portal provides information on various public sectors and levels of corruption with the following conclusions:

- The judiciary are thought to be extremely prone to corruption in extracting bribes from citizens. There is little trust in the judiciary's capacity to uphold property rights and settle business disputes. Legal proceedings are often slow and lengthy with individuals offering bribes to speed processes up.
- The police are regarded by citizens and the business community as the most corrupt institution.
- Attaining licences, infrastructure and public utilities can involve long bureaucratic processes – often bribes are paid to circumvent red tape.
- Customary land is administered by local chiefs who are often involved in receiving bribes to influence their decisions on land use. State land is administered by local authorities and has been subject to corrupt allocations by councillors to themselves, friends or relatives.
- Tax administration is prone to the diversion of funds and taxes are not distributed uniformly according to regulation. Small and medium size businesses are particularly prone to having to bribe tax officials rather than large scale companies.

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7 Transparency International Zambia 2007

8 Economist 2009

9 *ibid*, 2007

10 Serious legislative constraints still exist. Serving ministers are still granted immunity while in office and the role of watchdog rests largely with parliamentary committees. The Anti-Corruption Commission also takes on an active role; by 2007 it had received 880 complaints, 416 of which were investigated resulting in 20 convictions (US Department of State 2009).

11 Meyns 2005

12 Transparency International 2007

- Public procurement and contracting rules are often disregarded and there are numerous cases of this occurring. Recently President Banda was implicated in a scandal involving signing over a contract for oil export to a losing bidder before the media publicised it.

Further to this, perceptions of public sector corruption are revealing (see table 1.2):

**Table 1.2 Perception of Government actors and Corruption**

Perceptions of government actors and corruption (% of respondents)	None corrupt	Some corrupt	Most corrupt	All corrupt	Don't know/haven't heard enough
President and officials	8	47	24	7	14
Members of Parliament	6	47	32	6	9
Elected councillors	8	48	28	7	9
National government officials	6	45	31	6	13
Local government officials	6	43	34	6	11
Police	4	24	28	22	3
Tax officials	7	29	41	9	14
Judges and magistrates	11	51	25	6	7
Health workers	29	52	12	2	6
Teachers and school administrators	21	53	18	3	5

Source: (Lolojih 2005)

Almost all public sector officials are perceived as somewhat corrupt. Health workers and teachers and school administrators are thought to be least corrupt. The police and tax officials stand out, perceived to be the most corrupt. Those in political roles are generally thought to be somewhat corrupt although the majority feels that this isn't true of all elected officials.

Data on experiences of corruption tells a relatively different story (see table 1.3 below). The vast majority of citizens have not come into contact with corruption in the public sector directly. This suggests various hypotheses; that the citizens have very little access to public services, that corruption exists in the misappropriation of government funds rather than through extortion of citizens, that public perceptions are misinformed, that corruption exists in forms other than the paying of bribes or giving of gifts.

**Table 1.3 The Use of Bribes for Services**

Paying bribes (% of respondents)	Never	Once or twice	A few times	Often	No experi- ence in the past year	Don't know
to get a document or permit	71	11	1	1	15	0
to get a child into school	75	7	1	0	17	0
to get a household service (piped water, electricity, phone)	76	3	1	1	20	0
to get medicine or medical attention from a health worker	79	8	2	1	10	0
to avoid problems with the police	73	9	3	1	15	0

Source: (Lolojih 2005)

### Sector Specific incidents of Corruption

In May 2009 the ACC reported that USD2million of public funds were embezzled by senior officials resulting in the freezing of budgets which were 55% supported by donor funds.<sup>13</sup> The Transparency International Zambia report *Show Me the Money!* found that the Ministries of Work and Supply, Communication and Transport, and Health topped the list as the worst sectors for irregularities in the financial audits that were examined.<sup>14</sup>

The education sector is relatively free from corruption with public finances reaching school level although there was little information as to how finances were managed at school level.<sup>15</sup>

### Corporate Corruption

Public procurement is a continuing problem in Zambia and a continuing challenge to controlling corruption. Almost 15% of firms expect to pay officials to get things done, and almost 30% of firms expect to present gifts to officials to secure government contracts (see table 1.4 below).

**Table 1.4 Firms perception of corruption**

Corruption	Zambia	Region	All countries
% of firms expected to pay informal payment to public officials (to get things done)	14.33	41.12	30.22
% of firms expected to give gifts to get an operating licence	2.61	19.38	30.22
% of firms expected to give gifts in meetings with tax officials	4.89	20.42	18.25
% of firms expected to give gifts to secure a government contract	27.39	44.26	31.42
% of firms identifying corruption as a major constraint	12.08	33.32	30.59

Table Source: (Enterprise Surveys 2007)

13 Action for Global Health 2009

14 Transparency International 2007

15 Transparency International Zambia 2005

Despite this, public perceptions of the private sector deem it relatively honest. Only 5% of citizens perceive the private sector to be affected by corruption and the private sector receives an average perception of 2.9 out of 5 for corruption (where 5 is the most corrupt), placing it as 3<sup>rd</sup> least corrupt sector after the media and parliament (Loljih 2005).

## **2 Anti-Corruption Strategy and Mechanisms**

### **Civil Society, Public Information and Media**

In 2009 the media was thought to be one of the least corrupt sectors in Zambia according to citizen perceptions receiving a score of 2.2 out of 5 (5 being the most corrupt). The media was also thought to be the least affected by corruption in comparison to other sectors.<sup>16</sup> Press freedom is safeguarded by law, although there have been various incidents of arrest and intimidation of journalists following their publication of information regarding government corruption. Although the situation appears to have improved since 2001, Zambia is still rated as 74<sup>th</sup> out of 174 in the Worldwide Press Freedom Index 2008.

Civil society and NGOs appear to be playing a greater role in oversight and monitoring of government activities. Civil society played an important role in the 2006 elections in fostering debate at the local level and provided an important independent monitor. Tensions between government and civil society appear to have eased since 2001 with fewer incidents of harassment and intimidation by government in acting as whistle-blowers.<sup>17</sup> There is little evidence to suggest that civil society has been involved in high level corruption.

Transparency International Zambia is heavily involved in increasing governmental transparency and accountability and is involved in government oversight roles, assisting the drafting of National Anti-Corruption Strategies.

### **Elections**

Elections have become freer and fairer over the last two terms. From 1991-2001, elections were subject to large-scale vote buying.<sup>18</sup> Since then the power of the electoral commission has been greatly strengthened and the election process improved largely due to the Mwanawasa administration.<sup>19</sup> The 2001 elections won by Mwanawasa were claimed by a very narrow margin – 30% of the vote over 27% to the opposition the United Party for National Development (UPND) – and were subject to numerous irregularities. In anticipation of the 2006 elections the Electoral Act of 2006, the electoral commission regulations 2006 and the electoral code of conduct regulations 2006 were passed in an effort to increase transparency.

The 2006 elections were widely regarded as free and fair and with a high voter turnout. Criticism from the EU monitoring group focused on the Electoral Commission, which, despite effectively disseminating information on candidates to increase voter awareness, had shown little transparency in its decision making processes.

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<sup>16</sup> Transparency International 2009

<sup>17</sup> Business Anti-Corruption Portal n.d.

<sup>18</sup> Chiluko 2000

<sup>19</sup> U4 Expert Answer 2008

Civil society was seen to play a positive role in increasing and decentralising debate and the elections passed peacefully.<sup>20</sup>

### **Government Accountability (Executive, Legislative, Judicial, Budget Processes)**

Power is concentrated with the Executive. Presidential power is constitutionally supreme in accordance with Article 44 and a President can only be impeached for gross misconduct and constitutional violation. The cabinet and deputy ministers are collectively accountable to the National Assembly.

Presidential and ministerial immunity makes oversight difficult. Despite this there have been moves towards increasing transparency in declaring assets through the Ministerial Code of Conduct Act (1997). However, many ministers claimed that much of their accumulated assets were acquired before entering office. The code was not applicable to all with backbenchers not required to declare assets.

Presidents are also required to declare assets and liabilities under article 34(5)(b).<sup>21</sup> However, these laws are weak in allowing scope for investigation and greater scrutiny. Public officials are not required to declare their assets and liabilities.<sup>22</sup>

Further oversight of the executive comes from Parliament and anti-corruption bodies. However, the level of immunity that the executive enjoys makes these actors' roles relatively palliative. Civil society and the media also have roles to play and have enjoyed increased freedoms in practice since 2001.

The Legislature or National Assembly is responsible for enactment of laws, ratifying senior appointments, approving the national budget, representing the people and holding the Government to account. The National Assembly has been successful in vetoing various senior level appointments despite pressure from the Executive.

However, the independence of the National Assembly is compromised by the influence of the President and the Vice-President (the latter acts as speaker of the house). Cabinet members also make up part of the Legislature and Executive and most bills that are passed by the legislature are initiated by the Cabinet. Zambian politics also sees strict party discipline. As such, if the ruling party has a majority, the opposition has little chance of opposing legislation.<sup>23</sup>

The Legislature has increased participation in the policy making process with parliamentary committees playing a more active role and gaining technical advice from experts to inform decisions and amendments. However, party politics still plays a strong role and discounts prospects for dissent.<sup>24</sup>

The judiciary is prone to corruption and is known to extort bribes from citizens.<sup>25</sup> The Global Corruption Barometer rates the judiciary at 3.8 out of 5 (where 1 is not at all corrupt). Despite high levels of corruption in the judiciary it remains largely

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20 European Union Election Observer Mission 2006

21 Transparency International Zambia 2005

22 *ibid.*, 2005

23 Transparency International 2007

24 Transparency International Zambia 2007

25 Business Anti-Corruption Portal n.d.

independent from political interference having successfully brought a number of convictions against political figures. Political actors try to avoid prosecution rather than bribing court officials. However, judiciary independence receives a score of 3.5 out of 7 (where 7 is completely independent) reflecting some political influence.<sup>26</sup>

The Zambia Police Force lacks the capacity to investigate instances of corruption. It is thought to be the most corrupt institution in the country.<sup>27</sup>

The Zambia National Tender Board is responsible for monitoring all public procurements. As mentioned above public procurement has been a continual problem in Zambia with high levels of political interference and opaque systems.<sup>28</sup>

The budget is proposed by the Minister of Finance to the National Assembly to be passed. The National Assembly can then amend the budget, however the total cannot be amended.<sup>29</sup>

### **Administration and Civil Service**

According to the Global Corruption Barometer (2009), Public Officials/Civil Servants are perceived to be the single most corrupt sector, receiving a score of 4.1 out of 5 (where 5 is extremely corrupt). They are also thought to be the most affected by corruption when compared to political parties, parliament/legislature, business/private sector, media, and judiciary. Weak accountability mechanisms surround difficulties in bringing disciplinary actions against bad performance and malfeasance and the Auditor General lacks capacity to monitor financial flows.<sup>30</sup>

High level civil servants have been investigated for the improper use of HIPC funds aimed at poverty reduction and debt relief. The HIPC Tracking and Monitoring External Team have raised attention to a number of irregularities in a variety of provinces. Particular attention has been paid to the procurement processes surrounding the award of road repair contracts to companies with significant links to politicians.<sup>31</sup> Corruption in the Ministry of Lands has been specifically targeted by the state. In 2009 the Minister for Land, Gladys Nyirongo, was convicted of distributing land to herself and her family and received a sentence of 6 years for misconduct.<sup>32</sup>

The World Bank has financed a Public Expenditure Management and Financial Accountability (PEMFA) programme to strengthen budgeting and financial management systems within government. Little information was found as to the impact or success of this programme on the Zambia public sector.<sup>33</sup>

### **Local and National level corruption**

In 2005 45% of citizens viewed some national public officials to be corrupt, and 31% viewed most national public officials to be corrupt. Similarly 43% of citizens

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26 Business Anti-Corruption Portal n.d.

27 U4 Expert Answer 2008

28 U4 Expert Answer 2008 Transparency International Zambia 2003

29 Transparency International 2007

30 Ibid 2007

31 Business Anti-Corruption Portal n.d.

32 (Business Anti-Corruption Portal n.d.)

33 (For a detailed analysis of Public Financial Management see Transparency International Zambia's report [http://www.tizambia.org.zm/download/uploads/Public\\_Fin\\_Mgt\\_and\\_Utilis\\_in\\_Zambia.doc](http://www.tizambia.org.zm/download/uploads/Public_Fin_Mgt_and_Utilis_in_Zambia.doc))



viewed some local government officials to be corrupt, and 34% felt that most local government officials were corrupt.<sup>34</sup>

### **Oversight and Regulation**

The U4 expert paper provides a comprehensive account of anti-corruption regulation and oversight over the evaluation period until 2008. Since 2008 the ACC has pursued a number of cases against individuals in the Zambia Air-Force, ministers and councillors, among other civil servants from various departments including the Ministry of Lands. To view a full list of these cases since December 2007 see:

- [http://acc.gov.zm/acc/Cases\\_in\\_Court.aspx](http://acc.gov.zm/acc/Cases_in_Court.aspx),
- [http://acc.gov.zm/acc/Decided\\_Cases.aspx](http://acc.gov.zm/acc/Decided_Cases.aspx)
- [http://acc.gov.zm/acc/Civil\\_Cases.aspx](http://acc.gov.zm/acc/Civil_Cases.aspx).

As mentioned above, the TFC was set up by Mwanawasa to investigate instances of corruption between 1991-2001. The highest profile case brought to trial was that of Chiluba, President during this period. However, he was acquitted in August 2009 on the basis of lack of evidence connecting his funds to state resources.<sup>35</sup> The acquittal led to the resignation of Maxwell Nkole, former head of the TFC. According to U4 only one person has been convicted of grand corruption out of 70 cases that the TFC has investigated (<http://www.u4.no/helpdesk/helpdesk/queries/query97.cfm#2>).

The government has created a committee to draft a National Corruption Prevention Policy and Implementation Strategy. The committee comprises the ACC, Governance Development Unit, Transparency International Zambia, the Cabinet Office, and an independent consultant (see reference above).

The Auditor General is responsible for monitoring the raising and expenditure of all public revenue. Its operations have been restricted by lack of funding and political independence. The Auditor General does not have the powers to prosecute those suspected of embezzlement.<sup>36</sup>

The Commission for Investigations acts as the Zambian Ombudsman. However, it does not have the power to investigate or prosecute, instead acting as a channel to pass on complaints to the ACC which then chooses to investigate further or not.<sup>37</sup>

The Electoral Commission has become increasingly reputable in recent years and is discussed in detail above.<sup>38</sup>

The Director of Public Prosecutions exists to provide oversight in ensuring that prosecution proceedings operate in accordance with the law but has struggled with lack of capacity and political autonomy.<sup>39</sup>

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34 (Lolajih 2005)

35 (Economist 2009)

36 (U4 Expert Answer 2008)

37 U4 Expert Answer 2008

38 U4 Expert Answer 2008

39 U4 Expert Answer 2008

The Drug Enforcement Commission has had success in bringing high-level cases of money laundering to trial. It is responsible for money laundering investigations and is independent of the Director of Public Prosecutions.<sup>40</sup>

### **Anti-Corruption and Rule of Law**

Citizen perceptions of government effectiveness in fighting corruption are relatively divided. In 2009 49% felt that government action was ineffective, 9% were thought it was neither effective nor ineffective, and 42% thought it was effective.<sup>41</sup>

In 2006 the TFC successfully prosecuted Samuel Musonda, the former director of the Zambia National Commercial Bank on 44 counts. In 2007 it also secured convictions against the former permanent Secretary of the Ministry of Health, and Brig. Gen. Wilford Funjika, the former Commandant of the Zambia National Service. 2009 saw the conviction of the Chairman of the Zambia Privatisation Agency, Francis Kaunda who received a 2-year sentence. In 2009 Lt. Gen Christopher Sinogo received a 6-year sentence for abuses of office as the former Commander of the Zambia Air Force.<sup>42</sup>

There are many instances where actors have been brought to trial under anti-corruption laws. The judiciary has proven autonomy to some extent given its ability assure convictions. However, the anti-corruption bodies, in particular the TFC, have struggled to bring convictions. High-level officials also enjoy relative immunity while in office which itself poses serious constraints on the actions of anti-corruption agencies, although example cases acting as deterrents may have limited affect.

### **International Agreements against Corruption**

Zambia is party to various international anti-corruption and transparency initiatives. 2003 saw Zambia ratify the South African Development Protocol against Corruption. 2007 saw Zambia ratify the United Nations Convention against Corruption as well as the African Union Convention on the Prevention and Combating of Corruption. However, it seems that these international agreements have not yet been implemented with weak legislative protection for whistleblowers and weak systems against money laundering, asset disclosures, plea-bargaining and freedom of information.<sup>43</sup>

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40 U4 Expert Answer 2008

41 Transparency International 2009

42 US Department of State 2009b

43 US Department of State 2009

**Construction Sector Transparency Initiative (CoST)** – Zambia is a pilot country under the Construction Sector Transparency Initiative which is coordinated by the National Council for Construction ([www.ncc.org.zm](http://www.ncc.org.zm)). Workplans for the CoST initiative indicate that the pilot phase will increase transparency in procurement procedures and implementation of projects over a certain threshold, establish effective auditing, and provide oversight from a multi-stakeholder group and civil society (CoST Work Plan Summary – Zambia n.d.)

**Extractive Industries Transparency Initiative (EITI)** – Zambia is a candidate country for EITI and has until 2011 to fulfil the validation process (<http://eitransparency.org/taxonomy/term/117>).

**Forest Law Enforcement, Governance and Trade (FLEGT)** – Zambia is currently not a member of FLEGT and no evidence was found of it seeking accession.

**Medicines Transparency Alliance (MeTA)** – Zambia joined MeTA in 2008 and set a programme for implementation in March 2009. The scheme has seen the formation of a coalition of CSOs to undertake a baseline study and form an advocacy strategy for activities to increase awareness and transparency in the medicines industry (<http://www.medicinestransparency.org/meta-countries/zambia/>).

### 3 Conclusion

Zambia has experienced widespread problems with corruption and has serious institutional barriers to overcome in order to effectively implement anti-corruption strategies. The political did appear to be moving in the right direction. Under former President Mwanawasa who was in office from 2001-08, a number of steps were taken to reduce corruption including strengthening anti-corruption institutions, including the ACC, the Auditor General's Office, and the Task Force on Corruption. An active press and civil society are gaining increasing confidence in garnering pressure from below and parliamentary systems are becoming increasingly participatory. This has led to slight improvements in national<sup>44</sup> and international<sup>45</sup>, indices. Assessments about the political will of the current government to prevent and combat corruption have been divergent, with recent highly publicized allegations of corruption during 2009, and the acquittal of former President Chiluba on corruption charges causing concern. However, there could be greater transparency and there needs to be no compromise on the independence, autonomy and capacity of key institutions such as the Auditor General.

Zambia faces multiple challenges with corruption pervasive at all levels. Executive power lacks oversight and greater power needs to be given to either National Congress or Anti-Corruption regulators to be able to enforce accountability. The civil service is entrenched in a system of bureaucracy that prevents punishment and desperately requires reform and key public institutions suffer from endemic corruption such as the police.

44 In the Zambian National Governance Baseline Survey from 2004, corruption ranked as the third most important concern to citizens and 40% of the respondents said that they had been asked for a bribe to obtain a public service or licenses and permits.

45 The World Bank Governance Indicators show a slight improvement in the 25<sup>th</sup> to 50<sup>th</sup> percentile over the past four years, see [http://info.worldbank.org/governance/wgi/sc\\_chart.asp](http://info.worldbank.org/governance/wgi/sc_chart.asp), while Zambia has improved its score on Transparency International's Corruption Perception Index from 2.6 in 2004 to 2.8 in 2008, see [www.transparency.org](http://www.transparency.org).

## ANNEX 7: Relevance of donor interventions (detailed analysis)

UNCAC Articles	Project Components
<p>Article 5 Preventive AC policies and practices</p> <p>Article 6 Preventive AC body and bodies</p> <p><b>Donor support:</b> <b>High</b> <b>Relevance:</b> <b>High</b></p>	<p><u>Anti-Corruption Commission:</u> ACCESS run from 2001 to 2009 and totalled <u>£5m</u> (with additional funding from Denmark and Finland). It was designed mostly to address ACC operational constraints in recognition that funding from GRZ was too low for ACC to fulfil its mandate. The intention was to help ACC achieve greater autonomy from government, allowing the ACC to be better positioned to challenge any political interference. Other components of the programme, which entailed support to revise Zambia's legal framework, strengthen ACC's internal management, and build coalitions with key stakeholders (including CSOs) were also highly relevant.</p> <p>ACCESS supported ACC's 2000 Strategic Plan with both technical assistance and financial assistance. In 2004, the ACC launched a revised strategic plan covering 2004 to 2008 and DFID programme was revised accordingly. Norway also provided support to ACC in 2001-07, to support the community education, prevention and prosecution of high profile cases. Both DFID and Denmark (2007-09) provided support for the development and implementation of the National Anti-Corruption Policy (NACP).</p> <p>Of particular relevance is the establishment and work of the Integrity Committees, which DFID and Denmark supported as part of their support to ACC. This flagship ACC initiative was approved by the government in 2006 and tested as a way to prevent corruption in eight pilot MDAs.<sup>1</sup> This initiative was all the more relevant to AC that all eight institutions (except the ACC) were selected after they were identified as the most corrupt in the NGBS report. It fits well with <b>UNCAC Article 7</b>, which seeks to promote a code of conduct for civil servants.</p> <p>In 2010, DfID launched a new £5.6m programme, called Against Corruption Together (ACT) in support of ACC. This programme will focus on supporting ACC role in coordinating the implementation of the NACP. DFID ACT Programme will include some valuable project components, linking CSOs, parliament and media with ACC's work.</p>

<sup>1</sup> The ACC, Immigration Department, Lusaka City Council, Ministry of Lands, Ndola City Council, Public Service Pensions Fund, Zambia Police Service and Zambia Revenue Authority. Another 5 ICs were rolled out in 2008.

UNCAC Articles	Project Components
<p>Article 7 Public sector</p> <p><b>Donor support:</b> <b>High</b></p> <p><b>Relevance:</b> <b>Moderate</b></p>	<p><u>PSM Component:</u></p> <p>The National Governance Baseline Survey (2004) aimed to evaluate public services and service provider and inform the forthcoming Public Sector Reform Programme (PSRP), including its PSM Component.</p> <p>Yet the situational analysis of the four sub-components of PSM (rightsizing, pay reform, service delivery improvement, payroll management and establishment control) do not explicitly refer to the main types of public sector corruption identified in NGBS – namely public funds misappropriation; bribes (access to service, contract and licences); and the purchasing of positions.</p> <p>This is in large part justifiable:</p> <ul style="list-style-type: none"> <li>• First, other institutions, like ACC, are there to address corruption in the public sector directly, and public funds misappropriation is already addressed in PFMRP.</li> <li>• Secondly, there are some obvious (albeit indirect) links between the programme and corruption: pay reforms should incentivise civil servants; the service delivery sub-component of PSM looks at staff performance management; and P MEC does aim to reduce payroll fraud.</li> <li>• Finally, work re-engineering processes, some dealt as part of rightsizing, implicitly seek to prevent corruption, by reducing the interface between civil servants and the public.</li> </ul> <p>However, the consultant find that in the absence of a result chain linking PSM interventions with behavioural changes, the relevance of PSM component to the fight against corruption remains moderate.</p> <p>Furthermore, key aspects of corruption in the public service (perhaps deliberately so) have been left out of the PSM component programme. These are recruitment, promotion and transfer procedures as well as the need for disciplinary actions within public administration.</p>

UNCAC Articles	Project Components
<p>Article 8 Code of conduct of public offices</p> <p><b>Donor support: High</b></p> <p><b>Relevance: <u>Low to Moderate</u></b></p>	<p>CPs (including Norway and Sweden for 2006) supported the 2006 and 2008 elections in Zambia through a basket funding mechanism managed by the UNDP. In addition, UK, Denmark, and Norway provided additional assistance to selected CSOs to raise awareness amongst voters and monitor the elections.</p> <p>Support to the 2006 elections included the development of a Roadmap for the Implementation of the 2006 elections; (ii) establishment of a continuous voter register; (iii) implementation of civic/voter education programmes with the involvement of civil society; (iv) engagement of the media in dissemination of electoral information; (v) documentation of lessons learnt; and, (vi) developing support systems for the coordination of international observers and training of local election monitors.</p> <p>CPs support to the 2006 Elections took place against a background of proposed reforms to the electoral system. The Electoral Act was revised in 2006 to strengthen the mandate and independence of the Electoral Commission of Zambia (ECZ). Among other issues, the Act introduced stiffer penalties for corruption, illegal practices and election offences. This, supplemented by a revised Code of Conduct, provided a conducive environment for the Commission to exercise greater autonomy and leadership in managing elections<sup>2</sup>.</p> <p>In their next phase of support, CPs have identified the fight against corruption in election processes as a cross-cutting concern. <i>“All activities shall take into consideration appropriate anti-corruption measures which will in turn improve public confidence in the electoral process. Stakeholders will be involved in anti-corruption initiatives which will be mainstreamed throughout the implementation of the various elements of the project”</i>. Whether this approach will be enough to address the root causes of political corruption has yet to be seen. In particular, there has been no in-depth analysis of the links between the multi-party system and the risk of corruption before, during, and after the elections. This is notwithstanding widespread allegations that some recent cases of corruption (including in the health sector) found their root in the ruling party’s financing of its electoral campaign.</p>

<sup>2</sup> UNDP Zambia, Strengthening Electoral Process in Zambia: Support to the Electoral Cycle 2009-2012

UNCAC Articles	Project Components
<p>Article 9 Public procurement and PFM</p> <p><b>Donor support:</b> <b>High</b></p> <p><b>Relevance:</b> <b>Moderate to High</b></p>	<p><u>Public Procurement and PFM:</u> PEMFA (2005-08 extended to 2010) is rated as highly relevant. The PEMFA programme purpose “<i>Improved efficiency, effectiveness and accountability in the management and utilisation of public financial resources to support the implementation of Zambia’s PRSP</i>” and goal “<i>Improved delivery of pro-poor government services</i>” clearly fit within AC – and with it the need to strengthen financial accountability.</p> <p>There were good attempts in Public Expenditure Management and Financial Accountability Reviews (2003) to assess the probability of “leakages” (including in social sectors such as education) and make the links between the programme and main corruption issues within the public sector, including procurement but also low payroll controls and low pay<sup>3</sup>.</p> <p>As described in South Solution (2007), of special interest to AC are the following PEMFA outputs:</p> <ul style="list-style-type: none"> <li>• Output 6 involves strengthening internal controls throughout the public sector for improved public expenditure management and financial accountability;</li> <li>• Output 8 is concerned with ensuring a consistent and harmonised legal framework to support transparency and accountability in the public sector;</li> <li>• Output 9 envisages an enhanced external auditing function for improved accountability and transparency in the utilisation of public resources;</li> <li>• Output 12 is an expectation of a more transparent, accountable and efficient public procurement system in order to improve expenditure management.</li> </ul> <p>Output 10, which focuses on enhancing Parliamentary Oversight, is also highly relevant. Similarly, Norway’s direct support to OAG is rated as highly relevant to AC.</p>

3 World Bank (2003), Zambia Public Expenditure Management and Financial Accountability Review, Washington.

UNCAC Articles	Project Components
<p>Article 9 Public procurement and PFM (cont.)</p> <p><b>Donor support: High</b></p> <p><b>Relevance: Moderate to High</b></p>	<p><u>ZRA:</u></p> <p>Support to ZRA (a law enforcement agency) is seen as moderately relevant to AC. ZRA is not described in NACP as an institution relevant to AC. Even if ZRA may not have investigative power will need to be confirmed, the agency has a strong role to play in detecting tax evasion. Fighting corruption within ZRA is also seen as crucial.</p> <p>DFID supported the ZRA from its establishment in 1992/3 to 2007<sup>4</sup>, although the final two years of the programme focused almost exclusively on CSO involvement in fiscal monitoring. The objective of the support was to improve tax administration and, from 2001, to improve tax compliance. The two major components of UK support during the evaluation period were to support (i) performance were to support (i) performance improvement and (ii) strengthened management and operational systems. A priority was computerisation with purchase and installation of FMIS, ITAS (income tax) and ASYCUDA (customs) systems. Support was also latterly provided to setting up a tax policy unit in the Ministry of Finance and National Planning.</p> <p>Units to handle large taxpayers and mining taxes are recent results of the reorganization. The ZRA's recent streamlining of procedures and efforts to reduce corruption can also be illustrated by the One Stop Border Post at Chirundu (see Chapter 6). The strengthening of internal audit and customer service – through service standards and the Taxpayer's Charter – was also an objective together with the specialization of units within the ZRA.</p> <p>Although a customer charter was introduced during the life of the DFD-funded programme; tax payer segmentation and improvement in accountability and effective communication and quality customer service were largely addressed by ZRA after the programme had ended, in some cases with MCA Programme Funding support.</p>

4 ZRA consolidation project 1995-1999. Support to Zambia Revenue Authority 2001-2003 subsumed under one component of Revenue Institutions in Zambia: Enhancement Support (RIZES) 2000-2005



UNCAC Articles	Project Components
<p>Article 11 Measures related to the judiciary and prosecution services</p> <p><b>Donor support:</b> <b>Low</b> <b>Relevance: Very High</b></p>	<p>Effective prosecution of corruption cases cannot take place without a justice system that is efficient, independent and fair. UNCAC article 11 focuses on the integrity of the justice system. Criminalisation relies on the effectiveness of that system.</p> <p><u>Corruption within the judiciary:</u> Germany supports the (international) Judicial Integrity Group on the Bangalore Principles of Judicial Conduct that held its most recent meeting in Lusaka in January 2010 attended by the Chief Justice of Zambia (and High Court and Supreme Court Judges) and endorsed by presence of the Vice President of Zambia. Reform of the Judicial Code of Conduct in Zambia has been supported by donors and action on enforcement of the code and a strengthening of the courts inspectorate is included in the Judiciary’s current Strategic Plan.</p> <p>Denmark’s current support to the Access to Justice Programme (2006-2012)<sup>5</sup> does highlight the need “to increase the competence and motivation of personnel in justice agencies and institutions”, making this programme potentially highly relevant. It is also implicitly assumed that its support to reducing case backlog and improving the efficiency and transparency of legal processes will reduce corruption within the judiciary.</p>

<sup>5</sup> To be supplemented with additional funding from EC and Germany from 2011.

UNCAC Articles	Project Components
<p>Article 12 Private Sector<sup>6</sup></p> <p><b>Donor support: High</b></p> <p><b>Relevance: Low</b></p>	<p>There has been little attempt from either donors or the government to bring the drive against corruption together with the drive for an improved climate for business.</p> <p><u>Private Sector Development Reform Programme (PSDRP):</u> The major vehicle for CP support to the private sector, this programme was founded on recommendations endorsed by government and the private sector<sup>7</sup> and launched in 2006 with high level backing from the government.<sup>8</sup> PSDRP Phase I ran from 2006-2009 and Phase II from 2009-2014. CPs saw the opportunity to align behind a government programme that had significant political will behind it. Private sector development is at the heart of the FNDP.</p> <p>The purpose of PSDRP is “to lay the foundation for faster sustained private sector led economic growth by implementing a comprehensive action plan for enhancing the business and investment climate, and restoring investor confidence.” Objectives are: strengthening the policy environment &amp; public agencies that support PSD; improving regulatory frameworks and investment code; encouraging Private Participation in Infrastructure (PPI); removing administrative barriers to business entry and operation; creating greater opportunities for access to regional and international markets by Zambian businesses; and unlocking the growth potential of the micro, small, and medium enterprise (MSME) sector.</p> <p>Corruption is not explicitly addressed in the design and implementation of the PSDRP. This is despite the fact that Sweden’s intention in 2006 was to try to ensure that the programme worked “in a pro active way with anti-corruption issues” both on corporate governance and in systems and procedures<sup>9</sup> and DFID had previously identified corruption in government as a main constraint faced by the private sector in Zambia.<sup>10</sup></p> <p>The PSDRP fails to recognise that the responsibility for fighting corruption in business must be shared between GRZ and the the private sector. There is no emphasis on improved corporate governance, higher standards of behaviour and increased transparency in the private sector.<sup>11</sup></p> <p>Instead, reduction of corruption was assumed to be implicit in the streamlining and reduction of procedures and licences (on the government side).</p>

6 UNCAC article 12 requires the state to “take measures ... to prevent corruption involving the private sector, enhance accounting and auditing standards in the private sector and, where appropriate, provide effective, proportionate and dissuasive civil, administrative or criminal penalties for failure to comply with such measures.” Possible actions foreseen by this article include professional and business codes of conduct, prevention of conflicts of interest between the state (and state officials) and the private sector, transparency of information about the private sector, cooperation between the private sector and law enforcement agencies, minimum audit requirements and accounting standards of businesses and preventing the misuse of licensing and other regulatory procedures controlled by the state.

7 The implementation structure put in place by MCTI was headed by the President .

8 Arising from World Bank assisted government studies and consultations in 2003 and 2004

9 SIDA assessment memo 2006

10 DFID Scoping Study 2002

11 However, international trends towards greater accountability and transparency in the private sector are beginning to impact on Zambian business; the Extraction Industry Transparency Initiative is one example.

UNCAC Articles	Project Components
<p>Article 12 Private Sector<sup>6</sup> (cont.)</p> <p><b>Donor support:</b> <b>High</b> <b>Relevance: Low</b></p>	<p>In addition, the PSDRP has lacked focus on SMEs and businesses in rural areas. The Zambia Business Survey, which was carried out in 2008 and include perceptions of corruption<sup>12</sup>, finds that 81% of MSMEs are located in rural areas and that very few belong to business associations. The survey also finds a significant difference between large firms and MSMEs, with respect to corruption. Managers of large firms were about 21 percentage points less likely to say that corruption was a serious problem than MSME owners. This could reflect that large firms in the large firm sample have more political power and so are less vulnerable to requests for bribes than MSME owners.<sup>13</sup></p> <p><u>Mining:</u> A number of initiatives in the mining sector (beside revenue-enhancing initiatives, such as that supported by Norway) do seek to influence private sector behaviour and hold them up to their responsibility. These are:</p> <ul style="list-style-type: none"> <li>• Norway’s support to audit mining</li> <li>• EITI is an example of where local and international momentum is being used to address transparency in the extractive sector in Zambia.</li> </ul>

12 The ZBS was a survey of 5,000 formal and informal businesses carried out from October to December 2008. The focus was on MSMEs but a survey of 161 large businesses was carried out in parallel. The final report is yet to be published

13 ZBS 2009. Difficulties were noted by the survey administrators in obtaining valid perception data on the levels of corruption experienced by firms

UNCAC Articles	Project Components
<p>Article 13 Participation of Society_</p> <p><b>Donor support:</b> <b>Moderate</b> <b>Relevance: High</b></p>	<p>The CSOs that have received the most support are: (i) TI-Z and; (ii) Civil Society for Poverty Reduction (CSPR). The support to TI-Z by Denmark and Norway came to an end with TI-Z' Strategic Plan in 2007. It is not clear why their support was not renewed in the following years. DFID (through a silent partnership with GTZ) and Sweden (through Diakonia, a Swedish International NGO) have continued to support CSPR to date.</p> <p>CSOs and CPs agree that the potentials for CSO advocacy in AC remain largely untapped. In Zambia, only TI-Z is directly involved in AC activities, yet many others are active in governance and accountability-related advocacy issues (see Appendix 8)<sup>14</sup>.</p> <p>Given that TI-Z became operational in practical terms in 2001, it has developed only two Strategic Plans since then. These are: (i) 2004 to 2007 and; (ii) 2007 to 2011. What was in the earlier years was more of Annual Work Plans and Budgets. The two Strategic Plans have focused on four major areas (the 2007-2011 Strategic Plan splits the Governance and Management into two separate entities to give a total of 5 strategic areas. This is with the view to reflecting the new emphasis in this area). The four areas of focus for TI-Z activities have been as follows:</p> <ol style="list-style-type: none"> <li>i. Governance; By 2007, TIZ will have strong, effective and responsive governance and management structures and systems, capable of expanding the scope and diversity of its anti-corruption programmes</li> <li>ii. Advocacy; By 2007, TIZ will be a leading organization in initiating and articulating innovative and progressive anti-corruption measures and programmes, as well as advocating for appropriate Government response to such measures</li> <li>iii. Communication and coalition building, and; Enhanced visibility of TIZ's programmes and activities through effective and strategic communication, information dissemination, networking and coalition building, by end of 2007</li> <li>iv. Community awareness/capacity building. By 2007, TIZ and its strategic partners will have improved institutional and technical capacity to effectively engage in anti-corruption programmes and activities</li> </ol> <p><b>Objectives ii, iii, and iv – and activities that fall within them – are all highly-relevant to AC in the country.</b></p>

14 The Zambian Governance Foundation for Civil Society, ZGF (2009 to 2011) is co-financed by DFID, Irish Aid, DANIDA and Sida. ZGF will be active in democratic governance with a potential to access grass roots and provincial levels. Its direct support to AC activities will depend on the applicant's focus for the funds applied for. The Foundation will have four different support tools: (i) institutional/core support – for primarily established CSOs; (ii) initiative support, meant for CSOs representing a medium layer and without technical and financial capacity, hence will be given grants; (iii) capacity building support, which will be supplied by companies or CSOs with framework agreements following a process of bidding, and; (iv) rapid response support, aimed at support to CSOs response and action to emerging policy issues.

The overall objective of ZGF is to contribute to improve

UNCAC Articles	Project Components
Article 14 Measures to prevent money-laundering	See <a href="#">TFC</a>
<b>Donor support:</b> <b><u>Moderate</u></b> <b>Relevance: <u>High</u></b>	
Criminalisation and law enforcement	<p><u>Anti-Corruption Task Force</u></p> <p>The TFC, whose mandate was not only to investigate cases of corruption during 1991-2001 but also prepare prosecution cases on the basis of evidence and recover stolen assets, began operations in 2002. In 2003, President Mwanawasa reinforced it as an inter-agency task force, gathering key law enforcement institutions, namely Zambia Police (ZP), Drug Enforcement Commission (DEC), Anticorruption Commission (ACC), and Zambia Intelligence Security Services (ZISS).</p>
<b>Donor support:</b> <b><u>High</u></b> <b>Relevance:</b> <b><u>Moderate</u></b>	<p>Three quarters of the funding for the task force came from donors (although GRZ remained the largest single contributor) – the bulk of which being used to pay the high cost of foreign investigations and lawyers. That this coincided with a civil case against Chiluba in the UK also sent strong signals of donor commitment. It was also the first time that professionals seconded from different law enforcement agencies worked together to combat grand corruption. The OAG, Bank of Zambia, MoFNP, commercial lawyers and private prosecutors were also put to contribution.</p> <p>The work of TFC was highly relevant to AC in Zambia, filling important gaps on criminalisation, asset recovery and international cooperation. The fact that former president Chiluba’s immunity was waived and that the Task Force aimed at recovering as much as USD300m estimated to have left the country also made this initiative particularly relevant. The main justification for CPs was that recovered assets would be disposed of and reallocated to support the country’s poverty reduction agenda.</p> <p>At the same time, TFC’s relevance stopped with its short-term mandate and coverage (1999-2001) and its focus on grand corruption only.</p>

UNCAC Articles	Project Components
<p>Criminalisation and law enforcement (cont.)</p> <p><b>Donor support:</b> <b>High</b></p> <p><b>Relevance:</b> <b>Moderate</b></p>	<p><u>Law enforcement agencies:</u></p> <p>Donor generous support to TFC has taken place at the expense of strengthening law enforcement agencies dealing with corruption. CPs support in this area was limited to DFID's support to a 2009 training session to improve the ability of magistrates and High court judges to process serious economic crime and complicated corruption cases. (An extension of this training will be offered to the judiciary in 2010 and funded by Norway). Under Denmark Access to Justice programme, it is implicitly assumed that a more efficient justice sector will lead to more effective criminalization of corruption, but this aim is not explicit in Denmark's support.</p> <p>Levels of corruption in the Zambian Police Force are perceived to be high with, for example, the 2004 Local Corruption Perception Index and the 2005 Bribe Payers Index both showing that the police force is the most corrupt institution.<sup>15</sup> There has, however, been little support by donors although the UK is considering some support under ACT as part of its multi-stakeholder approach. With the recent increasing blurring of the distinctions between theft and corruption and the overlap in institutional mandates amongst investigation and law enforcement agencies the role of the police in fighting corruption is significant.</p>
<p>International Cooperation and Asset Recovery</p> <p><b>Donor support:</b> <b>High</b></p> <p><b>Relevance:</b> <b>High</b></p>	<p><u>See TFC</u></p>

15 Transparency International 2007 National Integrity Systems Country Study Zambia 2006/07

## ANNEX 8: Major civil society organizations in Zambia involved in anti-corruption, governance and accountability issues

Name of CSO	Anti Corruption, Governance and Accountability related Activities involved in
Jesuit Centre for Theological Reflection (JCTR)	<ul style="list-style-type: none"> <li>• Governance and accountability (broad sense)</li> <li>• Debt cancellation campaign</li> <li>• Government accountability in debt acquisition and use of borrowed funds</li> </ul>
Civil Society for Poverty Reduction (CSPR)	<ul style="list-style-type: none"> <li>• National budget monitoring and tracking</li> <li>• Mobilise other CSOs for a consolidated input into national planning initiatives. E.g. provided input into FNDP. On 31<sup>st</sup> March 2010 launched CSPR SNDP, from a civil society perspective (389 CSOs contributed papers that went into the SNDP of which 132 were provincial based). The theme of the SNDP is: “Economic Growth with Equity; Investing in the Dignity of the People”</li> <li>• Continuous dialogue and engagement with government through Sector Advisory Groups (SAGs)</li> <li>• Pre-budgets and post budget input into government’s annual budget processes</li> </ul>
CARITAS	<ul style="list-style-type: none"> <li>• Creation awareness at provincial and district level in economic justice</li> </ul>
Women for Change	<ul style="list-style-type: none"> <li>• Awareness creation with respect to human rights and assertiveness among communities through the Popular Education Method(PEM)</li> </ul>
SUCCOD	<ul style="list-style-type: none"> <li>• Governance and accountability</li> <li>• Support the creation of an enabling environment for CSOs to operate through an appropriate legal framework improvement</li> </ul>
Non-Governmental Organizations Coordinating Committee (NGO CC)	<ul style="list-style-type: none"> <li>• Budget analysis from gender perspective</li> <li>• Capacity building of NGO CC members in budget analysis from gender perspective</li> </ul>

Name of CSO	Anti Corruption, Governance and Accountability related Activities involved in
Transparency International Zambia	<ul style="list-style-type: none"> <li>• Advocacy and legal advice [(detailed activities include: receiving and recording complaints; quarterly radio hotline advertisements; consultative meetings with stakeholders (community leaders, other CSOs)]</li> <li>• Communication and coalition building/Information dissemination (detailed activities include: regular update of TIZ information centre &amp; web-page; publication and distribution of bi-annual TIZ newsletter; hosting media and partners meetings;</li> <li>• Community awareness and corruption prevention (includes: training community members in corruption awareness using various avenues; support work of the private sector)</li> <li>• Good governance promotion (includes: contribution to peer review mechanisms; contributing to joint government and private sector strategies to combat corruption; participate in the public finance monitoring planning; organize and conduct anti-corruption lectures in learning institutions).</li> </ul>



## ANNEX 9: List of main lessons per actor

### Lessons from Government

- The NGBS 2004 analysis on the possible relations between corruption and government for each of the 53 agencies included in the survey has produced a number of useful lessons. These are:
  - The existence of appropriate audit mechanisms (internal and external) is related to lower levels of corruption<sup>1</sup>.
  - Lower levels of administrative corruption are associated with the availability of mechanism for citizens to express their opinions.<sup>2</sup>
  - Better enforcement of rules is related to lower levels of corruption in personnel.
  - There is a correlation between the extent of politicisation and the levels of corruption in the public contract process.<sup>3</sup>
  - Corruption is co-related with poor quality of, and poor access to public services. [...] Moreover corruption becomes a regressive tax by restricting access to services by poor citizens.
- The lack of shared expectations explains for the most part tense relationships between CPs and GRZ over the slow pace of reforms and negotiation over the health sector's Governance GAP. In setting targets, CPs have failed to understand the different realities and constraints that GRZ is facing when it comes to a political decision, on one hand, and to technical implementation, on the other.

### Lessons from NGOs

- CPs have not been consistent in their approach to AC because they have overlooked the role of multinationals in the fight against corruption in the country. They have for example kept quiet when GRZ decided to drop plans for a windfall tax.
- As they throw their weight behind a pro-AC government, CPs risk undermining AC as a social agenda.
- CPs' move to PRBS has helped to put additional pressure on the government to strengthen its public finance management systems.

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1 Institutions in Zambia where personnel and budget management are subject to regular audits external and/or internal exhibit lower levels of corruption.

2 The extent to which citizens are obliged to pay bribes to obtain public services from Zambian institutions is substantially lower when in such institutions there exist mechanisms for citizens to hold them accountable for the quality of the service they provide.

3 Undue political interference on the decision-making process of Zambian institutions appears to increase the percentage of cases where public contracts were decided through unofficial payment and/or kick-backs

## **Lessons from CPs**

- Dealing with corruption requires government commitment both to push through and implement legal and regulatory reforms.
- CPs commitments to Paris Declaration principles have rightly entailed support for, and alignment to, the country's systems. A more cautious approach allowing for a gradual (rather than full) alignment to the government's financial reporting and auditing mechanisms seems more appropriate in a country like Zambia where the level of fiduciary risk remains high.
- Government-wide PFM and procurement programmes are not sufficient to guarantee reforms are pushed through across government Ministries.
- Managing expectations from HQs is key in ensuring that CPs can successfully coordinate their response to corruption.
- In freezing their development assistance in key social and economic sectors, CPs are likely to face government and press accusation that they are being blind to the poor.
- Supporting domestic accountability processes – and allowing them to come into full play when allegations of corruption are made- is where CPs can add the most value.
- Success stories in tackling corruption in public sector institutions have shown that an integrated and tailored approach works best. CPs must respond with greater support where factors for success converge. This approach should combine strengthening and streamlining systems with audit, prevention, and feedback mechanisms. Strong leadership remains key.

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