



1. Project Data :		Date Posted : 06/09/2000	
PROJ ID: P003251 OEDID: C2406		Appraisal	Actual
Project Name : Privatization and industrial reform technical assistance	Project Costs (US\$M)	11	10.33
Country: Zambia	Loan/Credit (US\$M)	10	10.33
Sector, Major Sect .: Privatization, Public Sector Management	Cofinancing (US\$M)		
L/C Number: C2406			
	Board Approval (FY)		92
Partners involved :	Closing Date	12/31/1997	12/31/1999
Prepared by :	Reviewed by :	Group Manager :	Group:
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<p>2. Project Objectives and Components</p> <p>a. Objectives</p> <p>(i) To provide complementary support for the reforms to be undertaken under the Privatization and Industrial Reform Credit (PIRC); (ii) Strengthen the capabilities of the ministries and other institutions responsible for the parastatal reforms and privatization program;</p> <p>(iii) Strengthen macroeconomic and institutional reforms needed to improve the environment for a thriving private sector; and</p> <p>(iv) Training of Zambians in the above areas .</p> <p>b. Components</p> <p>(i) Privatization of 105 parastatals: provision of technical assistance and equipment for the development and implementation of a program, including the preparation and restructuring of companies to be sold, valuation and establishing realistic sale prices and assisting in negotiations for sales (US \$ 8.5 million)</p> <p>(ii) Technical assistance and equipment to introduce measures for development of the private sector in the country including introduction of new laws, policies, and programs and the establishment of new and strengthening of existing, institutions and improvements of the legal system . (US \$ 1.2 million)</p> <p>(iii) TA and equipment to develop and implement reforms in the six utilities which will remain in the public sector (US \$ 0.9 million)</p> <p>(iv) TA and equipment to formulate and carry out a Social Action Plan to provide a safety net for those affected by the reforms under PIRC and training of Zambian Officials in the relevant aspects of this program (US \$ 0.4 million)</p> <p>c. Comments on Project Cost, Financing and Dates</p> <p>The project costs were estimated at US \$ 11 million. Actual costs were US \$ 10.3 million. The project was appraised in May 92, approved in June 92, effective on September 92. It was expected to close on 12/31/97, but was extended to 9/30/99.</p>

<p>3. Achievement of Relevant Objectives :</p> <p>Project objectives were, on the whole, achieved :</p> <p>(i) <u>Privatization</u>: Almost 90% of the credit went towards this component. Although implementation was slow to start, by project closing, the Zambian Privatization Agency (ZPA) was established following the enactment of the Privatization Act. ZPA hired high caliber consultants who were able to implement the privatization program . Almost 85% of the 158 parastatals were privatized. Importantly, the Energy Regulation Board (ERB) was created under the Energy Regulation Act of April 1995. ERB has developed a business plan with technical assistance provided under the project and has started effectively establishing sectoral standards and issuing licenses to private companies . The Communications Authority of Zambia (CAZ) was also established in 1995 by the Telecommunications Act of 1994 and regulates the provision of telecommunication services in Zambia; it is empowered to prescribe rules and regulations for the operations of licensees and suppliers of telecommunication equipment .</p> <p>(ii) The <u>Private Sector Development</u> component: (see above) In total 26 laws have been enacted, some of which are new, while others are revision of outdated laws thereby at least establishing a more conducive and transparent framework for commercial activities in the country. The Ministry of Commerce, Trade, and Industry created a <i>Business Forum</i>, which brings together all stakeholders in the future of Zambia's economy and have held three sets</p>

of discussions on policy issues of concern to stakeholders including government's budgetary allocation . The *Securities and Exchange Commission* was established under the *Securities Act of 1993*. (It is fully functioning, although it has not reached the desired level of sustainability and its market capitalization is still only 70% of the desired amount. It has also not fully reached its minimum target of 20 listed companies (having listed only 11 companies). The *Zambia Competition Commission* was also established in 1995 with the mandate to regulate monopolies and to ensure fair trading practices in Zambia . It received 837 inquiries resulting in 104 cases. ZCC has completed 81 cases and 14 cases are in progress. The *Pension and Insurance Authority* has also been established . However, it is still not fully effective until the Pension and Insurance Authority Act is passed . The *Bank of Zambia Act* was strengthened to give authority for regulation and supervision of banking and financial institutions .

(iii) Six Utilities in the Public Sector: This was a small component. The SAR is not clear on the six utility companies that were in this component; the ICR gives some idea . The privatization of almost 238 parastatals has helped to reduce government involvement in business activities . The *Communications Authority* was established and various studies are ongoing including one on Post and Telecommunications and another on the *Zambia Electricity Supply Corporation*.

(iv) Social Action Plan. Although a small component in terms of costs, this was a very critical component . The DCA talks of a social action plan to protect the vulnerable . A National Social Safety Net Coordinating Committee (NSSN) was established in 1993 as the apex institution to coordinate safety net programs and provided staff training, study tours, training programs for displaced workers, and engaged in some media campaigns .

4. Significant Outcomes /Impacts :

The project:

- Reduced the government's direct role in a number of economic activities and thereby reduced its administrative load;
- Promoted an improved regulatory framework for commercial transactions and for competition;
- Supported the initiation and growth of private markets and ownership of shares, including the establishment of a functioning Securities and Exchange Commission, which paved the way for the Lusaka Stock Exchange ;
- Resulted in almost 64% of the privatized businesses being sold to indigenous Zambians; and
- Built capacity in a number of key areas.

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

- The adequacy of the social safety net, which cost about US \$ 0.4 million is questionable for a period where as a result of project and other activities in the country, on an average, 12,500 people per annum between the period of 1990-98 were being made redundant. The project resulted in a number of activities, but only about 2,320 secured gainful employment. Under the "Future Search Program" about 68% of the participants found employment, although the exact numbers are not provided .
- The SAR indicates that almost US \$ 9.2 million of the IDA credit of US \$ 10 million was to involve foreign costs out of which almost US \$ 9 million was for international consultants . Although there is broad evaluation of this assistance, there is no clear emerging picture of the precise nature of the capacity that was left in the country . With project closing, many of these international advisors would have also withdrawn, and the ICR does not give a considered view of this aspect in terms of sustainability . The Government's contribution to the ICR raises some concern about sustainability .
- The ICR does not rate attainment of gender objectives . The lack of a proper monitoring system perhaps made it difficult. It would have been useful to cover or address some gender issues, at least in the social action plan . Did more women lose jobs? How many women were trained? Was the impact of the privatization different on men and women?
- This technical assistance project activities did not involve any of the safeguard policies . However, the SAR did say that preparation of each company for privatization would involve the preparation of an environmental plan of action. The ICR does not comment on this aspect.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

In addition to lessons stated in ICR:

(i) Well thought through project implementation arrangements, especially involving critical stakeholders (Ministries of Commerce, Trade and Industry, and Ministry of Legal Affairs in the cross -ministerial task force on legal reform and the private sector in the privatization agency), were key to enhancing ownership and increasing pace of privatization reform.

(ii) A MIS system, with indicators to measure the impact of the project on poverty (including social and gender aspects), must be included at appraisal and functioning in a manner satisfactory to the Bank and Borrower by credit effectiveness, at the least.

(iii) Where a project primarily provides technical assistance by foreign consultants, a monitorable plan for transfer of capacity/skills should be required at appraisal .

(iv) A post operation plan providing a description and evaluation of the transition arrangements for future operation, including a clear understanding of the financial, commercial, and institutional provisions, is a critical element to ensure sustainability .

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR was satisfactory. However:

(i) The ICR did not adequately place the project outcomes in the context of the Zambian economy so as to set the outcomes within the economic context as a whole .

(ii) At project closing, actual Government contribution was only 25% of appraisal estimate, reasons for which are not discussed in the ICR.